

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Balance Sheets**

	<b>February 28, 2009</b>	<b>August 31, 2008</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	924,063	1,291,771
Amounts receivable	1,050,611	2,535,911
Prepaid expenses	33,419	39,300
	<u>2,008,093</u>	<u>3,866,982</u>
<b>Long-term investments</b>	297,039	340,050
<b>Property, plant and equipment</b>		
(less accumulated depreciation of \$45,183 ; \$33,786 as at August 31, 2008)	73,973	85,371
<b>Intangible assets</b>		
(less accumulated depreciation of \$3,063 ; \$1,656 as at August 31, 2008)	7,975	9,380
<b>Deferred charges</b>	-	92,063
<b>Mining properties (note 5)</b>	<u>1,874,932</u>	<u>1,244,727</u>
	<u>4,262,012</u>	<u>5,638,573</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities		
Related parties	2,727	50,014
Others	396,011	2,756,363
	<u>398,738</u>	<u>2,806,377</u>
<b>Long term liabilities</b>		
Debentures payable (note 6)	500,000	-
Liability component of debentures (note 7)	880,064	-
	<u>1,380,064</u>	<u>-</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	8,109,744	7,943,186
Warrants (note 8)	5,000	-
Stock options (note 9)	2,116,182	1,919,992
Equity component of debentures (note 7)	559,936	-
Deficit	(7,202,991)	(6,357,232)
Accumulated other comprehensive loss	(1,104,661)	(673,750)
	<u>2,483,210</u>	<u>2,832,196</u>
	<u>4,262,012</u>	<u>5,638,573</u>

**Subsequent events (note 11)**

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Shareholders' Equity**

For the six (6) months period ended February 28, 2009 and 2008 (unaudited)

	Share capital Common shares		Warrants		Stock options		Debenture \$	Deficit \$	Accumulated other comprehensive loss \$	Total \$
	Number	\$	Number	\$	Number	\$				
<b>Balance as at September 1, 2007</b>	16,771,755	7,924,286	-	-	1,595,000	1,128,367	-	(5,832,070)	-	3,220,583
Impact of adopting new accounting standards	-	-	-	-	-	-	-	-	(62,700)	(62,700)
Stock options exercised (note 9)	50,000	18,900	-	-	(50,000)	(6,900)	-	-	-	12,000
Stock options granted (note 9)	-	-	-	-	-	346,761	-	-	-	346,761
Loss for the period	-	-	-	-	-	-	-	(338,977)	-	(338,977)
Decrease in the fair value of available-for-sale investments 9 (b)	-	-	-	-	-	-	-	-	(222,474)	(222,474)
<b>Balance as at February 28, 2008</b>	16,821,755	7,943,186	-	-	1,545,000	1,468,228	-	(6,171,047)	(285,174)	2,955,193
<b>Balance as at September 1, 2008</b>	16,821,755	7,943,186	-	-	1,905,000	1,919,992	-	(6,357,232)	(673,750)	2,832,196
Issuance of shares for cash consideration (a)	250,000	95,000	125,000	5,000	-	-	-	-	-	100,000
Stock options exercised (note 9)	250,000	137,500	-	-	(250,000)	(62,500)	-	-	-	75,000
Stock options granted (note 9)	-	-	-	-	-	258,690	-	-	-	258,690
Share issue expenses (a)	-	(65,942)	-	-	-	-	-	-	-	(65,942)
Convertible debenture (note 7)	-	-	-	-	-	-	559,936	-	-	559,936
Loss for the period	-	-	-	-	-	-	-	(845,759)	-	(845,759)
Decrease in the fair value of available-for-sale investments (b)	-	-	-	-	-	-	-	-	(430,911)	(430,911)
<b>Balance as at February 28, 2009</b>	17,321,755	8,109,744	125,000	5,000	1,655,000	2,116,182	559,936	(7,202,991)	(1,104,661)	2,483,210

(a) The Company completed a private placement totalling \$2,040,000 comprised \$1,940,000 as convertible and non convertible debentures, and \$100,000 for issuance of 250,000 common shares and 125,000 warrants. The issued shares are subject to a four-month hold period. The warrants give the rights to purchase 125,000 additional common shares of the Company at a price of \$0.65 per share for a 24-month period. A fair value of \$5,000 (see note 8) was assigned to these warrants. The Company incurred shares issue expenses of \$65,942.

