

AZIMUT EXPLORATION INC.

(An exploration company)

Balance Sheet

	February 28, 2011 \$ (unaudited)	August 31, 2010 \$ (audited)
Assets		
Current assets		
Cash and cash equivalents (note 3)	963,561	2,704,823
Amounts receivable - Related party	80,564	80,564
Amounts receivable - Others (note 4)	739,258	939,469
Prepaid expenses	23,504	21,848
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	1,806,887	3,746,704
Long-term investments (note 5)	479,233	377,561
Property and equipment (note 6)	189,533	282,422
Intangible assets	15,812	4,597
(less accumulated depreciation of \$8,096; \$6,441 as at August 31, 2010)		
Mining properties (note 7)	5,020,765	3,947,274
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	7,512,230	8,358,558
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities - Related parties	188,185	93,905
Accounts payable and accrued liabilities - Others	426,670	1,708,802
Current portion of debenture (notes 8 and 9)	100,000	100,000
Obligation under capital lease	16,100	29,697
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	730,955	1,932,404
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Debentures payable (note 8)	149,400	240,200
Liability component of debentures (note 9)	288,355	878,847
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	437,755	1,119,047
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	1,168,710	3,051,451
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Shareholders' equity		
Share capital	12,641,827	11,524,400
Warrants	581,867	564,152
Stock options	2,335,400	2,468,540
Equity component of debentures	47,888	150,050
Contributed surplus	912,112	459,472
Deficit	(10,313,834)	(9,851,659)
Accumulated other comprehensive loss	138,260	(7,848)
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	6,343,520	5,307,107
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	7,512,230	8,358,558
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Subsequent events (note 12)

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) month ended February 28, 2011 and 2010 (unaudited)

	Share capital		Warrants		Stock options		Equity Component of debenture	Contributed surplus	Deficit	Accumulated Other comprehensive loss	Total
	<u>Number</u>	<u>\$</u>	<u>Number</u>	<u>\$</u>	<u>Number</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	Balance as at September 1, 2009	20,383,979	8,868,164	1,347,224	353,334	1,855,000	2,026,292	194,820	449,250	(9,034,070)	(253,700)
Private placements	1,434,166	810,304	717,083	265,321	-	-	-	-	-	-	1,075,625
Flow-through private placements	2,675,000	2,300,500	-	-	-	-	-	-	-	-	2,300,500
Payment of interest on convertible debenture	83,430	51,394	-	-	-	-	-	-	-	-	51,394
Share issue expenses	-	(966,544)	-	-	-	-	-	-	-	-	(966,544)
Stock options exercised	5,000	3,300	-	-	(5,000)	(1,600)	-	-	-	-	1,700
Stock-based compensation costs	-	-	-	-	-	67,500	-	-	-	-	67,500
Net income for the period	-	-	-	-	-	-	-	-	156,779	-	156,779
Other comprehensive loss	-	-	-	-	-	-	-	-	-	48,084	48,084
Balance as at February 28, 2010	24,581,575	11,067,118	2,064,307	618,655	1,850,000	2,092,192	194,820	449,250	(8,877,291)	(205,616)	5,339,128
Balance as at September 1, 2010	25,111,070	11,524,400	2,542,154	564,152	2,440,000	2,468,540	150,050	459,472	(9,851,659)	(7,848)	5,307,107
Warrants excised	602,847	414,419	(602,847)	(19,443)	-	-	-	-	-	-	394,976
Issuance of shares for payment of interest on convertible debentures	39,727	35,211	-	-	-	-	-	-	-	-	35,211
Conversion of debentures	1,185,185	671,881	1,205,470	37,158	-	-	(102,162)	-	-	-	606,877
Stock options granted	-	-	-	-	450,000	-	-	-	-	-	-
Stock option expired/cancelled	-	-	-	-	(475,000)	(452,640)	-	452,640	-	-	-
Stock-based compensation costs	-	-	-	-	-	319,500	-	-	-	-	319,500
Share issue expenses	-	(4,084)	-	-	-	-	-	-	-	-	(4,084)
Net loss for the period	-	-	-	-	-	-	-	-	(462,175)	-	(462,175)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	146,108	146,108
Balance as at February 28, 2011	26,938,829	12,641,827	3,144,777	581,867	2,415,000	2,335,400	47,888	912,112	(10,313,834)	138,260	6,343,520

Deficit and accumulated other comprehensive loss amount to \$10,175,574 and \$9,082,907 as at February 28, 2011 and 2010, respectively.

