

Azimut Exploration Inc

Unaudited Condensed Interim Financial Statements
May 31, 2012 and 2011
(expressed in Canadian dollars,
except share amounts)

Azimut Exploration Inc
Interim Balance Sheets
(Unaudited)

	<u>As at</u> <u>May 31, 2012</u>	<u>As at</u> <u>August 31, 2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	2,055,693	3,834,831
Amounts receivable		
Related party	-	40,282
Others	2,406,246	2,314,148
Prepaid expenses	16,476	31,445
	<u>4,478,415</u>	<u>6,220,706</u>
Non-current assets		
Mining rights receivable	187,408	137,608
Long-term investment	234,839	386,405
Property and equipment, net of accumulated depreciation	36,486	92,555
Intangible assets (less accumulated amortization of \$12,936; \$9,751 as at August 31, 2011)	10,972	14,157
Exploration and evaluation assets (note 6)	8,430,049	7,561,643
	<u>8,899,754</u>	<u>8,192,368</u>
Total assets	<u>13,378,169</u>	<u>14,413,074</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities		
Related parties	60,794	79,659
Accounts payable and accrued liabilities, advances received for exploration work and others	220,294	1,459,691
Current portion of debentures payable	100,000	100,000
Obligation under capital lease	-	16,100
	<u>381,088</u>	<u>1,655,450</u>
Non-current liabilities		
Debenture payable	72,400	158,600
Liability component of convertible debentures (note 7)	-	296,118
Asset retirement obligation	50,000	-
	<u>122,400</u>	<u>454,718</u>
Total liabilities	<u>503,488</u>	<u>2,110,168</u>
Equity		
Share capital	20,456,111	18,837,579
Warrants (note 8)	426,308	735,046
Stock options (note 9)	1,435,462	2,198,030
Equity component of convertible debentures (note 7)	-	47,889
Contributed surplus	2,159,387	1,087,042
Deficit	(11,443,629)	(10,595,287)
Accumulated other comprehensive loss	(158,958)	(7,393)
	<u>12,874,681</u>	<u>12,302,906</u>
Total equity	<u>12,874,681</u>	<u>12,302,906</u>
Total liabilities and equity	<u>13,378,169</u>	<u>14,413,074</u>

Azimut Exploration Inc
Interim Statements of Comprehensive Loss
(Unaudited) For the three- and nine-months period ended May 31, 2012 and 2011

	Three-month period ended May 31,		Nine-month period ended May 31,	
	2012	2011 (note 5)	2012	2011 (note 5)
Expenses				
General and administrative (note 10)	335,160	215,726	642,668	774,010
General exploration (note 10)	13,811	(7,233)	38,948	152,527
Impairment of exploration and evaluation assets	102,637	-	102,637	-
Cost of warrants extension (note 8)	89,414	-	89,414	-
Operating loss	<u>541,022</u>	<u>208,493</u>	<u>873,667</u>	<u>926,537</u>
Financing cost, net				
Interest income	(6,476)	(13,789)	(23,870)	(23,042)
Interest on debentures	15,176	35,083	37,283	91,492
Interest and bank charges	359	343	1,432	1,333
Interest on obligation under capital lease	-	-	-	403
	<u>9,059</u>	<u>21,637</u>	<u>14,845</u>	<u>70,186</u>
Other gains and losses				
Gain on option payments on exploration and evaluation assets	-	97,434	26,729	171,639
Gain on termination of option on exploration and evaluation assets	-	20,424	-	169,066
Management fees	(690)	10,496	13,441	47,497
Gain on sale of available-for-sale investments	-	-	-	41,570
	<u>(690)</u>	<u>128,354</u>	<u>40,170</u>	<u>429,772</u>
Loss before income tax	<u>(550,771)</u>	<u>(101,776)</u>	<u>(848,342)</u>	<u>(566,951)</u>
Recovery of deferred income tax	-	166,332	-	218,678
Net earning (loss) for the period	<u>(550,771)</u>	<u>64,556</u>	<u>(848,342)</u>	<u>(348,273)</u>
Other comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale investments	(76,775)	(86,416)	(151,565)	101,262
Reclassification if other than temporary write-down on available-for-sale investments to statement of loss	-	-	-	-
Reclassification of the loss (gain) on sale of available-for-sale investments to statement of loss	-	-	-	(41,570)
	<u>(76,775)</u>	<u>(86,416)</u>	<u>(151,565)</u>	<u>59,692</u>
Comprehensive loss for the period	<u>(627,546)</u>	<u>(21,860)</u>	<u>(999,907)</u>	<u>(288,581)</u>
Basic and diluted net loss per share	<u>(0.015)</u>	<u>0.002</u>	<u>(0.024)</u>	<u>(0.012)</u>
Basic and diluted weighted average number of shares outstanding	<u>36,470,328</u>	<u>31,993,175</u>	<u>35,972,938</u>	<u>28,124,151</u>

