

AZIMUT EXPLORATION INC.

(An exploration company)

Balance Sheets

	February 28, 2005	August 31, 2004
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash and cash equivalent	135 754	227 964
Amounts receivable	86 093	114 028
Prepaid expenses	90 467	29 185
	<u>312 314</u>	<u>371 177</u>
Exploration funds	147 401	99 063
Long-term investments (quoted value \$15 300; \$9 000)	11 400	12 000
Mining properties	104 458	109 369
Property, plant and equipment (less accumulated amortization of \$2 614; \$2 201 in 2004)	5 970	573
Intangible assets (less accumulated amortization of \$138; \$75 in 2004)	361	424
	<u>581 904</u>	<u>592 606</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		
Related companies	0	85
Others	69 795	136 126
	<u>69 795</u>	<u>136 211</u>
SHAREHOLDERS' EQUITY		
Convertible debentures	388 200	488 200
Share capital	4 442 377	4 202 910
Stock options	135 501	128 685
Warrants	195 395	177 300
Deficit	(4 649 364)	(4 540 700)
	<u>512 109</u>	<u>456 395</u>
	<u>581 904</u>	<u>592 606</u>

AZIMUT EXPLORATION INC.

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Deficit

For the periods ended February 28, 2005 and February 29, 2004 (unaudited)

	2005	2004
	\$	\$
Balance - Beginning of period	4 540 700	4 156 173
Interest on convertible debentures	(5 141)	14 345
Net loss for the period	<u>113 805</u>	<u>184 171</u>
Balance - End of period	<u><u>4 649 364</u></u>	<u><u>4 354 689</u></u>

Statements of deferred exploration expenses

For the periods of three (3) months and six (6) months ended February 28, 2005 and February 29, 2004 (unaudited)

	2005	2004	2005	2004
	3 months	3 months	6 months	6 months
	\$	\$	\$	\$
Balance - Beginning of period	<u>176 827</u>	<u>9 400</u>	<u>109 369</u>	<u>0</u>
Expenses incurred during the period				
Claims and permits	5 000	33 587	66 005	42 987
Geology	25 646	610	38 748	610
	<u>30 646</u>	<u>34 197</u>	<u>104 753</u>	<u>43 597</u>
Option payments	(90 000)	0	(90 000)	0
Credit on duties refundable for losses and refundable tax credit relating to resources	(13 015)	(279)	(19 664)	(279)
	<u>(103 015)</u>	<u>(279)</u>	<u>(109 664)</u>	<u>(279)</u>
Balance - End of period	<u><u>104 458</u></u>	<u><u>43 318</u></u>	<u><u>104 458</u></u>	<u><u>43 318</u></u>

AZIMUT EXPLORATION INC.

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Statements of Earnings

For the periods of three (3) months and six (6) months ended February 28, 2005 and February 29, 2004 (unaudited)

	2005	2004	2005	2004
	3 months	3 months	6 months	6 months
	\$	\$	\$	\$
Revenue				
Interest income	1 042	2 644	1 877	3 129
Expenses				
Salaries and fringe benefits	22 350	20 073	41 409	34 706
Professional and maintenance fees	18 172	90 912	29 420	95 644
Management fees and office expenses	28 252	18 977	52 271	31 708
Travelling and entertainment	7 506	3 784	14 178	4 869
Interests and bank charges	74	46	150	109
Amortization of property, plant and equipment	258	36	413	72
Amortization of intangible assets	31	0	63	0
Write-off of long-term investments	0	0	600	0
Search for properties	(8 415)	17 373	14 752	47 825
Credit on duties refundable for losses and refundable tax credit relating to resources	4 271	(13 701)	(6 554)	(27 633)
	<u>72 499</u>	<u>137 500</u>	<u>146 702</u>	<u>187 300</u>
Loss before taxes	(71 457)	(134 856)	(144 825)	(184 171)
Income taxes	(31 020)	0	(31 020)	0
Net loss for the period	<u>(40 437)</u>	<u>(134 856)</u>	<u>(113 805)</u>	<u>(184 171)</u>
Basic and diluted net loss per share	<u>(0.003)</u>	<u>(0.012)</u>	<u>(0.009)</u>	<u>(0.017)</u>
Basic and diluted weighted average number of shares outstanding	<u>12 441 278</u>	<u>10 902 072</u>	<u>11 882 168</u>	<u>10 539 725</u>

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Statements of Cash Flows

For the periods of three (3) and six (6) months ended February 28, 2005 and February 29 2004 (unaudited)

