

AZIMUT EXPLORATION INC.

(An exploration company)

Balance Sheets

	May 31, 2009	August 31, 2008
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash and cash equivalents	1,046,191	1,291,771
Amounts receivable	651,745	2,535,911
Receivable from related parties	36,184	-
Prepaid expenses	27,219	39,300
	<u>1,761,339</u>	<u>3,866,982</u>
Long-term investments	339,625	340,050
Property, plant and equipment		
(less accumulated depreciation of \$50,962; \$33,786 as at August 31, 2008)	69,281	85,371
Intangible assets		
(less accumulated depreciation of \$3,767; \$1,656 as at August 31, 2008)	7,271	9,380
Deferred charges	-	92,063
Mining properties (note 5)	1,456,884	1,244,727
	<u>3,634,400</u>	<u>5,638,573</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		
Related parties	-	50,014
Others	172,137	2,756,363
	<u>172,137</u>	<u>2,806,377</u>
Current portion of debenture payable (note 6)	100,000	-
	<u>272,137</u>	<u>2,806,377</u>
Long-term liabilities		
Debenture payable (note 6)	400,000	-
Liability component of debentures (note 7)	630,064	-
	<u>1,030,064</u>	<u>-</u>
SHAREHOLDERS' EQUITY		
Share capital	8,102,044	7,943,186
Warrants (note 8)	5,000	-
Stock options (note 9)	1,968,232	1,919,992
Equity component of debentures (note 7)	559,936	-
Deficit	(7,252,795)	(6,357,232)
Accumulated other comprehensive loss	(1,050,218)	(673,750)
	<u>2,332,199</u>	<u>2,832,196</u>
	<u>3,634,400</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 nine (9) month periods ended May 31, 2009 and 2008 (unaudited)

	Share capital Common shares		Warrants		Stock options		Debenture \$	Deficit \$	Accumulated other comprehensive loss \$	Total \$
	Number	\$	Number	\$	Number	\$				
Balance as at September 1, 2007	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)	-	-	-	-	360,000	603,675	-	-	-	603,675
Loss for the period	-	-	-	-	-	-	-	97,756	-	97,756
Decrease in the fair value of available-for-sale investments (b)	-	-	-	-	-	-	-	-	(388,383)	(388,383)
Balance as at May 31, 2008	16,821,755	7,943,186	-	-	1,905,000	1,725,142	-	(5,734,314)	(451,083)	3,482,931
Balance as at September 1, 2008	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)	-	-	-	-	590,000	559,990	-	-	-	559,990
Stock options cancelled (note 9)	-	-	-	-	(350,000)	(449,250)	-	-	-	(449,250)
Share issue expenses (a)	-	(73,642)	-	-	-	-	-	-	-	(73,642)
Convertible debenture (note 7)	-	-	-	-	-	-	559,936	-	-	559,936
Loss for the period	-	-	-	-	-	-	-	(895,563)	-	(895,563)
Decrease in the fair value of available-for-sale investments (b)	-	-	-	-	-	-	-	-	(376,468)	(376,468)
Balance as at May 31, 2009	17,321,755	8,102,044	125,000	5,000	1,895,000	1,968,232	559,936	(7,252,795)	(1,050,218)	2,332,199

(a) The Company completed a private placement totalling \$2,040,000 comprising \$1,940,000 in convertible and non-convertible debentures, and \$100,000 for the 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 right 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 share issue expenses of \$73,642.

Deficit and accumulated other comprehensive loss as at May 31, 2009, totalling \$8,303,013 (\$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) month and nine (9) month periods ended May 31, 2009 and May 31, 2008 (unaudited)