Azimut Exploration Inc
Interim Statements of Changes in Equity
(Unaudited) For the nine-month periods ended May 31, 2012 and 2011

	Share capital		Warrants		Stock options		Equity component of debenture	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
	Number	\$	Number	\$	Number	\$	\$	\$	\$	\$	\$
Balance as at September 1, 2011	34,438,351	18,837,579	4,573,217	735,046	2,205,000	2,198,030	47,889	1,087,042	(10,595,287)	(7,393)	12,302,906
Net loss for the period	-	-	-	-	-	-	-	-	(848,342)	-	(848,342)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(151,565)	(151,565)
Issuance of shares for payment of interest on convertible debentures	12,542	13,129	6,271	1,073	-	-	-	-	-	-	14,202
Conversion of debentures	500,000	301,257	250,000	42,750	-	-	(47,889)	-	-	-	296,118
Warrants exercised	1,439,435	1,208,488	(1,439,435)	(246,580)	-	-	-	-	-	-	961,908
Warrants expired	-	-	(723,389)	(195,395)	-	-	-	195,395	-	-	-
Warrants extended	-	-	-	89,414	-	-	-	-	-	-	89,414
Stock options exercised	80,000	101,280	-	-	(80,000)	(48,480)	-	-	-	-	52,800
Stock options granted	-	-	-	-	495,000	-	-	-	-	-	-
Stock options expired	-	-	-	-	(400,000)	(876,950)	-	876,950	-	-	-
Stock-based compensation costs	-	-	-	-	-	162,862	-	-	-	-	162,862
Share issue expenses	-	(5,622)	-	-	-	-	-	-	-	-	(5,622)
Balance as at May 31, 2012	36,470,328	20,456,111	2,666,664	426,308	2,220,000	1,435,462	-	2,159,387	(11,443,629)	(158,958)	12,874,681
Balance as at September 1, 2010	25,111,070	11,745,400	2,542,154	564,152	2,440,000	2,482,790	150,050	459,472	(10,139,255)	(7,848)	5,254,761
Net loss for the period	-	-	-	-	-	-	-	-	(348,273)	-	(348,273)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	59,692	59,692
Private placements	5,333,332	4,463,106	2,666,664	336,894	-	-	-	-	-	-	4,800,000
Flow-through private placements	833,333	697,360	-	-	-	-	-	-	-	-	697,360
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 options expired/cancelled	-	-	-	-	(645,000)	(627,570)	-	627,570	-	-	-
Stock-based compensation costs	-	-	-	-	-	385,660	-	-	-	-	385,660
Share issue expenses	-	(313,957)	-	-	-	-	-	-	-	-	(313,957)
Balance as at May 31, 2011	33,342,348	17,950,161	5,589,219	855,428	2,285,000	2,240,880	47,888	1,087,042	(10,487,528)	51,844	11,745,715

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

Azimut Exploration Inc
Interim Statements of Cash Flows
(Unaudited) For the nine-month periods ended May 31, 2012 and 2011

	Nine-month period ended May 31,	
	2012	2011
	\$	\$
Cash flows from operating activities		
Net loss for the period	(848,342)	(348,273)
Items not affecting cash		
Depreciation of property and equipment	9,143	10,711
Amortization of intangible assets	3,185	2,482
Gain on sale of available-for-sale investments	-	(41,570)
Impairment of exploration and evaluation assets	102,637	-
Allowance for doubtful accounts	40,282	-
Gain on option payments on exploration and evaluation assets	(26,729)	(171,639)
Credit on duties refundable for losses and refundable tax credit relating to resources	(26,900)	(69,000)
Gain on termination of option on exploration and evaluation assets	-	(169,066)
Accretion expense on debentures	13,800	34,066
Interest on obligation under capital lease	-	403
Stock-based compensation costs	162,861	371,460
Shares issued for interest payment on debentures	14,203	53,063
Cost of warrants extension	89,414	-
Recovery of future income taxes	-	(218,678)
	<u>(466,446)</u>	<u>(546,041)</u>
Net change in non-cash working capital items		
Amounts receivable	337,404	314,267
Prepaid expenses	14,969	(33,915)
Accounts payable and accrued liabilities	(678,675)	(229,823)
	<u>(326,302)</u>	<u>50,529</u>
	<u>(792,748)</u>	<u>(495,512)</u>
Cash flows from financing activities		
Non-convertible debentures	(100,000)	(100,000)
Issuance of share capital net of share issue expenses	1,009,085	6,036,575
Payments of obligation under capital lease	-	(14,000)
	<u>909,085</u>	<u>5,922,575</u>
Cash flows from investing activities		
Proceeds from sale of long-term investments	-	86,006
Additions to property and equipment	-	(12,123)
Additions to intangible assets	-	(12,870)
Addition to exploration and evaluation assets	(1,945,475)	(2,707,189)
Proceeds from sale of option on exploration and evaluation assets	50,000	180,026
	<u>(1,895,475)</u>	<u>(2,466,150)</u>
Net change in cash and cash equivalents	(1,779,138)	2,960,913
Cash and cash equivalents - Beginning of period	3,834,831	2,704,823
Cash and cash equivalents - End of period	<u>2,055,693</u>	<u>5,665,736</u>
Additional information		
Interest paid, net of interest received	22,438	21,709
Acquisition of exploration and evaluation assets included in accounts payable and accrued liabilities	47,073	117,117
Depreciation of property and equipment pursuant to a capital lease and included in exploration and evaluation assets	80,826	140,782
Stock based compensation included in exploration and evaluation assets	-	14,200

