



**AZIMUT**

Azimut Exploration Inc.

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

**For the six-month period ended February 29, 2008**

### **Scope of management's financial analysis**

This report represents a complimentary addition to the interim financial statements by providing additional contextual and prospective information. This report was prepared in accordance with Canadian generally accepted accounting principles (GAAP).

### **Corporate profile and mission**

Azimut Exploration Inc. ("Azimut" or the "Company") is a publicly traded Canadian exploration company that specializes in mineral potential assessment and targeting to discover major ore deposits. The company's targeting methodology allows to analyze vast regions to rigorously identify and rank quality targets. Partnerships are developed at an early stage to fast-track mineral exploration on multiple properties concurrently. This maximizes value creation for stockholders while reducing the company's technical and business risk. Quebec is the main focus so far, but other regions around the world are considered.

Since June 2003, the Company has acquired fifty exploration properties using the results of its regional-scale mineral potential assessments in Quebec. These properties are located:

- In the James Bay region:
  - 4 gold properties in the Opinaca area (the A and A East blocks; the B and B North blocks; the C Block, which is included in the Eleonore South project; and the D Block)
  - 2 gold properties in the Eastmain area (Eastmain West and Wabamisk)
  - the Comptoir gold property
  - 7 other gold properties in this region
- In the Ungava Bay region:
  - 5 uranium properties (North Rae, South Rae, Daniel Lake, Kangiq and George River West)
- In the Central Quebec region:
  - 8 uranium properties (North Minto, South Minto, Central Minto, West Minto, South Bienville, West Bienville, Hudson Bay and Kativik)
- In the North Shore region, within the framework of a strategic agreement with Kennecott Exploration Company ("Kennecott"):

- 2 copper-uranium properties (Manitou and Mont Merry)
- the Grenium uranium project, which comprises 3 properties (Havre NW, Chevery and Augustin)

Azimut has also acquired the North Havre uranium property, which lies north of the town of Havre St-Pierre. In addition, the Company acquired 13 properties within the framework of a strategic agreement with Kennecott for nickel exploration.

The locations of Azimut's properties are shown on the attached map of the Province of Quebec.

In addition, Azimut has signed a strategic agreement with Channel Resources Ltd. ("Channel") for mineral exploration in Ecuador, South America.

## **Overall performance**

### **Summary of activities for the last quarter and subsequent activities**

#### *December 2007*

- Azimut and Everton plan a winter drill program at Opinaca
- Azimut and Channel identify uranium targets on the West Bienville property
- Azimut delivers a Notice of Default to NWT Uranium Corp. in respect of the North Rae and Daniel Lake properties

#### *January 2008*

- Azimut releases additional encouraging results on the North Rae uranium property
- Azimut and Majescor receive additional encouraging uranium results for the South Rae property with grades up to 0.65% U<sub>3</sub>O<sub>8</sub>

#### *February 2008*

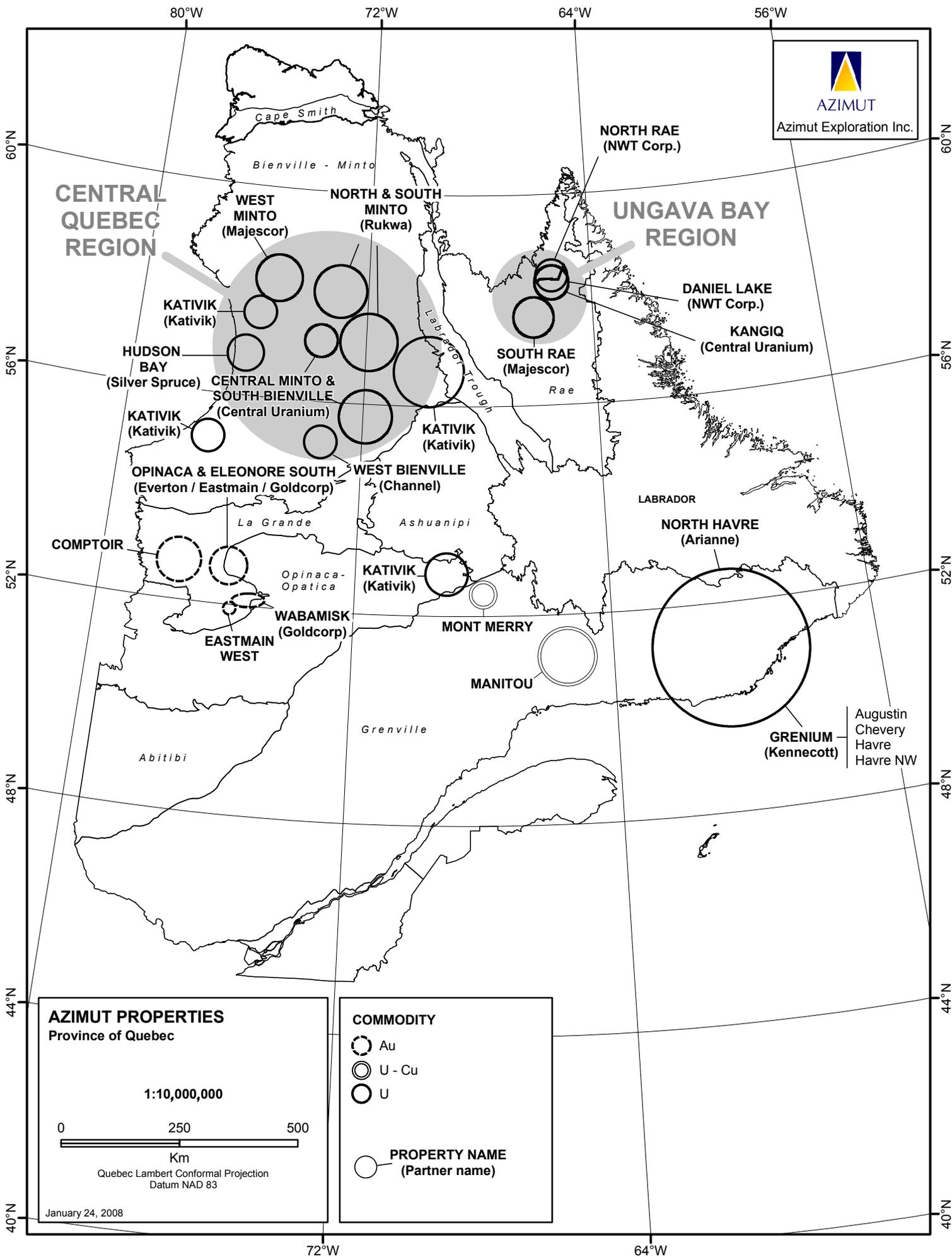
- Azimut and Central Uranium report extensive uranium targets at Kangiq, further demonstrating the discovery of a potential new uranium district in the Ungava Bay region
- Azimut receives a Curative Notice from NWT Uranium
- Azimut considers NWT Uranium Corp. to have cured its default in respect of the North Rae and Daniel Lake properties
- Azimut's partner Goldcorp exercises its option at Eleonore South
- Azimut and Majescor outline 392 priority uranium targets on the South Rae property

