

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Balance Sheet**

	<b>May 31, 2011 \$ (unaudited)</b>	<b>August 31, 2010 \$ (audited)</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	5,665,736	2,704,823
Amounts receivable - Related party	80,564	80,564
Amounts receivable - Others (note 4)	680,582	939,469
Prepaid expenses	55,763	21,848
	<hr/>	<hr/>
	6,482,645	3,746,704
<b>Long-term investments</b> (note 5)	442,817	377,561
<b>Property and equipment</b> (note 6)	143,052	282,422
<b>Intangible assets</b>	14,985	4,597
(less accumulated depreciation of \$8,923; \$6,441 as at August 31, 2010)		
<b>Mining properties</b> (note 7)	6,017,842	3,947,274
	<hr/>	<hr/>
	13,101,341	8,358,558
	<hr/>	<hr/>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities - Related parties	113,654	93,905
Accounts payable and accrued liabilities - Others	543,328	1,708,802
Current portion of debenture (notes 8 and 9)	100,000	100,000
Obligation under capital lease	16,100	29,697
	<hr/>	<hr/>
	773,082	1,932,404
	<hr/>	<hr/>
<b>Debentures payable</b> (note 8)	154,000	240,200
<b>Liability component of debentures</b> (note 9)	292,236	878,847
	<hr/>	<hr/>
	446,236	1,119,047
	<hr/>	<hr/>
	1,219,318	3,051,451
	<hr/>	<hr/>
<b>Shareholders' equity</b>		
<b>Share capital</b>	18,031,801	11,524,400
<b>Warrants</b>	855,428	564,152
<b>Stock options</b>	2,223,630	2,468,540
<b>Equity component of debentures</b>	47,888	150,050
<b>Contributed surplus</b>	1,087,042	459,472
<b>Deficit</b>	(10,415,610)	(9,851,659)
<b>Accumulated other comprehensive loss</b>	51,844	(7,848)
	<hr/>	<hr/>
	11,882,023	5,307,107
	<hr/>	<hr/>
	13,101,341	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 nine (9) month ended May 31, 2011 and 2010 (unaudited)

	Share capital		Warrants		Stock options		Equity component of debenture	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
	Number	\$	Number	\$	Number	\$	\$	\$	\$	\$	\$
<b>Balance as at September 1, 2009</b>	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)	2,604,090
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
Issuance of shares for payment of interest on convertible debentures (*)	149,962	97,372	14,884	-	-	-	-	-	-	-	97,372
Repayment of principal on secured convertible debenture	462,963	265,672	462,963	14,443	-	-	(44,770)	-	-	-	235,345
Share issue expenses	-	(970,254)	-	-	-	-	-	-	-	-	(970,254)
Stock options exercised	5,000	3,300	-	-	(5,000)	(1,600)	-	-	-	-	1,700
Stock options granted	-	-	-	-	490,000	-	-	-	-	-	-
Stock-based compensation costs	-	-	-	-	-	382,440	-	-	-	-	382,440
Net income for the period	-	-	-	-	-	-	-	-	(321,639)	-	(321,639)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	51,856	51,856
<b>Balance as at May 31, 2010</b>	<b>25,111,070</b>	<b>11,375,058</b>	<b>2,542,154</b>	<b>633,098</b>	<b>2,340,000</b>	<b>2,407,132</b>	<b>150,050</b>	<b>449,250</b>	<b>(9,355,709)</b>	<b>(201,844)</b>	<b>5,457,035</b>
<b>Balance as at September 1, 2010</b>	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
Private placements	5,333,332	4,463,106	2,666,664	336,894	-	-	-	-	-	-	4,800,000
Flow-through private placements	833,333	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Warrants exercised	825,069	633,308	(825,069)	(82,776)	-	-	-	-	-	-	550,532
Issuance of shares for payment of interest on convertible debentures (*)	54,359	53,063	-	-	-	-	-	-	-	-	53,063
Conversion of debentures	1,185,185	671,881	1,205,470	37,158	-	-	(102,162)	-	-	-	606,877
Stock options granted	-	-	-	-	490,000	-	-	-	-	-	-
Stock option expired/cancelled	-	-	-	-	(645,000)	(627,570)	-	627,570	-	-	-
Stock-based compensation costs	-	-	-	-	-	382,660	-	-	-	-	382,660
Share issue expenses	-	(313,957)	-	-	-	-	-	-	-	-	(313,957)
Net loss for the period	-	-	-	-	-	-	-	-	(563,951)	-	(563,951)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	59,692	59,692
<b>Balance as at May 31, 2011</b>	<b>33,342,348</b>	<b>18,031,801</b>	<b>5,589,219</b>	<b>855,428</b>	<b>2,285,000</b>	<b>2,223,630</b>	<b>47,888</b>	<b>1,087,042</b>	<b>(10,415,610)</b>	<b>51,844</b>	<b>11,882,023</b>