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

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

1 Nature of operations and general information

Azimut Exploration Inc (the “Company”), incorporated under the Québec Corporations Act, is in the business of acquiring and exploring mining properties. The Company’s registered office is located at 110 De La Barre Street, Suite 214, Longueuil, Quebec, Canada. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. It has not yet been determined whether the Company’s properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and evaluation of its properties and the profitable sale of the exploration and evaluation assets.

Although management has taken steps to verify title to mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliant with regulatory requirements.

To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

As at May 31, 2012, the Company had working capital of \$4,097,327 (as at May 31, 2011 – \$5,709,563) including cash and cash equivalents of \$2,055,693 (2011 – \$5,665,736) of which no funds (2011 – \$450,395) were restricted pursuant to flow-through financings, and an accumulated deficit of \$11.4 million (2011 – \$10.5 million), and had incurred a loss of \$848,342 (2011 – \$348,273) for the nine-month period then ended.

Management believes the Company has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. To continue its exploration and evaluation programs on its properties and to continue operating beyond May 31, 2013, the Company will periodically have to raise additional funds through the issuance of new equity instruments, the exercise of stock options or warrants, and the search of partners to sign option agreements on certain of its mining properties, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

The Company’s financial year ends on August 31. These unaudited condensed interim financial statements were authorized by the Board of Directors on July 16, 2012.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

2 Basis of preparation and adoption of International Financial Reporting Standards (“IFRS”)

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim financial statements. In the financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at September 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended August 31, 2011.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of July 16, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending August 31, 2012 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended August 31, 2011, as well as with the Company's condensed interim financial statements for the quarters ended November 30, 2011 and 2010 prepared in accordance with IFRS applicable to the preparation of interim financial statements.

The significant accounting policies used in the preparation of these interim financial statements were described in the November 30, 2011 financial statements and remain unchanged for the May 31, 2012 financial statements.

3 New accounting standards not yet adopted

The IASB issued the following standards which are relevant but have not yet been adopted by the Company: IAS 1, “Presentation of Financial Statements”; IFRS 9, “Financial Instruments”; IFRS 11, “Joint Arrangements”; and IFRS 13, “Fair Value Measurement”.

The following is a brief summary of the new standards.

- **IAS 1 – Presentation of Financial Statements**

IAS 1 was amended to change the disclosure of items presented in Other comprehensive income (“OCI”), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is required to be applied for years beginning on or after July 1, 2012. The company has not yet assessed the impact of the standard.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

- IFRS 9 – Financial Instruments – Classification and measurement

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, “Financial Instruments: Recognition and Measurement”, for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt if early.

- IFRS 11 – Joint Arrangements

IFRS 11 replaces IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Nonmonetary Contributions by Venturers. IFRS 11 requires a single method, known as the equity method, to account for interests in jointly controlled entities, which is consistent with the accounting treatment currently applied to investments in associates. IAS 28, Investments in Associates and Joint Ventures, was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

- IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IFRS 13 is effective for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt if early.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

4 Critical accounting estimates, judgments and assumptions

Many of the amounts included in the financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Significant estimates include the valuation of credit on duties refundable for loss and the refundable tax credit for resources, deferred tax assets and liabilities, the recoverability of short-term investments and mining properties, the valuation of long-term investments, other liabilities, and the fair value of stock options granted.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses were described in the November 30, 2011 financial statements.

5 Transition to IFRS

The effect of the Company's transition to IFRS is summarized in this note as follows:

- a) Transition elections;
 - b) Reconciliation of balance sheet, equity and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes; and
 - c) Adjustments to the statement of cash flows.
- a) Transition elections

IFRS 1, First Time Adoption of IFRS, offers the possibility to use certain exemptions from full retrospective application of IFRS. The Company evaluated the options available and did not have to adopt any transition exemptions.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

b) Reconciliation of balance sheet, equity and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes

		<u>May 31, 2011</u>			
<u>Canadian GAAP</u>	<u>Note</u>	<u>Canadian GAAP</u> \$	<u>Adjustment</u> \$	<u>IFRS</u> \$	<u>IFRS description</u>
Assets					
Current assets					
Cash and cash equivalents		5,665,736	-	5,665,736	Cash and cash equivalents
Amounts receivable					Amounts receivable
Related parties		80,564	-	80,564	Related parties
Others		680,582	-	680,582	Others
Prepaid expenses		55,763	-	55,763	Prepaid expenses
		<u>6,482,645</u>	<u>-</u>	<u>6,482,645</u>	
Non-current assets					
Mining rights receivable			-		Mining rights receivable
Long-term investments		442,817	-	442,817	Long-term investments
Property and equipment		143,052	-	143,052	Property and equipment
Intangible assets		14,985	-	14,985	Intangible assets
Mining properties		6,017,842	-	6,017,842	Mining properties
			2,089		
Deferred tax assets	ii)	-	(2,089)	-	Deferred tax assets
		<u>6,618,696</u>	<u>-</u>	<u>6,618,696</u>	
Total assets		<u>13,101,341</u>	<u>-</u>	<u>13,101,341</u>	Total assets

Azimut Exploration Inc
Notes to Condensed Interim Financial Statements
(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

<u>Canadian GAAP</u>	Note	May 31, 2011			<u>IFRS description</u>
		Canadian GAAP \$	Adjustment \$	IFRS \$	
Liabilities					Liabilities
Current liabilities					Current liabilities
Accounts payable and accrued liabilities					Accounts payable and accrued liabilities
Related parties		113,654	-	113,654	Related parties
Accounts payable and accrued liabilities, advances received for exploration work and others		543,328	-	543,328	Accounts payable and accrued liabilities, advances received for exploration work and others
Current portion of debenture payable		100,000	-	100,000	Current portion of debenture payable
Obligation under capital lease		16,100	-	16,100	Obligation under capital lease
		<u>773,082</u>	<u>-</u>	<u>773,082</u>	
Non-current liabilities					Non-current liabilities
Debenture payable		154,000	-	154,000	Debenture payable
Liability component of convertible debentures		292,236	-	292,236	Liability component of convertible debentures
Deferred tax liability	ii)	-	2,089	-	Deferred tax liability
Other liability	i)	-	(2,089)	-	Other liability
		<u>446,236</u>	<u>136,308</u>	<u>582,544</u>	
Total liabilities		<u>1,219,318</u>	<u>136,308</u>	<u>1,355,626</u>	Total liabilities
Equity					Equity
Share capital	i)	18,031,801	(81,640)	17,950,161	Share capital
Warrants		855,428	-	855,428	Warrants
Stock options	iii)	2,223,630	17,250	2,240,880	Stock options
Equity component of convertible debentures		47,888	-	47,888	Equity component of convertible debentures
Contributed surplus		1,087,042	-	1,087,042	Contributed surplus
Deficit	i), iii)	(10,415,610)	(71,918)	(10,487,528)	Deficit
Accumulated other comprehensive loss		51,844	-	51,844	Accumulated other comprehensive loss
		<u>11,882,023</u>	<u>(136,308)</u>	<u>11,745,715</u>	
Total liabilities and equity		<u>13,101,341</u>	<u>-</u>	<u>13,101,341</u>	Total liabilities and equity

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

		For the three-month period ended May 31, 2011			For the nine-month period ended May 31, 2011			<u>IFRS description</u>
		Canadian GAAP	Adjustment	IFRS	Canadian GAAP	Adjustment	IFRS	
<u>Canadian GAAP</u>	Note	\$	\$	\$	\$	\$	\$	
Expenses								
Salaries and fringe benefits		55,311	-	55,311	119,980	-	119,980	Salaries and fringe benefits
Professional and maintenance fees		10,746	-	10,746	57,740	-	57,740	Professional and maintenance fees
Administration and office		69,193	-	69,193	171,542	-	171,542	Administration and office
Travelling and entertainment		12,592	-	12,592	40,723	-	40,723	Travelling and entertainment
Depreciation of property and equipment		3,897	-	3,897	10,711	-	10,711	Depreciation of property and equipment
Amortization of intangible assets		827	-	827	2,482	-	2,482	Amortization of intangible assets
Part XII.6 tax		-	-	-	(628)	-	(628)	Part XII.6 tax
Stock-based compensation	iii)	63,160	-	63,160	368,460	3,000	371,460	Stock-based compensation
				<u>215,726</u>			<u>774,010</u>	General and administrative expenses
Search of properties		40,867	-	40,867	221,527	-	221,527	Salaries for search of properties
Credit on duties refundable for loss and refundable tax credit for resources		(48,100)	-	(48,100)	(69,000)	-	(69,000)	Credit on duties refundable for loss and refundable tax credit for resources
				<u>(7,233)</u>			<u>152,527</u>	General exploration
				<u>208,493</u>			<u>926,537</u>	Operating loss
Finance costs, net								
Interest income		(13,789)	-	(13,789)	(23,042)	-	(23,042)	Interest income
Interest on debentures		35,083	-	35,083	91,492	-	91,492	Interest on debenture
Interest on obligation under capital lease		-	-	-	403	-	403	Interest on obligation under capital lease
Interest and bank charges		343	-	343	1,333	-	1,333	Interest and bank charges
				<u>21,637</u>			<u>70,186</u>	
		<u>230,130</u>	-	<u>230,130</u>	<u>993,723</u>	<u>3,000</u>	<u>996,723</u>	

