



# BLACKMONT CAPITAL™

## AZIMUT EXPLORATION INC.

AZM-TVX	\$3.60
Recommendation	<b>Speculative BUY</b>
12-Month Target Price	<b>\$6.40</b>
Projected Return	77.8%

## Regional Sized Uranium Potential In Quebec

### Company Profile

Azimut Exploration Inc. (AZM-TVX) is an early stage exploration company with a Quebec focus. The company's strategy is to identify prospective targets and attract JV partners to fund exploration. The company has numerous targets and JVs, including the North and South Rae uranium targets and the Opinaca gold targets (Figure 1).

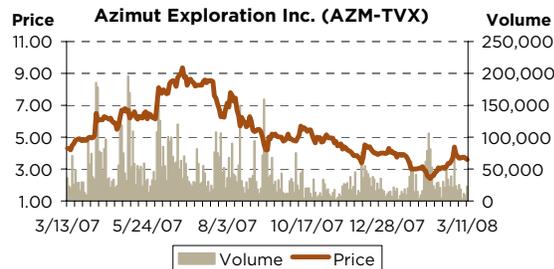
Having reviewed management's data-based exploration techniques, we are confident that major discoveries lie ahead. This is supported by initial surface work, which has been very positive. We believe drilling at the North Rae deposit will validate management's proprietary database exploration technique.

Deriving a target price is problematic due to the early stage of exploration. However, we note Azimut's historically high correlation to the uranium spot price. Based on this historical relationship, we calculate a target price of \$6.40 per share for Azimut at our 2009 uranium price of \$110/lb. We are upgrading Azimut from our watch list to a Buy recommendation because:

1. **Management Experience:** CEO Dr. Jean-Marc Lulin, has a Masters degree in Applied Geology. Dr. Lulin was the Chief Geologist for SOQUEM, the Quebec Government's mineral investment vehicle, from 1992 to 1995. From 1996 to 2001, he held management positions at Channel Resources (CHU-TVX). He re-activated Azimut in 2003.

Market Data	
52-Week Trading Range (C\$)	\$9.42-\$2.33
Basic Shares O/S (mm)	16.8
F.D. Shares O/S (mm)	18.1
Market Capitalization (C\$mm)	\$60.4
Enterprise Value (C\$mm)	\$58.9
Financial Data	
Cash (C\$mm)	\$1.5
Total Debt (C\$mm)	\$0.0
Forecast	
<b>FYE: Aug</b>	<b>2008E 2009E 2010E</b>
Uranium Price	\$100.00 \$110.00 \$120.00
C\$:US\$	\$0.99 \$1.00 \$0.90

Source: Reuters, company reports, Blackmont Capital Inc.



Source: Bloomberg

See important disclosure statements at the end of this report.