#### *March 2008*

- Azimut's partners start two drilling programs totalling 5,250 m on the Eleonore South and Opinaca A gold properties

#### *April 2008*

- Azimut and Rukwa Uranium identify major uranium targets on the North Minto and South Minto properties
- Azimut and Central Uranium identify major uranium targets on the Central Minto property
- Azimut releases a summary of its 2008 gold and uranium exploration highlights for three emerging districts in Quebec



## *Project summaries*

### **James Bay region - Opinaca sector**

The Opinaca sector is located northeast of the Opinaca reservoir in the James Bay region, 320 kilometres from Matagami or Chibougamau. This sector is underlain by the volcano-plutonic La Grande Subprovince and the metasedimentary Opinaca Subprovince. Conglomeratic metasedimentary sequences are unconformably deposited above mafic volcanic rocks in the upper part of the La Grande stratigraphy. Metamorphic grade increases gradually from the La Grande Subprovince towards the Opinaca Subprovince. There appears to be at least three generations of structures in this sector.

In 2004, Virginia Gold Mines Inc. discovered and delineated the major Roberto gold deposit on their Eleonore project. Definition was made both at surface and in drill holes over a lateral distance of roughly 1,900 m and to a depth of more than 1,100 m. Goldcorp Inc. (“Goldcorp”) has since acquired the Eleonore project and undertaken a feasibility study. Production is expected by late 2010. In June 2007, Goldcorp announced an initial indicated gold resource of 1,834,900 ounces at an average grade of 7.4 grams per tonne, and an initial inferred gold resource of 929,100 ounces at an average grade of 7.1 grams per tonne. They also stated that high-grade drill results outside the resource point to significant expansion potential. The Roberto deposit straddles the contact between the volcano-plutonic La Grande Subprovince and the metasedimentary Opinaca Subprovince. Gold mineralization is largely confined to quartz-tourmaline-actinolite-arsenopyrite-pyrrhotite stockwork zones associated with pervasive alteration characterized by microcline, quartz, tourmaline and arsenopyrite. Mineralized zones appear to occur within a major structure.

Azimut acquired extensive holdings before and after the Roberto discovery and so gained one of the leading property positions in the area. The geological setting of Azimut’s properties is comparable to that of the Roberto discovery.

Azimut’s claim blocks that are subject to option agreements are divided into four properties:

Agreement with Everton Resources Inc. (“Everton”) – 2 properties:

- A Block 454 claims for a total area of 236.4 km<sup>2</sup>
- A East Block 43 claims for a total area of 22.4 km<sup>2</sup>
- B Block 168 claims for a total area of 87.9 km<sup>2</sup>
- B North Block 52 claims for a total area of 27.2 km<sup>2</sup>

Agreement with Eastmain Resources Inc. (“Eastmain”):

- D Block 188 claims for a total area of 98.0 km<sup>2</sup>

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

- A Block 248 claims for a total area of 129.8 km<sup>2</sup> (includes the 166 claims of the Opinaca C Block previously covered by the agreement with Eastmain)
- B Block 34 claims for a total area of 17.8 km<sup>2</sup>

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 Au. 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 1.5 g/t Au.