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

AZIMUT EXPLORATION INC.

(An exploration company)

Statements of Earnings and Comprehensive Loss

For the three- and six-month periods ended February 28, 2011 and 2010 (unaudited)

	2011	2010	2011	2010
	3 months	3 months	6 months	6 months
	\$	\$	\$	\$
Expenses				
Salaries and fringe benefits	(21,072)	67,966	64,669	109,966
Professional and maintenance fees	33,200	33,985	46,994	50,954
Administration and office expenses	67,841	78,755	102,349	103,402
Travelling and entertainment	24,900	15,996	28,131	23,155
Interests on debentures	19,436	35,249	30,824	60,448
Interests and bank charges	690	560	990	823
Interests on obligation under capital lease	403	-	403	-
Accretion expenses on debentures	8,481	22,700	25,585	44,883
Depreciation of property and equipment	3,699	4,174	6,814	8,349
Amortization of intangible assets	1,310	492	1,655	985
Search for properties	137,220	27,021	180,660	43,727
Credit on duties refundable for losses and refundable tax credit relating to resources	(20,900)	(11,210)	(20,900)	(18,700)
Cost of mining properties abandoned or written off	-	79,224	-	79,224
Part XII.6 Tax	(434)	-	(628)	-
Stock-based compensation costs	305,300	-	305,300	67,500
	<u>560,074</u>	<u>354,912</u>	<u>772,846</u>	<u>574,716</u>
Other income				
Interest income	4,076	3,106	9,253	3,791
Gain on option payments on mining properties	74,205	60,000	74,205	60,000
Gain on termination of option agreements	-	-	148,642	-
Management fees	15,534	559	37,001	559
Gain on sale of long-term investments	30,794	-	41,570	-
	<u>124,609</u>	<u>63,665</u>	<u>310,671</u>	<u>64,350</u>
Loss for the period before income taxes	(435,465)	(291,247)	(462,175)	(510,366)
Recovery of future income taxes	-	667,145	-	667,145
Net earnings (loss) for the period	<u>(435,465)</u>	<u>375,898</u>	<u>(462,175)</u>	<u>156,779</u>
Other comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale investments	22,288	79,650	187,678	48,084
Reclassification of the gain on sale of available-for-sale investment to statement of loss	(30,794)	-	(41,570)	-
	<u>(8,506)</u>	<u>79,650</u>	<u>146,108</u>	<u>48,084</u>
Comprehensive loss for the period	<u>(443,971)</u>	<u>455,548</u>	<u>(316,067)</u>	<u>204,863</u>
Basic and diluted earnings (loss) per share	<u>(0.016)</u>	<u>0.016</u>	<u>(0.018)</u>	<u>0.007</u>
Basic weighted average number of shares outstanding	<u>26,609,817</u>	<u>23,706,384</u>	<u>26,157,575</u>	<u>22,033,544</u>
Diluted weighted average number of shares outstanding	<u>26,609,817</u>	<u>24,020,366</u>	<u>26,157,575</u>	<u>22,331,788</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- and six-month periods ended February 28, 2011 and 2010 (unaudited)