Azimut Exploration Inc
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	Note	For the three-month period ended May 31, 2011			For the nine-month period ended May 31, 2011			<u>IFRS description</u>
		Canadian GAAP \$	Adjustment \$	IFRS \$	Canadian GAAP \$	Adjustment \$	IFRS \$	
<u>Canadian GAAP</u>								
Other income (expenses)							Other gain and losses	
Gain on option payments on mining properties		97,434	-	97,434	171,639	-	171,639	Gain on option payments on exploration and evaluation assets
Gain on termination of option on mining properties		20,424	-	20,424	169,066	-	169,066	Gain on termination of option on exploration and evaluation assets
Management fees		10,496	-	10,496	47,497	-	47,497	Management fees
Gain on sale of available-for-sale investments		-	-	-	41,570	-	41,570	Gain on sale of available-for-sale investments
		<u>128,354</u>	<u>-</u>	<u>128,354</u>	<u>429,772</u>	<u>-</u>	<u>429,772</u>	
Loss before income tax		<u>(101,776)</u>	<u>-</u>	<u>(101,776)</u>	<u>(563,951)</u>	<u>(3,000)</u>	<u>(566,951)</u>	Loss before income tax
Recovery of deferred income tax	i)	<u>-</u>	<u>166,332</u>	<u>166,332</u>	<u>-</u>	<u>218,678</u>	<u>218,678</u>	Recovery of deferred income tax
Net loss for the period		<u>(101,776)</u>	<u>166,332</u>	<u>64,556</u>	<u>(563,951)</u>	<u>215,678</u>	<u>(348,273)</u>	Net loss for the period
Other comprehensive income (loss)								Other comprehensive income (loss)
Unrealized gain (loss) on available-for-sale investments		(86,416)	-	(86,416)	101,262	-	101,262	Unrealized gain (loss) on available-for-sale investments
Reclassification of the loss (gain) on sale of available-for-sale investments to statement of loss		-	-	-	(41,570)	-	(41,570)	Reclassification of the loss (gain) on sale of available-for-sale investments to statement of loss
		<u>(86,416)</u>	<u>-</u>	<u>(86,416)</u>	<u>59,692</u>	<u>-</u>	<u>59,692</u>	
Comprehensive income (loss) for the period		<u>(188,192)</u>	<u>166,332</u>	<u>(21,860)</u>	<u>(504,259)</u>	<u>215,678</u>	<u>(288,581)</u>	Comprehensive income (loss) for the period
Basic and diluted net loss per share		<u>(0.003)</u>	<u>-</u>	<u>0.002</u>	<u>(0.020)</u>	<u>-</u>	<u>(0.012)</u>	Basic and diluted net loss per share
Weighted average number of shares outstanding		<u>31,993,175</u>	<u>-</u>	<u>31,993,175</u>	<u>28,124,151</u>	<u>-</u>	<u>28,124,151</u>	Weighted average number of shares outstanding

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Some amounts on the unaudited interim statements of comprehensive loss have been reclassified to conform to the presentation adopted under IFRS, as the statement of comprehensive loss incorporated expenses by function and by nature which is not permitted under IFRS.

Explanatory notes

- i) Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a future tax liability is recognized as a cost of issuing the shares (a reduction in share capital). Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in share capital and the amount the investors pay for the shares (premium) is recognized as other liability which is reversed into earnings as deferred tax recovery when eligible expenditures have been made. The tax effect resulting from the renunciation is recorded as a deferred tax expense when eligible expenditures have been made.
- ii) Under Canadian GAAP, there is an exception where there is no future income tax to record when the settlement of the liability component of compound financial instruments, in accordance with its terms, might occur without tax impact. When the entity is able to settle the instrument without the incidence of tax, the tax basis of the liability component is considered to be the same as its carrying amount and there is no temporary difference.

Under IFRS, deferred taxes relating to the liability component of compound financial instruments would be recorded if the carrying amount of the liability component differs from its tax basis.

In 2008, the Company issued convertible debentures for which no future income tax liability was recorded under Canadian GAAP. Upon transition to IFRS, the Company calculated the deferred tax liability arising from this liability.

- iii) IFRS 2 "Share-Based Payment" requires that stock option grant tranches with different vesting dates be recognized separately and the fair value determined for each grant. As at September 1, 2010, each tranche's compensation cost was recalculated using the new method and amortized over their respective vesting period.
- c) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flows.

Azimut Exploration Inc

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6 Exploration and evaluation assets

All mining properties are located in the Province of Quebec.

