

Azimut Exploration Inc.

Financial Statements
August 31, 2012 and 2011



December 20, 2012

Independent Auditor's Report

To the Shareholders of Azimut Exploration Inc.

We have audited the accompanying financial statements of Azimut Exploration Inc., which comprise the statements of financial position as at August 31, 2012 and 2011 and September 1, 2010 and the statements of comprehensive loss, changes in equity and cash flows for the years ended August 31, 2012 and 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Azimut Exploration Inc. as at August 31, 2012 and 2011 and September 1, 2010 and its financial performance and its cash flows for the years ended August 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A122718

Azimut Exploration Inc.

Statements of Financial Position (in Canadian dollars)

	As at August 31, 2012	As at August 31, 2011 (note 23)	As at September 1, 2010 (note 23)
Assets			
Current assets			
Cash and cash equivalents (note 5)	1,402,610	3,834,831	2,704,823
Amounts receivable - Related party	-	40,282	80,564
Amounts receivable – Others (note 6)	2,670,013	2,314,148	939,469
Prepaid expenses	26,046	31,445	21,848
	<u>4,098,669</u>	<u>6,220,706</u>	<u>3,746,704</u>
Non-currents assets			
Mining rights receivable	205,685	137,608	-
Investments (note 7)	207,224	386,405	377,561
Property and equipment (note 8)	311,917	92,555	282,422
Intangible assets (less accumulated amortization of \$13,997; \$9,750 in 2011; \$6,441 in 2010)	9,910	14,157	4,597
Exploration and evaluation assets (note 9)	8,439,383	7,561,643	3,947,274
	<u>9,174,119</u>	<u>8,192,368</u>	<u>4,611,854</u>
Total assets	<u>13,272,788</u>	<u>14,413,074</u>	<u>8,358,558</u>
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities – Related parties	76,747	79,659	93,905
Accounts payable and accrued liabilities, advances received for exploration work and others	304,060	1,459,691	1,708,802
Current portion of debenture payable (note 10)	100,000	100,000	100,000
Obligation under finance lease	-	16,100	29,697
	<u>480,807</u>	<u>1,655,450</u>	<u>1,932,404</u>
Non-current liabilities			
Debenture payable (note 10)	77,000	158,600	240,200
Liability component of convertible debentures (note 11)	-	296,118	878,847
Asset retirement obligations (note 12)	241,278	-	-
Other liability	-	-	52,346
	<u>318,278</u>	<u>454,718</u>	<u>1,171,393</u>
Total liabilities	<u>799,085</u>	<u>2,110,168</u>	<u>3,103,797</u>
Equity			
Share capital (note 13)	20,456,111	18,837,579	11,745,400
Warrants (note 14)	426,308	735,046	564,152
Stock options (note 15)	1,436,434	2,198,030	2,482,790
Equity component of convertible debentures (note 11)	-	47,889	150,050
Contributed surplus	2,159,387	1,087,042	459,472
Deficit	(11,990,713)	(10,595,287)	(10,139,255)
Accumulated other comprehensive loss	(13,824)	(7,393)	(7,848)
Total Equity	<u>12,473,703</u>	<u>12,302,906</u>	<u>5,254,761</u>
Total liabilities and equity	<u>13,272,788</u>	<u>14,413,074</u>	<u>8,358,558</u>

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

Approved by the Board of Directors

(s) Dennis Wood _____ Director

(s) Jean-Marc Lulin _____ Director (4)

Azimut Exploration Inc.

Statements of comprehensive loss

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

	2012	2011 (note 23)
Expenses		
General and administrative (note 16)	853,367	948,697
General exploration (note 16)	17,528	160,926
Impairment of exploration and evaluation assets	390,324	70,895
Operating loss	<u>1,261,219</u>	<u>1,180,518</u>
Financing cost, net		
Interest income	(28,918)	(36,838)
Interest on debentures	63,034	119,623
Interest and bank charges	1,751	1,721
Unwinding of discount on asset retirement obligations	3,308	-
Interest on obligation under finance lease	-	403
	<u>39,175</u>	<u>84,909</u>
Other gains and losses		
Gain on option payments on exploration and evaluation assets	(28,076)	(171,639)
Gain on termination of option on exploration and evaluation assets	(110,908)	(174,174)
Management fees	(28,148)	(67,026)
Gain on sale of available-for-sale investments	-	(41,570)
Other than temporary write-down on available-for-sale investments	172,750	-
	<u>5,618</u>	<u>(454,409)</u>
Loss before income taxes	<u>1,306,012</u>	<u>811,018</u>
Recovery of deferred income tax (note 18)	-	(354,986)
Loss for the year	<u>1,306,012</u>	<u>456,032</u>
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale investments	(179,181)	42,025
Reclassification of other than temporary write-down on available-for-sale investments to loss for the year	172,750	-
Reclassification of the loss on sale of available-for-sale investments to loss for the year	-	(41,570)
	<u>(6,431)</u>	<u>455</u>
Comprehensive loss for the year	<u>1,312,443</u>	<u>455,577</u>
Basic and diluted loss per share (note 19)	<u>0.04</u>	<u>0.02</u>

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

Azimut Exploration Inc.