Deficit and accumulated other comprehensive loss amount to \$10,363,766 and \$9,557,553 as at May 31, 2011 and 2010, respectively.

(\*) Includes 14,632 shares at a price of \$1.22 (for 2010: 51,648 shares at a price of \$0.691) to be issued in lieu of payment of interest.

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 nine-month periods ended May 31, 2011 and 2010 (unaudited)

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>3 months</b>	<b>3 months</b>	<b>9 months</b>	<b>9 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenses</b>				
Salaries and fringe benefits	55,311	53,788	119,980	163,754
Professional and maintenance fees	10,746	24,743	57,740	75,697
Administration and office expenses	69,193	36,501	171,542	139,903
Travelling and entertainment	12,592	22,903	40,723	46,058
Interests on debentures	26,602	45,100	57,426	105,548
Interests and bank charges	343	802	1,333	1,625
Interests on obligation under capital lease	-	-	403	-
Accretion expenses on debentures	8,481	18,625	34,066	63,508
Depreciation of property and equipment	3,897	4,174	10,711	12,523
Amortization of intangible assets	827	492	2,482	1,477
Search for properties	40,867	32,625	221,527	76,352
Credit on duties refundable for losses and refundable tax credit for resources	(48,100)	6,000	(69,000)	(12,700)
Write-off and write-down of mining properties	-	-	-	79,224
Part XII.6 Tax	-	22,024	(628)	22,024
Stock-based compensation costs	63,160	314,940	368,460	382,440
	<u>243,919</u>	<u>582,717</u>	<u>1,016,765</u>	<u>1,157,433</u>
<b>Other income</b>				
Interest income	13,789	3,190	23,042	6,981
Gain on option payments on mining properties	97,434	315,951	171,639	375,951
Gain on termination of option agreements	20,424	-	169,066	-
Management fees	10,496	-	47,497	559
Gain (loss) on sale of long-term investments	-	( 214,842 )	41,570	( 214,842 )
	<u>142,143</u>	<u>104,299</u>	<u>452,814</u>	<u>168,649</u>
Loss for the period before income taxes	(101,776)	(478,418)	(563,951)	(988,784)
Recovery of future income taxes	-	-	-	667,145
<b>Net loss for the period</b>	<u>(101,776)</u>	<u>(478,418)</u>	<u>(563,951)</u>	<u>(321,639)</u>
<b>Other comprehensive income (loss)</b>				
Unrealized gain (loss) on available-for-sale investments	(86,416)	3,772	101,262	51,856
Reclassification of the gain on sale of available-for-sale investment to statement of loss	-	-	(41,570)	-
	<u>(86,416)</u>	<u>3,772</u>	<u>59,692</u>	<u>51,856</u>
<b>Comprehensive loss for the period</b>	<u>( 188,192 )</u>	<u>( 474,646 )</u>	<u>( 504,259 )</u>	<u>( 269,783 )</u>
<b>Basic and diluted loss per share</b>	<u>(0.003)</u>	<u>(0.020)</u>	<u>(0.020)</u>	<u>(0.014)</u>
<b>Weighted average number of shares outstanding</b>	<u>31,993,175</u>	<u>23,706,384</u>	<u>28,124,151</u>	<u>22,937,732</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 nine-month periods ended May 31, 2011 and 2010 (unaudited)

