



MESSAGE TO SHAREHOLDERS

Azimut Exploration Inc. has been re-established as an active mineral exploration Company and many important activities have taken place since the beginning of June 2003:

- the nomination of a new president, Mr. Jean-Marc Lulin, and the nomination of a new director, Mr. Jean-Charles Potvin;
- the attainment of \$100 000 in private financing;
- the realization of an exclusive strategic agreement with MIR Télédétection, a company specializing in geoscience data processing and remote sensing.

Today, Azimut is a company that is organized and operates efficiently at the corporative, technical and administrative levels. Azimut is developing a new business plan in which the Company will use the most advanced concepts and technologies to generate high-potential exploration projects. Considerable effort will be applied during the initial selection of properties to assure the greatest chance for profitable discoveries.

The priority over the next few months is to acquire several gold and base metal exploration projects in Quebec.

The reactions to this new departure for the Company have been extremely encouraging. I would like to thank all members of the Board of Directors and all shareholders for their confidence and their support.

Jean-Marc Lulin
President and Chief Executive Officer

Management Analysis of Results of Operations and Financial Position

Azimut's financial statements are the responsibility of the company's management, and have been approved by the board of directors. The financial statements were prepared by the company's management in accordance with generally accepted Canadian accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects. Azimut is primarily engaged in gold and base metal exploration in Québec.

Results of Operations

The company has sustained a loss of \$609 485 during the first nine months comparatively to a gain of \$70 779 during the nine months ended May 31, 2002. In November 2002, the Company has abandoned its option to acquire a 50% participation in the Flavrian property which led to a writeoff from the books. In February 2003, the company received 400 000 shares of Leicester Diamond Mines Ltd. as final payment on the sale of the Wemindji property.

Loss Before Interest, Taxes and Amortization

The loss before interest, taxes and amortization (or LBITA) incurred by Azimut amounts to \$609 173 for the period ended May 31, 2003 compared to an Earning before interest, taxes and amortization (or EBITA) of \$71 591 for the period ended May 31, 2002.

Financial Situation and Sources of Financing

The company's working capital is \$38 741 as at May 31, 2003 compared to \$79 833 at the beginning of the fiscal year. The company has no long-term obligations. During the month of May 2003, the company issued a convertible debenture of \$250 000 in order to replace a convertible debenture of \$250 000 expiring May 29, 2003.

Outlook

The Company is presently seeking interesting projects that would enable it to fully revive its activities. On June 2, 2003, the Company completed a private placement of \$100 000 of which \$51 000 will be allocated to the exploration fund.

AZIMUT EXPLORATION INC.

(An exploration company)

Balance Sheets

	May 31, 2003	August 31, 2002
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash	40 759	73 117
Marketable securities (quoted value: \$8 000, ---)	8 000	---
Amounts receivable	11 422	26 027
Prepaid expenses	4 122	1 290
	<u>64 303</u>	<u>100 434</u>
Long-term investments (quoted value 16 000 \$; 24 000 \$)	16 000	18 000
Mining property	---	572 038
Property, plant and equipment	800	1 672
	<u>81 103</u>	<u>692 144</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		
Related companies	14 389	10 770
Others	11 173	9 831
	<u>25 562</u>	<u>20 601</u>
SHAREHOLDERS' EQUITY		
Convertible debentures	350 000	350 000
Share capital	3 774 455	3 744 514
Deficit	(4 068 914)	(3 422 971)
	<u>55 541</u>	<u>671 543</u>
	<u>81 103</u>	<u>692 144</u>

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Deficit

For the periods ended May 31, 2003 and 2002 (unaudited)

	2003	2002
	\$	\$
Balance - Beginning of period	3 422 971	3 390 219
Interest on convertible debentures	36 458	36 649
(Net earnings) net losses for the period	609 485	(70 779)
Balance - End of period	<u>4 068 914</u>	<u>3 356 089</u>

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Statements of Earnings and Deficit

For the periods of three (3) and nine (9) months ended May 31, 2003 and 2002 (unaudited)