Statements of Changes in Equity

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

	Share capital		Warrants		Stock options		Equity component of convertible debentures	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
Loss for the year	-	-	-	-	-	-	-	-	(1,306,012)	-	(1,306,012)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(6,431)	(6,431)
Comprehensive loss	-	-	-	-	-	-	-	-	(1,306,012)	(6,431)	(1,312,443)
Issuance of units for payment of interest on convertible debentures	12,542	13,129	6,271	1,073	-	-	-	-	-	-	14,202
Conversion of debenture	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	-	-	-	-	-	163,834	-	-	-	-	163,834
Share issue expenses	-	(5,622)	-	-	-	-	-	-	-	-	(5,622)
Balance as at August 31, 2012	36,470,328	20,456,111	2,666,664	426,308	2,220,000	1,436,434	-	2,159,387	(11,990,713)	(13,824)	12,473,703
Balance as at September 1, 2010 (note 23)	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
Loss for the year	-	-	-	-	-	-	-	-	(456,032)	-	(456,032)
Other comprehensive income	-	-	-	-	-	-	-	-	-	455	455
Comprehensive loss	-	-	-	-	-	-	-	-	(456,032)	455	(455,577)
Private placements	5,333,333	4,463,106	2,666,664	336,894	-	-	-	-	-	-	4,800,000
Flow-through private placements	833,333	697,360	-	-	-	-	-	-	-	-	697,360
Issuance of shares for payment of interest on convertible debentures	54,359	53,063	-	-	-	-	-	-	-	-	53,063
Conversion of debenture	1,185,185	502,883	1,205,470	206,158	-	-	(102,161)	-	-	-	606,880
Warrants exercised	1,841,071	1,637,892	(1,841,071)	(372,158)	-	-	-	-	-	-	1,265,734
Stock options exercised	80,000	52,800	-	-	(80,000)	(25,600)	-	-	-	-	27,200
Stock options granted	-	-	-	-	490,000	-	-	-	-	-	-
Stock options expired/cancelled	-	-	-	-	(645,000)	(627,570)	-	627,570	-	-	-
Stock-based compensation costs	-	-	-	-	-	368,410	-	-	-	-	368,410
Share issue expenses	-	(314,925)	-	-	-	-	-	-	-	-	(314,925)
Balance as at August 31, 2011 (note 23)	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

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

Azimut Exploration Inc.

Statements of Cash Flows

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

	2012 \$	2011 \$
Cash flows used in operating activities		
Loss for the year	(1,306,012)	(456,032)
Items not affecting cash		
Depreciation of property and equipment	12,190	14,280
Amortization of intangible assets	4,247	3,310
Gain on sale of investments	-	(41,570)
Other than temporary write-down on available-for-sale investments	172,750	-
Impairment of exploration and evaluation assets	390,324	70,895
Allowance for doubtful accounts	40,282	47,320
Gain on option payments on exploration and evaluation assets	(28,076)	(171,639)
Gain on termination of option on exploration and evaluation assets	(100,000)	(174,174)
Credits on duties refundable for loss and refundable tax credits relating to resources	(13,127)	(75,466)
Accretion expense on debentures payable and convertible debentures	18,400	42,547
Stock-based compensation cost	163,834	354,210
Shares issued for interest payment on debentures	14,203	53,063
Unwinding of discount on asset retirement obligations	3,308	-
Recovery of deferred income taxes	-	(354,986)
	(627,677)	(688,242)
Net change in non-cash working capital items		
Amounts receivable	217,955	141,662
Prepaid expenses	5,399	(9,597)
Accounts payable and accrued liabilities, advances received for exploration work and others	(593,324)	143,010
	(369,970)	275,075
	(997,647)	(413,167)
Cash flows from financing activities		
Payment on debenture payable	(100,000)	(100,000)
Issuance of share capital, net of share issue expenses	1,009,085	6,778,010
Payments of obligation under finance lease	-	(13,597)
	909,085	6,664,413
Cash flows used in investing activities		
Proceeds from sale of investments	-	86,006
Additions to property and equipment	-	(12,121)
Additions to intangible assets	-	(12,870)
Additions to exploration and evaluation assets	(2,393,659)	(5,528,598)
Proceeds from sale of options on exploration and evaluation assets	50,000	180,027
Tax credit and mining rights received	-	166,318
	(2,343,659)	(5,121,238)
Net change in cash and cash equivalents	(2,432,221)	1,130,008
Cash and cash equivalents – Beginning of year	3,834,831	2,704,823
Cash and cash equivalents – End of year	1,402,610	3,834,831
Additional cash flow information (note 22)		
Interest received	(28,920)	(36,853)
Interest paid	40,591	45,840

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

1 Nature of operations, general information and liquidity

Azimut Exploration Inc. (the “Company”), incorporated in Canada under the Québec Corporations Act, is in the business of acquiring and exploring mining properties. The Company 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 may not comply 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 August 31, 2012, the Company had working capital of \$3,617,862 (2011: \$4,565,256) including cash and cash equivalents of \$1,402,610 (2011: \$3,834,831) and accumulated deficit of \$11,990,713 (2011: \$10,595,287), and had incurred a loss of \$1,306,012 (2011: \$456,032) for the years then ended.

Management of the Company believes it 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 (12) 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 (12) months from the end of the reporting period. To continue its exploration and evaluation program on its properties and its operation beyond August 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 exploration 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 financial statements were approved for issue by the Board of Directors on December 20, 2012.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

2 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are described below.

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 its financial statements for the year ended August 31, 2012. In the financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These are the Company’s first financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board, and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* has been applied. The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at September 1, 2010 and throughout all years presented, as if these policies had always been in effect. Note 23 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 prepared under Canadian GAAP.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value.

Presentation and functional currency

The financial statements are presented in Canadian currency, which is also the functional currency of the Company.

Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Company and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Company’s activities are conducted through jointly controlled assets and exploration activities, the financial statements include the Company’s share in the assets and the liabilities as well as in the income and the expenses from the joint operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and highly liquid short-term investments with original maturities of three (3) months or less from the date of purchase and which are readily convertible to known amounts of cash.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

- (a) **Available-for-sale investments:** Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve (12) months, or management expects to dispose of them within twelve (12) months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of comprehensive loss as part of interest income. Dividends on available for sale equity instruments are recognized in the statement of comprehensive loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of comprehensive loss and are included in other gains and losses. The company's investments are classified within this category.
- (b) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The company's cash and cash equivalents and amounts receivable are classified within this category.
- (c) **Financial liabilities at amortized cost:** Financial liabilities at amortized cost include accounts payable and accrued liabilities, advances received for exploration work and others, debenture payable, convertible debentures and obligation under finance lease. Accounts payables and accrued liabilities, advances received for exploration work and others are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Accounts payable and accrued liabilities, advances received for exploration work and others are measured at amortized cost using the effective interest method. Debenture payable, convertible debentures and obligations under finance lease are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve (12) months. Otherwise, they are presented as non-current liabilities.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- a) **Financial assets carried at amortized cost:** The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.
- b) **Available-for-sale investments:** The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to loss.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive loss during the period in which they are incurred.

Property and equipment are depreciated once available for use using the declining balance method at the rates indicated below, except for the camp and the camp under a finance lease which are amortized using the straight-line method over a forty-eight-month (48-month) period and an eighteen-month (18-month) period respectively. Depreciation of the camp and the camp under a finance lease is capitalized to exploration and evaluation assets.