During the summer of 2007, follow-up prospecting work led to the discovery of the Charles Target in the central part of Opinaca A. This zone represents a corridor 1.3 km long. Everton collected 161 surface rock samples from this target area, and results revealed gold values up to 35.9 g/t Au. Both the Charles Target and Smiley Target (where coinciding IP and soil anomalies have been identified) were drill tested. A total of 11 holes (1,248 m) were drilled on the A Block. All drill holes intersected altered metasediments containing variable amounts of sulphide mineralization. The most recent interpretation of the Charles Target suggests a possible extension further south. The most significant results were obtained from Hole AC-07-01 where an intersection of 9.0 m yielded an average of 0.8 g/t Au, including 2.0 m at an average grade of 2.7 g/t Au.

Previous work on the Opinaca B Block revealed a major NE-SW-trending gold-bearing system with possible extensions for at least 11 km. The Claude Target is located in the middle of this trend, and Everton's Manuel showing (12.0 g/t Au over 4.6 m in a channel sample) lies 8 km northeast of the Claude Target. The Eleonore South property, where a strong gold potential has also been recognized (see below), lies 9 km west of the Claude Target.

During the winter of 2007, a nine-hole 2,142-metre diamond drill program was completed at the Claude Target on Opinaca B to follow up on the extensions of a mineralized zone that was identified in the initial drill-test hole, OP-06-07. Assay results from this initial hole had revealed an intersection grading 221 ppb Au over 186.5 m, including 1.0 g/t Au over 21.5 m, within an arsenopyrite-mineralized silica alteration zone. The lateral extensions of Hole OP-06-07 have now been tested over a strike length of 350 metres to an average depth of 100 metres.

All nine holes encountered several intense alteration zones varying from several metres to 20 metres thick. These zones are characterized by strong silica alteration and low sulphide contents, which makes the alteration context at the Claude Target comparable to that of Goldcorp's Roberto deposit. Six of the nine holes encountered gold mineralization over intervals of at least 1 metre. The last drill hole, OP-07-20, tested the Claude Target to a vertical depth of 200 metres. The results were encouraging and included visible gold at two locations, as well as very strong alteration.

During the summer of 2007, several rock samples collected along the Claude-Manuel corridor returned significant gold values up to 6.1 g/t Au over a strike length of 3 km, including a new mineralized zone that trends parallel to the northern edge of the main Claude Target. The mineralization contains up to 5% pyrite and is associated with silicified and chloritized metasediments hosting quartz and pegmatite veins. Three holes were drilled (3 holes, 402 m), but no significant results were obtained.

Everton is conducting the following winter 2008 program comprising geophysical surveying and drilling:

- A geophysics component consisting of 174 line-km of induced polarization (IP) and magnetic ground surveys.
- A 2,000-metre drill program based on the results of the geophysical surveys (Opinaca A – Charles Target, Smiley Target, and the new Lola target area; and Opinaca B – Dominic Target, a newly discovered target along the Claude-Manuel corridor).

#### *Eleonore South and D Block*

The Eleonore South property includes the 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 2006 and 2007 field seasons.

A total of 35 trenches have been channel sampled, and 5,063 one-metre samples were collected. The most significant result is a mineralized rock channel section from the JT Target area that assayed 5.3 g/t Au over 8 m. This target is hosted by altered, sulphide-bearing sedimentary rocks that are comparable to the mineralized sedimentary rocks of Goldcorp's Roberto deposit 12 km to the northwest.

At Eleonore South, Eastmain identified several significant multi-kilometre gold-arsenic soil anomalies that form a property-wide trend. During 2006 and 2007, surveying included 194 line-kilometres of gradient IP (induced polarization) and 49 line-kilometres of dipole-dipole IP. On the basis of the trenching results, soil anomalies and IP surveys, a first-phase 3,250-metre drill program started in March 2008 and will test a number of high priority targets. A \$1 million exploration budget has been allocated for exploration work on the property in 2008.

Goldcorp has exercised its right to increase its interest by 6.67% to a total of 40% in the Eleonore South joint venture. To earn the additional interest, Goldcorp, through its subsidiary Les Mines Opinaca Ltée (“Opinaca Mines”), must fund a minimum of \$500,000 in exploration expenditures, make option payments to Azimut, and prepare a bankable feasibility study by June 2015. Eastmain will remain as project manager until Goldcorp chooses to exercise its right to take over as operator of the property. If Opinaca Mines completes the earn-in obligations, ownership of the Eleonore South project will be Goldcorp (Opinaca Mines) 40%, Azimut 30% and Eastmain 30%.

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). A total of 18 rock samples were taken in 2007. The work identified several target zones in sulphide-bearing altered metasediments displaying comparable characteristics to the host rocks of the Eleonore gold deposit. A prospecting and trenching program is being prepared by Eastmain to test a number of strong gold-arsenic-antimony soil anomalies. The minimum exploration budget is \$500,000.

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

### **James Bay region - Eastmain sector**

The Eastmain sector (Wabamisk and Eastmain West properties) lies 290 kilometres north of Chibougamau in the James Bay territory. It straddles the contact between the Opinaca (metasedimentary) and La Grande (volcano-plutonic) subprovinces. The dominant lithologies are paragneiss, basalt and granitic intrusions.