	2011	2010	2011	2010
	3 months	3 months	6 months	6 months
	\$	\$	\$	\$
Cash flows from operating activities				
Net earnings (loss) for the period	(435,465)	375,898	(462,175)	156,779
Items not affecting cash				
Depreciation of property and equipment	3,699	4,174	6,814	8,349
Amortization of intangible assets	1,310	492	1,655	985
Gain on sale of long-term investments	(30,794)	-	(41,570)	-
Write-off and write-down of mining properties	-	79,224	-	79,224
Gain on option payments on mining properties	(74,205)	(60,000)	(74,205)	(60,000)
Credit on duties refundable for losses and refundable tax credit relating to resources	(20,900)	-	(20,900)	(18,700)
Gain on termination of option agreements	29	-	(148,642)	-
Accretion expense on debentures	8,481	22,700	25,585	44,883
Interest on obligation under capital lease	403	-	403	-
Stock-based compensation costs	305,300	-	305,300	67,500
Shares issued for interest payment on debentures	-	51,394	35,211	51,394
Recovery of future income taxes	-	(667,145)	-	(667,145)
	<u>(242,142)</u>	<u>(193,263)</u>	<u>(372,524)</u>	<u>(336,731)</u>
Net change in non-cash working capital items				
Amounts receivable	(4,220)	6,780	438,761	22,661
Prepaid expenses	(10,327)	(78,603)	(1,656)	(244,810)
Accounts payable	(710,706)	(50,008)	(756,747)	(107,090)
	<u>(725,253)</u>	<u>(121,831)</u>	<u>(319,642)</u>	<u>(329,239)</u>
	<u>(967,395)</u>	<u>(315,094)</u>	<u>(692,166)</u>	<u>(665,970)</u>
Cash flows from financing activities				
Non-convertible debentures	-	-	(100,000)	(100,000)
Issuance of share capital net of share issue expenses	(368)	3,076,726	390,892	3,078,426
Payments of obligation under capital lease	(14,000)	-	(14,000)	-
	<u>(14,368)</u>	<u>3,076,726</u>	<u>276,892</u>	<u>2,978,426</u>
Cash flows from investing activities				
Proceeds from sale of long-term investments	35,012	-	86,006	-
Additions to property and equipment	(7,780)	-	(7,780)	-
Additions to intangible assets	(12,870)	-	(12,870)	-
Addition to mining properties	(121,364)	(280,479)	(1,441,371)	(367,365)
Proceeds from sale of option on mining properties	50,027	39,039	50,027	60,000
	<u>(56,975)</u>	<u>(241,440)</u>	<u>(1,325,988)</u>	<u>(307,365)</u>
Net change in cash and cash equivalents	(1,038,738)	2,520,192	(1,741,262)	2,005,091
Cash and cash equivalents - Beginning of period	2,002,299	834,717	2,704,823	1,349,818
Cash and cash equivalents - End of period	<u>963,561</u>	<u>3,354,909</u>	<u>963,561</u>	<u>3,354,909</u>
Additional information				
Interest cashed, net of interest paid	3,386	2,546	8,263	2,968
Interest paid on debentures	-	-	45,784	32,568
Acquisition of mining properties included in accounts payable and accrued liabilities	160,051	(148,250)	282,463	-
Tax credit and mining rights receivable applied against mining properties	(167,650)	(9,750)	(167,650)	(115,250)
Depreciation of property and equipment pursuant to a capital lease and included in mining properties	46,928	-	93,855	-
Stock based compensation included in mineral properties	14,200	-	14,200	-

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

AZIMUT EXPLORATION INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)

1 Interim financial information

The financial information as at February 28, 2011 and for the three- and six-month periods ended February 28, 2011 and 2010, are unaudited; however, in the opinion of management, all adjustments necessary to fairly present 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, 2010.

2 Incorporation, nature of activities and going concern concept

The Company, incorporated under Part 1A of the Québec Companies Act, is in the business of acquiring and exploring mining properties. It has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and future profitable production or proceeds from the disposal of properties.

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, 2011, the Company reported a loss of \$462,175 and an accumulated deficit of approximately \$10.3 million at that date. As at February 28, 2011, the Company had a working capital of \$1,075,932, including cash and cash equivalents of \$963,561, ensures sufficient funding for meeting its existing commitments for exploration and development programs, and general and administrative costs. Management is evaluating other alternatives to secure the necessary financing so that the Company can continue as a going concern.

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 Cash and cash equivalents

As at February 28, 2011, there are no flow-through funds remaining to be expended pursuant to flow-through financing agreements (\$502,581 as at August 31, 2010).

As of February 28, 2011, cash and cash equivalents include \$540,066 (\$451,791 as of August 31, 2010) of guaranteed investment certificates bearing interest at 0.1% (0.1% of August 31, 2010), and these are cashable any time without penalty.

AZIMUT EXPLORATION INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)

4 Amounts receivable

	February 28, 2011	August 31, 2010
	\$	\$
	(unaudited)	(audited)
Tax credit and mining rights receivable	376,116	187,567
Commodity taxes	193,439	370,509
Trade accounts receivable	169,703	381,393
	<u>739,258</u>	<u>939,469</u>