	As at May 31, 2012 \$	As at August 31, 2011 \$
Exploration and evaluation assets	8,430,049	7,342,993
Advances for exploration work	-	218,650
	<u>8,430,049</u>	<u>7,561,643</u>

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Change in exploration and evaluation assets

Exploration properties	Undivided interest	Cost as at August 31, 2011	Additions	Option payments	Tax credit	Cost as at May 31, 2012	Accumulated impairment at August 31, 2011	Impairment	Accumulated impairment at May 31, 2012	Net book amount as at May 31, 2012
Nunavik	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rex (5,267 claims)	100									
Mining properties		548,040	366,814	-	-	914,854	-	-	-	914,854
Exploration costs		3,327,128	643,955	-	(236,400)	3,734,683	-	-	-	3,734,683
		<u>3,875,168</u>	<u>1,010,769</u>	<u>-</u>	<u>(236,000)</u>	<u>4,649,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,649,537</u>
Rex South (2,138 claims)	100									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		-	46,510	-	(15,600)	30,910	-	-	-	30,910
		<u>-</u>	<u>46,510</u>	<u>-</u>	<u>(15,600)</u>	<u>30,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,910</u>
NCG (5,463 claims)	100									
Mining properties		525,632	53,257	-	-	578,889	-	-	-	578,889
Exploration costs		607,750	409,190	-	(176,900)	840,040	-	-	-	840,040
		<u>1,133,382</u>	<u>462,447</u>	<u>-</u>	<u>(176,900)</u>	<u>1,418,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,418,929</u>
Diana (499 claims)	100									
Mining properties		14,388	31,719	-	-	46,107	-	-	-	46,107
Exploration costs		13,934	5,341	-	(2,200)	17,075	-	-	-	17,075
		<u>28,322</u>	<u>37,060</u>	<u>-</u>	<u>(2,200)</u>	<u>63,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,182</u>
Others, Copper-gold-silver-cobalt-REE (796 claims)	100									
Mining properties		70,250	21,756	-	-	92,006	-	(3,938)	(3,938)	88,068
Exploration costs		3,545	39,128	-	(16,400)	26,273	-	-	-	26,273
		<u>73,795</u>	<u>60,884</u>	<u>-</u>	<u>(16,400)</u>	<u>118,279</u>	<u>-</u>	<u>(3,938)</u>	<u>(3,938)</u>	<u>114,341</u>
Total Copper-gold-silver-cobalt-rare earth properties		<u>5,110,667</u>	<u>1,617,670</u>	<u>-</u>	<u>(447,500)</u>	<u>6,280,837</u>	<u>-</u>	<u>(3,938)</u>	<u>(3,938)</u>	<u>6,276,899</u>

Azimet Exploration Inc

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(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

Exploration properties (continued)	Undivided interest %	Cost as at August 31, 2011 \$	Additions \$	Option payments \$	Tax credit \$	Cost as at May 31, 2012 \$	Accumulated impairment at August 31, 2011 \$	Impairment \$	Accumulated impairment at May 31, 2012 \$	Net book amount as at May 31, 2012 \$
North Rae (975 claims)	100									
Mining properties		494,266	25,030	-	-	519,296	-	-	-	519,296
Exploration costs		690,927	7,122	-	(3,000)	695,049	-	-	-	695,049
		<u>1,185,193</u>	<u>32,152</u>	<u>-</u>	<u>(3,000)</u>	<u>1,214,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,214,345</u>
Daniel Lake (388 claims)	100									
Mining properties		386,590	-	-	-	386,590	-	-	-	386,590
Exploration costs		302,146	-	-	-	302,146	-	-	-	302,146
		<u>688,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,736</u>
Kangiq (50 claims)	100									
Mining properties		5,450	-	-	-	5,450	-	-	-	5,450
Exploration costs		202	-	-	-	202	-	-	-	202
		<u>5,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,652</u>
North Minto *	100									
Mining properties		15,943	-	-	-	15,943	-	(15,943)	(15,943)	-
Exploration costs		11,287	-	-	-	11,287	(11,287)	-	(11,287)	-
		<u>27,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,230</u>	<u>(11,287)</u>	<u>(15,943)</u>	<u>(27,230)</u>	<u>-</u>
Central Minto *	100									
Mining properties		15,194	-	-	-	15,194	-	(15,194)	(15,194)	-
Exploration costs		1,041	-	-	-	1,041	(1,041)	-	(1,041)	-
		<u>16,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,235</u>	<u>(1,041)</u>	<u>(15,194)</u>	<u>(16,235)</u>	<u>-</u>
South Minto *	100									
Mining properties		11,449	-	-	-	11,449	-	(11,449)	(11,449)	-
Exploration costs		7,445	-	-	-	7,445	-	(7,445)	(7,445)	-
		<u>18,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,894</u>	<u>-</u>	<u>(18,894)</u>	<u>(18,894)</u>	<u>-</u>

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(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