Azimut’s properties comprise one claim block each:

- Eastmain West 167 claims for a total area of 88.6 km<sup>2</sup>
- Wabamisk 755 claims for a total area of 399.5 km<sup>2</sup>

A large east-west oriented syncline crosses the Wabamisk property. Local and regional northwest- or northeast-trending faults are also present on the properties. A large part of the property is marked by a very strong arsenic anomaly associated with metasediments. Both the geological context and the geochemical signature are comparable to those of the Roberto deposit.

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 additional work in 2006 consisting of ground-based geophysical surveys, prospecting (84 rock samples), detailed geological mapping, and till and block sampling. This program resulted in the discovery of significant chromium-platinum-palladium mineralization associated with an ultramafic sill. This sill appears to be at least 4 km long and 500 m thick. The best results from surface grab samples are 18.5% Cr, 0.44 g/t Pd and 0.1 g/t Pt (sample F-266111). The best nickel results are two samples grading 0.24% Ni (F-266103 and F-266104). The Cr-Pt-Pd-Ni potential of the property is still largely under-explored and now constitutes a priority target in addition to the initial focus on gold.

In 2007, IAMGOLD terminated the option agreements on the Eastmain West and Comptoir properties following IAMGOLD's decision to cease regional exploration activities in Quebec.

Azimut is currently reviewing its plans for the Eastmain West and Comptoir properties.

#### *Wabamisk property*

Goldcorp's work on the Wabamisk property thus far has identified several major gold-bearing targets. Most historic gold showings in the area are in these target zones.

The targets clearly extend laterally for several kilometres and were under-explored until now. Reconnaissance prospecting along traverses spaced 2 km apart revealed 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 sediment-hosted gold deposits.

At the end of April 2008, Goldcorp had spent \$1,061,565 of its total requirement of \$4,000,000 in work expenditures to earn a 51% interest. In 2008, Goldcorp will fund 100 km of ground IP and 2,500 m of drilling during a summer work program. The minimum exploration budget is \$1 million for 2008.

#### **James Bay region - Comptoir property**

The Comptoir property is located 330 kilometres north of Matagami in the James Bay region.

As with other properties in this region, it straddles the boundary between the Opinaca (metasedimentary) and La Grande (volcano-plutonic) subprovinces. The main lithological units on the property are paragneiss, amphibolite and late granodioritic to granitic intrusions.

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.

IAMGOLD's 2006 exploration program included geochemical surveys (138 lake bottom samples), prospecting (124 rock samples), and till sampling. Several significant gold target zones were delineated on the basis of till assay values up to 10 g/t Au associated with arsenic anomalies in lake-bottom sediments. The targets are spatially related to regional-scale structures.

The 2008 exploration programs on all five gold properties in the James Bay region are expected to have a minimum budget of \$4.1 million funded by Azimut's partners.

#### **Northern Quebec**

Azimut believes northern Quebec has significant potential for large-tonnage uranium deposits related to intrusive rocks in high-grade metamorphic environments. A well-known example of this type is Rössing in Namibia, one of the world's largest uranium mines. Azimut's two-year uranium potential assessment of 640,000 km<sup>2</sup> in northern Quebec generated many exploration targets.

The Company considers it has acquired most of the large uranium targets it identified in the Province of Quebec. The targeted terrain includes parts of the Minto-Bienville and Rae subprovinces. The selected properties have strong potential for uranium based on their geochemical signatures, associations with anatectic granites, and spatial relationships to deep-seated structures. The exploration model is large-tonnage, disseminated uranium mineralization within intrusions and surrounding rocks. Proximal secondary concentrations along late- to post-intrusive brittle or ductile-brittle faults are also considered. These properties share strong similarities with the footprint of several major uranium sites in Quebec, as well as the neighbouring Central Mineral Belt in Labrador, a well-known prospective region for uranium.

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 uranium targets of regional extent were identified and subsequently acquired by Azimut via map designation.

In northern Quebec, two prospective district-scale targets stand out in the Ungava Bay and Central Quebec regions (see attached map).

### **Ungava Bay region**

Azimut holds four major properties in the Ungava Bay region:

- North Rae: 1,853 claims for a total surface area of 827.0 km<sup>2</sup>; this property is covered by a definitive option agreement with NWT Uranium Corp. (“NWT”)
- Daniel Lake: 972 claims for a total surface area of 440.2 km<sup>2</sup>; this property is covered by a definitive option agreement with NWT
- South Rae: 2,563 claims for a total surface area of 1,181.6 km<sup>2</sup>; this property is covered by a letter of agreement with Majescor Resources Inc. (“Majescor”)
- Kangiq: 1,743 claims for a total surface area of 788.2 km<sup>2</sup>; this property is covered by a letter of agreement with Central Uranium Corporation. (“Central Uranium”)

The properties are located in an area measuring 80 x 220 km where another uranium company, Areva Québec Inc., holds more than 4,600 claims and recently announced it is highly encouraged by exploration results from its Cage property. Azimut believes that with these four properties, it controls a large portion of the significant uranium targets in the region.

#### *North Rae property*

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 Kuujuaq.

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).

During 2006, NWT 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.