	2005	2004	2005	2004
	3 months	3 months	6 months	6 months
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss for the period	(40 437)	(134 856)	(113 805)	(184 171)
Items not affecting cash and cash equivalent				
Amortization of property, plant and equipment	258	36	413	72
Amortization of intangible assets	31	0	63	0
Write-off of long-term investments	0	0	600	0
Stock option	3 408	77 350	6 816	77 350
	<u>(36 740)</u>	<u>(57 470)</u>	<u>(105 913)</u>	<u>(106 749)</u>
Change in non-cash working capital items				
Amounts receivable	53 842	7 903	54 153	(22 043)
Prepaid expenses	(74 079)	5 273	(61 282)	(4 212)
Accounts payable and accrued liabilities	635	(24 688)	(95 168)	(9 626)
	<u>(19 602)</u>	<u>(11 512)</u>	<u>(102 297)</u>	<u>(35 881)</u>
	<u>(56 342)</u>	<u>(68 982)</u>	<u>(208 210)</u>	<u>(142 630)</u>
Cash flows from financing activities				
Variation in exploration funds	(82 770)	15 664	(48 338)	(205 781)
Convertible debenture contracted	0	(61 800)	0	138 200
Variation in share capital	65 918	(74 926)	144 608	160 899
Increase in warrants	0	161 800	18 095	161 800
	<u>(16 852)</u>	<u>40 738</u>	<u>114 365</u>	<u>255 118</u>
Cash flows from investing activities				
Variation of mining properties	56 182	(23 120)	7 445	(32 520)
Acquisition on property, plant and equipment	(1 619)	0	(5 810)	0
	<u>54 563</u>	<u>(23 120)</u>	<u>1 635</u>	<u>(32 520)</u>
Net change in cash and cash equivalent	(18 631)	(51 364)	(92 210)	79 968
Cash and cash equivalent - Beginning of period	154 385	177 114	227 964	45 782
Cash and cash equivalent - End of period	135 754	125 750	135 754	125 750
Additional information				
Items not affecting cash and cash equivalents related to financing and investing activities				
Interests cashed	268	2 477	990	2 962
Shares issued and to be issued in consideration of the payment of interest on convertible debentures	0	9 474	5 141	14 345
Shares issued in consideration of payment of a convertible debenture	0	0	100 000	0
Credit on duties refundable for losses and refundable tax credit relating to resources applied against mining properties	26 218	279	26 218	279
Purchase of mining properties included in accounts payable and accrued liabilities	28 752	11 077	28 752	11 077

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

1 Summary of significant accounting policies

Interim financial information

The financial information as at February 28, 2005 and for the periods ended February 28, 2005 and February 29, 2004 are 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. Interim results may not necessarily be indicative of results anticipated for the year.

These interim 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 interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

New accounting standards

(a) Standards applicable to Fiscal 2005

In March 2004, the Emerging Issues Committee ("EIC") of the CICA issued EIC-146, "Flow-through Shares". This abstract deals with the date of recognition, by the issuer of flow-through shares, of the future income tax liabilities arising from the renouncement of tax deductions and the accounting method used to record the credit when previously unrecognized future income tax assets are recorded as a result of recognizing the above-mentioned future income tax liabilities.

(b) Standards applicable to future years

In January 2005, the CICA issued 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 Section 3860, "Financial Instruments — Disclosure and Presentation", by prescribing when a financial instrument is to be recognized on 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 entities which choose to designate qualifying transaction 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 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.

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Notes to Interim Financial Statements (unaudited)**2 Mining properties**

	Undivided participation %	Balance as at Sept. 1, 2004 \$	Costs incurred \$	Option payments, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2005 \$
Retty (198 claims)	100				
Mining property		18 612	0	0	18 612
Exploration costs		31 745	9 938	(5 044)	36 639
		<u>50 357</u>	<u>9 938</u>	<u>(5 044)</u>	<u>55 251</u>
Eastmain (218 claims)	100				
Mining property		22 890	0	0	22 890
Exploration costs		909	7 173	(3 640)	4 442
		<u>23 799</u>	<u>7 173</u>	<u>(3 640)</u>	<u>27 332</u>
Lac Gillet (87 claims)	100				
Mining property		8 178	0	0	8 178
Exploration costs		10 112	2 241	(1 137)	11 216
		<u>18 290</u>	<u>2 241</u>	<u>(1 137)</u>	<u>19 394</u>
Opinaca (886 claims)	100				
Mining property		6 825	66 005	(90 000)	(17 170)
Exploration costs		518	17 697	(8 981)	9 234
		<u>7 343</u>	<u>83 702</u>	<u>(98 981)</u>	<u>(7 936)</u>
De Romer (26 claims)	100				
Mining property		2 469	0	0	2 469
Exploration costs		7 111	1 699	(862)	7 948
		<u>9 580</u>	<u>1 699</u>	<u>(862)</u>	<u>10 417</u>
		<u>109 369</u>	<u>104 753</u>	<u>(109 664)</u>	<u>104 458</u>