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>3 months</b>	<b>3 months</b>	<b>9 months</b>	<b>9 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>				
Net earnings (loss) for the period	(101,776)	(478,418)	(563,951)	(321,639)
Items not affecting cash				
Depreciation of property and equipment	3,897	4,174	10,711	12,523
Amortization of intangible assets	827	492	2,482	1,477
Gain (loss) on sale of long-term investments	-	214,842	(41,570)	214,842
Write-off and write-down of mining properties	-	-	-	79,224
Gain on option payments on mining properties	(97,434)	(315,951)	(171,639)	(375,951)
Credit on duties refundable for losses and refundable tax credit for resources	(48,100)	6,000	(69,000)	(12,700)
Gain on termination of option agreements	(20,424)	-	(169,066)	-
Accretion expense on debentures	8,481	18,625	34,066	63,508
Interest on obligation under capital lease	-	-	403	-
Stock-based compensation costs	63,160	314,940	368,460	382,440
Shares issued for interest on debentures	17,852	45,978	53,063	97,372
Recovery of future income taxes	-	-	-	(667,145)
	<u>(173,517)</u>	<u>(189,318)</u>	<u>(546,041)</u>	<u>(526,049)</u>
Net change in non-cash working capital items				
Amounts receivable	(124,494)	(39,145)	314,267	(16,484)
Prepaid expenses	(32,259)	(112,212)	(33,915)	(357,022)
Accounts payable and accrued liabilities	526,924	100,482	(229,823)	(6,608)
	<u>370,171</u>	<u>(50,875)</u>	<u>50,529</u>	<u>(380,114)</u>
	<u>196,654</u>	<u>(240,193)</u>	<u>(495,512)</u>	<u>(906,163)</u>
<b>Cash flows from financing activities</b>				
Non-convertible debentures	-	-	(100,000)	(100,000)
Issuance of share capital net of share issue expenses	5,645,683	(3,710)	6,036,575	3,074,716
Payments of obligation under capital lease	-	-	(14,000)	-
	<u>5,645,683</u>	<u>(3,710)</u>	<u>5,922,575</u>	<u>2,974,716</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of long-term investments	-	41,014	86,006	41,014
Additions to property and equipment	(4,343)	-	(12,123)	-
Additions to intangible assets	-	-	(12,870)	-
Addition to mining properties	(1,432,138)	(509,068)	(2,873,509)	(876,433)
Proceeds from sale of option on mining properties	129,999	300,000	180,026	360,000
Tax credit and mining rights received	166,320	370,471	166,320	370,471
	<u>(1,140,162)</u>	<u>202,417</u>	<u>(2,466,150)</u>	<u>(104,948)</u>
<b>Net change in cash and cash equivalents</b>	4,702,175	(41,486)	2,960,913	1,963,605
Cash and cash equivalents - Beginning of period	963,561	3,354,909	2,704,823	1,349,818
Cash and cash equivalents - End of period	<u>5,665,736</u>	<u>3,313,423</u>	<u>5,665,736</u>	<u>3,313,423</u>
<b>Additional information</b>				
Interest cashed, net of interest paid	13,446	2,388	21,709	5,356
Acquisition of mining properties included in accounts payable and accrued liabilities	(165,346)	223,232	117,117	223,232
Tax credit and mining rights receivable applied against mining properties	14,950	4,650	(152,700)	(110,600)
Depreciation of property and equipment pursuant to a capital lease and included in mining properties	46,927	-	140,782	-
Cash proceed from sale of option on mining property included in amount receivable	-	150,000	-	150,000
Stock-based compensation included in mining properties	-	-	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)**