Deficit and accumulated other comprehensive loss as at February 28, 2009, totalling \$8,307,652 (\$7,030,982 as at August 31, 2008).

(b) The entire balance of accumulated other comprehensive income is related to available-for-sale investments.

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Earnings and Comprehensive Loss**

For the three (3) months and six (6) months period ended February 28, 2009 and February 29, 2008 (unaudited)

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</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>Revenues</b>				
Interest income	1,839	9,148	6,629	23,057
Gain on sale of options on mining properties	159,364	399,903	159,364	500,922
Management fees	-	3,600	-	42,825
Gain on sale of long-term investments	-	8,274	15,160	8,274
	<u>161,203</u>	<u>420,925</u>	<u>181,153</u>	<u>575,078</u>
<b>Expenses</b>				
Salaries and fringe benefits	137,452	145,830	238,608	239,608
Professional and maintenance fees	16,515	43,674	32,229	70,516
Management fees and office expenses	51,378	41,009	81,821	94,954
Travelling and entertainment	7,557	39,496	14,801	69,278
Interests and bank charges	61,544	635	62,268	1,215
Depreciation of property, plant and equipment	5,697	3,405	11,396	6,166
Amortization of intangible assets	707	652	1,408	652
Search for properties	32,940	22,109	62,882	36,794
Credit on duties refundable for losses and refundable tax credit relating to resources	-	-	(12,400)	(6,639)
Cost of mining properties abandoned or written off	-	-	-	-
Writeoff of deferred charges	113,023	54,750	275,209	54,750
Stock options	93,540	109,368	258,690	346,761
	<u>520,353</u>	<u>460,928</u>	<u>1,026,912</u>	<u>914,055</u>
<b>Loss for the period</b>	<u>(359,150)</u>	<u>(40,003)</u>	<u>(845,759)</u>	<u>(338,977)</u>
<b>Other comprehensive loss</b>				
Decrease in value of long-term investments	(200,650)	(75,074)	(432,150)	(222,474)
Reclassification of gain on available for sale investments realized upon sale to net earnings	-	-	1,239	-
	8,239	-	-	-
<b>Comprehensive loss for the period</b>	<u>(551,561)</u>	<u>(115,077)</u>	<u>(1,276,670)</u>	<u>(561,451)</u>
<b>Basic and diluted loss per share</b>	<u>(0.021)</u>	<u>(0.002)</u>	<u>(0.050)</u>	<u>(0.020)</u>
<b>Basic and diluted weighted average number of shares outstanding</b>	<u>17,117,755</u>	<u>16,779,447</u>	<u>16,977,225</u>	<u>16,775,601</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 28, 2009 and February 29, 2008 (unaudited)