### Base Metals & Minerals

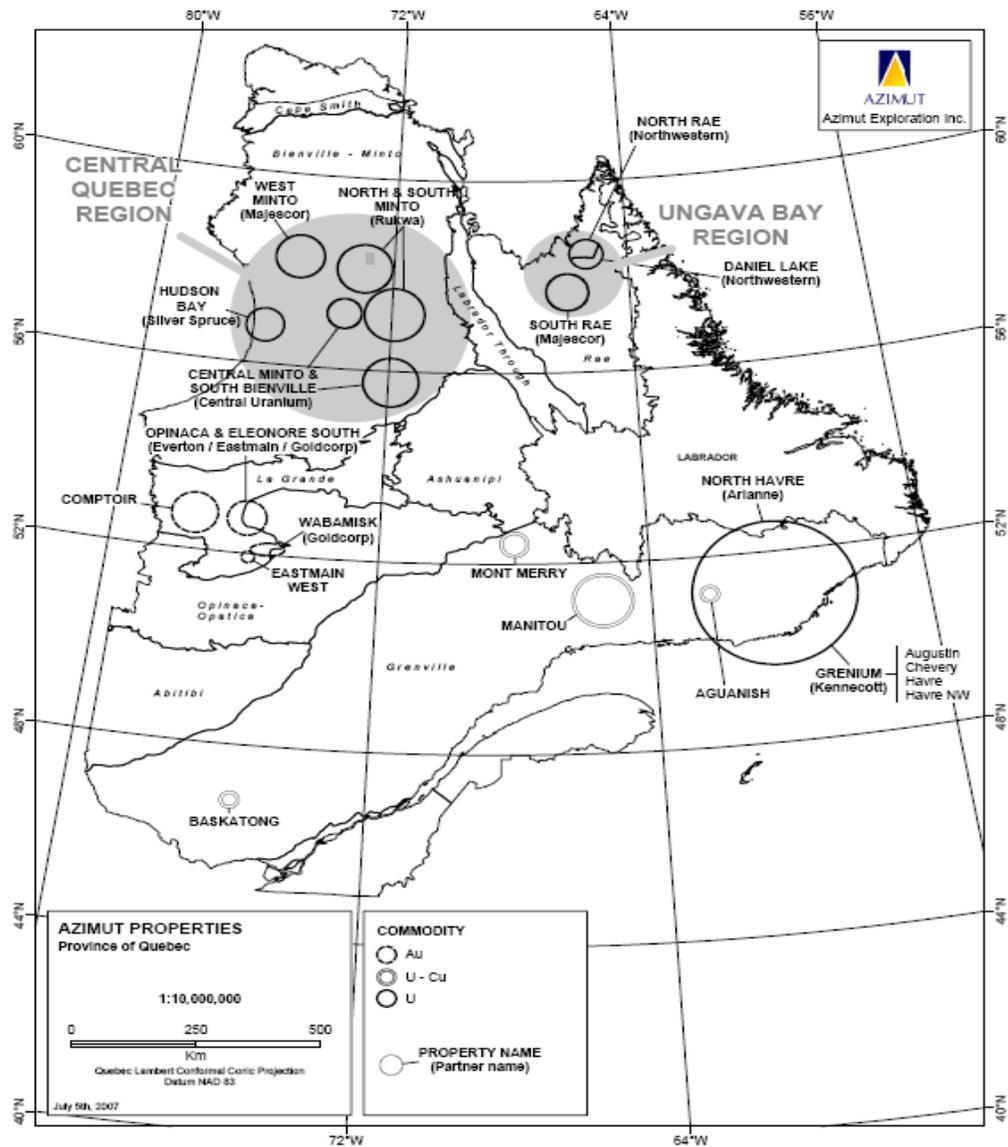
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2. **Quality Partners:** Azimut has had success in attracting quality JV partners such as Kennecott and Goldcorp (G-TSX) as well as a host of junior explorers such as, Everton (EVR-TVX) and Northwestern Minerals (NWT- TVX). These partners have agreed to spend C\$65 million in total to explore 19 of Azimut's properties, of which C\$12 million is earmarked for 2008 (Figure 3).
3. **Promising Exploration Potential:**
  - (1) North Rae Uranium (Figure 2): A JV with Northwestern Minerals in which Northwestern can earn up to 65% for C\$2.9 million in exploration and a feasibility study. Airborne radiometrics have so far returned 17 priority anomalies on what appears to be a regional-scale anomaly. Surface sampling has backed up a portion of the radiometric data with high-grade samples from multiple trends of +1km. The 2008 drilling programme is planned for this summer as soon as the snow clears.
  - (2) Opinaca Gold Properties: In the James Bay area. Azimut has staked geochemical anomalies around Virginia's Eleonore discovery. The JV partners, Eastmain, Goldcorp, and Everton, have budgeted C\$3.7 million for drilling in 2008 out of a total work commitment of \$15 million.
  - (3) South Rae: A JV with Majescor Resources in which Majescor can earn up to 65% for C\$4.6 million in exploration and a feasibility study. A 30km long mineralized corridor has been identified through radiometric surveys and backed up by subsequent surface sampling. Drilling is expected to commence this summer.
4. **Excellent Quebec Location:** Due to attractive federal and provincial exploration tax credits, the company should have ready access to exploration funding when required. Quebec was recently ranked first in a favourable mining location study.