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**1 Interim financial information**

The financial information as at May 31, 2011 and for the three- and nine-month periods ended May 31, 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 May 31, 2011, the Company reported a loss of \$563,951 and an accumulated deficit of approximately \$10.4 million at that date. As at May 31, 2011, the Company had a working capital of \$5,709,563, including cash and cash equivalents of \$5,665,736, which ensures sufficient funding to meet 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 May 31, 2011, there are \$450,395 flow-through funds remaining to be expended pursuant to flow-through financing agreements completed in March 2011 (compared to \$502,581 as at August 31, 2010 for financings completed in December 2009 which were all expended).

As at May 31, 2011, cash and cash equivalents include \$140,293 (\$451,791 as at August 31, 2010) of guaranteed investment certificates bearing interest at 0.1% (0.1% at 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**

	<b>May 31, 2011</b>	<b>August 31, 2010</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(audited)
Tax credit and mining rights receivable	242,947	187,567
Commodity taxes	163,052	370,509
Trade accounts receivable	274,583	381,393
	<u>680,582</u>	<u>939,469</u>

**5 Long-term investments**

	<b>May 31, 2011</b>		<b>August 31, 2010</b>	
	<b>Amortized cost</b>	<b>Carrying value</b>	<b>Amortized cost</b>	<b>Carrying value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)	(audited)	(audited)
Eastmain Resources Inc.	8,600	25,000	8,600	29,400
NWT Uranium Corp.	50,750	52,500	50,750	70,000
Majescor Resources Inc.	49,980	48,020	49,980	40,180
Silver Spruce Resources Inc.	19,500	37,500	19,500	13,500
D'Arianne Resources Inc.	-	-	8,436	5,772
Channel Resources Ltd.	24,000	37,500	48,000	39,000
Abitex Resources Inc.	84,000	70,000	96,000	96,000
Nemaska Exploration Inc.	104,143	94,172	104,143	83,709
Dynasty Gold Corp.	50,000	78,125	-	-
	<u>390,973</u>	<u>442,817</u>	<u>385,409</u>	<u>377,561</u>

**6 Property and equipment**

	<b>May 31, 2011</b>			<b>August 31, 2010</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net carrying value</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net carrying value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Office furniture	20,542	13,314	7,228	20,542	12,038	8,504
Office equipment	20,081	11,370	8,711	20,081	9,833	10,248
Computer equipment	36,598	19,362	17,236	24,478	16,118	8,360
Specialist equipment	56,250	40,226	16,024	56,250	35,573	20,677
Camp under capital lease	281,560	187,707	93,853	281,560	46,927	234,633
	<u>415,031</u>	<u>271,979</u>	<u>143,052</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 May 31, 2011, the following claims were in good standing and are located in the Province of Quebec.

	<b>May 31, 2011</b>	<b>August 31, 2010</b>
	<b>\$</b>	<b>\$</b>
Mining properties	5,874,842	3,880,774
Advances for exploration work	143,000	66,500
	<u>6,017,842</u>	<u>3,947,274</u>