	2003	2002	2003	2002
	3 months	3 months	9 months	9 months
	\$	\$	\$	\$
Revenue				
Interests' revenues	306	244	868	904
Rental revenues	---	---	---	279
Gain on sale of a mining property	---	---	16 000	56 150
Gain on sale of property, plant and equipment	---	---	568	---
	<u>306</u>	<u>244</u>	<u>17 436</u>	<u>57 333</u>
Expenses				
Professional and maintenance fees	4 615	7 523	16 933	51 999
Management fees and office expenses	9 250	5 457	29 719	18 929
Travelling and entertainment	781	200	1 011	879
Interests and bank charges	58	79	146	226
Amortization of property, plant and equipment	41	182	166	586
Cost of an abandoned mining property	---	---	563 696	---
Search for properties	5 250	---	5 250	---
Loss on writedown of marketable securities	---	---	10 000	---
Loss on sale of marketable securities	---	---	---	144
Grants	---	(21 552)	---	(86 209)
	<u>19 995</u>	<u>(8 111)</u>	<u>626 921</u>	<u>(13 446)</u>
Net earnings (net loss) for the period	<u>(19 689)</u>	<u>8 355</u>	<u>(609 485)</u>	<u>70 779</u>
Basic and diluted net earnings (net loss) per share	<u>(0,002)</u>	<u>0,001</u>	<u>(0,070)</u>	<u>0,008</u>
Basic and diluted weighted average number of shares outstanding	<u>8 711 140</u>	<u>8 568 339</u>	<u>8 672 455</u>	<u>8 532 483</u>

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Statements of Cash Flows

For the periods of three (3) and nine (9) months ended May 31, 2003 and 2002 (unaudited)

	2003	2002	2003	2002
	3 months	3 months	9 months	9 months
	\$	\$	\$	\$
Cash flows from operating activities				
Net earnings (net loss) for the period	(19 689)	8 355	(609 485)	70 779
Items not affecting cash				
Amortization of property, plant and equipment	41	182	166	586
Cost of abandoned mining property	---	---	563 696	---
Loss on sale of marketable securities	---	---	---	144
Loss on writedown of marketable securities	---	---	10 000	---
Gain on sale of a mining property	---	---	(16 000)	---
Gain on sale of property, plant and equipment	---	---	(568)	---
	<u>(19 648)</u>	<u>8 537</u>	<u>(52 191)</u>	<u>71 509</u>
Change in non-cash working capital items				
Amounts receivable	(833)	80 363	14 605	(25 089)
Prepaid expenses	1 703	1 781	(2 832)	(1 559)
Accounts payable and accrued liabilities	797	(152 786)	4 961	16 877
	<u>1 667</u>	<u>(70 642)</u>	<u>16 734</u>	<u>(9 771)</u>
	<u>(17 981)</u>	<u>(62 105)</u>	<u>(35 457)</u>	<u>61 738</u>
Cash flows from financing activities				
Convertible debenture contracted	250 000	---	250 000	---
Convertible debenture expired	(250 000)	---	(250 000)	---
Decrease in share capital	(6 517)	---	(6 517)	---
	<u>(6 517)</u>	<u>0</u>	<u>(6 517)</u>	<u>0</u>
Cash flows from investing activities				
Variation of marketable securities	---	---	(18 000)	386
Variation in a mining property	---	(4 530)	8 342	(41 636)
Grants receivable	---	41 275	---	(96 626)
Long-term investments transferred into marketable securities	---	(14 000)	18 000	(14 000)
Sale of property, plant and equipment	---	---	1 274	521
Sale of a mining property	---	---	---	35 850
Other amounts receivable	---	---	---	(28 000)
	<u>0</u>	<u>22 745</u>	<u>9 616</u>	<u>(143 505)</u>
Net change in cash	(24 498)	(39 360)	(32 358)	(81 767)
Cash - Beginning of period	65 257	51 202	73 117	93 609
Cash - End of period	40 759	11 842	40 759	11 842
Additional information				
Interests cashed	306	242	868	904
Shares issued and to be issued in consideration of the payment of interest on convertible debentures	12 159	12 350	36 458	36 649
Shares received in compensation for sale of a mining property	---	---	16 000	---

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Notes to Intermediary Financial Statements (unaudited)**1 Intermediary financial information**

The financial information as at May 31, 2003 and for the periods ended May 31, 2003 and 2002 is unaudited; however, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Intermediary results may not necessarily be indicative of results anticipated for the year.

