

## Azimut Exploration Inc. (AZM-V – \$0.33)

**Buy (S) – Target Price: \$1.00**

**Hoping for New Partnerships**

### COMPANY PROFILE

Azimut Exploration Inc. is a Canadian junior mining company specializing in project generation and whose focus is on discovering gold, copper, uranium and rare earth element metal deposits in the James Bay and Northern Quebec areas. Azimut has developed an innovative targeting methodology, holds a large mineral exploration portfolio and has signed previously 29 strategic or option agreements with senior and junior partners, including Rio Tinto, Goldcorp, IAMGOLD and Aurizon Mines.



Source: BigCharts.com

### Market and Company Data

<b>Ticker</b>	AZM-V	<b>Shares O/S (M)</b>	36.5
<b>Rating</b>	Buy (S)	<b>Market Cap (M)</b>	\$12.0
<b>Risk</b>	High	<b>Float O/S (M)</b>	31.0
<b>Price</b>	\$0.33	<b>Float Value (M)</b>	\$10.2
<b>1-Yr Target</b>	\$1.00	<b>Avg Daily Volume (K)</b>	25.2
<b>Dividend</b>	n/a	<b>Enterprise Value (M)</b>	\$10.0
<b>Yield (%)</b>	n/a	<b>Control Blocks:</b>	
<b>1-Yr ROR</b>	203%	Mgmt. & Dir.	15%
<b>52 Wk High-Low</b>	0.93 \$-0.23 \$	<b>Net Debt/Cap</b>	n/a
<b>Valuation</b>	0.8x NAV	<b>BVPS</b>	\$0.36
<b>Year End</b>	Aug. 31		

Expenditures (M) - Years ending Dec. 31						
	2012	2013	2014	2015	2016	2017
Exploration	\$4.5	\$0.5	n/a	n/a	n/a	n/a

  

Resource Estimate	Tonnes	Grade	Contained
		(Mt)	Gold (oz.)
		n/a	n/a

Source: Company reports; Bloomberg; LBS.

We rate Azimut Exploration a **Speculative Buy** with a one-year share price target of **\$1.00**. We derive our target from the sum-of-the-parts valuation and applying a 0.8x multiple for Azimut's portfolio of properties in northern Quebec. Azimut's core business is to target potential major mineral deposits by acquiring quality properties through project analysis and generation and developing subsequent partnerships. We believe that this model can work if quality partners can be found and kept. We highlight the following:

- **Quality project generator:** Azimut uses a proprietary targeting methodology, combined with considerable exploration know-how, to attempt to discover major ore deposits. Azimut's data-based exploration has been able to scan vast parts of Quebec and select the most favourable sectors for mineralization. This mineral potential targeting methodology has led to the establishment of a quality portfolio of projects.
- **Assembled an impressive land position, but what's next?:** Azimut holds a substantial portfolio of properties in northern Quebec representing over 20,000 claims. Azimut's 100% owned Nunavik portfolio of polymetallic projects totals 24 properties and is composed of copper, gold, silver, cobalt, tungsten and rare earth element (REE) projects (notably Rex, Rex Sud, and NCG). Azimut's focus since 2009 on large-scale polymetallic deposits in the Nunavik has not yet led to large-tonnage Iron Oxide Copper Gold (IOCG), gold-copper porphyry, or sediment-hosted gold deposits. Recall that Aurizon Mines abandoned its option in June 2012 to earn an interest on the Rex-Sud property following 2010 and 2011 field work. Azimut also has over 100,000 ha. of properties in the James Bay area with JV partners such as Aurizon Mines (Opinaca projects), and Goldcorp (Wabamisk and Eleonore South projects).
- **Looking for a strategic partner:** We believe that the company's meaningful land position in Nunavik could prove to be advantageous should a new polymetallic mineral belt be confirmed with subsequent drilling work. However, as we believe challenges are significant in the form of high exploration expenditures and a short field season in Nunavik, we continue to expect Azimut to find a solid partner in the short to medium-term. We expect less than \$1M exploration budget for 2013 as the company has a working capital of less than \$4M.

### 2013 Key Catalysts

- 2013 winter drilling results on the Opinaca A and B projects with Aurizon.
- 2013 drilling results on the Wabamisk project by Goldcorp following ground geophysics.
- Potential 2013 drilling results on the Eleonore South project with Goldcorp/Eastmain Resources.
- New partnerships.