	<b>Undivided participation %</b>	<b>Balance as at September 1, 2010 \$</b>	<b>Costs incurred \$</b>	<b>Option payments, write-offs, credit on duties refundable for losses, refundable tax credit for resources \$</b>	<b>Balance as at May 31, 2011 \$</b>
<b>Nunavik</b>					
Rex (5,672 claims)					
Mining property	100	424,320	92,448	-	516,768
Exploration costs		1,511,516	934,442	(75,500)	2,370,458
		<u>1,935,836</u>	<u>1,026,890</u>	<u>(75,500)</u>	<u>2,887,226</u>
Rex South (2,044 claims)					
Mining property	100	-	18,240	(18,240)	-
Exploration costs		14,326	-	(14,326)	-
		<u>14,326</u>	<u>18,240</u>	<u>(32,566)</u>	<u>-</u>
NCG (5,416 claims)					
Mining property	100	48,289	510,081	-	558,370
Exploration costs		-	115,683	-	115,683
		<u>48,289</u>	<u>625,764</u>	<u>-</u>	<u>674,053</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 (158 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	14,826	(6,000)	11,030
		<u>2,204</u>	<u>14,826</u>	<u>(6,000)</u>	<u>11,030</u>
<b>Total Copper-gold-silver-cobalt-REE properties</b>		<u>2,021,199</u>	<u>1,692,856</u>	<u>(114,066)</u>	<u>3,599,989</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 for resources \$	Balance as at May 31, 2011 \$
<b>Nunavik - Cont'd</b>					
North Rae (1,535 claims)					
Mining property	100	420,631	73,635	-	494,266
Exploration costs		674,857	26,019	(10,600)	690,276
		1,095,488	99,654	(10,600)	1,184,542
Daniel Lake (498 claims)					
Mining property	100	344,974	41,616	-	386,590
Exploration costs		295,441	10,454	(4,000)	301,895
		640,415	52,070	(4,000)	688,485
Kangiq (851 claims)					
Mining property	100	-	5,450	-	5,450
Exploration costs		-	357	-	357
		-	5,807	-	5,807
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 (437 claims)					
Mining property	100	-	15,943	-	15,943
Exploration costs		818	14,880	(4,700)	10,998
		818	30,823	(4,700)	26,941
Central Minto (247 claims)					
Mining property	100	-	15,194	-	15,194
Exploration costs		-	41	-	41
		-	15,235	-	15,235
South Minto (274 claims)					
Mining property	100	-	11,449	-	11,449
Exploration costs		533	10,453	(4,500)	6,486
		533	21,902	(4,500)	17,935
Kativik (1,316 claims)					
Mining property	100	-	4,440	-	4,440
Exploration costs		1,629	44,554	(17,000)	29,183
		1,629	48,994	(17,000)	33,623
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 (430 claims)					
Mining property	100	-	1,712	-	1,712
Exploration costs		-	54	(27)	27
		-	1,766	(27)	1,739



**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 for resources \$	Balance as at May 31, 2011 \$
<b>Nunavik properties - Cont'd</b>					
Other (140 claims)					
Mining property	100	14,280	14,980	-	29,260
Exploration costs		1,561	31,162	(13,000)	19,723
		15,841	46,142	(13,000)	48,983
<b>Total Uranium properties</b>		1,805,695	327,248	(53,827)	2,079,116
<b>Total Nunavik</b>		3,826,894	2,020,104	(167,893)	5,679,105
<b>James Bay</b>					
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	6,559	(5,935)	3,859
		15,715	16,639	(28,495)	3,859
Eastmain West (57 claims)					
Mining property	100	3,895	3,848	-	7,743
Exploration costs		12,428	157,921	(13,000)	157,349
		16,323	161,769	(13,000)	165,092
Wabamisk (705 claims)					
Mining property	49	-	-	-	-
Exploration costs		4,632	4,075	(1,700)	7,007
		4,632	4,075	(1,700)	7,007
<b>Total James Bay</b>		53,880	185,052	(43,195)	195,737
<b>Total mining properties</b>		3,880,774	2,205,156	(211,088)	5,874,842

**AZIMUT EXPLORATION INC.**

(An exploration company)