5 Long-term investments

	February 28, 2011		August 31, 2010	
	Amortized cost	Carrying value	Amortized cost	Carrying value
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(audited)	(audited)
Eastmain Resources Inc.	8,600	34,400	8,600	29,400
NWT Uranium Corp.	50,750	63,000	50,750	70,000
Majescor Resources Inc.	49,980	42,140	49,980	40,180
Silver Spruce Resources Inc.	19,500	75,000	19,500	13,500
D'Arianne Resources Inc.	-	-	8,436	5,772
Channel Resources Ltd.	24,000	28,500	48,000	39,000
Abitex Resources Inc.	84,000	119,000	96,000	96,000
Nemaska Exploration Inc.	104,143	117,193	104,143	83,709
	<u>340,973</u>	<u>479,233</u>	<u>385,409</u>	<u>377,561</u>

6 Property and equipment

	February 28, 2011			August 31, 2010		
	Cost	Accumulated depreciation	Net carrying value	Cost	Accumulated depreciation	Net carrying value
	\$	\$	\$	\$	\$	\$
Office furniture	20,542	12,889	7,653	20,542	12,038	8,504
Office equipment	20,081	10,858	9,223	20,081	9,833	10,248
Computer equipment	32,257	17,955	14,302	24,478	16,118	8,360
Specialist equipment	56,250	38,675	17,575	56,250	35,573	20,677
Camp under capital lease	281,560	140,780	140,780	281,560	46,927	234,633
	<u>410,690</u>	<u>221,157</u>	<u>189,533</u>	<u>402,911</u>	<u>120,489</u>	<u>282,422</u>

AZIMUT EXPLORATION INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)

7 Mining properties

As at February 28, 2011, the following claims were in good standing and are located in the Province of Quebec.

	February 28, 2011	August 31, 2010
	\$	\$
Mining properties	5,020,765	3,880,774
Advances for exploration work	-	66,500
	<u>5,020,765</u>	<u>3,947,274</u>

	Undivided participation %	Balance as at September 1, 2010 \$	Costs incurred \$	Option payments, write-offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2011 \$
Nunavik					
Rex (5,174 claims)					
Mining property	100	424,320	58,560	-	482,880
Exploration costs		1,511,516	479,201	(97,600)	1,893,117
		<u>1,935,836</u>	<u>537,761</u>	<u>(97,600)</u>	<u>2,375,997</u>
Rex South (1,822 claims)					
Mining property	100	-	-	-	-
Exploration costs		14,326	-	-	14,326
		<u>14,326</u>	<u>-</u>	<u>-</u>	<u>14,326</u>
NCG (2,473 claims)					
Mining property	100	48,289	307,117	-	355,406
Exploration costs		-	832	-	832
		<u>48,289</u>	<u>307,949</u>	<u>-</u>	<u>356,238</u>
Nunavik Gold (251 claims)					
Mining property	100	20,544	3,552	-	24,096
Exploration costs		-	416	-	416
		<u>20,544</u>	<u>3,968</u>	<u>-</u>	<u>24,512</u>
Nunavik Copper (100 claims)					
Mining property	100	-	3,168	-	3,168
Exploration costs		-	-	-	-
		<u>-</u>	<u>3,168</u>	<u>-</u>	<u>3,168</u>
Diana (600 claims)					
Mining property	100	-	-	-	-
Exploration costs		2,204	-	-	2,204
		<u>2,204</u>	<u>-</u>	<u>-</u>	<u>2,204</u>
Total Copper-gold-silver-cobalt-REE properties		<u>2,021,199</u>	<u>852,846</u>	<u>(97,600)</u>	<u>2,776,445</u>

AZIMUT EXPLORATION INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)

7 Mining properties - Cont'd.

	Undivided participation %	Balance as at September 1, 2010 \$	Costs incurred \$	Option payments, write-offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2011 \$
Nunavik - Cont'd					
North Rae (1,535 claims)					
Mining property	100	420,631	69,746	-	490,377
Exploration costs		674,857	36,094	(15,000)	695,951
		1,095,488	105,840	(15,000)	1,186,328
Daniel Lake (536 claims)					
Mining property	100	344,974	41,616	-	386,590
Exploration costs		295,441	15,284	(6,100)	304,625
		640,415	56,900	(6,100)	691,215
Kangiq (851 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Burrel Lake (892 claims)					
Mining property	100	20,000	-	-	20,000
Exploration costs		-	-	-	-
		20,000	-	-	20,000
South Rae (54 claims)					
Mining property	100	5,778	-	-	5,778
Exploration costs		9,242	40	-	9,282
		15,020	40	-	15,060
North Minto (648 claims)					
Mining property	100	-	15,943	-	15,943
Exploration costs		818	7,174	(3,100)	4,892
		818	23,117	(3,100)	20,835
Central Minto (381 claims)					
Mining property	100	-	15,194	-	15,194
Exploration costs		-	-	-	-
		-	15,194	-	15,194
South Minto (377 claims)					
Mining property	100	-	11,449	-	11,449
Exploration costs		533	6,292	(2,700)	4,125
		533	17,741	(2,700)	15,574
Kativik (1,361 claims)					
Mining property	100	-	-	-	-
Exploration costs		1,629	38,644	(16,750)	23,523
		1,629	38,644	(16,750)	23,523
Hudson Bay (132 claims)					
Mining property	100	14,018	4,815	-	18,833
Exploration costs		1,933	-	-	1,933
		15,951	4,815	-	20,766
South Bienville (558 claims)					
Mining property	100	-	1,712	-	1,712
Exploration costs		-	54	(27)	27
		-	1,766	(27)	1,739