Exploration properties (continued)	Undivided interest %	Cost as at August 31, 2011 \$	Additions \$	Option payments \$	Tax credit \$	Cost as at May 31, 2012 \$	Accumulated impairment at August 31, 2011 \$	Impairment \$	Accumulated impairment at May 31, 2012 \$	Net book amount as at May 31, 2012 \$
Kativik (234 claims)	100									
Mining properties		31,145	-	-	-	31,145	-	-	-	31,145
Exploration costs		27,010	-	-	-	27,010	-	-	-	27,010
		<u>58,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,155</u>
Others, Uranium properties *	100									
Mining properties		29,260	762	-	-	30,022	-	(30,022)	(30,022)	-
Exploration costs		18,646	-	-	-	18,646	-	(18,646)	(18,646)	-
		<u>47,906</u>	<u>762</u>	<u>-</u>	<u>-</u>	<u>48,668</u>	<u>-</u>	<u>(48,668)</u>	<u>(48,668)</u>	<u>-</u>
Total Uranium properties		<u>2,048,001</u>	<u>32,914</u>	<u>-</u>	<u>(3,000)</u>	<u>2,077,915</u>	<u>(12,328)</u>	<u>(98,699)</u>	<u>(111,027)</u>	<u>1,966,888</u>
Total Nunavik		<u>7,158,668</u>	<u>1,650,584</u>	<u>-</u>	<u>(450,500)</u>	<u>8,358,752</u>	<u>(12,328)</u>	<u>(102,637)</u>	<u>(114,965)</u>	<u>8,243,787</u>

* Properties abandoned in the quarter ended May 31, 2012.

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Exploration properties (continued) James Bay	Undivided interest %	Cost as at August 31, 2011 \$	Additions \$	Option payments \$	Tax credit \$	Cost as at May 31, 2012 \$	Accumulated impairment at August 31, 2011 \$	Impairment \$	Accumulated impairment at May 31, 2012 \$	Net book amount as at May 31, 2012 \$
Opinaca A-A East (429 claims)	50									
Mining properties		8,460	-	(8,460)	-	-	-	-	-	-
Exploration costs		3,261	3,128	(6,389)	-	-	-	-	-	-
		<u>11,721</u>	<u>3,128</u>	<u>(14,849)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Opinaca B-B-North (220 claims)	50									
Mining properties		4,500	-	(4,500)	-	-	-	-	-	-
Exploration costs		2,574	1,346	(3,920)	-	-	-	-	-	-
		<u>7,074</u>	<u>1,346</u>	<u>(8,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Eleonore South (282 claims)	26.4									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		4,510	2,152	-	-	6,662	-	-	-	6,662
		<u>4,510</u>	<u>2,152</u>	<u>-</u>	<u>-</u>	<u>6,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,662</u>
Opinaca D (188 claims)	100									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		3,868	1,092	-	-	4,960	-	-	-	4,960
		<u>3,868</u>	<u>1,092</u>	<u>-</u>	<u>-</u>	<u>4,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,960</u>
Eastmain W (77 claims)	100									
Mining properties		9,923	-	-	-	9,923	-	-	-	9,923
Exploration costs		152,124	2,652	-	-	154,776	-	-	-	154,776
		<u>162,047</u>	<u>2,652</u>	<u>-</u>	<u>-</u>	<u>164,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,699</u>
Wabamisk (723 claims)	49									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		7,433	4,408	-	(1,900)	9,941	-	-	-	9,941
		<u>7,433</u>	<u>4,408</u>	<u>-</u>	<u>(1,900)</u>	<u>9,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,941</u>
Total James Bay		<u>196,653</u>	<u>14,778</u>	<u>(23,269)</u>	<u>(1,900)</u>	<u>186,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,262</u>
Total mining properties		<u>7,355,321</u>	<u>1,665,362</u>	<u>(23,269)</u>	<u>(452,400)</u>	<u>8,545,014</u>	<u>(12,328)</u>	<u>(102,637)</u>	<u>(114,965)</u>	<u>8,430,049</u>

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	Three-month		Nine-month	
	2012	2011	2012	2011
	\$	\$	\$	\$
Balance – Beginning of the period	8,206,371	5,020,765	7,561,643	3,880,774
Exploration and evaluation incurred during the period				
Claims and permits	187,223	268,871	499,339	830,651
Geological surveys	192,440	253,211	654,592	621,722
Geochemical surveys	3,139	78,766	178,188	217,652
Geophysical surveys	12,158	184,582	13,765	335,811
Drilling	34,052	51,858	227,803	52,268
Administration and others	4,903	1,478	10,849	20,271
Depreciation of property and equipment	-	32,926	80,826	126,780
Variation of advance for exploration work	-	143,000	(218,650)	143,000
	433,915	1,014,692	1,446,712	2,348,155
Impairment of exploration and evaluation assets	(102,637)	-	(102,637)	-
Option payments	-	(32,565)	(23,269)	(58,387)
Credit on duties refundable for loss and refundable tax credit for resources	(107,600)	14,950	(452,400)	(152,700)
	(210,237)	(17,615)	(578,306)	(211,087)
Balance – End of the period	8,430,049	6,017,842	8,430,049	6,017,842

7 Convertible debentures

Unsecured convertible debentures

	Liability component	Equity component \$	Total \$
As at August 31, 2011	296,117	47,889	344,006
Reimbursement in units	(300,000)	(47,889)	(347,889)
Accretion expense on convertible debentures	3,883	-	3,883
As at May 31, 2012	-	-	-

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(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

8 Warrants

The following table reflects the continuity of warrants for the period ended May 31, 2012:

	Nine-month period ended May 31, 2012			Year ended August 31, 2011		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	4,573,217	735,046	1.13	2,542,154	564,152	0.76
Issued	256,271	133,237	0.76	3,872,134	543,052	1.17
Exercised	(1,439,435)	(246,580)	0.67	(1,841,071)	(372,158)	0.69
Expired	(723,389)	(195,395)	0.95	-	-	-
Outstanding - End of period	2,666,664	426,308	1.40	4,573,217	735,046	1.13

A total of 629,629 warrants were exercised by two directors for total proceeds of \$409,259 in exchange of common shares of the Company.