	2009	2008	2009	2008
	3 months	3 months	9 months	9 months
	\$	\$	\$	\$
Revenues				
Interest income	47	7,716	6,676	30,773
Gain on sale of options on mining properties	315,322	808,490	474,686	1,309,412
Management fees	-	44,825	-	87,650
Gain on sale of long-term investments	(10,151)	6,559	5,009	14,833
	<u>305,218</u>	<u>867,590</u>	<u>486,371</u>	<u>1,442,668</u>
Expenses				
Salaries and fringe benefits	78,091	109,948	316,699	349,556
Professional and maintenance fees	14,960	15,192	47,189	85,708
Management fees and office expenses	64,235	52,022	146,056	146,976
Travelling and entertainment	18,633	15,542	33,434	84,820
Interest on convertible debentures	26,334	-	87,564	-
Interest and bank charges	795	582	1,833	1,797
Depreciation of property, plant and equipment	5,780	7,914	17,176	14,080
Amortization of intangible assets	703	590	2,111	1,242
Search for properties	25,237	17,122	88,119	53,916
Credit on duties refundable for losses and refundable tax credit relating to resources	(25,300)	(26,833)	(37,700)	(33,472)
Cost of mining properties abandoned or written off	327,389	-	327,389	-
Writeoff of deferred charges	(33,885)	(18,136)	241,324	36,614
Stock options	(147,950)	256,914	110,740	603,675
	<u>355,022</u>	<u>430,857</u>	<u>1,381,934</u>	<u>1,344,912</u>
Loss for the period	<u>(49,804)</u>	<u>436,733</u>	<u>(895,563)</u>	<u>97,756</u>
Other comprehensive loss				
Decrease in value of long-term investments	816,110	(165,909)	383,960	(388,383)
Reclassification of gain on available-for-sale investments realized upon sale to net earnings	-	62,700	(7,492)	-
	-	-	-	-
Comprehensive loss for the period	<u>757,575</u>	<u>333,524</u>	<u>(519,095)</u>	<u>(290,627)</u>
Basic net loss per share	<u>(0.003)</u>	<u>0.026</u>	<u>(0.052)</u>	<u>0.006</u>
Diluted net earnings (loss) per share	<u>(0.003)</u>	<u>0.025</u>	<u>(0.052)</u>	<u>0.006</u>
Basic weighted average number of shares outstanding	<u>17,321,755</u>	<u>16,821,755</u>	<u>17,093,330</u>	<u>16,791,098</u>
Diluted weighted average number of shares outstanding	<u>17,321,755</u>	<u>17,503,113</u>	<u>17,093,330</u>	<u>17,530,530</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) month and nine (9) month periods ended May 31, 2009 and May 31, 2008 (unaudited)

	2009	2008	2009	2008
	3 months	3 months	9 months	9 months
	\$	\$	\$	\$
Cash flows from operating activities				
Net earning (loss) for the period	(49,804)	436,733	(895,563)	97,756
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	5,780	7,914	17,176	14,080
Amortization of intangible assets	703	590	2,111	1,242
Gain on sale of long-term investments	10,151	(6,559)	(5,009)	(14,833)
Cost of mining properties abandoned or written off	327,389	-	327,389	-
Writeoff of deferred charges	(33,885)	-	241,324	36,614
Gain on sale of options on mining properties	(315,322)	(808,490)	(474,686)	(1,309,412)
Stock options	(147,950)	256,914	110,740	603,675
	<u>(202,938)</u>	<u>(112,898)</u>	<u>(676,518)</u>	<u>(570,878)</u>
Net change in non-cash working capital items				
Amounts receivable	501,658	(117,257)	1,833,158	652,355
Receivable from related parties	(36,184)	-	(36,184)	-
Prepaid expenses	6,200	(101,094)	12,081	(113,007)
Payable to related parties	(2,727)	(53,293)	(50,014)	(17,784)
Accounts payable and accrued liabilities	(223,874)	339,337	(2,584,226)	22,405
	<u>245,073</u>	<u>67,693</u>	<u>(825,185)</u>	<u>543,969</u>
	<u>42,135</u>	<u>(45,205)</u>	<u>(1,501,703)</u>	<u>(26,909)</u>
Cash flows from financing activities				
Non-convertible debentures	-	-	500,000	-
Convertible debentures	(250,000)	-	1,190,000	-
Issuance of share capital net of share issue expenses	(7,700)	-	101,358	12,000
	<u>(257,700)</u>	<u>-</u>	<u>1,791,358</u>	<u>12,000</u>
Cash flows from investing activities				
Proceeds from sale of long-term investments	1,705	13,950	28,965	36,950
Addition on property, plant and equipment	(1,086)	(42,931)	(1,086)	(65,414)
Increase in mining properties	(56,811)	(77,922)	(973,853)	(439,028)
Proceeds from sale of options on mining properties	360,000	766,496	560,000	1,147,879
Addition to intangible assets	-	(2,350)	-	(11,038)
Addition to deferred charges	33,885	(192,437)	(149,261)	(229,051)
	<u>337,693</u>	<u>464,806</u>	<u>(535,235)</u>	<u>440,298</u>
Net change in cash and cash equivalents	122,128	419,601	(245,580)	425,389
Cash and cash equivalents - Beginning of period	924,063	1,362,437	1,291,771	1,356,649
Cash and cash equivalents - End of period	<u>1,046,191</u>	<u>1,782,038</u>	<u>1,046,191</u>	<u>1,782,038</u>
Additional information				
Tax credit and mining rights receivable applied against mining properties	-	(28,481)	(348,993)	(51,193)
Interest received, net of interest paid	(748)	6,040	4,843	28,976
Interest paid on debentures	20,334	-	81,564	-
Shares received and receivable in consideration of the sale of mining properties	-	129,550	-	347,150
Acquisition of mining properties included in accounts payable and accrued liabilities	-	-	-	-
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