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</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>Cash flows from operating activities</b>				
Loss for the period	(359,150)	(40,003)	(845,759)	(338,977)
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	5,697	3,405	11,396	6,166
Amortization of intangible assets	707	652	1,408	652
Gain on sale of long-term investments	-	(8,274)	(15,160)	(8,274)
Writeoff of deferred charges	113,023	-	275,209	-
Gain on sale of options on mining properties	(159,364)	(399,903)	(159,364)	(500,922)
Stock options	93,540	109,368	258,690	346,761
	<u>(305,547)</u>	<u>(334,755)</u>	<u>(473,580)</u>	<u>(494,594)</u>
Net change in non-cash working capital items				
Amounts receivable	162,919	(44,312)	1,331,500	769,612
Prepaid expenses	(3,633)	(17,807)	5,881	(11,913)
Accounts payable and accrued liabilities	(1,349,824)	78,554	(2,407,639)	(281,423)
	<u>(1,190,538)</u>	<u>16,435</u>	<u>(1,070,258)</u>	<u>476,276</u>
	<u>(1,496,085)</u>	<u>(318,320)</u>	<u>(1,543,838)</u>	<u>(18,318)</u>
<b>Cash flows from financing activities</b>				
Non convertible debentures	-	-	500,000	-
Convertible debentures	40,000	-	1,440,000	-
Issuance of share capital net of share issue expenses	65,478	12,000	109,058	12,000
	<u>105,478</u>	<u>12,000</u>	<u>2,049,058</u>	<u>12,000</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of long-term investments	3,500	261,383	27,260	23,000
Addition on property, plant and equipment	-	(8,603)	-	(22,483)
Increase in mining properties	(175,592)	(97,873)	(917,042)	(361,106)
Proceeds from sale of options on mining properties	200,000	23,000	200,000	381,383
Addition to intangible assets	-	(8,688)	-	(8,688)
Addition to deferred charges	(110,059)	-	(183,146)	-
	<u>(82,151)</u>	<u>169,219</u>	<u>(872,928)</u>	<u>12,106</u>
<b>Net change in cash</b>	<b>(1,472,758)</b>	<b>(137,101)</b>	<b>(367,708)</b>	<b>5,788</b>
<b>Cash - Beginning of period</b>	<b>2,396,821</b>	<b>1,499,538</b>	<b>1,291,771</b>	<b>1,356,649</b>
<b>Cash - End of period</b>	<b>924,063</b>	<b>1,362,437</b>	<b>924,063</b>	<b>1,362,437</b>
<b>Additional information</b>				
Tax credit and mining rights receivable applied against mining properties	-	-	(246,200)	(22,712)
Interest received, net of interest paid	1,523	9,608	5,589	22,936
Shares received and receivable in consideration of the sale of mining properties	-	169,600	-	217,600
Acquisition of mining properties included in account payable and accrued liabilities	-	(43,725)	-	-
Cash proceeds from sale of options on mining properties included 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 Interim financial information**

The financial information as at February 28, 2009 and for the three (3) month and six (6) month periods ended February 28, 2009 and 2008 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, 2008.

#### **2 Going concern assumption**

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of a going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

For the period ended February 28, 2009, the Company reported a loss of \$845,759 and an accumulated deficit of approximately \$7.2 million at that date. In addition to ongoing working capital requirements, the Company must secure sufficient funding to keep its properties in good standing and for general and administrative costs. Management is evaluating other alternatives to secure the necessary financing so that the Company can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classifications have not been adjusted as would be required if the going concern assumption was not appropriate.

#### **3 Accounting changes**

Effective September 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". These new standards relate only to disclosure and presentation, and have no impact on the Company's financial results.

Section 1400 requires that management make an assessment of the Company's ability to continue as a going concern over a period of at least, but not limited to, twelve months from the balance sheet date.

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Section 3862 describes the required disclosure for the assessment of the significance of financial instruments on an entity's financial position and performance and of the nature and extent of risk arising from financial instruments to which the entity is exposed and how the entity manages those risks.

The purpose of Section 3863 is to enhance the Financial Statements user's understanding of the significance of financial instruments as they pertain to the Company's financial position, performance and cash flows. It carries forward the presentation-related requirements of Section 3861 "Financial Instruments – Disclosure and Presentation".

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****4 Capital Management**

The capital structure of the Company consists of equity attributable to common shareholders and includes share capital, warrants, stock options, accumulated other comprehensive income and deficit.

The Company manages its capital to maximize its ability to be able to continue as a going concern. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day projections, and 180-day and 360-day lookout periods. Due to the nature of the activities of the Company, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing, through various means, including equity financing. During the period the Company completed a private placement of \$2,040,000. The proceed from the offering will be used for general purposes, technical work and business development.

The Company is not subject to any externally imposed capital requirements.

**5 Mining properties**

As at February 28, 2009, the following claims were in good standing and are located in the Province of Quebec.