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

Change in mining properties	<b>2011</b> <b>3 months</b>	<b>2010</b> <b>3 months</b>	<b>2011</b> <b>9 months</b> \$	<b>2010</b> <b>9 months</b> \$
<b>Balance - Beginning of period</b>	5,020,765	2,031,866	3,880,774	1,791,427
Expenses incurred during the period				
Claims and permits	268,871	509,930	830,651	691,909
Geological surveys	253,211	137,756	607,522	392,500
Geochemical surveys	78,766	12,247	217,652	12,247
Geophysical surveys	184,582	4,282	335,811	532
Drilling	51,858	-	52,268	-
Administration and others	1,478	537	20,271	2,477
Stock-based compensation costs	-	-	14,200	-
Depreciation of property and equipment	32,926	-	126,780	-
Advance for exploration work	143,000	-	143,000	-
	<u>1,014,692</u>	<u>664,752</u>	<u>2,348,155</u>	<u>1,099,665</u>
Write-off and write-down of mining properties	-	-	-	(79,224)
Option payments	(32,565)	(134,049)	(58,387)	(134,049)
Credit on duties refundable for losses and refundable tax credit for resources	14,950	4,650	(152,700)	(110,600)
	<u>(17,615)</u>	<u>(129,399)</u>	<u>(211,087)</u>	<u>(323,873)</u>
<b>Balance - End of period</b>	<u>6,017,842</u>	<u>2,567,219</u>	<u>6,017,842</u>	<u>2,567,219</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 \$13,800 (\$13,283 in 2010) 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.**

(An exploration company)

**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.

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	\$	\$	\$
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	53,389	-	53,389
	<u>292,236</u>	<u>47,888</u>	<u>340,124</u>

**10 Warrants**

The following tables present the warrants activity since September 1, 2010, and summarize information about warrants outstanding and exercisable as at May 31, 2011.

	<b>Number</b>	<b>Carrying value \$</b>	<b>Weighted average exercise price \$</b>
Outstanding - Beginning of period	2,542,154	564,152	0.76
Granted	3,872,134	374,052	1.17
Exercised	(825,069)	(82,776)	0.67
	<u>5,589,219</u>	<u>855,428</u>	<u>1.06</u>

<b>Exercise prices</b>	<b>Warrants outstanding</b>	<b>Expiry date</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.60	277,778	July 29, 2011	0.16
\$0.60	222,223	August 17, 2011	0.21
\$0.65	1,185,185	November 20, 2011	0.47
\$0.80	277,778	July 29, 2011	0.16
\$0.80	222,223	August 17, 2011	0.21
\$0.95	383,750	December 19, 2011	0.55
\$0.95	333,333	December 29, 2011	0.58
\$1.00	20,285	November 20, 2011	0.47
\$1.40	2,666,664	March 19, 2012	0.80
	<u>5,589,219</u>		

In March 2011, the Company completed a non-brokered private placement of \$5,800,000 representing 5,333,332 units at \$0.90 per unit for proceeds of \$4,800,000. 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 estimated fair value of warrants was based on the Black-Scholes pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 1 year, annualized volatility rate of 78%, and dividend rate of 0%.

**AZIMUT EXPLORATION INC.**

(An exploration company)

**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 May 31, 2011.

	Number	Weighted average exercise price \$
Outstanding - Beginning of period	2,440,000	1.54
Expired/cancelled	(645,000)	1.53
Granted	490,000	0.84
	<hr/>	
Outstanding and exercisable - End of period	2,285,000	1.39

The following table summarizes information about stock options outstanding and exercisable as at May 31, 2011.

Exercise prices	Options outstanding and exercisable	Weighted average remaining contractual life (years)
\$0.34	585,000	7.86
\$0.60	130,000	9.15
\$0.66	490,000	8.77
\$0.80	450,000	9.64
\$1.25	40,000	9.84
\$3.03	290,000	1.86
\$4.30	300,000	0.78
	<hr/>	
	2,285,000	6.82

The fair value of options granted during the period amounts to \$364,660 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 \$350,460 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 \$364,660 in "Shareholders' Equity" under the item "Stock options".

**12 Subsequent events**

In July, 679,668 warrants were exercised for a total cash consideration of \$479,018.

**13 Comparative figures**

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**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)

**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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