

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Balance Sheets**

	<b>February 29, 2008 \$ (unaudited)</b>	<b>August 31, 2007 \$ (audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalent	1,362,437	1,356,649
Amounts receivable	464,078	1,158,978
Prepaid expenses	32,581	20,668
	<u>1,859,096</u>	<u>2,536,295</u>
<b>Long-term investments</b> (quoted value \$692,400 as at August 31, 2007)	656,650	738,950
<b>Property, plant and equipment</b> (less accumulated amortization of \$21,180 ; \$15,013 as at August 31, 2007)	55,047	38,730
<b>Intangible assets</b> (less accumulated amortization of \$652 ; \$Nil as at August 31, 2007)	8,036	-
<b>Mining properties (note 2)</b>	647,857	459,524
	<u>3,226,686</u>	<u>3,773,499</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities		
Related companies (note 5)	55,402	19,893
Others	216,091	533,023
	<u>271,493</u>	<u>552,916</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (note 3)</b>	7,943,186	7,924,286
<b>Stock options (note 4)</b>	1,468,228	1,128,367
<b>Accumulated other comprehensive loss</b>	(285,174)	-
<b>Deficit</b>	(6,171,047)	(5,832,070)
	<u>2,955,193</u>	<u>3,220,583</u>
	<u>3,226,686</u>	<u>3,773,499</u>

The accompanying notes are an integral part of these interim financial statements

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Deficit**

For the six (6) months period ended February 29, 2008 and February 28, 2007 (unaudited)

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Balance - Beginning of period</b>	5,832,070	5,697,197
Net loss for the period	<u>338,977</u>	<u>29,235</u>
<b>Balance - End of period</b>	<u><b>6,171,047</b></u>	<u><b>5,726,432</b></u>

**Statements of deferred expenses**

For the three (3) months and six (6) months period ended February 29, 2008 and February 28, 2007 (unaudited)

	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>3 months</b>	<b>3 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance - Beginning of period</b>	<u>624,789</u>	<u>713,177</u>	<u>459,524</u>	<u>652,296</u>
Expenses incurred during the period				
Claims and permits	4,776	122,792	260,850	181,344
Geological surveys	48,055	19,381	98,939	20,090
Geochemical surveys	-	911	-	2,531
Administration and others	1,317	-	1,317	-
	<u>54,148</u>	<u>143,084</u>	<u>361,106</u>	<u>203,965</u>
Option payments	(31,080)	(247,308)	(150,061)	(247,308)
Credit on duties refundable for losses and refundable tax credit relating to resources	-	-	(22,712)	-
	<u>(31,080)</u>	<u>(247,308)</u>	<u>(172,773)</u>	<u>(247,308)</u>
<b>Balance - End of period</b>	<u><b>647,857</b></u>	<u><b>608,953</b></u>	<u><b>647,857</b></u>	<u><b>608,953</b></u>

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**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Earnings and Comprehensive Loss**

For the three (3) months and six (6) months period ended February 29, 2008 and February 28, 2007 (unaudited)

	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>3 months</b>	<b>3 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
Interest income	9,148	10,570	23,057	11,713
Gain on sale of options of mining properties	399,903	306,492	500,922	306,492
Management fees	3,600	26,625	42,825	32,495
Gain on sale of long term investments	8,274	10,172	8,274	10,172
Other income	-	-	-	30,000
	<u>420,925</u>	<u>353,859</u>	<u>575,078</u>	<u>390,872</u>
<b>Expenses</b>				
Salaries and fringe benefits	145,830	48,668	239,608	93,561
Professional and maintenance fees	98,424	29,603	125,266	39,217
Management fees and office expenses	41,009	108,355	94,954	166,840
Travelling and entertainment	39,496	31,858	69,278	49,652
Interests and bank charges	635	485	1,215	915
Amortization of property, plant and equipment	3,405	1,731	6,166	3,461
Amortization of intangible assets	652	88	652	176
Search for properties	22,109	30,001	36,794	74,797
Credit on duties refundable for losses and refundable tax credit relating to resources	-	(9,364)	(6,639)	(9,364)
Part XII.6 Tax	-	110	-	852
Stock options	109,368	-	346,761	-
	<u>460,928</u>	<u>241,535</u>	<u>914,055</u>	<u>420,107</u>
<b>Net earning (loss) for the period</b>	<u>(40,003)</u>	<u>112,324</u>	<u>(338,977)</u>	<u>(29,235)</u>
Change in value of listed shares held for trading	<u>(75,074)</u>	<u>-</u>	<u>(285,174)</u>	<u>-</u>
<b>Comprehensive loss for the period</b>	<u>(115,077)</u>	<u>112,324</u>	<u>(624,151)</u>	<u>(29,235)</u>
<b>Basic and diluted net earning (loss) per share</b>	<u>(0.002)</u>	<u>0.007</u>	<u>(0.020)</u>	<u>(0.002)</u>
<b>Basic and diluted weighted average number of shares outstanding</b>	<u>16,779,447</u>	<u>16,493,088</u>	<u>16,775,601</u>	<u>16,335,158</u>