	Undivided participation %	Balance as at September 1, 2008 \$	Costs incurred \$	Option payments, write- offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2009 \$
<b>Ungava Bay</b>					
North Rae (1,853 claims)					
Mining property	100	-	100,219	-	100,219
Exploration costs		409,134	235,546	(127,600)	517,080
		409,134	335,765	(127,600)	617,299
South Rae (2,002 claims)					
Mining property	100	-	-	-	-
Exploration costs		2,132	3,417	-	5,549
		2,132	3,417	-	5,549
Daniel Lake (972 claims)					
Mining property	100	-	88,024	-	88,024
Exploration costs		86,208	189,112	(121,800)	153,520
		86,208	277,136	(121,800)	241,544
Kangiq (1,743 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Other (1,350 claims)					
Mining property	100	153,179	-	-	153,179
Exploration costs		1,112	-	-	1,112
		154,291	-	-	154,291
<b>Total Ungava Bay</b>		<b>651,765</b>	<b>616,318</b>	<b>(249,400)</b>	<b>1,018,683</b>

**AZIMUT EXPLORATION INC.**

(An exploration company)

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

**5 Mining properties - Cont'd**

**Central Quebec**

	Undivided participation %	Balance as at September 1, 2008 \$	Costs incurred \$	Option payments, write- offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2009 \$
North Minto (2,276 claims)					
Mining property	100	-	-	-	-
Exploration costs		439	11,499	-	11,938
		439	11,499	-	11,938
South Minto (1,230 claims)					
Mining property	100	-	-	-	-
Exploration costs		482	11,449	-	11,931
		482	11,449	-	11,931
Central Minto (762 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
West Minto (906 claims)					
Mining property	100	-	2,958	-	2,958
Exploration costs		582	946	-	1,528
		582	3,904	-	4,486
South Bienville (1,972 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Hudson Bay (532 claims)					
Mining property	100	-	4,590	-	4,590
Exploration costs		8	2,280	-	2,288
		8	6,870	-	6,878
West Bienville (288 claims)					
Mining property	100	-	-	-	-
Exploration costs		6,005	329	-	6,334
		6,005	329	-	6,334
Kativik (1,861 claims)					
Mining property	100	-	-	-	-
Exploration costs		38,608	252,021	(36,800)	253,829
		38,608	252,021	(36,800)	253,829
Quutsuki (19 claims)					
Mining property	100	1,862	-	-	1,862
Exploration costs		-	-	-	-
		1,862	-	-	1,862
<b>Total Central Quebec</b>		<b>47,986</b>	<b>286,072</b>	<b>(36,800)</b>	<b>297,258</b>

**AZIMUT EXPLORATION INC.**

(An exploration company)

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

**5 Mining properties - Cont'd**

	Undivided participation %	Balance as at September 1, 2008 \$	Costs incurred \$	Option payments, write- offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2009 \$
<b>James Bay</b>					
Opinaca A, A East (499 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	183	(183)	-
		-	183	(183)	-
Opinaca B, B North (220 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	183	(183)	-
		-	183	(183)	-
Eleonore South (282 claims)					
Mining property	33.33	-	-	-	-
Exploration costs		-	271	(271)	-
		-	271	(271)	-
Opinaca D (188 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	1,473	-	1,473
		-	1,473	-	1,473
Eastmain West (134 claims)					
Mining property	100	-	5,695	-	5,695
Exploration costs		5,386	1,272	-	6,658
		5,386	6,967	-	12,353
Wabamisk (755 claims)					
Mining property	100	-	-	-	-
Exploration costs		840	5,155	-	5,995
		840	5,155	-	5,995
Comptoir (796 claims)					
Mining property	100	59,450	-	-	59,450
Exploration costs		17,212	-	-	17,212
		76,662	-	-	76,662
Gold (2,277 claims)					
Mining property	100	229,490	92	-	229,582
Exploration costs		1,736	-	-	1,736
		231,226	92	-	231,318
<b>Total James Bay</b>		314,114	14,324	(637)	327,801