	Rate
Office furniture	20%
Office equipment	20%
Computer equipment	30%
Specialist equipment	30%

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

Identifiable intangible assets

The Company's intangible assets include computer software with finite useful lives. These assets are capitalized and amortized at a 30% declining balance basis.

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Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

Exploration and evaluation

Exploration and evaluation (“E&E”) assets comprise deferred exploration and evaluation expenses and exploration properties. Expenditures incurred on activities prior to the exploration and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed as incurred and presented under *General exploration* in the statement of comprehensive loss.

E&E assets includes rights in exploration properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits. Exploration rights are recorded at acquisition cost. Exploration rights and options to acquire undivided interests in exploration rights are depreciated only as these properties are put into commercial production. These costs are impaired when properties are abandoned or when cost recovery or access to resources is uncertain.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as additions to exploration and evaluation assets when the payments are made or as option payments in reduction of exploration and evaluation assets when payments are received.

Proceeds on the sale of exploration properties are applied by property in reduction of the exploration properties, then in reduction of the exploration costs and any residual is recorded in the statement of comprehensive loss unless there is contractual work required in which case the residual gain is deferred and will be reduced once the contractual disbursements are done. Funds received from partners on certain properties where the Company is the operator, in order to perform exploration work as per agreements, are accounted for in the statement of financial position as advances received for exploration work. These amounts are reduced gradually once the exploration work is performed. The project management fees received when the Company is the operator are recorded in the statement of comprehensive loss.

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore-like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures include the cost of:

- establishing the volume and grade of deposits through core drilling , trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a project moves into the development phase, E&E expenditures are capitalized to development costs in property and equipment and are tested for impairment.

E&E expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statement of cash flows.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to the statement of comprehensive loss as incurred.

Leases of equipment or base camp for which the Company has substantially all the risks and rewards of ownerships are classified as finance leases and are capitalized at the lease's commencement.

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease as the fair value of the leased asset or, if lower, the present value of the lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance charges are expensed as part of interest on obligation under finance lease.

Borrowing costs

Borrowing costs attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statements of comprehensive loss in the period in which they are incurred.

Impairment of non-financial assets

Property and equipment and exploration and evaluation assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Exploration and evaluation assets are reviewed by area of interest. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

Government assistance

The Company is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Quebec and mining duty credits which are recorded against the deferred exploration expenditures or recognized in the statement of comprehensive loss when the related general mining exploration expenses have been recognized in the statement of comprehensive loss.

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Provisions and asset retirement obligations

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for asset retirement obligations are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The increase in the provision due to passage of time is recognized in the statement of comprehensive loss. Changes in assumptions or estimates are reflected in the period in which they occur. The Company also records a corresponding asset amount which is amortized in a logical and systematic manner.

Share-based payment transactions

The fair value of share options granted to employees are recognized as an expense, or capitalized to exploration and evaluation assets over the vesting period with a corresponding increase in stock options. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Warrants issued to brokers, in respect of an equity financing, are recognized as share issue expenses reducing the share capital with a corresponding credit to warrants.

Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model to determine the fair value of warrants issued.

Flow-through shares

The Company finances some exploration and evaluation expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors pay for the shares (the "premium"), measured in accordance with the residual value method, is recognized as other liability which is reversed into the statement of comprehensive loss as a deferred tax recovery when eligible expenditures have been made.

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Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The temporary differences are not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss and the weighted average number of common shares outstanding for the effects of all warrants, brokers' units and stock options that may add to the total number of common shares in the case where they would not have an anti-dilutive impact.

Segment disclosures

The Company currently operates in a single segment: the acquisition, exploration and evaluation of exploration properties. All of the Company's activities are conducted in Quebec, Canada.

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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”; IFRS 12, “Disclosure of Interest in Other Entities” 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.

- 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 the standard 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 reduces the types of joint arrangements to two: joint ventures and joint operations. 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.

IFRS 11 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 the standard early.

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- **IFRS 12 – Disclosure of Interest in Other Entities**

IFRS 12 sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28, Investments in Associates.

IFRS 12 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 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 the standard early.

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.

Areas of significant judgment and estimates affecting the amounts recognized in the financial statements include the following.

- a) **Impairment of non-financial assets**

The Company's recoverable amounts measurement with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amounts estimates may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices.

Based on an impairment analysis performed in 2012, the copper-gold-silver-cobalt-rare earth properties, were impaired by \$142,570 and the uranium properties were impaired by \$247,754 representing a total impairment of \$390,324 given that no E&E expenses are budgeted and that some claims were abandoned (note 9). The estimation of the impairment charge requires judgment from the management.

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b) **Recognition of deferred income tax assets and the measurement of income tax expense**

Periodically, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if we believe that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgment. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted.

c) **Valuation of credit on duties refundable for loss and the refundable tax credit for resources**

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties and tax credit related to resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Difference arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods.

The amounts recognized in the financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

d) **Impairment of available-for-sale investments**

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

e) **Asset retirement obligations**

Asset retirement obligations arise from the development, construction and normal operation of mining property and equipment as mining activities are subject to laws and regulations governing the protection of the environment. Such costs arising from the decommissioning of site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company also records a corresponding asset amount which is amortized over the remaining service life of the asset.

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Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each site. The Company also estimates the timing of the cash outflow, which is subject to change and is currently estimated to be 2015, and represents a significant accounting estimate by the Company. Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to activities for reclamation and remediation.

5 Cash and cash equivalents

As at August 31, 2012, there are no funds (\$nil as at August 31, 2011 and \$502,581 as at August 31, 2010) reserved in use for exploration expenses pursuant to flow-through financing agreements.

As at August 31, 2012, cash and cash equivalents include \$142,449 (\$140,717 as of August 31, 2011 and \$451,791 as of August 31, 2010) of guaranteed investment certificates bearing interest at 0.1% (0.1% of August 31, 2011 and 2010), cashable any time without any penalties.