The accompanying notes are an integral part of these interim financial statements

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Cash Flows**

For the three (3) months and six (6) months period ended February 29, 2008 and February 28, 2007 (unaudited)

	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>3 months</b>	<b>3 months</b>	<b>6 months</b>	<b>6 months</b>
			\$	\$
<b>Cash flows from operating activities</b>				
Net earning (loss) for the period	(40,003)	112,324	(338,977)	(29,235)
Items not affecting cash and cash equivalent				
Amortization of property, plant and equipment	3,405	1,731	6,166	3,461
Amortization of intangible assets	652	88	652	176
Gain on sale of options of mining properties	(399,903)	(306,492)	(500,922)	(306,492)
Gain on sale of long term investments	(8,274)	(10,173)	(8,274)	(10,173)
Stock options	109,368	-	346,761	-
	<u>(334,755)</u>	<u>(202,522)</u>	<u>(494,594)</u>	<u>(342,263)</u>
Change in non-cash working capital items				
Amounts receivable	(44,312)	(309,654)	769,612	(124,671)
Prepaid expenses	(17,807)	(151,580)	(11,913)	(157,082)
Accounts payable and accrued liabilities	78,554	(23,771)	(281,423)	(371,594)
	<u>16,435</u>	<u>(485,005)</u>	<u>476,276</u>	<u>(653,347)</u>
	<u>(318,320)</u>	<u>(687,527)</u>	<u>(18,318)</u>	<u>(995,610)</u>
<b>Cash flows from financing activities</b>				
Issuance of share capital net of share issue expenses	12,000	1,464,957	12,000	1,663,010
	<u>12,000</u>	<u>1,464,957</u>	<u>12,000</u>	<u>1,663,010</u>
<b>Cash flows from investing activities</b>				
Variation of mining properties	(97,873)	(143,084)	(361,106)	(203,965)
Proceeds from sale of options of mining properties	261,383	479,800	381,383	479,800
Addition on property, plant and equipment	(8,603)	-	(22,483)	-
Addition to intangible assets	(8,688)	-	(8,688)	-
Proceeds from sale of long term investments	23,000	12,265	23,000	12,265
	<u>169,219</u>	<u>348,981</u>	<u>12,106</u>	<u>288,100</u>
<b>Net change in cash and cash equivalent</b>	(137,101)	1,126,411	5,788	955,500
<b>Cash and cash equivalent - Beginning of period</b>	1,499,538	58,517	1,356,649	229,428
<b>Cash and cash equivalent - End of period</b>	<u>1,362,437</u>	<u>1,184,928</u>	<u>1,362,437</u>	<u>1,184,928</u>
<b>Additional information</b>				
Tax credit and mining rights receivable applied against mining properties	-	-	(22,712)	-
Interests cashed (net of interest paid)	9,608	(5,592)	22,936	6,725
Shares received in consideration of the sale of mining properties	169,600	74,000	217,600	74,000
Acquisition of mining properties included in accounts payable and accrued liabilities	(43,725)	-	-	-
Cash proceeds from sale of options of mining properties includes in amounts receivable	-	-	100,000	-

The accompanying notes are an integral part of these interim financial statements

**AZIMUT EXPLORATION INC.**

(An exploration company)

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

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**1 Summary of significant accounting policies**

**Interim financial information**

The financial information as at February 29, 2008 and for the periods ended February 29, 2008 and February 28, 2007 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 for the year ended August 31, 2007.

**Accounting changes**

Effective September 1, 2007, the Company adopted the new recommendations of the CICA relating to financial instruments, under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments; Recognition and Measurement and Section 3861, Financial Instruments; Disclosure and Presentation. These new Handbook sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting.

The Company recognize all of its financial assets and liabilities in the balance sheet according to their classification. Any adjustment made to a previous carrying amount will be recognized as an adjustment to the classification. Any adjustment made to a previous carrying amount will be recognized as an adjustment to the balance of deficit at that date or as the opening balance of a separate item in "Accumulated other comprehensive income", net of income taxes, if any.

The difference between the carrying amount and the fair value of investments classified as available for sale will be recognized as an adjustment to the opening balance of "Accumulated other comprehensive income", net of income taxes, if any.

As a result of the adoption of these new standards, the Company has classified its long-term investments as available-for-sale on September 1, 2007. The difference between the fair value and the cost base of the Company's long term investments of \$46,550 is recognized as an adjustment to the opening balance of "Accumulated other comprehensive income".