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

7 Mining properties - Cont'd

	Undivided participation %	Balance as at September 1, 2010 \$	Costs incurred \$	Option payments, write-offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2011 \$
Nunavik properties - Cont'd					
Other (140 claims)					
Mining property	100	14,280	14,980	-	29,260
Exploration costs		1,561	26,766	(11,600)	16,727
		15,841	41,746	(11,600)	45,987
Total Uranium properties		1,805,695	305,803	(55,277)	2,056,221
Total Nunavik		3,826,894	1,158,649	(152,877)	4,832,666
James Bay					
Opinaca A, A East (429 claims)					
Mining property	100	8,460	-	-	8,460
Exploration costs		6	1,650	-	1,656
		8,466	1,650	-	10,116
Opinaca B, B North (220 claims)					
Mining property	100	4,500	-	-	4,500
Exploration costs		6	440	-	446
		4,506	440	-	4,946
Eleonore South (282 claims)					
Mining property	29.4	-	-	-	-
Exploration costs		4,238	479	-	4,717
		4,238	479	-	4,717
Opinaca D (188 claims)					
Mining property	100	12,480	10,080	(22,560)	-
Exploration costs		3,235	6,266	(5,935)	3,566
		15,715	16,346	(28,495)	3,566
Eastmain West (61 claims)					
Mining property	100	3,895	3,848	-	7,743
Exploration costs		12,428	147,976	(10,400)	150,004
		16,323	151,824	(10,400)	157,747
Wabamisk (755 claims)					
Mining property	49	-	-	-	-
Exploration costs		4,632	4,075	(1,700)	7,007
		4,632	4,075	(1,700)	7,007
Total James Bay		53,880	174,814	(40,595)	188,099
Total mining properties		3,880,774	1,333,463	(193,472)	5,020,765

AZIMUT EXPLORATION INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)**7 Mining properties - Cont'd**

Change in mining properties	2011 3 months	2010 3 months	2011 6 months \$	2010 6 months \$
Balance - Beginning of period	4,574,054	1,921,192	3,880,774	1,791,427
Expenses incurred during the period				
Claims and permits	270,469	175,618	561,780	181,979
Geological surveys	177,071	25,840	354,311	254,744
Geochemical surveys	68,414	-	138,886	-
Geophysical surveys	93,899	(3,750)	151,229	(3,750)
Drilling	410	-	410	-
Administration and others	18,793	1,940	18,793	1,940
Stock based compensation costs	14,200	-	14,200	-
Depreciation of property and equipment	46,927	-	93,854	-
Advance for exploration work	(50,000)	-	-	-
	<u>640,183</u>	<u>199,648</u>	<u>1,333,463</u>	<u>434,913</u>
Write-off and write-down of mining properties	-	(79,224)	-	(79,224)
Option payments	(25,822)	-	(25,822)	-
Credit on duties refundable for losses and refundable tax credit relating to resources	(167,650)	(9,750)	(167,650)	(115,250)
	<u>(193,472)</u>	<u>(88,974)</u>	<u>(193,472)</u>	<u>(194,474)</u>
Balance - End of period	<u>5,020,765</u>	<u>2,031,866</u>	<u>5,020,765</u>	<u>2,031,866</u>

8 Debenture

On November 20, 2008, the Company issued a five(5)-year unsecured debenture of \$500,000, bearing interest at 12% annually. The opening balance of that debt has been decreased by \$92,000 as a discount on debenture so as to consider an effective interest rate of 20%. An accretion of debenture of \$9,200 (\$4,083 in 2009) is also reflected in the statement of loss. The principal is to be reimbursed in cash over a five(5)-year period for \$100,000 per year.