6 Amounts receivable

	2012	2011	2010
	\$	\$	\$
Tax credit and current mining rights receivable	2,279,421	1,708,664	187,567
Commodity taxes	91,200	491,002	370,509
Trade accounts receivable	299,392	121,520	381,393
	<u>2,670,013</u>	<u>2,321,186</u>	<u>939,469</u>
Less: Allowance for doubtful accounts	<u>-</u>	<u>(7,038)</u>	<u>-</u>
	<u>2,670,013</u>	<u>2,314,148</u>	<u>939,469</u>

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7 Investments

	2012 \$	2011 \$	2010 \$
Eastmain Resources Inc.	17,800	26,400	29,400
NWT Uranium Corp.	28,000	45,500	70,000
Majescor Resources Inc.	28,420	52,920	40,180
Silver Spruce Resources Inc.	10,500	25,500	13,500
Arianne Resources	-	-	5,772
Channel Resources Inc.	13,500	44,250	39,000
Abitex Resources Inc.	14,000	31,500	96,000
Nemaska Exploration Inc.	81,615	95,219	83,709
Dynasty Gold Corp.	12,500	62,500	-
Monarque Resources Inc.	889	2,616	-
	<u>207,224</u>	<u>386,405</u>	<u>377,561</u>

Unrealized gains and losses on available-for-sale securities resulted from fluctuations in market prices. As at August 31, 2012, the Company determined that the unrealized losses recognized in accumulated other comprehensive loss (\$13,824) are temporary in nature.

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8 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Camp under finance lease \$	Total \$
At September 1, 2010							
Cost	20,542	20,081	24,477	56,250	-	281,560	402,910
Accumulated depreciation	(12,038)	(9,833)	(16,117)	(35,573)	-	(46,927)	(120,488)
Net book amount	8,504	10,248	8,360	20,677	-	234,633	282,422
Year ended August 31, 2011							
Opening net book amount	8,504	10,248	8,360	20,677	-	234,633	282,422
Additions	-	-	12,120	-	-	-	12,120
Depreciation for the year	(1,700)	(2,050)	(4,328)	(6,202)	-	(187,707)	(201,987)
Closing net book amount	6,804	8,198	16,152	14,475	-	46,926	92,555
At August 31, 2011							
Cost	20,542	20,081	36,597	56,250	-	281,560	415,030
Accumulated depreciation	(13,738)	(11,883)	(20,445)	(41,775)	-	(234,634)	(322,475)
Net book amount	6,804	8,198	16,152	14,475	-	46,926	92,555
Year ended August 31, 2012							
Opening net book amount	6,804	8,198	16,152	14,475	-	46,926	92,555
Additions	-	-	-	-	337,970	-	337,970
Depreciation for the year	(1,362)	(1,640)	(4,846)	(4,342)	(59,492)	(46,926)	(118,608)
Closing net book amount	5,442	6,558	11,306	10,133	278,478	-	311,917
At August 31, 2012							
Cost	20,542	20,081	36,597	56,250	337,970	281,560	753,000
Accumulated depreciation	(15,100)	(13,523)	(25,291)	(46,117)	(59,492)	(281,560)	(441,083)
Net book amount	5,442	6,558	11,306	10,133	278,478	-	311,917

9 Exploration and evaluation assets

All mining properties are located in the Province of Quebec.

	As at August 31, 2012 \$	As at August 31, 2011 \$	As at September 1, 2010 \$
Exploration and evaluation assets	8,439,383	7,342,993	3,880,774
Advances for exploration work	-	218,650	66,500
	8,439,383	7,561,643	3,947,274

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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 August 31, 2012	Accumulated impairment at August 31, 2011	Impairment	Accumulated impairment at August 31, 2012	Net book amount as at August 31, 2012
Nunavik	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rex (5,267 claims)	100									
Mining properties		548,040	397,684	-	-	945,724	-	(55,272)	(55,272)	890,452
Exploration costs		3,327,128	724,690	-	(291,238)	3,760,580	-	-	-	3,760,580
		<u>3,875,168</u>	<u>1,122,374</u>	<u>-</u>	<u>(291,238)</u>	<u>4,706,304</u>	<u>-</u>	<u>(55,272)</u>	<u>(55,272)</u>	<u>4,651,032</u>
Rex South (2,137 claims)	(m)	100								
Mining properties		-	11,319	-	-	11,319	-	-	-	11,319
Exploration costs		-	222,196	-	(86,013)	136,183	-	-	-	136,183
		<u>-</u>	<u>233,515</u>	<u>-</u>	<u>(86,013)</u>	<u>147,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,502</u>
NCG (5,373 claims)		100								
Mining properties		525,632	91,183	-	-	616,815	-	(12,864)	(12,864)	603,951
Exploration costs		607,750	490,417	-	(206,582)	891,585	-	-	-	891,585
		<u>1,133,382</u>	<u>581,600</u>	<u>-</u>	<u>(206,582)</u>	<u>1,508,400</u>	<u>-</u>	<u>(12,864)</u>	<u>(12,864)</u>	<u>1,495,536</u>
Diana (499 claims)	(l)	100								
Mining properties		14,388	37,823	-	-	52,211	-	-	-	52,211
Exploration costs		13,934	5,561	-	(2,410)	17,085	-	-	-	17,085
		<u>28,322</u>	<u>43,384</u>	<u>-</u>	<u>(2,410)</u>	<u>69,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,296</u>
Others, copper-gold-silver-cobalt-REE (137 claims)		100								
Mining properties		70,250	21,756	-	-	92,006	-	(68,222)	(68,222)	23,784
Exploration costs		3,545	76,916	-	(33,338)	47,123	-	(6,212)	(6,212)	40,911
		<u>73,795</u>	<u>98,672</u>	<u>-</u>	<u>(33,338)</u>	<u>139,129</u>	<u>-</u>	<u>(74,434)</u>	<u>(74,434)</u>	<u>64,695</u>
Total copper-gold-silver-cobalt-rare earth properties		<u>5,110,667</u>	<u>2,079,545</u>	<u>-</u>	<u>(619,581)</u>	<u>6,570,631</u>	<u>-</u>	<u>(142,570)</u>	<u>(142,570)</u>	<u>6,428,061</u>