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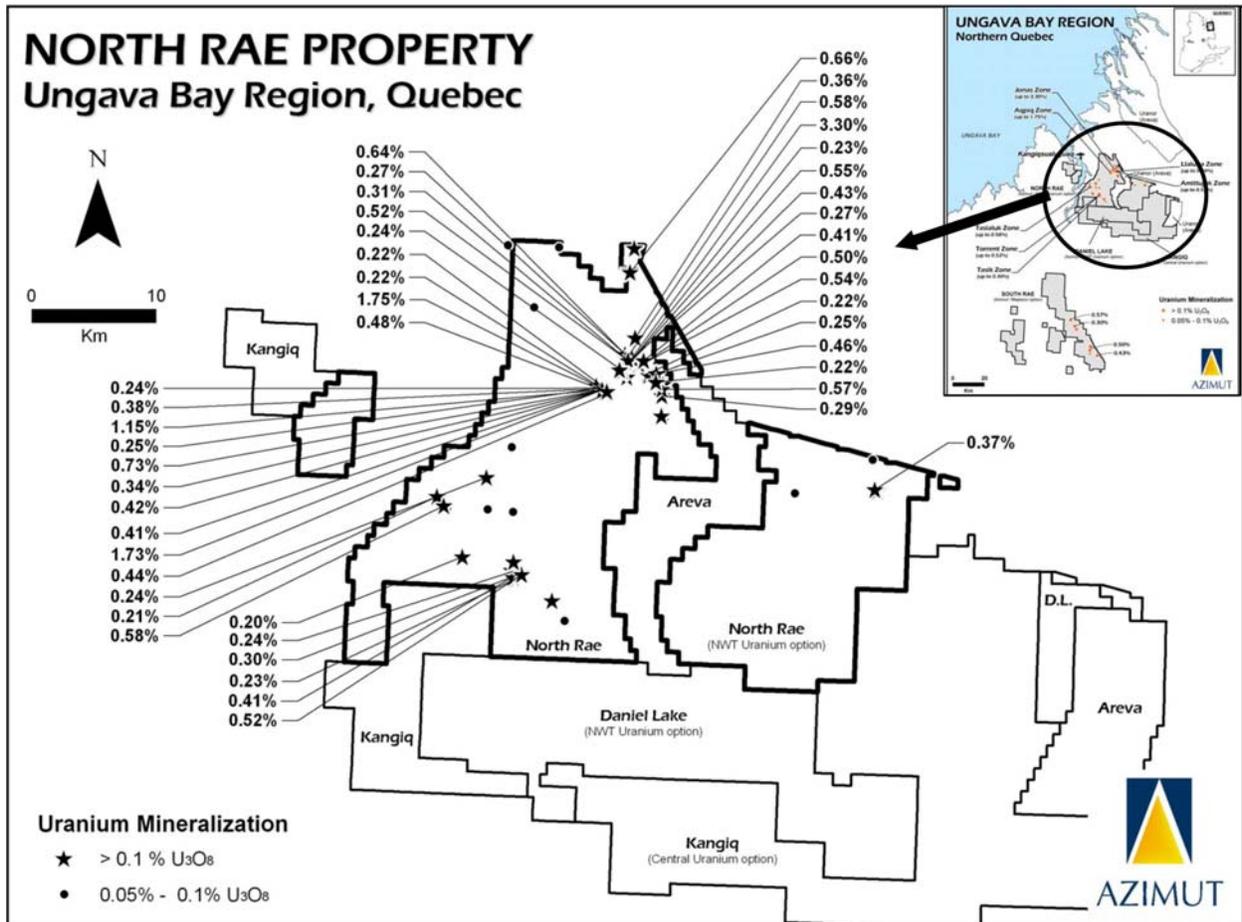
Figure 1: Location Map of Azimut Claims



Source: Company reports

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Figure 2: North Rae Surface Sampling



Source: Company report

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Figure 3: 2008 Exploration Budget

Property or Project		Work in 2008	Minimum Work Expenditures as per Agreement Schedule
Opinaca (A, A East; B, B North Blocks)	Gold	By the partner	\$1,200,000
Opinaca (D Block)	Gold	By the partner	\$500,000
Opinaca (Eleonore South)	Gold	By the partner	\$1,000,000
Wabamisk	Gold	By the partner	\$1,000,000
North Rae	Uranium	By the partner	\$700,000
Daniel Lake	Uranium	By the partner	\$400,000
South Rae	Uranium	By the partner	\$600,000
Kangiq	Uranium	By the partner	\$500,000
North Minto	Uranium	By the partner	\$500,000
South Minto	Uranium	By the partner	\$500,000
West Minto	Uranium	By the partner	\$600,000
Hudson Bay	Uranium	By the partner	\$400,000
Central Minto	Uranium	By the partner	\$600,000
South Bienville	Uranium	By the partner	\$700,000
West Bienville	Uranium	By the partner	\$200,000
Kativik	Uranium	By the partner	\$1,000,000
North Havre	Uranium	By the partner	\$200,000
Grenium (4 properties)	Uranium	By the partner	\$1,300,000
Regional assessment and project generation		Target modeling and field checks	\$100,000
<b>Total</b>			<b>\$12,000,000</b>

Source: Company report

## Target Price and Recommendation

As one would expect, the shares of most uranium exploration companies track the spot uranium prices very closely. Figures 5 and 6 show that the correlation between Azimut's share price and the uranium spot price is very high ( $R^2$  of more than 90%). As the company has no resource for investors to value, we believe it is reasonable to assume that, at the very least, the company should trade in-line with the uranium spot price. Additional upside from the drilling of North Rae this summer should, if successful as we expect, allow the stock to break out from its direct correlation with the uranium price.