9 Convertible debentures

In november 2008, the Company completed a private placement of \$940,000 in unsecured convertible debentures. 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. The principal is convertible at the option of the holder into common shares of the Company. During the first two (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.

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)**9 Convertible debentures - Cont'd**

The convertible debentures are accounted for in accordance with their substance and are presented in the financial statements in their 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	878,847	150,050	1,028,897
Reimbursement in units of secured convertible debentures	(640,000)	(102,162)	(742,162)
Accretion on convertible debentures	49,508	-	49,508
	<u>288,355</u>	<u>47,888</u>	<u>336,243</u>

10 Warrants

The following tables present the warrants activity since September 1, 2010, and summarize information about warrants outstanding and exercisable as at February 28, 2011.

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	2,542,154	564,152	0.76
Granted	1,205,470	37,158	0.66
Exercised	(602,847)	(19,443)	0.66
	<u>3,144,777</u>	<u>581,867</u>	<u>0.74</u>

Exercise prices	Warrants outstanding	Expiry date	Weighted average remaining contractual life (years)
\$0.60	277,778	July 29, 2011	0.41
\$0.60	333,334	August 17, 2011	0.46
\$0.65	1,185,185	November 20, 2011	0.73
\$0.80	277,778	July 29, 2011	0.41
\$0.80	333,334	August 17, 2011	0.46
\$0.95	383,750	December 19, 2011	0.80
\$0.95	333,333	December 29, 2011	0.83
\$1.00	20,285	November 20, 2011	0.73
	<u>3,144,777</u>		

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)**11 Stock options**

The following tables present the stock option activity since September 1, 2010, and summarize information about fixed stock options outstanding and exercisable as at February 28, 2011.

	Number	Weighted average exercise price \$
Outstanding - Beginning of period	2,440,000	1.54
Expired/cancelled	(475,000)	1.45
Granted	450,000	0.80
	<hr/>	
Outstanding - End of period	2,415,000	1.42
	<hr/>	
Exercisable - End of period	2,405,000	1.41
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The following table summarizes information about stock options outstanding and exercisable as at February 28, 2011.

Exercise prices	Options outstanding	Options exercisable	Weighted average remaining contractual life (years)
\$0.34	585,000	585,000	8.12
\$0.60	130,000	130,000	9.40
\$0.66	490,000	490,000	9.01
\$0.80	450,000	450,000	9.90
\$1.75	150,000	150,000	0.03
\$1.80	20,000	20,000	0.14
\$3.03	290,000	280,000	2.12
\$4.30	300,000	300,000	1.01
	<hr/>		
	2,415,000	2,405,000	6.53
	<hr/>		

The fair value of options granted during the period amounts to \$319,500, representing the fair value of options granted and exercisable based on the Black-Scholes option pricing model with the following assumptions: risk-free interest of 3.50%, expected life of 10 years, annualized volatility rate of 95%, and dividend rate of 0%. The amount of \$305,300 has been included in the Statement of Earnings and Comprehensive Income (Loss) under the item "Stock-based compensation cost", \$14,200 in "Mining properties" and \$319,500 in "Shareholders' Equity" under the item "Stock options".

12 Subsequent events

In March 2011, the Company completed a non-brokered private placement of \$5,800,000 representing 5,333,333 units at \$0.90 per unit for proceeds of \$4,800,000 and 833,333 flow-through shares at \$1.20 per share for proceeds of \$1,000,000. Each unit is comprised of one (1) common share and one-half (½) common share purchase warrant, each full warrant entitling the holder to purchase an additional common share at an exercise price of \$1.40 for a period of 12 months. The warrants are subject to an acceleration clause if the shares trade at a price of \$2.00 or higher for 20 consecutive trading sessions. Finder's fees and administrative costs representing 4.5% of the placement have been paid in cash. All securities issued in connection with this private placement will be subject to a four (4) month hold period.

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)

Management

Jean-Marc Lulin, President and Chief Executive Officer

Moniroth Lim, Secretary and Treasurer

Legal Counsel

Miller Thomson Pouliot (Montreal)

Auditors

PricewaterhouseCoopers LLP (Montreal)

Transfer Agent

Trust CIBC Mellon Company (Montreal)

Listing

TSX Venture

Symbol: AZM

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