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Exploration properties Nunavik (cont'd)	Undivided interest	Cost as at August 31, 2011	Additions	Option payments	Tax credit	Cost as at August 31, 2012	Accumulated impairment at August 31, 2011	Impairment	Accumulated impairment at August 31, 2012	Net book amount as at August 31, 2012
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
North Rae (949 claims)	100									
Mining properties		494,266	25,030	-	-	519,296	-	-	-	519,296
Exploration costs		690,927	7,342	-	(3,182)	695,087	-	-	-	695,087
		<u>1,185,193</u>	<u>32,372</u>	<u>-</u>	<u>(3,182)</u>	<u>1,214,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,214,383</u>
Daniel Lake (388 claims)	100									
Mining properties		386,590	-	-	-	386,590	-	(90,900)	(90,900)	295,690
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>(90,900)</u>	<u>(90,900)</u>	<u>597,836</u>
Kangiq (50 claims)	(f)									
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 *	(g)									
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 *	(i)									
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 *										
Mining properties	100	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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Exploration properties	Undivided interest	Cost as at August 31, 2011	Additions	Option payments	Tax credit	Cost as at August 31, 2012	Accumulated impairment at August 31, 2011	Impairment	Accumulated impairment at August 31, 2012	Net book amount as at August 31, 2012
Nunavik (cont'd)	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Kativik *	(k)	100								
Mining properties		31,145	-	-	-	31,145	-	(31,145)	(31,145)	-
Exploration costs		27,010	-	-	-	27,010	-	(27,010)	(27,010)	-
		58,155	-	-	-	58,155	-	(58,155)	(58,155)	-
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)	-
		47,906	762	-	-	48,668	-	(48,668)	(48,668)	-
Total Uranium properties		2,048,001	33,134	-	(3,182)	2,077,953	(12,328)	(247,754)	(260,082)	1,817,871
Total Nunavik		7,158,668	2,112,679	-	(622,763)	8,648,584	(12,328)	(390,324)	(402,652)	8,245,932

Azimut Exploration Inc.

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(in Canadian dollars)

Exploration properties (cont'd)	Undivided interest	Cost as at August 31, 2011	Additions	Option payments	Tax credit	Cost as at August 31, 2012	Accumulated impairment at August 31, 2011	Impairment	Accumulated impairment at August 31, 2012	Net book amount as at August 31, 2012
James Bay	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opinaca A-A East (429 claims) (a)	50									
Mining properties		8,460	-	(8,460)	-	-	-	-	-	-
Exploration costs		3,261	2,741	(5,211)	(791)	-	-	-	-	-
		11,721	2,741	(13,671)	(791)	-	-	-	-	-
Opinaca B-B-North (220 claims) (b)	50									
Mining properties		4,500	-	(4,500)	-	-	-	-	-	-
Exploration costs		2,574	1,491	(3,751)	(314)	-	-	-	-	-
		7,074	1,491	(8,251)	(314)	-	-	-	-	-
Eleonore South (282 claims) (c)	26.4									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		4,510	2,152	-	(933)	5,729	-	-	-	5,729
		4,510	2,152	-	(933)	5,729	-	-	-	5,729
Opinaca D (188 claims) (d)	100									
Mining properties		-	8,979	-	-	8,979	-	-	-	8,979
Exploration costs		3,868	2,302	-	(998)	5,172	-	-	-	5,172
		3,868	11,281	-	(998)	14,151	-	-	-	14,151
Eastmain West (77 claims)	100									
Mining properties		9,923	-	-	-	9,923	-	-	-	9,923
Exploration costs		152,124	2,652	-	(1,058)	153,718	-	-	-	153,718
		162,047	2,652	-	(1,058)	163,641	-	-	-	163,641
Wabamisk (723 claims) (e)	49									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		7,433	4,408	-	(1,911)	9,930	-	-	-	9,930
		7,433	4,408	-	(1,911)	9,930	-	-	-	9,930
Total James Bay		196,653	24,725	(21,922)	(6,005)	193,451	-	-	-	193,451
Total exploration and evaluation assets		7,355,321	2,137,404	(21,922)	(628,768)	8,842,035	(12,328)	(390,324)	(402,652)	8,439,383

* Properties abandoned in the year ended August 31, 2012

Azimut Exploration Inc.

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Exploration properties		Undivided interest	Cost as at September 1, 2010	Additions	Option payments	Tax credit	Cost as at August 31, 2011	Accumulated impairment at September 1, 2011	Impairment	Accumulated impairment at August 31, 2011	Net book amount as at August 31, 2011
Nunavik		%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rex (5,708 claims)		100									
Mining properties			424,320	123,720	-	-	548,040	-	-	-	548,040
Exploration costs			1,511,516	2,997,490	-	(1,181,878)	3,327,128	-	-	-	3,327,128
			1,935,836	3,121,210	-	(1,181,878)	3,875,168	-	-	-	3,875,168
Rex South (2,085 claims)	(m)	100									
Mining properties			-	18,240	(18,240)	-	-	-	-	-	-
Exploration costs			14,326	-	(14,326)	-	-	-	-	-	-
			14,326	18,240	(32,566)	-	-	-	-	-	-
NCG (5,372 claims)		100									
Mining properties			48,289	477,343	-	-	525,632	-	-	-	525,632
Exploration costs			-	1,070,787	-	(463,037)	607,750	-	-	-	607,750
			48,289	1,548,130	-	(463,037)	1,133,382	-	-	-	1,133,382
Diana (732 claims)	(l)	100									
Mining properties			-	14,388	-	-	14,388	-	-	-	14,388
Exploration costs			2,204	20,668	-	(8,938)	13,934	-	-	-	13,934
			2,204	35,056	-	(8,938)	28,322	-	-	-	28,322
Others, copper-gold-silver-cobalt-REE (782 claims)		100									
Mining properties			20,544	49,706	-	-	70,250	-	-	-	70,250
Exploration costs			-	6,246	-	(2,701)	3,545	-	-	-	3,545
			20,544	55,952	-	(2,701)	73,795	-	-	-	73,795
Total copper-gold-silver-cobalt-rare earth properties			2,021,199	4,778,588	(32,566)	(1,656,554)	5,110,667	-	-	-	5,110,667

Azimut Exploration Inc.