Seven distinct mineralized zones with significant lateral extents were discovered during the course of the 2006 and 2007 surface prospecting programs. Assay results obtained to date from 825 rock grab samples clearly demonstrate the uranium potential of the North Rae property, more specifically for the:

- Aqpiq Zone (1 km long): grades up to 1.75% U<sub>3</sub>O<sub>8</sub>
- Jonas Zone (0.7 km long): grades up to 3.30% U<sub>3</sub>O<sub>8</sub>
- Ilaluga Zone (1.1 km long): grades up to 0.24% U<sub>3</sub>O<sub>8</sub>
- Amittujaq Zone (3.5 km long; previously called the Rae-1 Zone): grades up to 0.57% U<sub>3</sub>O<sub>8</sub>
- Tasialuk Zone (1 km long): grades up to 0.58% U<sub>3</sub>O<sub>8</sub>
- Tasik Zone (0.9 km long): grades up to 0.89% U<sub>3</sub>O<sub>8</sub>
- Torrent Zone (1.7 km long): grades up to 0.52% U<sub>3</sub>O<sub>8</sub>

Uranium mineralization is hosted by granitic pegmatites and gneissic rocks. The presence of uraninite, a uranium mineral from which uranium is easily recovered, was confirmed by electron microprobe analysis.

A review of the results from the surface rock sampling and ground-based radiometric surveys, as well as the geological and structural data, suggests significant lateral and depth continuity for the mineralized zones. The September 2007 limited drilling program (8 holes totalling 562 m) was completed before the surface rock sample results were received. Now that the rock results have been received and interpreted, Azimut believes that significant surface targets remain untested by drilling. Drilling results from September included intersections of 220 ppm  $U_3O_8$  over 6.0 m (hole NR 07-02), 170 ppm  $U_3O_8$  over 6.5 m (hole NR 07-03), and 410 ppm  $U_3O_8$  over 2.5 m (hole NR 07-05).

NWT, as operator, is in the process of preparing a work program for the 2008 campaign. Azimut is of the opinion that there is significant potential at the North Rae property for uranium deposits. The target-type is mainly large-scale intrusion-related deposits amenable to open pit mining. Based on its overall assessment of the project, Azimut considers the next logical step to be a significant drilling program to test the shallow-depth potential of the most attractive mineralized zones.

#### *Daniel Lake property*

The Daniel Lake property, adjacent to North Rae, was flown over its entirety by a helicopter-borne geophysical survey in 2007. Results indicate several quality radioactive targets. Last year's short field reconnaissance program already confirmed the presence of uranium mineralization with the discovery of a first showing grading up to 0.65%  $U_3O_8$ . The 2008 work program will mainly include comprehensive prospecting.

In December 2007, Azimut issued a Notice of Default to NWT concerning a number of NWT's specific obligations that were not complied with pursuant to the terms of the North Rae and Daniel Lake property option agreements. The Company now considers that NWT has cured its default.

#### *South Rae property*

The South Rae property is located on the eastern side of the Ungava Bay region of northern Quebec, approximately 130 km southeast of the town of Kuujuaq. At least 12 well-defined targets with a cumulative length of 56 km have been identified and may lead to the discovery of significant additional mineralized zones. These targets are located in three sectors that form a prospective trend at least 30 km long. Mineralized facies are pegmatitic dykes and granitic gneisses that are generally conformable to the regional foliation.

Assay results for 128 rock samples include:

- 37 samples with values higher than 0.05%  $U_3O_8$ , including 18 samples with values above 0.1%  $U_3O_8$
- 57 samples with values between 0.01% and 0.05%  $U_3O_8$
- 34 samples with values less than 0.01%  $U_3O_8$

Subsequent to the initial ground exploration work, a detailed analysis of the airborne radiometric survey flown over the property in 2007 revealed 52 distinct anomaly clusters. Of particular interest is the fact that the strongest uranium anomalies on the property are north of the 30 km-long prospective corridor delineated in 2007.

Significant additional results are expected for the upcoming 2008 field program. Drilling will also start this summer to test the best ground targets.

#### *Kangiq property*

Kangiq is adjacent to Azimut's North Rae and Daniel Lake properties and to one of Areva's claim blocks. At Kangiq, 1,932 line-km of helicopter-borne spectrometric and magnetic surveying in 2007 delineated five sharply defined uranium targets with a cumulative length of 18 km. An additional 2,500 line-km will be flown in early summer 2008 to cover the rest of the property, and this will be followed by a comprehensive prospecting program. The results of 472 lake-bottom sediment samples collected last summer are still pending.

The results released to date for Kangiq, South Rae and Daniel Lake, in addition to the progress made on the North Rae property, provide further evidence that the eastern part of the Ungava Bay region has the potential to become a new uranium district in Canada.