These intermediary financial statements are prepared in accordance with generally accepted accounting principles in Canada and use 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. These intermediary financial statements should be read in conjunction with the company's most recent annual financial statements.

2 Mining property

	Undivided participation %	Balance as at Sept. 1, 2002 \$	Costs incurred \$	Tax credit and abandoned mining properties \$	Balance as at May 31, 2003 \$
Flavrian (263 claims)	---				
Mining property		44 466	1 466	(45 932)	---
Exploration costs		527 572	0	(527 572)	---
		572 038	1 466	(573 504)	---

3 Convertible debentures

	2003 \$	2002 \$
Debentures convertible at the company's option into common shares		
At a conversion price of \$0.40 per share, 14%, interest payable by half-yearly instalments through common shares of the company, at the base rate on the date of payment, non-interest bearing if the share is traded at \$0.80 and over during the twenty business days preceding the dates of interest instalments, maturing in May 2003.		250 000
		0
At a conversion price of \$0.15 per share, 14%, interest payable by half-yearly instalments through common shares of the company at the base rate on the date of payment, non-interest bearing if the share is traded at \$0.36 and over during the twenty business days preceding the dates of interest instalments, maturing in March 2005.	100 000	100 000
At a conversion price of \$0.425 per share, 12%, interest payable by half-yearly instalments through common shares of the company at the base rate on the date of payment, non-interest bearing if the share is traded at \$0.15 and over for the first/second six-month period, and \$0.20 and over for the subsequent six-month period during the twenty business days preceding the dates of interest instalments, maturing in March 2006.	250 000	0
	350 000	350 000

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Notes to Intermediary Financial Statements (unaudited)

4 Share Capital

Authorized

Unlimited number of commons shares, without par value, voting and participating
8 740 067* shares issued and fully paid

*482 685 shares are subject to escrow and cannot be release without the consent of regulatory authorities.

5 Stock Option Plan

The company established a stock option plan as described in note 10 of the audited annual financial statements. The following tables present the stock option activity since September 1, 2002 and summarize information about fixed stock options outstanding and exercisable as at May 31:

	3 months		9 months	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding - Beginning of the period	725 000	0.16	725 000	0.16
Outstanding and exercisable - End of exercise	725 000	0.16	725 000	0.16
		Options outstanding and exercisable as at May 31, 2003	Weighted average remaining contractual life (years)	Weighted average exercise price \$
Range of exercise prices				
	\$0.16 à \$0.18	725 000	4.77	0.16

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Notes to Intermediary Financial Statements (unaudited)

5 Subsequent Events

On June 2, 2003, the company completed a private placement of 1 000 000 shares at \$0.10 for a total of \$100 000. \$51 000 will serve to finance exploration activities and \$49 000 has been added to the working capital.

On July 14, 2003, the company issued 143 781 shares at \$0.10 per share as settlement of a debt of \$14 378.13 to Mincor Quebec Inc.

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CORPORATE INFORMATION

Board of Directors

Jacques Bonneau, eng., M.Sc., Chairman of the Board (Quebec)

André Gaumond, eng., M.Sc., Director (Quebec)

Jean-Marc Lulin, Ph.D., geologist, Director (Montreal)

Jean-Charles Potvin, B.Sc., M.B.A., Director (Toronto)

Management

Jean-Marc Lulin, President and Chief Executive Officer

Gaétan Mercier, Controller and Secretary

Management's Advisors

Jacquelin Gauthier, eng.

Jack Stoch, B.Sc., geologist

Legal Counsels

Ménard Mageau Valiquette (Montreal)

Auditors

PricewaterhouseCoopers LLP (Quebec)

Transfer Agents

Trust CIBC Mellon Company (Montreal)

Transactions

TSX Venture

Symbole: AZM

Contact and information

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