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(in Canadian dollars)

Exploration properties Nunavik (cont'd)	Undivided interest	Cost as at September 1, 2010	Additions	Option payments	Tax credit	Cost as at August 31, 2011	Accumulated impairment at September 1, 2011	Impairment	Accumulated impairment at August 31, 2011	Net book amount as at August 31, 2011
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
North Rae (1,411 claims)	100									
Mining properties		420,631	73,635	-	-	494,266	-	-	-	494,266
Exploration costs		674,857	28,204	-	(12,134)	690,927	-	-	-	690,927
		1,095,488	101,839	-	(12,134)	1,185,193	-	-	-	1,185,193
Daniel Lake (447 claims)	100									
Mining properties		344,974	41,616	-	-	386,590	-	-	-	386,590
Exploration costs		295,441	11,719	-	(5,014)	302,146	-	-	-	302,146
		640,415	53,335	-	(5,014)	688,736	-	-	-	688,736
Kangiq (50 claims)	(f)									
Mining properties		-	5,450	-	-	5,450	-	-	-	5,450
Exploration costs		-	357	-	(155)	202	-	-	-	202
		-	5,807	-	(155)	5,652	-	-	-	5,652
Burrel Lake **	100									
Mining properties		94,593	-	-	-	94,593	(74,593)	(20,000)	(94,593)	-
Exploration costs		11	-	-	-	11	(11)	-	(11)	-
		94,604	-	-	-	94,604	(74,604)	(20,000)	(94,604)	-
South Rae **	100									
Mining properties		5,778	-	-	-	5,778	-	(5,778)	(5,778)	-
Exploration costs		9,242	41	-	(16)	9,267	-	(9,267)	(9,267)	-
		15,020	41	-	(16)	15,045	-	(15,045)	(15,045)	-
North Minto (352 claims)	(g)									
Mining properties		-	15,943	-	-	15,943	-	-	-	15,943
Exploration costs		818	17,565	-	(7,096)	11,287	-	(11,287)	(11,287)	-
		818	33,508	-	(7,096)	27,230	-	(11,287)	(11,287)	15,943
Central Minto (195 claims)	(i)									
Mining properties		-	15,194	-	-	15,194	-	-	-	15,194
Exploration costs		-	1,746	-	(705)	1,041	-	(1,041)	(1,041)	-
		-	16,940	-	(705)	16,235	-	(1,041)	(1,041)	15,194

Azimet Exploration Inc.

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(in Canadian dollars)

Exploration properties		Undivided	Cost as at	Additions	Option	Tax credit	Cost as at	Accumulated	Impairment	Accumulated	Net book
Nunavik (cont'd)		interest	September 1,		payments		August 31,	impairment at		impairment	amount as at
		%	2010				2011	September 1,		at August 31,	August 31,
			\$	\$	\$	\$	\$	2011	\$	2011	2011
											\$
South Minto (240 claims)	(h)	100									
Mining properties			-	11,449	-	-	11,449	-	-	-	11,449
Exploration costs			533	12,178	-	(5,266)	7,445	-	-	-	7,445
			533	23,627	-	(5,266)	18,894	-	-	-	18,894
Kativik (526 claims)	(k)	100									
Mining properties			-	31,145	-	-	31,145	-	-	-	31,145
Exploration costs			1,629	44,719	-	(19,338)	27,010	-	-	-	27,010
			1,629	75,864	-	(19,338)	58,155	-	-	-	58,155
Hudson Bay **		100									
Mining properties			14,018	4,815	-	-	18,833	-	(18,833)	(18,833)	-
Exploration costs			1,933	-	-	-	1,933	-	(1,933)	(1,933)	-
			15,951	4,815	-	-	20,766	-	(20,766)	(20,766)	-
South Bienville **	(j)	100									
Mining properties			-	1,712	-	-	1,712	-	(1,712)	(1,712)	-
Exploration costs			-	54	(27)	(22)	5	-	(5)	(5)	-
			-	1,766	(27)	(22)	1,717	-	(1,717)	(1,717)	-
Others, Uranium properties		100									
(140 claims)											
Mining properties			14,280	14,980	-	-	29,260	-	-	-	29,260
Exploration costs			1,561	32,908	-	(14,782)	19,687	-	(1,041)	(1,041)	18,646
			15,841	47,888	-	(14,782)	48,947	-	(1,041)	(1,041)	47,906
Total Uranium properties			1,880,299	365,430	(27)	(64,528)	2,181,174	(74,604)	(70,897)	(145,501)	2,035,673
Total Nunavik			3,901,498	5,144,018	(32,593)	(1,721,082)	7,291,841	(74,604)	(70,897)	(145,501)	7,146,340

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(in Canadian dollars)

Exploration properties (cont'd)	Undivided interest	Cost as at September 1, 2010	Additions	Option payments	Tax credit	Cost as at August 31, 2011	Accumulated impairment at September 1, 2011	Impairment	Accumulated impairment at August 31, 2011	Net book amount as at August 31, 2011
James Bay	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opinaca A-A East (429 claims) (a)	50									
Mining properties		8,460	-	-	-	8,460	-	-	-	8,460
Exploration costs		6	3,784	-	(529)	3,261	-	-	-	3,261
		8,466	3,784	-	(529)	11,721	-	-	-	11,721
Opinaca B-B-North (220 claims) (b)	50									
Mining properties		4,500	-	-	-	4,500	-	-	-	4,500
Exploration costs		6	2,574	-	(6)	2,574	-	-	-	2,574
		4,506	2,574	-	(6)	7,074	-	-	-	7,074
Eleonore South (282 claims) (c)	26.4									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		4,238	479	-	(207)	4,510	-	-	-	4,510
		4,238	479	-	(207)	4,510	-	-	-	4,510
Opinaca D (188 claims) (d)	100									
Mining properties		12,480	10,080	(22,560)	-	-	-	-	-	-
Exploration costs		3,235	6,815	(3,235)	(2,947)	3,868	-	-	-	3,868
		15,715	16,895	(25,795)	(2,947)	3,868	-	-	-	3,868
Eastmain West (77 claims)	100									
Mining properties		3,895	6,028	-	-	9,923	-	-	-	9,923
Exploration costs		12,428	162,696	-	(23,000)	152,124	-	-	-	152,124
		16,323	168,724	-	(23,000)	162,047	-	-	-	162,047
Wabamisk (705 claims) (e)	49									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		4,632	4,587	-	(1,786)	7,433	-	-	-	7,433
		4,632	4,587	-	(1,786)	7,433	-	-	-	7,433
Total James Bay		53,880	197,043	(25,795)	(28,475)	196,653	-	-	-	196,653
Total exploration and evaluation assets		3,955,378	5,341,061	(58,388)	(1,749,557)	7,488,494	(74,604)	(70,897)	(145,501)	7,342,993

** Properties abandoned in the year ended August 31, 2011

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- a) As at August 31, 2010, Everton Resources Inc (“Everton”) has earned a 50% interest in the Opinaca A, A East property by making a cumulative cash payment of \$180,000 and carrying out work expenditures totalling a cumulative amount of \$2,800,000.