## Central Quebec region

Azimut holds eight properties in the Central Quebec region:

- North Minto: 2,042 claims for a total surface area of 935.2 km<sup>2</sup>; this property is covered by a letter of intent with Rukwa Uranium Ltd. ("Rukwa")
- South Minto: 1,332 claims for a total surface area of 622.3 km<sup>2</sup>; this property is covered by a letter of intent with Rukwa
- Central Minto: 1,146 claims for a total surface area of 535.3 km<sup>2</sup>; this property is covered by a letter of intent with Central Uranium
- South Bienville: 1,929 claims for a total surface area of 935.1 km<sup>2</sup>; this property is covered by a letter of intent with Central Uranium
- West Minto: 952 claims for a total surface area of 431.7 km<sup>2</sup>; this property is covered by a letter of intent with Majescor
- West Bienville: 220 claims for a total surface area of 108.2 km<sup>2</sup>; this property is covered by a letter of intent with Channel
- Hudson Bay: 537 claims for a total surface area of 253.3 km<sup>2</sup>; this property is covered by a letter of intent with Silver Spruce Resources Inc. ("Silver Spruce")
- Kativik: 1,861 claims for a total surface area of 899.9 km<sup>2</sup>; this property is covered by a letter of intent with Kativik Resources Inc. ("Kativik")

The four Minto properties and the South Bienville property are aligned along an extensive, regional-scale, lake-bottom sediment uranium anomaly referred to by Azimut as the "Central Quebec Uranium Lineament". This roughly north-south geochemical trend measuring 350 km long by 10 to 30 km wide correlates well with late Archean intrusions and crustal-scale structures. The Kativik and West Bienville properties are also characterized by strong uranium lake-bottom sediment anomalies in addition to other favourable geochemical, geophysical, geological and structural parameters. The region has seen little exploration in the past, but there are strong indications that it has significant uranium potential. Strathmore Minerals' Dieter Lake deposit, 40 km east of the South Bienville property, is hosted by Paleoproterozoic sediments and has inferred resources of 11,000 tonnes U<sub>3</sub>O<sub>8</sub> @ 0.063% U<sub>3</sub>O<sub>8</sub> according to an estimate in 2007.

### *North and South Minto*

These properties are located at mid-distance between Hudson Bay and Ungava Bay. Six distinct anomalous uranium clusters have been identified over a cumulative length of 87 km. Exploration work in 2008 will include 6,543 line-km of helicopter-borne geophysics, ground prospecting, and possibly drilling on one or more targets.

### *Central Minto and South Bienville*

These properties are located about 200 to 300 km east of the Hudson Bay coast. Major uranium targets have been identified following the lake-bottom sediment surveys that covered the properties. A 3,095 line-km helicopter-borne survey will be flown early this summer, followed by a comprehensive ground prospecting program.

### *West Minto property*

At the West Minto property, a total of 71 priority uranium targets have been defined using helicopter-borne geophysical data. These targets form 17 distinct kilometre-scale target areas.

### *West Bienville*

At the West Bienville property, a helicopter-borne survey indicated the presence of two high-priority radiometric anomalies: an east-southeast trending anomaly with a strike length of approximately 5 km and a width of up to 1 km; and an east-northeast trending anomaly with dimensions similar to those of the east-southeast anomaly. In 2008, an additional 110 line-km survey will cover the remainder of the property. The identified radiometric targets correlate well with a regional-scale fault and a strong uranium anomaly in lake-bottom sediments. Ground prospecting is scheduled for this summer.

The exploration results obtained to date further confirm the strong uranium potential of Azimut's properties in this region and validate the Company's initial regional targeting.

### **North Shore region**

Azimut's uranium properties in the North Shore region comprise 954 claims. Four properties (607 claims originally known as the Grenium property) were selected by Kennecott within the framework of a strategic agreement. In addition, Arianne Resources Inc. ("Arianne") has been exploring the North Havre property (260 claims) under an option agreement with Azimut. Outside Azimut's properties, but still within the same region, uranium mineralization was previously discovered at Johan-Beetz Bay along the shore of the Gulf of Saint-Lawrence (historical resource estimate of 93 million tonnes at 0.025%  $U_3O_8$  and 0.025% Y). Key results obtained during the last two years of exploration on Azimut's properties validated the Company's regional targeting and are as follows:

- Grenium: A detailed lake-bottom sediment survey confirmed high uranium contents in lake-bottom sediments, with peak values up to 1,310 ppm U. A helicopter-borne survey also identified several strong kilometre-scale uranium anomalies. Follow-up surface prospecting led to the discovery of several radioactive zones, and sampling yielded values up to 0.33%  $U_3O_8$ .
- North Havre: Surface prospecting identified a subhorizontally dipping pegmatite with an average thickness of 5 m that returned values up to 0.43%  $U_3O_8$  and >4% REE in addition to high values in gallium, yttrium, niobium and zirconium. This showing coincides with a strong 1 x 5 km helicopter-borne uranium anomaly.

Results are being reviewed in order to prepare the 2008 exploration programs.

The 2008 exploration programs on all 13 uranium properties in the Ungava Bay, Central Quebec and North Shore regions are expected to have a minimum budget of \$7.9 million funded by Azimut's partners.

### **Quebec - Strategic Alliance with Kennecott for Nickel**

In November 2006, Azimut and Kennecott signed an agreement for the exploration of nickel deposits in Quebec. The agreement included the delivery to Kennecott of a Target Report covering a 222,000-km<sup>2</sup> region in the geological Grenville Province with the goal of identifying high-quality nickel targets. Within the framework of this alliance, Azimut acquired 13 nickel properties comprising 1,896 claims in fourteen claim blocks covering 1,010 km<sup>2</sup>. Kennecott conducted an assessment program on the nickel targets during the summer of 2007 with the aim of confirming these targets. Due to a change in corporate strategy, Kennecott has decided to terminate its nickel agreement with Azimut. Azimut is in the process of identifying new partners for its 100% owned nickel properties.