1 Interim financial information

The financial information as at May 31, 2009 and for the three (3) month and six (9) month periods ended May 31, 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 May 31, 2009, the Company reported a loss of \$895,563 and an accumulated deficit of approximately \$8.3 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.

(An exploration company)

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 proceeds 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 May 31, 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 May 31, 2009 \$
Ungava Bay					
North Rae (1,853 claims)					
Mining property	100	-	100,219	(40,000)	60,219
Exploration costs		409,134	254,937	(117,510)	546,561
		<u>409,134</u>	<u>355,156</u>	<u>(157,510)</u>	<u>606,780</u>
South Rae (1,817 claims)					
Mining property	100	-	-	-	-
Exploration costs		2,132	3,670	(1,690)	4,112
		<u>2,132</u>	<u>3,670</u>	<u>(1,690)</u>	<u>4,112</u>
Daniel Lake (972 claims)					
Mining property	100	-	88,024	(40,000)	48,024
Exploration costs		86,208	215,271	(99,240)	202,239
		<u>86,208</u>	<u>303,295</u>	<u>(139,240)</u>	<u>250,263</u>
Kangiq (851 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other (774 claims)					
Mining property	100	153,179	-	(74,231)	78,948
Exploration costs		1,112	210	(1,045)	277
		<u>154,291</u>	<u>210</u>	<u>(75,276)</u>	<u>79,225</u>
Total Ungava Bay		<u>651,765</u>	<u>662,331</u>	<u>(373,716)</u>	<u>940,380</u>

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 May 31, 2009 \$
North Minto (1,890 claims)					
Mining property	100	-	-	-	-
Exploration costs		439	-	(439)	-
		<u>439</u>	<u>-</u>	<u>(439)</u>	<u>-</u>
South Minto (1,230 claims)					
Mining property	100	-	-	-	-
Exploration costs		482	-	(482)	-
		<u>482</u>	<u>-</u>	<u>(482)</u>	<u>-</u>
Central Minto (722 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
West Minto (723 claims)					
Mining property	100	-	2,958	-	2,958
Exploration costs		582	1,127	(519)	1,190
		<u>582</u>	<u>4,085</u>	<u>(519)</u>	<u>4,148</u>
South Bienville (1,526 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Hudson Bay (524 claims)					
Mining property	100	-	4,690	-	4,690
Exploration costs		8	2,710	(1,250)	1,468
		<u>8</u>	<u>7,400</u>	<u>(1,250)</u>	<u>6,158</u>
West Bienville					
Mining property	100	-	-	-	-
Exploration costs		6,005	472	(6,477)	-
		<u>6,005</u>	<u>472</u>	<u>(6,477)</u>	<u>-</u>
Kativik (1,325 claims)					
Mining property	100	-	-	-	-
Exploration costs		38,608	263,889	(121,650)	180,847
		<u>38,608</u>	<u>263,889</u>	<u>(121,650)</u>	<u>180,847</u>
Other (140 claims)					
Mining property	100	1,862	14,280	(1,862)	14,280
Exploration costs		-	1,607	(772)	835
		<u>1,862</u>	<u>15,887</u>	<u>(2,634)</u>	<u>15,115</u>
Total Central Quebec		<u>47,986</u>	<u>291,733</u>	<u>(133,451)</u>	<u>206,268</u>

AZIMUT EXPLORATION INC.