In September 2010, Azimut and Everton granted Aurizon Mines Ltd (“Aurizon”) the option to earn a 50% interest in the Opinaca A, A East and B, B North properties by making cash payments totalling \$580,000 and incurring expenditures of \$6,000,000 over four (4) years, including 5,000 metres of diamond drilling by the second anniversary. The Company will receive 50% of the cash payments. Aurizon may also earn an additional interest of 10%, for a total interest of 60%, by making cash payments totalling \$300,000 over three (3) years from the election date, incurring expenditures totalling a minimum of \$3,000,000 over three (3) years from the election date, and delivering an independent pre-feasibility study on or before the fourth anniversary. The Company will receive 50% of the cash payments and its resulting interest will be 20%. In addition, in the event that mineral resources of at least 2,000,000 ounces of gold at an average grade of at least 6 grams of gold per tonne are discovered before the end of the eighth year of the initial option agreement, Aurizon shall make a payment of \$1,500,000 in Aurizon common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.

As at August 31, 2012, Azimut had received \$50,000 in cash.

- b) As at August 31, 2010, Everton has earned a 50% interest in the Opinaca B, B North property by making a cumulative cash payment of \$160,000 and carrying out work expenditures totalling a cumulative amount of \$2,000,000. In September 2010, Azimut and Everton signed an agreement with Aurizon regarding the Opinaca B, B North property as described in (a) above.
- c) In April 2006, the Company signed a letter of intent to form a three-way joint venture with Les Mines Opinaca Ltée (a wholly-owned subsidiary of Goldcorp Inc; “Goldcorp”) and Eastmain Resources Inc. (“Eastmain”) on the Eleonore South property, which includes 166 claims of the Opinaca C property and 116 claims owned by Goldcorp. In February 2008, Eastmain had earned a 33.33% interest in the Eleonore South property by making a cumulative cash payment of \$185,000 granting 30,000 common shares to the Company and funding a total of \$4.0 million in work expenditures.

As at August 31, 2012, Goldcorp and Eastmain have funded \$3.2 million in cumulative work expenditures. Ownership of the property is currently as follows: Azimut 26.4% (26.4% in 2011), Goldcorp 36.8% (36.8% in 2011) and Eastmain 36.8% (36.8% in 2011).

- d) In December 2010, the Company granted Dynasty Gold Corp. (“Dynasty”) the option to acquire a 50% interest in the Opinaca D property for a cash consideration of \$300,000, as well as \$150,000 worth of common shares of Dynasty; and \$3.2 million in exploration work. Dynasty may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2011, Dynasty paid \$50,000 in cash and granted 625,000 of its common shares (worth \$50,000) to Azimut. The option was terminated in December 2011.
- e) In 2010, Goldcorp had earned a 51% interest in Wabamisk property by making a cumulative payment of \$500,000 in cash and carrying out work expenditures totalling a cumulative amount of \$4.0 million. In 2011, Goldcorp elected to proceed with the second option to earn an additional 19% interest in the property by delivering a feasibility study during a ten-year (10-year) period.

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- f) In July 2007, the Company granted Central Uranium Corporation (“Central”) (now Abitex Resources Inc. “Abitex”) the option to acquire a 50% interest in the Kangiq property for a cash consideration of \$410,000, as well as \$300,000 worth of common shares of Abitex, and \$4.2 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Abitex had made a cumulative payment of \$210,000 in cash, had issued 500,000 common shares worth \$200,000, and had carried out work expenditures totalling a cumulative amount of \$1,341,652. Abitex decided to terminate the option on November 15, 2010. The parties (Azimut and Abitex) mutually agreed that Azimut keeps the balance received in exchange for the discharge and release of all outstanding obligations.
- g) In April 2007, the Company granted Rukwa Minerals Inc., formerly Rukwa Uranium Ltd (“Rukwa”), a company owned by a director of Azimut, the option to acquire a 50% interest in the North Minto property for a cash consideration of \$360,000, as well as \$200,000 worth of common shares of Rukwa, and \$4.2 million in work expenditures. Rukwa may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Rukwa had made a cumulative payment of \$240,000 in cash, had paid \$200,000 in cash in lieu of \$200,000 worth of its common shares, and had carried out work expenditures totalling a cumulative amount of \$1,895,808. All commitments required under the option agreement were extended until March 31, 2011 and then the option was terminated.
- h) In April 2007, the Company granted Rukwa the option to acquire a 50% interest in the South Minto property for a cash consideration of \$340,000, as well as \$200,000 worth of common shares of Rukwa, and \$4.0 million in work expenditures. Rukwa may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Rukwa had made a cumulative payment of \$240,000 in cash, had paid \$200,000 in cash in lieu of \$200,000 worth of its common shares, and had carried out work expenditures totalling a cumulative amount of \$1,445,762. All commitments required under the option agreement were extended until March 31, 2011 and then the option was terminated.
- i) In May 2007, the Company granted Abitex the option to acquire a 50% interest in the Central Minto property for a cash consideration of \$340,000, as well as \$200,000 worth of common shares of Abitex, and \$4.0 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Abitex had made a cumulative payment of \$160,000 in cash, and had paid \$100,000 in cash, and issued 250,000 common shares in lieu of \$200,000 worth of its common shares, and had carried out work expenditures totalling a cumulative amount of \$1,065,725. On November 15, 2010, Abitex decided to terminate the option. The parties (Azimut and Abitex) mutually agreed that Azimut keeps the balance received in exchange for the discharge and release of all outstanding obligations.
- j) In May 2007, the Company granted Abitex the option to acquire a 50% interest in the South Bienville property for a cash consideration of \$380,000, \$200,000 worth of common shares of Abitex, and \$4.5 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Abitex had made a cumulative payment of \$200,000 in cash, and had paid \$100,000 in cash and issued 250,000 common shares in lieu of \$200,000 worth of its common shares, and had carried out exploration work totalling a cumulative amount of \$1,610,615. On November 15, 2010, Abitex decided to terminate the option. The parties (Azimut and Abitex) mutually agreed that Azimut keeps the balance received in exchange for the discharge and release of all outstanding obligations.
- k) In November 2007, the Company granted Kativik Resources Inc. (“Kativik”) the option to acquire a 50% interest in the Kativik property for a cash consideration of \$440,000, \$300,000 worth of common shares of Kativik, and \$5.0 million in work expenditures. Kativik may also acquire an additional 15% interest with the delivery of a bankable feasibility study. Pursuant to a purchase and sale agreement dated October 9, 2009