**AZIMUT EXPLORATION INC.**

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**Notes to Financial Statements****2 Mining properties**

As at February 29, 2008, the following claims were in good standing,

	Undivided participation %	Balance as at August 31, 2007 \$	Costs incurred \$	Option payments, Write-off, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 29, 2008 \$
<b>James Bay</b>					
Opinaca A, A East (497 claims)					
Mining property	100	-	-	(6,298)	(6,298)
Exploration costs		-	7,250	(952)	6,298
		-	7,250	(7,250)	-
Opinaca B, B North (220 claims)					
Mining property	100	-	-	(4,922)	(4,922)
Exploration costs		-	5,799	(877)	4,922
		-	5,799	(5,799)	-
Eleonore South (282 claims)					
Mining property	33.33	-	-	(11,935)	(11,935)
Exploration costs		-	12,644	(709)	11,935
		-	12,644	(12,644)	-
Opinaca D (188 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	26	(3)	23
		-	26	(3)	23
Eastmain West (167 claims)					
Mining property	100	-	-	-	-
Exploration costs		661	8,260	(2,147)	6,774
		661	8,260	(2,147)	6,774
Wabamisk (755 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	759	(31)	728
		-	759	(31)	728
Comptoir (796 claims)					
Mining property	100	59,450	-	-	59,450
Exploration costs		15,024	4,060	(2,456)	16,628
		74,474	4,060	(2,456)	76,078
Gold (1,583 claims)					
Mining property	100	-	173,285	-	173,285
Exploration costs		-	216	(92)	124
		-	173,501	(92)	173,409
<b>Total James Bay</b>		<b>75,135</b>	<b>212,299</b>	<b>(30,422)</b>	<b>257,012</b>

**AZIMUT EXPLORATION INC.**

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**Notes to Financial Statements****2 Mining properties - Cont'd**

	Undivided participation %	Balance as at August 31, 2007 \$	Costs incurred \$	Option payments, Write-off, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 29, 2008 \$
<b>Ungava Bay</b>					
North Rae (1,853 claims)					
Mining property	100	-	-	-	-
Exploration costs		2,726	11,781	(4,879)	9,628
		2,726	11,781	(4,879)	9,628
South Rae (2,563 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	7,866	(7,866)	-
		-	7,866	(7,866)	-
Daniel Lake (972 claims)					
Mining property	100	-	3,264	(3,264)	-
Exploration costs		-	179	(179)	-
		-	3,443	(3,443)	-
Kangiq (1,743 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
George River West (506 claims)					
Mining property	100	28,520	40,407	-	68,927
Exploration costs		312	270	(113)	469
		28,832	40,677	(113)	69,396
<b>Total Ungava Bay</b>		31,558	63,767	(16,301)	79,024
<b>Central Quebec</b>					
North Minto (2,042 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	517	(31)	486
		-	517	(31)	486
South Minto (1,332 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	717	(82)	635
		-	717	(82)	635
Central Minto (1,146 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
(forward)		-	1,234	(113)	1,121

**AZIMUT EXPLORATION INC.**

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**Notes to Financial Statements****2 Mining properties - Cont'd**

<b>Central Quebec (continued)</b>	<b>Undivided participation %</b>	<b>Balance as at August 31, 2007 \$</b>	<b>Costs incurred \$</b>	<b>Option payments, Write-off, credit on duties refundable for losses, refundable tax credit relating to resources \$</b>	<b>Balance as at February 29, 2008 \$</b>
(brought forward)		-	1,234	(113)	1,121
West Minto (952 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	4,723	(1,866)	2,857
		-	4,723	(1,866)	2,857
South Bienville (1,929 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Hudson Bay (537 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	691	(185)	506
		-	691	(185)	506
West Bienville (220 claims)					
Mining property	100	-	6,936	-	6,936
Exploration costs		-	7,359	(233)	7,126
		-	14,295	(233)	14,062
Kativik (1,861 claims)					
Mining property	100	126,024	(7,747)	(118,277)	-
Exploration costs		258	8,411	(1,084)	7,585
		126,282	664	(119,361)	7,585
Quutsuki (19 claims)					
Mining property	100	1,862	-	-	1,862
Exploration costs		-	-	-	-
		1,862	-	-	1,862
<b>Total Central Quebec</b>		<b>128,144</b>	<b>21,607</b>	<b>(121,758)</b>	<b>27,993</b>



**AZIMUT EXPLORATION INC.**

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**Notes to Financial Statements**