### **Ecuador - Strategic Alliance with Channel**

Under the framework of a Strategic Alliance for mineral exploration in Ecuador, South America, Azimut has performed a country-wide mineral potential assessment aimed at identifying major exploration targets, thereby assisting Channel in assembling a portfolio of projects having the best potential for hosting large-scale mineral deposits. A number of areas of interest have been identified and are under review by Channel.

### **Regional modeling and project generation**

Azimut will continue to pursue mineral potential modeling for several regions in Quebec with the objective of generating new projects, most notably for gold, nickel and uranium.

## Perspectives

The 18 exploration programs that will take place in 2008 are presented in the table below. All of the Company's partners intend to continue their exploration work. Azimut funds its regional-scale mineral potential assessments and project generation in Quebec. In 2008, anticipated exploration programs conducted by Azimut's partners across Quebec are expected to reach a minimum of \$12 million, including \$4 million for gold and \$7.9 million for uranium. Drilling is expected to play a major role in the 2008 programs.

Property or project		Work in 2008	Minimum work expenditures as per agreement schedule or budget
<b>Opinaca</b> (A, A East; B, B North Blocks)	Gold	By the partner	\$1,500,000
<b>Opinaca (D Block)</b>	Gold	By the partner	\$500,000
<b>Opinaca (Eleonore South)</b>	Gold	By the partner	\$1,000,000
<b>Wabamisk</b>	Gold	By the partner	\$1,000,000
<b>North Rae</b>	Uranium	By the partner	\$300,000
<b>Daniel Lake</b>	Uranium	By the partner	\$500,000
<b>South Rae</b>	Uranium	By the partner	\$600,000
<b>Kangiq</b>	Uranium	By the partner	\$800,000
<b>North Minto</b>	Uranium	By the partner	\$1,000,000
<b>South Minto</b>	Uranium	By the partner	\$1,000,000
<b>West Minto</b>	Uranium	By the partner	\$600,000
<b>Hudson Bay</b>	Uranium	By the partner	\$400,000
<b>Central Minto</b>	Uranium	By the partner	\$700,000
<b>South Bienville</b>	Uranium	By the partner	\$400,000
<b>West Bienville</b>	Uranium	By the partner	\$200,000
<b>Kativik</b>	Uranium	By the partner	\$1,200,000
<b>North Havre</b>	Uranium	By the partner	\$300,000
<b>Grenium</b>	Uranium	By the partner	Under review
<b>Regional assessment and project generation</b>		Target modeling and field checks by Azimut	\$100,000
<b>Total</b>			<b>\$12,000,000</b>

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

Azimut believes that new ventures will be concluded with partners on properties already held by the Company and those to be generated in the future.

## Selected financial information

	Results at		
	February 29,	August 31,	
	2008	2007	2006
	6 months (Unaudited)	12 months (Audited)	12 months (Audited)
	(\$)	(\$)	(\$)
<b>Revenues</b>	575,078	1,244,570	390,841
<b>Expenses</b>			
Administration fees	537,139	767,135	454,228
Written-off properties	-	73,104	7,300
Written-off of intangible assets	-	1,170	-
Search for properties	36,794	161,853	176,867
Credit on duties refundable for losses and refundable tax credits relating to resources	(6,639)	(76,692)	(14,108)
Write-down of long-term investments	-	-	15,000
Future taxes	-	-	(30,971)
Stock options	346,761	452,873	677,242
	914,055	1,379,443	1,285,558
<b>Net loss</b>	(338,977)	(134,873)	(894,717)
<b>Basic and diluted net loss per share</b>	(0.020)	(0.008)	(0.059)
<b>Other information</b>			
<b>Total assets</b>	3,226,686	3,773,499	1,511,407
<b>Shareholders' equity</b>	2,955,193	3,220,583	1,100,173

	Results at		
	February 29,	August 31,	
	2008	2007	2006
	6 months (Unaudited)	12 months (Audited)	12 months (Audited)
<b>Number of shares outstanding</b>	16,821,755	16,771,755	16,121,755
<b>Number of stock options outstanding</b>	1,545,000	1,595,000	1,227,000

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 reported a net loss of \$338,977 for the period ended February 29, 2008, as compared to a net loss of \$29,235 for the period ended February 28, 2007. Revenue totalled \$575,078 for the period ended February 29, 2008, as compared to \$390,872 in 2007. The increase is mainly due to the gain realized on the sale of option for the Kativik property in the Central Quebec region and a gain of \$500,922 related to cash and share payments in connection with the anniversary of existing agreements. The Company receives management fees for its role as project operator for three projects with Central Uranium. The "Administration fees" category in the "Selected annual information" table is \$537,139 for 2008 (\$354,674 in 2007). The increase is mainly due to an increase in salaries, professional fees, travelling and entertainment. The increase of salary from \$93,561 in 2007 to \$239,608 in 2008 is mostly due to the increase of the management team from two full-time persons to four persons. Professional fees were \$125,266 in the quarter ended 2008 as compared to \$39,217 in 2007 following the Company's growth and the costs associated with the preparation of the Shareholder Rights Plan and the preparation and submission of a notice of default to one of the Company's partners. The Company now considers the partner to have cured its default. Travelling and entertainment for the period ended February 29, 2008, totalled \$69,278 (\$49,652 in 2007) following the Company's participation in exploration industry events and additional expenditures incurred while actively pursuing its growth strategy. The decrease in the "Search for properties" category is explained by a higher concentration of management's time on following up active mining properties and partners. The fair value of stock options exercisable for the period ended February 29, 2008, was \$346,761, which represents an additional 135,000 stock options exercisable during the period as compared to nil in 2007. No properties were written-off during the period.

