

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Balance Sheets**

	<b>May 31, 2005</b>	<b>August 31, 2004</b>
	\$	\$
	(unaudited)	(audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalent	913,360	227,964
Amounts receivable	134,525	114,028
Prepaid expenses	64,785	29,185
	<u>1,112,670</u>	<u>371,177</u>
<b>Exploration funds</b>	125,421	99,063
<b>Long-term investments</b> (quoted value \$141,550 ; \$9,000)	41,550	12,000
<b>Mining properties</b>	107,078	109,369
<b>Property, plant and equipment</b>		
(less accumulated amortization of \$2,898 ; \$2,201 in 2004)	6,656	573
<b>Intangible assets</b> (less accumulated amortization of \$170 ; \$75 in 2004)	329	424
	<u>1,393,704</u>	<u>592,606</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities		
Related companies	--	85
Others	60,987	136,126
	<u>60,987</u>	<u>136,211</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Convertible debentures</b>	388,200	488,200
<b>Share capital</b>	5,426,820	4,202,910
<b>Stock options</b>	138,909	128,685
<b>Warrants</b>		177,300
<b>Deficit</b>	(4,621,212)	(4,540,700)
	<u>1,332,717</u>	<u>456,395</u>
	<u>1,393,704</u>	<u>592,606</u>

**AZIMUT EXPLORATION INC.**

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**Deficit**

For the periods ended May 31, 2005 and 2004 (unaudited)

	2005 \$	2004 \$
<b>Balance - Beginning of period</b>	4,540,700	4,156,173
Interest on convertible debentures	(5,141)	23,923
Net loss for the period	85,653	256,096
<b>Balance - End of period</b>	<u>4,621,212</u>	<u>4,436,192</u>

**Statements of deferred exploration expenses**

For the periods of three (3) months and nine (9) months ended May 31, 2005 and 2004 (unaudited)

	2005 3 months \$	2004 3 months \$	2005 9 months \$	2004 9 months \$
<b>Balance - Beginning of period</b>	104,458	43,318	109,369	--
Expenses incurred during the period				
Claims and permits	78,982	9,595	144,987	52,582
Geology	4,073	1,081	42,821	1,691
	<u>83,055</u>	<u>10,676</u>	<u>187,808</u>	<u>54,273</u>
Option payments	(78,368)	--	(168,368)	--
Credit on duties refundable for losses and refundable tax credit relating to resources	(2,067)	(549)	(21,731)	(828)
	<u>(80,435)</u>	<u>(549)</u>	<u>(190,099)</u>	<u>(828)</u>
<b>Balance - End of period</b>	<u>107,078</u>	<u>53,445</u>	<u>107,078</u>	<u>53,445</u>

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**Statements of Earnings**

For the periods of three (3) months and nine (9) months ended May 31, 2005 and 2004 (unaudited)

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>3 months</b>	<b>3 months</b>	<b>9 months</b>	<b>9 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
Interest income	3,242	1,506	5,119	4,635
Management fees	1,170	--	1,170	--
Gain on option of mining properties	125,811	--	125,811	--
	<u>130,223</u>	<u>1,506</u>	<u>132,100</u>	<u>4,635</u>
<b>Expenses</b>				
Salaries and fringe benefits	25,146	20,630	66,555	55,336
Professional and maintenance fees	25,166	8,841	54,586	104,485
Management fees and office expenses	23,866	26,707	76,137	58,415
Travelling and entertainment	4,613	3,740	18,791	8,609
Interests and bank charges	116	73	266	182
Amortization of property, plant and equipment	284	92	697	164
Amortization of intangible assets	32	--	95	--
Write-off of long-term investments	14,029	6,000	14,629	6,000
Search for properties	17,907	14,936	32,659	62,761
Credit on duties refundable for losses and refundable tax credit relating to resources	(9,088)	(7,588)	(15,642)	(35,221)
	<u>102,071</u>	<u>73,431</u>	<u>248,773</u>	<u>260,731</u>
<b>Earning (loss) before taxes</b>	28,152	(71,925)	(116,673)	(256,096)
<b>Future income taxes</b>	--	--	(31,020)	--
<b>Net earning (net loss) for the period</b>	<u>28,152</u>	<u>(71,925)</u>	<u>(85,653)</u>	<u>(256,096)</u>
<b>Basic and diluted net earning (net loss) per share</b>	<u>0.002</u>	<u>0.060</u>	<u>(0.007)</u>	<u>(0.024)</u>
<b>Basic and diluted weighted average number of shares outstanding</b>	<u>12,919,193</u>	<u>11,022,807</u>	<u>12,130,757</u>	<u>10,701,927</u>

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**Statements of Cash Flows**

For the periods of three (3) and nine (9) months ended May 31, 2005 and 2004 (unaudited)