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

**5 Mining properties - Cont'd**

	Undivided participation %	Balance as at September 1, 2008 \$	Costs incurred \$	Option payments, write- offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2009 \$
<b>North Shore</b>					
Grenium (494 claims)					
Mining property	100	56,434	-	-	56,434
Exploration costs		7,063	-	-	7,063
		<u>63,497</u>	<u>-</u>	<u>-</u>	<u>63,497</u>
North Havre (209 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	328	-	328
		<u>-</u>	<u>328</u>	<u>-</u>	<u>328</u>
Nickel (1,896 claims)					
Mining property	100	167,340	-	-	167,340
Exploration costs		25	-	-	25
		<u>167,365</u>	<u>-</u>	<u>-</u>	<u>167,365</u>
<b>Total North Shore</b>		<u>230,862</u>	<u>328</u>	<u>-</u>	<u>231,190</u>
<b>Total mining properties</b>		<u>1,244,727</u>	<u>917,042</u>	<u>(286,837)</u>	<u>1,874,932</u>
Change in mining properties					
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</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>1,739,977</u>	<u>624,789</u>	<u>1,244,727</u>	<u>459,524</u>
Expenses incurred during the period					
Claims and permits		13,490	4,776	201,578	260,850
Geological surveys		4,314	48,055	248,450	98,939
Geophysical surveys		129,762	-	129,762	-
Drilling		28,026	-	337,252	-
Administration and others		-	1,317	-	1,317
		<u>175,592</u>	<u>54,148</u>	<u>917,042</u>	<u>361,106</u>
Option payments		(40,637)	(31,080)	(40,637)	(150,061)
Credit on duties refundable for losses and refundable tax credit relating to resources		-	-	(246,200)	(22,712)
		<u>(40,637)</u>	<u>(31,080)</u>	<u>(286,837)</u>	<u>(172,773)</u>
<b>Balance - End of period</b>		<u>1,874,932</u>	<u>647,857</u>	<u>1,874,932</u>	<u>647,857</u>

## AZIMUT EXPLORATION INC.

(An exploration company)

### Notes to Interim Financial Statements (unaudited)

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#### 6 Debenture

The \$500,000 debenture is to be reimbursed over a 5 year-period in payments of \$100,000 per year. It bears interest at a rate of 12% per year payable in cash.

#### 7 Convertible debentures

The Company completed a private placement of unsecured convertible debentures of \$940,000 to fund its technical work and business development. The debentures are mature on November 24, 2011 and bear interest at the rate of 12% per annum, payable semi-annually either in cash or in shares. Non-interest bearing if the share is traded at \$0.90 and over during the twenty business days preceding the dates of interest instalments for the first two six-month periods ending May 24 and November 24, 2009, respectively, at \$1.35 and over for the third, fourth, fifth and sixth six-month periods ending May 24, 2010; November 24, 2010; May 24, 2011 and November 24, 2011, respectively. The principal is convertible at the option of the holder into common shares of the Company. During the first 2 years, the principal is convertible into units at a price of \$0.54. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.65. At the third year, the debentures are convertible into units at a price of \$0.60; each unit consists of one common share and one-half of a share purchase warrant.

Each full warrant entitles the holder to purchase one common share at a price of \$0.75.

The Company had also completed a placement of \$500,000 secured convertible loan which is to be reimbursed in two equal payments in 2009 and 2010 and bears interest at a rate of 12% per year, payable in cash or shares every six months. Non-interest bearing if the share is traded at \$0.90 and over during the twenty business days preceding the dates of interest instalments for the first two six-month periods ending May 24 and November 24, 2009, respectively, at \$1.35 and over for the third and fourth six-month periods ending May 24, 2010 and November 24, 2010. This loan is convertible into units at a price of \$0.54 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.65 for a 24-month period following the conversion date or until the term of the loan. The loan is secured by a hypothec on the Company's movable property, including tax credits to be received.

The convertible debenture is accounted for in accordance with its substance and is presented in the financial statements in its component parts, measured at their respective fair values at the time of issue. The liability component has been calculated as the present value of the required principal and interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debenture was issued.

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	\$	\$	\$
Unsecured convertible debenture	449,979	490,021	940,000
Secured convertible debenture	430,085	69,915	500,000
	<u>880,064</u>	<u>559,936</u>	<u>1,440,000</u>

#### 8 Warrants

The 125,000 warrants were granted in connection with a private placement concluded during the period ended February 28, 2009.