**2 Mining properties - Cont'd**

	Undivided participation %	Balance as at August 31, 2007 \$	Costs incurred \$	Option payments, Write-off, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 29, 2008 \$
<b>North Shore</b>					
Manitou (301 claims)					
Mining property	100	45,439	-	-	45,439
Exploration costs		516	227	(65)	678
		45,955	227	(65)	46,117
Mont Merry (46 claims)					
Mining property	100	3,000	-	-	3,000
Exploration costs		130	-	-	130
		3,130	-	-	3,130
Grenium (511 claims)					
Mining property	100	8,480	44,705	-	53,185
Exploration costs		(243)	10,622	(1,674)	8,705
		8,237	55,327	(1,674)	61,890
North Havre (223 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	7,879	(2,553)	5,326
		-	7,879	(2,553)	5,326
Nickel (1,896 claims)					
Mining property	100	167,340	-	-	167,340
Exploration costs		25	-	-	25
		167,365	-	-	167,365
<b>Total North Shore</b>		224,687	63,433	(4,292)	283,828
		459,524	361,106	(172,773)	647,857

**3 Share Capital**

Authorized

Unlimited number of commons shares, without par value, voting and participating

Issued and fully paid

	2008		2007	
	6 months		6 months	
	Shares	\$	Shares	\$
Balance - Beginning of period	16,771,755	7,924,286	16,121,755	6,022,948
Private placements	-	-	418,000	1,711,200
Stock options exercised (1)	50,000	18,900	47,000	42,878
Shares issue expenses	-	-	-	(74,990)
Balance - End of period*	16,821,755	7,943,186	16,586,755	7,702,036

\* no shares (72,392 in 2007) were held in escrow.

(1) Representing a cash consideration of \$12,000 (\$26,800 in 2007) upon their exercise and a fair value of stock options exercised of \$6,900 (\$16,078 in 2007).

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****4 Stock Option**

The following tables present the stock option activity since September 1, 2007 and summarize information about fixed stock options outstanding and exercisable as at February 29 :

	<b>3 months</b>	<b>6 months</b>	<b>Weighted average exercise price</b>
	<b>Number</b>	<b>Number</b>	<b>\$</b>
Outstanding - Beginning of period	1,595,000	1,595,000	2.19
Cancelled	--	--	-
Exercised	(50,000)	(50,000)	0.24
Granted	--	--	-
Outstanding - End of period	<u>1,545,000</u>	<u>1,545,000</u>	<u>2.25</u>
Exercisable - End of period	<u>1,230,000</u>	<u>1,230,000</u>	<u>1.79</u>

During the period ended February 29, 2008, an amount of \$346,761, representing the fair value of an additional 135,000 options become exercisable, was included in the statement of earnings. These options were granted during the fiscal year ended August 31, 2007.

<b>Exercise prices</b>	<b>Options outstanding Number</b>	<b>Options exercisable Number</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.30	290,000	290,000	1.03
\$0.64	30,000	30,000	2.32
\$0.86	105,000	105,000	2.53
\$1.50	50,000	50,000	2.98
\$1.55	300,000	300,000	3.00
\$1.75	150,000	150,000	3.03
\$1.80	20,000	20,000	3.14
\$3.85	300,000	120,000	4.01
\$4.30	300,000	165,000	4.02
	<u>1,545,000</u>	<u>1,230,000</u>	<u>3.00</u>

**AZIMUT EXPLORATION INC.**  
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**Notes to Interim Financial Statements (unaudited)**

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**5 Related party transaction**

During the period, the Company entered into the following transaction with a law firm of which one of the directors is a partner:

	<b>2008</b>	<b>2007</b>
	\$	\$
Professional fees and disbursement of expenses	nil	321

These transactions took place in the normal course of operations and are established using an exchange value, representing an amount of compensation determined and accepted to by the related parties.

**6 Comparative figures**

Certain comparative figures have been reclassified to conform with the current year presentation.

**AZIMUT EXPLORATION INC.**

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**CORPORATE INFORMATION**

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**Board of Directors**

Dennis Wood, Chairman of the Board (Montreal)  
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)  
Pierre Toth, M.Sc., Director (Montreal)

**Management**

Jean-Marc Lulin, President and Chief Executive Officer  
Normand Champigny, Executive Vice President  
Sylvain Guérard, Vice President Exploration  
Moniroth Lim, Secretary and Treasurer

**Legal Counsel**

Miller Thomson Pouliot (Montreal)

**Auditors**

PricewaterhouseCoopers LLP (Quebec)

**Transfer Agent**

Trust CIBC Mellon Company (Montreal)

**Listing**

TSX Venture  
Symbol: AZM

**Contact and information**

Head Office

110, De La Barre Street  
Suite 214  
Longueuil, QC  
Canada J4K 1A3  
Tel: (450) 646-3015  
Fax: (450) 646-3045  
E-mail: info@azimut-exploration.com

Web Site

[www.azimut-exploration.com](http://www.azimut-exploration.com)