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>3 months</b>	<b>3 months</b>	<b>9 months</b>	<b>9 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>				
Net earning (net loss) for the period	28,152	(71,925)	(85,653)	(256,096)
Items not affecting cash and cash equivalent				
Future income taxes	31,020	--	31,020	--
Amortization of property, plant and equipment	284	92	697	164
Amortization of intangible assets	32	--	95	--
Write-off of long-term investments	14,029	6,000	14,629	6,000
Stock option	3,408	--	10,224	--
	<u>76,925</u>	<u>(65,833)</u>	<u>(28,988)</u>	<u>(249,932)</u>
Change in non-cash working capital items				
Amounts receivable	(37,277)	20,725	16,876	(1,597)
Prepaid expenses	25,682	12,120	(35,600)	7,908
Accounts payable and accrued liabilities	(4,342)	(3,979)	(99,510)	(2,528)
	<u>(15,937)</u>	<u>28,866</u>	<u>(118,234)</u>	<u>3,783</u>
	<u>60,988</u>	<u>(36,967)</u>	<u>(147,222)</u>	<u>(246,149)</u>
<b>Cash flows from financing activities</b>				
Variation in exploration funds	21,980	15,986	(26,358)	(189,795)
Convertible debenture contracted	--	--	--	138,200
Variation in share capital	758,028	(1,329)	902,636	159,570
Increase in warrants	--	--	18,095	161,800
	<u>780,008</u>	<u>14,657</u>	<u>894,373</u>	<u>269,775</u>
<b>Cash flows from investing activities</b>				
Variation in long-term investments	(44,179)	--	(44,179)	--
Variation of mining properties	(18,241)	(10,433)	(10,796)	(53,751)
Acquisition on property, plant and equipment	(970)	(499)	(6,780)	(499)
	<u>(63,390)</u>	<u>(10,932)</u>	<u>(61,755)</u>	<u>(54,250)</u>
<b>Net change in cash and cash equivalent</b>	<b>777,606</b>	<b>(33,242)</b>	<b>685,396</b>	<b>46,726</b>
<b>Cash and cash equivalent - Beginning of period</b>	<b>135,754</b>	<b>125,750</b>	<b>227,964</b>	<b>45,782</b>
<b>Cash and cash equivalent - End of period</b>	<b>913,360</b>	<b>92,508</b>	<b>913,360</b>	<b>92,508</b>
<b>Additional information</b>				
Items not affecting cash and cash equivalents related to financing and investing activities				
Interests cashed	3,352	1,299	4,342	4,261
Shares issued and to be issued in consideration of the payment of interest on convertible debentures	--	9,578	5,141	23,923
Shares issued in consideration of payment of a convertible debenture	--	--	100,000	--
Credit on duties refundable for losses and refundable tax credit relating to resources applied against mining properties	37,373	9,426	37,373	9,426
Purchase of mining properties included in accounts payable and accrued liabilities	24,286	9,120	24,286	9,120
Share issue expenses arising from the renouncement of tax deductions and included in share capital	31,020	--	31,020	--

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)**

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**1 Summary of significant accounting policies**

**Interim financial information**

The financial information as at May 31, 2005 and for the periods ended May 31, 2005 and 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 May 31, 2005 \$
Retty (198 claims)	100				
Mining property		18,612	--	--	18,612
Exploration costs		31,745	10,539	(5,348)	36,936
		<u>50,357</u>	<u>10,539</u>	<u>(5,348)</u>	<u>55,548</u>
Eastmain (167 claims)	100				
Mining property		22,890	(14,297)	(8,593)	--
Exploration costs		909	8,014	(8,923)	--
		<u>23,799</u>	<u>(6,283)</u>	<u>(17,516)</u>	<u>--</u>
Lac Gillet (87 claims)	100				
Mining property		8,178	--	--	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 A/A-East (326 claims)	100				
Mining property		2,471	31,966	(34,437)	--
Exploration costs		188	6,816	(7,004)	--
		<u>2,659</u>	<u>38,782</u>	<u>(41,441)</u>	<u>--</u>
Opinaca B/B-North (220 claims)	100				
Mining property		1,665	21,546	(23,211)	--
Exploration costs		127	4,593	(4,720)	--
		<u>1,792</u>	<u>26,139</u>	<u>(27,931)</u>	<u>--</u>
Opinaca C (166 claims)	100				
Mining property		1,256	16,248	(17,504)	--
Exploration costs		95	3,465	(3,560)	--
		<u>1,351</u>	<u>19,713</u>	<u>(21,064)</u>	<u>--</u>
Opinaca D (188 claims)	100				
Mining property		1,433	18,544	(19,977)	--
Exploration costs		108	3,954	(4,062)	--
		<u>1,541</u>	<u>22,498</u>	<u>(24,039)</u>	<u>--</u>
Wabamisk (676 claims)	100				
Mining property		--	70,980	(50,000)	20,980
Exploration costs		--	1,500	(761)	739
		<u>--</u>	<u>72,480</u>	<u>(50,761)</u>	<u>21,719</u>
De Romer (26 claims)	100				
Mining property		2,469	--	--	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>187,808</u>	<u>(190,099)</u>	<u>107,078</u>

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**Notes to Interim Financial Statements (unaudited)**

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**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.	--	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  
14,442,456\* shares issued and fully paid

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

**AZIMUT EXPLORATION INC.**

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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	1,861,906	0.43
Matured or cancelled	--	--
Outstanding and exercisable - end of period	--	--

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 May 31 :

	<b>9 months</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding - Beginning of period	1,000,000	0.23
Exercised	--	--
Granted	--	--
Outstanding - End of period	1,000,000	0.23
Exercisable - End of period	860,000	0.24



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**Notes to Interim Financial Statements (unaudited)**

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	<b>Options outstanding</b>		<b>Options currently exercisable</b>
<b>exercise prices</b>	<b>Number</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number</b>
\$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
	<b>1,000,000</b>	<b>3.09</b>	<b>860,000</b>

**AZIMUT EXPLORATION INC.**

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**CORPORATE INFORMATION**

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**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

**Contact and information**

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