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Notes to Interim Financial Statements (unaudited)

3 Convertible debentures

	2005	2004
	\$	\$
Debentures convertible at the company's option into common shares		
At a conversion price of \$0.18 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.	0	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	250 000
At a conversion price varying from \$0.33 to \$0.44 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 more than \$0.37 for the first/second six-month period, at more than \$0.45 for the third/forth six-month period, at more than \$0.55 for the fifth/sixth six-month period, at more than \$0.65 for the seventh/eighth six-month period and at more than \$0.75 for the ninth/tenth six-month period during the twenty business days preceding the dates of interest instalments, maturing in November 2008.	*138 200	*138 200
	<u>388 200</u>	<u>488 200</u>

* This convertible debenture has been presented net of the fair value of warrants amounting to \$61 800.

4 Share Capital

Authorized

Unlimited number of commons shares, without par value, voting and participating
12 580 550* shares issued and fully paid

*361 960 shares are subject to escrow and will gradually be released by July 14, 2007.

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Notes to Interim Financial Statements (unaudited)

5 Variation of warrants

	Number	Weighted average exercise price \$
Outstanding - beginning of period	1 742 858	0.42
Granted	119 048	0.52
Exercised	0	0.00
Matured or cancelled	0	0.00
Outstanding and exercisable - end of period	1 861 906	0.43

The following table summarizes the expiry date of outstanding warrants :

600 000 warrants at \$0.45 expire in May 2005
892 858 warrants at \$0.40 expire in May 2005
250 000 warrants at \$0.40 expire in December 2005
119 048 warrants at \$0.52 expire in May 2006

These warrants are recorded at their fair value, which was determined using the Black-Scholes model. They have been recorded at their fair value of \$18 095.

6 Stock Option Plan

The following tables present the stock option activity since September 1, 2004 and summarize information about fixed stock options outstanding and exercisable as at February 28 :

	<u>6 months</u>	
	Number	Weighted average exercise price \$
Outstanding - Beginning of period	1 000 000	0.23
Exercised	0	0
Granted	0	0
Outstanding - End of period	<u>1 000 000</u>	<u>0.23</u>
Exercisable - End of period	<u>860 000</u>	<u>0.24</u>

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Notes to Interim Financial Statements (unaudited)

exercise prices	Options outstanding		Options currently exercisable
	Number	Weighted average remaining contractual life (years)	Number
\$0.16	380 000	1.48	290 000
\$0.18	140 000	4.89	90 000
\$0.24	120 000	3.30	120 000
\$0.26	10 000	4.35	10 000
\$0.30	350 000	4.02	350 000
	<u>1 000 000</u>	<u>3.09</u>	<u>860 000</u>

7 Subsequent events

- a) In March 2005, the company signed two letters of agreement with Eastmain Resources Inc. on two of the six claims blocks of the Opinaca property. Eastmain Resources Inc. can acquire a 50 % interest by investing a total of 4.6 million dollars in exploration work, by paying \$300 000 in cash and delivering 75 000 common shares of Eastmain Resources Inc. Eastmain Resources Inc. may acquire an additional 15% interest on each of the two blocks upon delivery of a bankable feasibility study.
- b) In April 2005, the company signed a letter of agreement with Cambior Inc. on the West block of the Eastmain property. Cambior Inc. can acquire a 50 % interest by investing a total of 2 million dollars in exploration work and by paying \$200 000 in cash. Cambior Inc. may acquire an additional 15 % interest upon delivery of a feasibility study.
- c) In March 2005, 892 858 warrants at \$ 0.40 and 119 048 warrants at \$ 0.52 were exercised and in April 2005, 600 000 warrants at \$0.45 and 250 000 warrants at \$0.40 were also exercised.

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CORPORATE INFORMATION

Board of Directors

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

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

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

Louis P. Salley, B.A., LL.B., Director (Vancouver)

Management

Jean-Marc Lulin, President and Chief Executive Officer

Gaétan Mercier, Secretary and Treasurer

Management Advisors

Jacquelin Gauthier, Eng.

Jack Stoch, B.Sc., geologist

Legal Counsel

Pothier Valiquette (Montreal)

Auditors

PricewaterhouseCoopers LLP (Quebec)

Transfer Agent

Trust CIBC Mellon Company (Montreal)

Listing

TSX Venture

Symbol: AZM

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