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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 May 31, 2009 \$
James Bay					
Opinaca A, A East (499 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	220	(183)	37
		-	220	(183)	37
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		-	1,393	(911)	482
		-	1,393	(911)	482
Opinaca D (188 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	1,548	(715)	833
		-	1,548	(715)	833
Eastmain West (97 claims)					
Mining property	100	-	5,695	-	5,695
Exploration costs		5,386	4,622	(1,976)	8,032
		5,386	10,317	(1,976)	13,727
Wabamisk (755 claims)					
Mining property	100	-	-	-	-
Exploration costs		840	5,412	(6,252)	-
		840	5,412	(6,252)	-
Comptoir					
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
Total James Bay		314,114	19,165	(86,882)	246,397

AZIMUT EXPLORATION INC.

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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 May 31, 2009 \$
North Shore					
Grenium (349 claims)					
Mining property	100	56,434	-	-	56,434
Exploration costs		7,063	185	(80)	7,168
		<u>63,497</u>	<u>185</u>	<u>(80)</u>	<u>63,602</u>
North Havre (209 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	414	(177)	237
		<u>-</u>	<u>414</u>	<u>(177)</u>	<u>237</u>
Nickel					
Mining property	100	167,340	-	(167,340)	-
Exploration costs		25	25	(50)	-
		<u>167,365</u>	<u>25</u>	<u>(167,390)</u>	<u>-</u>
Total North Shore		<u>230,862</u>	<u>624</u>	<u>(167,647)</u>	<u>63,839</u>
Total mining properties		<u>1,244,727</u>	<u>973,853</u>	<u>(761,696)</u>	<u>1,456,884</u>
Change in mining properties					
		2009	2008	2009	2008
		3 months	3 months	9 months	9 months
		\$	\$	\$	\$
Balance - Beginning of period		1,874,932	624,789	1,244,727	459,524
Expenses incurred during the period					
Claims and permits		14,380	4,776	215,958	260,850
Geological surveys		42,431	48,055	290,882	98,939
Geophysical surveys		-	-	129,762	-
Drilling		-	-	337,251	-
Administration and others		-	1,317	-	1,317
		<u>56,811</u>	<u>54,148</u>	<u>973,853</u>	<u>361,106</u>
Option payments		(44,677)	(31,080)	(85,314)	(150,061)
Cost of mining properties abandoned or written off		(327,389)	-	(327,389)	-
Credit on duties refundable for losses and refundable tax credit relating to resources		(102,793)	-	(348,993)	(22,712)
		<u>(474,859)</u>	<u>(31,080)</u>	<u>(761,696)</u>	<u>(172,773)</u>
Balance - End of period		<u>1,456,884</u>	<u>647,857</u>	<u>1,456,884</u>	<u>647,857</u>

AZIMUT EXPLORATION INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)**6 Debenture**

On November 20, 2008 the Company issued a five-year unsecured debenture of \$500,000, bearing interest at 12% annually.

The principal and interest is to be reimbursed in cash over a 5 year-period as follows:

November 20, 2009	\$	112,000
November 20, 2010	\$	125,440
November 20, 2011	\$	140,492
November 20, 2012	\$	157,352
November 20, 2013	\$	176,234

7 Convertible debentures

On November 20, 2008 the Company completed a private placement of \$900,000 in unsecured convertible debentures and an additional \$40,000 on December 10, 2008. The debentures mature on November 20, 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 20 and November 20, 2009, respectively, at \$1.35 and over for the third, fourth, fifth and sixth six-month periods ending May 20, 2010; November 20, 2010; May 20, 2011 and November 20, 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.

On November 20, 2008 the Company also completed a placement consisting of a \$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. The Company reimbursed the first payment amounted to \$250,000. 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 20 and November 20, 2009, respectively, at \$1.35 and over for the third and fourth six-month periods ending May 20, 2010 and November 20, 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.