## Quarterly information

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

Quarter ending	Total revenue	Net earnings (net loss)	Net earnings (net loss) per share	
			basic	diluted
29-02-2008	420,925	(40,003)	(0.002)	(0.002)
30-11-2007	154,153	(453,127)	(0.018)	(0.018)
31-08-2007	175,240	490,672	0.029	0.027
31-05-2007	678,458	(596,312)	(0.036)	(0.036)
28-02-2007	353,859	112,324	0.007	0.007
30-11-2006	37,013	(141,559)	(0.009)	(0.009)
31-08-2006	197,152	76,975	0.006	0.006
31-05-2006	176,538	(673,284)	(0.045)	(0.045)

## Cash flow situation

The Company's working capital was \$1,587,603 as at February 29, 2008 compared to \$1,983,379 as at August 31, 2007. The cash proceeds received from the conclusion of option agreements for mining properties totalled \$381,383. The Company did not raise any additional funds during the period. The Company has no long-term debt, nor does the Company have asset-backed commercial paper. The Company has contractual obligations in the form of an operating lease amounting to \$187,221, payable over five years.

The Company's principal requirement for cash during 2007/2008 will be administrative expenses and the generative cost for new properties. These expenditures are expected to be at the same level as in 2007. The exploration expenditures and the cost to keep the properties in good standing will continue to be incurred by the

Company's partners. The Company has \$1.5 million in cash on hand. This funding level is sufficient to meet its planned commitments for 2007/2008.

### **Financing sources**

A total of 50,000 stock options were exercised for a total cash consideration of \$12,000 during the period ended February 29, 2008, as compared to 47,000 stock options for a total cash consideration of \$26,800 for the period ended February 28, 2007.

### **Off-balance sheet arrangements**

The Company has no off-balance sheet arrangements.

### **Related party transactions**

The Company entered into the following transaction with a law firm for which one of the directors is a partner:

	<b>2008</b>	<b>2007</b>
	\$	\$
Professional fees and disbursements	Nil	321

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.

### **Critical accounting estimate**

#### **Mining properties book values**

At the end of each quarter, management reviews the carrying value of its mining properties to determine whether any write-offs are necessary. Following this analysis, no write-offs were deemed necessary for the period ended February 29, 2008 (\$Nil in 2007).

### **Changes in accounting policies**

Effective September 1, 2007, the Company adopted the new accounting standards relating to financial instruments, comprehensive income, and equity that were issued by the Canadian Institute of Chartered Accountants (CICA). These changes to accounting policies were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are fully described in Note 1 of the interim 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 long-term investments based on a quoted market value amounts to \$656,650 and \$692,400 as at February 29, 2008 and August 31, 2007 respectively.

### Interest rate risk

As at February 29, 2008, 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 April 28, 2008, there were 16,821,755 issued and outstanding shares and no shares were held in escrow.

The Company maintains a stock option plan in which a maximum of 1,475,000 stock options may be granted. On March 6, 2007, the Board of Directors decided to increase the number of shares reserved for issuance under the stock option plan to 15% of the shares issued and outstanding, i.e., 2,488,000. This increase was authorized by the Company's disinterested shareholders at the Annual and Extraordinary meeting of shareholders held on February 20, 2007, and approved by the TSX Venture Exchange on April 27, 2007. As at April 28, 2008, 1,545,000 stock options were outstanding, of which 1,230,000 were exercisable. Their exercise prices range from \$0.30 to \$4.30, and expiry dates from February 23, 2009 to March 6, 2012.

On April 10, 2008, 360,000 stock options were granted to its directors and officers. These options have an exercise price of \$3.03 per share and are exercisable during a 5-year period.

### **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 April 28, 2008. The Company regularly divulges additional information through press releases, financial statements, and its annual information form on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

## **Disclosure controls**

The Company's Chief Executive Officer and Secretary Treasurer (the certifying officers) are responsible for establishing and maintaining disclosure controls and procedures which provide reasonable assurance 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 certifying officers, as appropriate to allow timely decisions regarding required disclosure. The certifying officers are assisted in this responsibility by the disclosure committee consisting of senior executives of the Company. Based on an evaluation of the Company's disclosure controls and procedures, the Company's certifying officers have concluded that as of February 29, 2008, these disclosure controls and procedures operated effectively to ensure that material information relating to the Company would have been made known to them.

## **Internal control 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 certifying officers have evaluated whether there were changes to its ICFR during this interim period ended February 29, 2008 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

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President and CEO

(s) Moniroth Lim

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Secretary Treasurer