The fair value of option warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

Number of warrants granted	125,000
Risk-free interest rate	2.75%
Expected volatility	99.28%
Dividend yield	Nil
Weighted average expected life	2 years
Weighted average fair value of options granted	\$0.04

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****9 Stock Options**

The following tables present the stock option activity since September 1, 2008, and summarize information about fixed stock options outstanding and exercisable as at February 28, 2009 :

	<b>3 months</b>		<b>6 months</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding - Beginning of period	1,905,000	2.40	1,905,000	2.40
Cancelled	-	-	-	-
Exercised	(250,000)	0.30	(250,000)	0.30
Granted	-	-	-	-
Outstanding - End of period	<u>1,655,000</u>	<u>2.72</u>	<u>1,655,000</u>	<u>2.72</u>
Exercisable - End of period	<u>1,310,000</u>	<u>2.54</u>	<u>1,310,000</u>	<u>2.54</u>

During the period ended February 28, 2009, an amount of \$258,690, representing the fair value of an additional 122,500 options that become exercisable, was included in the statement of earnings. The following table summarizes information about stock options outstanding and exercisable as at February 28, 2009.

<b>Exercise prices</b>	<b>Options outstanding Number</b>	<b>Options exercisable Number</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.30	40,000	40,000	0.32
\$0.64	30,000	30,000	1.32
\$0.86	105,000	105,000	1.53
\$1.50	50,000	50,000	1.98
\$1.55	300,000	300,000	2.00
\$1.75	150,000	150,000	2.04
\$1.80	20,000	20,000	2.14
\$3.03	360,000	165,000	4.11
\$3.85	300,000	150,000	3.02
\$4.30	300,000	300,000	3.00
	<u>1,655,000</u>	<u>1,310,000</u>	<u>2.75</u>

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

**10 Financial instruments**

The fair values of financial instruments as at February 28, 2009, and August 31, 2008, are summarized as follows:

	Classification	February 28, 2009		August 31, 2008	
		Carrying value	Fair value	Carrying value	Fair value
		Total	Total	Total	Total
		\$	\$	\$	\$
<b>Financial assets</b>					
Cash	Held for trading	924,063	924,063	1,291,771	1,291,771
Amounts receivable	Loans and receivables	1,050,611	1,050,611	2,535,911	2,535,911
Long-term investments	Available for sale	297,039	297,039	340,050	340,050
		<u>2,271,713</u>	<u>2,271,713</u>	<u>4,167,732</u>	<u>4,167,732</u>
<b>Financial Liabilities</b>					
Accounts payable and Accrued liabilities	Other than held-for trading liabilities	398,738	398,738	2,806,377	2,806,377

Cash, amounts receivable and 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 available-for-sale long-term investments is established using the bid price on the most beneficial active market for this instrument that is readily available to the Company. When a bid price is not available, the Company uses the closing price of the most recent transaction on such instrument. The Company reviews the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, interest rate risk, liquidity risk, and other price risks.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk is limited to cash and amount receivables. Cash and cash equivalents are deposited in bank accounts with Canadian chartered banks or invested in a diversified manner in securities having an investment-grade rating, and not asset-backed commercial paper. The credit risk associated with receivables from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from option payments and exploration work carried out on properties under option and operated by the Company. Other receivables represent amounts owed to the Company by the Canadian Revenue Agency for GST and QST refunds, and the Quebec Minister of Finance for the refundable tax credit relating to resources and credit on duties applicable for losses, all of which are expected to be collected.

**Interest Rate Risk**

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities.

As at February 28, 2009, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Long-term investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Debenture payable	12% interest rate

**AZIMUT EXPLORATION INC.**

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

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**10 Financial instruments - Cont'd**

*Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operating requirements and capital expenditure plans. The Company manages liquidity by appropriately raising equity, if required, to meet its short-term operating requirements, and holdings of cash. The Company does not invest in asset-backed commercial paper.

*Commodity Price Risk*

The Company is still in the exploration stage and is not subject to commodity price risk.

**11 Subsequent events**

On April 13, 2009, a total of 590,000 stock options have been granted to its directors, officers, employees and consultants. Of this number, 565,000 have been granted to its directors and officers and 25,000 to its employees and consultants. These options have an exercise price of \$0.34 per share and are exercisable during a 10-year period.

**12 Comparative figures**

Certain comparative figures have been reclassified to conform with the current period 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

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

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