We have a forecast of \$100 per lb for uranium this year and \$110 per lb next year. Based on this forecast, we derive a 12-month target price of \$6.40 per share for Azimut (Figure 4). Speculative BUY.

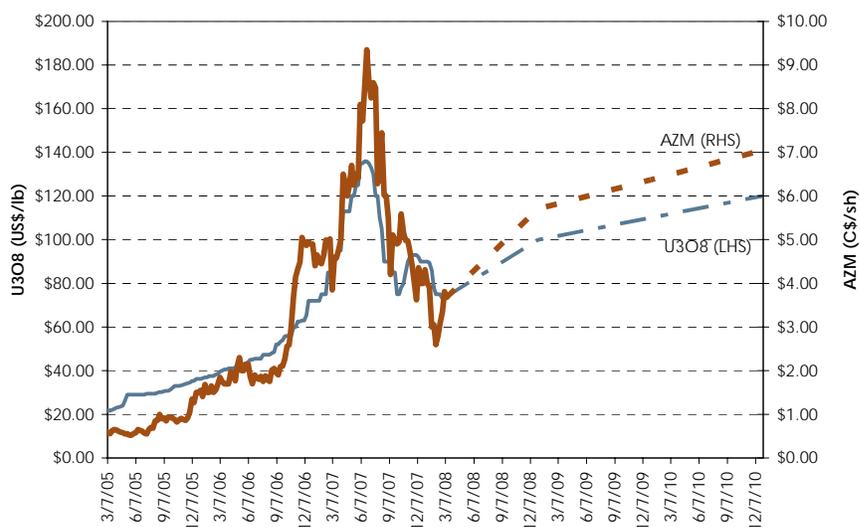
Figure 4: 12-Month Target Price Calculation and Sensitivity

Target Price	U3O8	\$75.00	\$100.00	<b>\$110.00</b>	\$120.00
	Target	\$4.00	\$5.70	<b>\$6.37</b>	\$7.05

Source: Blackmont Capital Inc.

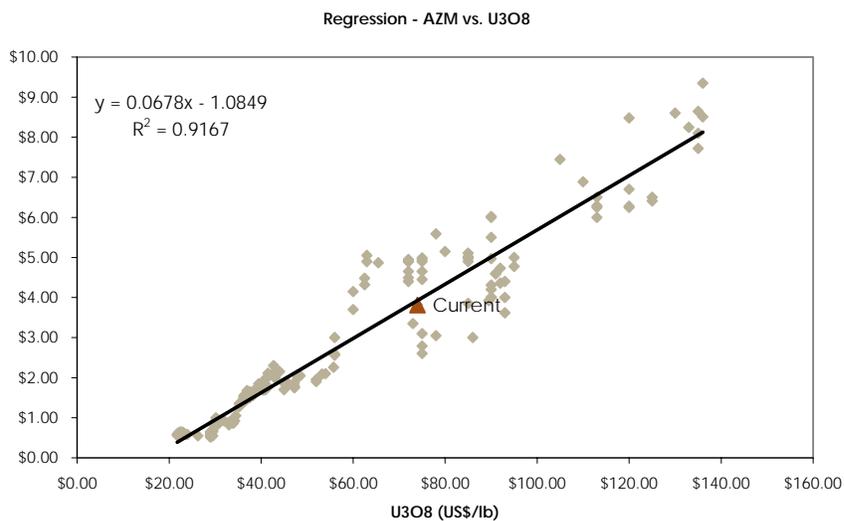
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Figure 5: Price Performance - U3O8 vs. Azimut



Source: Bloomberg, Blackmont Capital Inc.

Figure 6: Regression Analysis - U3O8 Spot Prices vs. Azimut Share Prices



Source: Bloomberg, Blackmont Capital Inc.

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## Blackmont Research Disclosure

Company Name	Ticker	Disclosure
Azimut Exploration Inc	AZM-TVX	-

Distribution of Research Ratings (# of Stocks)	
BUY	75 52.4%
Speculative BUY	17 11.9%
HOLD	40 28.0%
SELL	4 2.8%
Other	7 4.9%
Total	143 100.0%

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Speculative BUY	35.3%
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SELL	50.0%

\* Percentage of subject issuers within each of the research ratings for which Blackmont Capital Corp. has provided investment banking services within 12 months.

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- BUY:** The stock's total return is expected to exceed a minimum of 15% over the next 12 months.
- Speculative BUY:** The stock's total return is expected to exceed 30% to 40% over the next 12 months. However, there exists a very high and unquantifiable risk in either the corporate or industry fundamentals associated with the investment that could result in a significant loss.
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