On March 6, 2012, the Company obtained all regulatory approvals respecting an extension of the expiry date of 2,666,664 warrants until March 19, 2013 from the original expiry date of March 19, 2012. Consequently, the adjustment to the fair value in the amount of \$89,414 was charged to comprehensive loss. All other terms and conditions of warrants remain unchanged.

9 Stock options

The following tables present the stock option activity since August 31, 2011 and summarize the information about fixed stock options outstanding and exercisable as at May 31, 2012:

	Nine-month period ended May 31, 2012		Year ended August 31, 2011	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding - Beginning of period	2,205,000	1.43	2,440,000	1.54
Granted	495,000	0.53	490,000	0.84
Exercised	(80,000)	0.66	(80,000)	0.34
Expired/cancelled	(400,000)	3.57	(645,000)	1.53
Outstanding - End of period	2,220,000	0.87	2,205,000	1.43
Exercisable - End of period	2,153,334	0.87	2,205,000	1.43

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Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

The following table summarizes information about stock options outstanding and exercisable as at May 31, 2012:

Exercise prices	Options Outstanding	Options Exercisable	Weighted Average Remaining Contractual Life (years)
\$0.34	505,000	505,000	6.87
\$0.45	395,000	395,000	9.94
\$0.60	80,000	80,000	8.16
\$0.66	410,000	410,000	7.77
\$0.80	430,000	430,000	8.64
\$0.83	100,000	33,334	9.61
\$1.25	40,000	40,000	8.84
\$3.03	260,000	260,000	0.86
	<u>2,220,000</u>	<u>2,153,334</u>	<u>7.43</u>

On May 9, 2012, the Company granted 395,000 options to its directors, officers, employees and consultants. The fair value of the options granted amounted to \$158,000 and was measured using the Black Scholes option pricing model with the following assumptions: risk-free interest of 2.75%, expected life of 10 years, annualized volatility rate of 98%, and dividend rate of 0%.

On January 6, 2012 the Company granted 100,000 stock options to a consultant involved in business development. Of these, 33,334 stock options were vested immediately, an additional 33,333 stock options will vest after July 6, 2012, and an additional 33,333 stock options will vest after January 6, 2013. The fair value of the first tranche of vested options amounted to \$5,833 of which \$1,944 was accounted as a stock-based compensation expense for the current quarter, \$2,917 in the nine-month period ended May 31, 2012, and the remaining \$1,844 will be recorded in the last quarter of 2012. The Company granted options to non-employees and it estimates the fair value of these services approximates the fair value of the options granted measured using the Black Scholes option pricing model with the following assumptions: risk-free interest of 0.92%, expected life of 9 months, annualized volatility rate of 61%, and dividend rate of 0%. The Company was not able to reliably determine the fair value of the services received and therefore used the fair value of the options calculated with the Black Scholes option-pricing model.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and nine-month periods ended May 31, 2012 and 2011

10 Expenses by nature

	Three-month period ended May 31,		Nine-month period ended May 31,	
	2012 \$	2011 \$	2012 \$	2011 \$
Salaries and fringe benefits	43,112	55,311	148,073	119,980
Professional and maintenance fees	10,171	10,746	62,476	57,740
Administration and office	70,299	69,193	170,360	171,542
Travelling and entertainment	6,270	12,592	46,288	40,723
Depreciation of property and equipment	3,047	3,897	9,143	10,711
Amortization of intangible assets	1,062	827	3,185	2,482
Allowance for doubtful accounts	40,282	-	40,282	-
Part XII.6 tax	-	-	-	(628)
Stock-based compensation	160,917	63,160	162,861	371,460
General and administrative expenses	335,160	215,726	642,668	774,010
Salaries for search of properties	22,911	40,867	65,848	221,527
Credit on duties refundable for loss and refundable tax credit for resources	(9,100)	(48,100)	(26,900)	(69,000)
General exploration	13,811	(7,233)	38,948	152,527
Interest income	(6,476)	(13,789)	(23,870)	(23,042)
Interest on debentures	15,176	35,083	37,283	91,492
Interest and bank charges	359	343	1,432	1,333
Interest on obligation under capital lease	-	-	-	403
Finance costs, net	9,059	21,637	14,845	70,186

11 Comparative figures

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