	Liability component	Equity component	Total
	\$	\$	\$
Unsecured convertible debenture	449,979	490,021	940,000
Secured convertible debenture	180,085	69,915	250,000
	<u>630,064</u>	<u>559,936</u>	<u>1,190,000</u>

8 Warrants

On November 24, 2008 the Company issued 250,000 common shares and 125,000 warrants for a cash consideration of \$100,000 through a private placement. These warrants give the right to purchase 125,000 additional shares at a price of \$0.65 per share for a 24-month period.

The fair value of warrants was estimated using the Black-Scholes 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 warrants 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 May 31, 2009:

	3 months		9 months	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding - Beginning of period	1,655,000	2.40	1,905,000	2.40
Cancelled	(350,000)	3.73	(350,000)	3.73
Exercised	-	-	(250,000)	0.30
Granted	590,000	0.34	590,000	0.34
Outstanding - End of period	1,895,000	1.79	1,895,000	1.79
Exercisable - End of period	1,790,000	1.72	1,790,000	1.72

Accounting for the stock-based compensation plan

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

Number of options granted	590,000
Risk-free interest rate	3.75%
Expected volatility	108
Dividend yield	Nil
Weighted average expected life	10 years
Weighted average fair value of options granted	\$ 0.32

The fair value of options granted during the period amounts to \$188,800 representing the fair value of options granted and exercisable, and has been included in the Statement of Earnings and Comprehensive Income (Loss) under item "Stock options" as well as in "Shareholders' Equity" under item "Stock options".

Also during the period ended May 31, 2009, a recovered amount of \$78,060 was included in the statement of earnings, representing the fair value of an additional 175,000 options that became exercisable for \$371,190, and the recovery of the fair value of 350,000 cancelled options for \$449,250. These options were granted during fiscal years 2007 and 2008.

The following table summarizes information about stock options outstanding and exercisable as at May 31, 2009.

Exercise prices	Options outstanding Number	Options exercisable Number	Weighted average remaining contractual life (years)
\$0.30	40,000	40,000	0.07
\$0.34	590,000	590,000	9.88
\$0.64	30,000	30,000	1.07
\$0.86	105,000	105,000	1.30
\$1.50	50,000	50,000	1.73
\$1.55	300,000	300,000	1.75
\$1.75	150,000	150,000	1.77
\$1.80	20,000	20,000	1.89
\$3.03	310,000	205,000	2.03
\$4.30	300,000	300,000	2.76
	1,895,000	1,790,000	4.42

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)**10 Financial instruments**

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

	Classification	May 31, 2009		August 31, 2008	
		Carrying value	Fair value	Carrying value	Fair value
		Total	Total	Total	Total
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	Held for trading	1,046,191	1,046,191	1,291,771	1,291,771
Amounts receivable	Loans and receivables	695,429	695,429	2,535,911	2,535,911
Long-term investments	Available for sale	339,625	339,625	340,050	340,050
		<u>2,081,245</u>	<u>2,081,245</u>	<u>4,167,732</u>	<u>4,167,732</u>
Financial liabilities					
Accounts payable and Accrued liabilities	Other than held-for-trading liabilities	166,137	166,137	2,806,377	2,806,377

Cash and cash equivalents, 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 May 31, 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)

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 July 8, 2009, Azimut and NWT Uranium Corp. concluded a definitive agreement to terminate the option agreements previously granted by Azimut to NWT in respect of the North Rae and Daniel Lake properties located in the Ungava Bay region, Nunavik, Quebec. The termination of the option agreements is conditional upon Azimut issuing 1,800,000 of its common shares to NWT, which shares will be subject to a contractual nine-month hold period commencing on the date of issuance.

NWT has been granted the right to participate in any private placement that may be conducted by Azimut during the foregoing nine-month period so as to allow NWT to maintain its proportionate equity interest in Azimut.

Azimut has also agreed to pay to NWT the sum of Cdn\$1,000,000 upon the earlier of: 1) the commencement of full commercial production of uranium from the properties, or 2) in the event Azimut concludes an outright sale of all or a portion of its interest in the properties to a third party.

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

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

Contact and information

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