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between Kativik and Nemaska Exploration Inc (“Nemaska”) and an amendment letter dated December 14, 2009, Kativik transferred all of its rights and obligations in the Kativik Option agreement to Nemaska. As at August 31, 2010, Nemaska had paid for the preparation of geophysical and prospecting reports totalling \$10,170 and had issued 160,000 common shares at a fair value of \$80,000. The Company had also received from Kativik a cumulative cash payment of \$120,000 and 333,334 of Kativik’s common shares worth \$200,000, and Kativik had carried out work expenditures totalling a cumulative amount of \$1,112,719. All commitments required under the option agreement were extended until March 31, 2011 and then the option was terminated.

- l) In February 2010, the Company granted 2227352 Ontario Inc. (“the Partner”) the option to acquire a 50% interest in the Diana property for a cash consideration of \$325,000, as well as \$200,000 worth of its common shares, and \$4.0 million in work expenditures. In May 2010, the Partner reached an agreement with Valencia Ventures Inc. (“Valencia”) regarding the Diana property, subject to regulatory approvals, and transferred all of the rights and obligations currently held by the Partner to Valencia. Valencia could also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2011, the Partner had made a cumulative cash payment of \$100,000 (\$100,000 in 2010), had paid \$100,000 (nil in 2010) in lieu of shares, and had carried out work expenditures totalling a cumulative amount of \$452,576 (\$250,941 in 2010). Valencia terminated the option on the property due to the Partner’s inability to obtain the requisite approval of the TSX Venture Exchange. As mutually agreed by the parties (Azimut and the Partner), Azimut has paid \$127,000 to Valencia and kept the balance received in exchange for the discharge and release of all outstanding obligations.
- m) In May 2010, the Company granted Aurizon Mines Ltd. (“Aurizon”) the option to acquire a 50% interest in the Rex South property for a cash consideration of \$580,000 and \$5.0 million in work expenditures, including a minimum of 5,000 metres of diamond drilling. Aurizon may also acquire an additional 15% interest with the delivery of a bankable feasibility study. On March 24, 2012, Aurizon decided to terminate the option after had made a cumulative cash payment of \$280,000 (\$280,000 in 2011) and had carried out work expenditures totalling a cumulative amount of \$5,628,589 (\$5,056,950 in 2011). Following termination of the option, the property and equipment (camp) were bequeathed by Aurizon in favor of Azimut with an estimated net liquidation value of \$100,000, which has been recorded as a gain on termination of option on exploration and evaluation assets in the statements of comprehensive loss.

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Change in exploration and evaluation assets

	Years ended August 31,	
	2012	2011
	\$	\$
Balance – Beginning of the year	<u>7,561,643</u>	<u>3,947,274</u>
Exploration and evaluation incurred during the year		
Claims and permits	594,537	915,444
Geological surveys	982,591	1,673,424
Geochemical surveys	178,258	797,281
Geophysical surveys	18,789	619,184
Drilling	237,140	1,068,998
Administration and others	19,670	64,821
Stock based compensation	-	14,200
Depreciation of property and equipment	106,419	187,707
Variation in advance for exploration work	<u>(218,650)</u>	<u>152,150</u>
	<u>1,918,754</u>	<u>5,493,209</u>
Impairment of exploration and evaluation assets	(390,324)	(70,895)
Option payments	(21,922)	(58,388)
Credit on duties refundable for loss and refundable tax credit for resources	<u>(628,768)</u>	<u>(1,749,557)</u>
	<u>(1,041,014)</u>	<u>(1,878,840)</u>
Balance – End of the year	<u>8,439,383</u>	<u>7,561,643</u>

10 Debenture payable

In November 2008, the Company issued a five-year (5-year) unsecured debenture of \$500,000 bearing interest at 12% annually. The principal is to be reimbursed in cash over a five-year period for \$100,000 per year. The debt was later decreased by \$92,000 and was reflected in the statement of comprehensive loss for the fiscal year ended 2009 as a discount on debenture so as to consider an effective interest rate of 20%.

	2012	2011	2010
	\$	\$	\$
Principal	200,000	300,000	400,000
Less: Unamortized discount	<u>(23,000)</u>	<u>(41,400)</u>	<u>(59,800)</u>
	<u>177,000</u>	<u>258,600</u>	<u>340,200</u>
Less: Current portion	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
	<u>77,000</u>	<u>158,600</u>	<u>240,200</u>

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11 Convertible debentures

In November 2008, the Company completed a private placement of unsecured convertible debentures of \$940,000 to fund its technical work and business development. 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 debentures are non-interest bearing if the share has been trading at \$0.90 and over during the twenty (20) business days preceding the dates of interest instalments for the first two six-month periods respectively ending May 20 and November 20, 2009, and at \$1.35 and over for the third, fourth, fifth and sixth six-month periods respectively ending May 20, 2010; November 20, 2010; May 20, 2011 and November 20, 2011. 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 until November 2010. 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.

In November 2010, \$640,000 of the convertible debenture was converted into 1,185,185 units for the reimbursement of a portion of the outstanding capital on the debentures. Each unit is comprised of one common share at a price of \$0.54 per share and one share purchase warrant, each warrant entitling them to acquire one additional common share of the Company at a price of \$0.65 per share until November 20, 2011 (note 14).

In October 2011, \$300,000 of the unsecured convertible debenture was converted into 500,000 units for the reimbursement of the outstanding capital on the debentures. Each unit is comprised of one common share at a price of \$0.60 per share and one half (1/2) share purchase warrant, each warrant entitling them to acquire one additional common share of the Company at a price of \$0.75 per share until November 20, 2011. The Company has also issued 12,542 units at a price of \$1.13 per unit for payment of accrued interest amounting to \$14,203. Each unit is comprised of one common share and one-half of a common share purchase warrant, each warrant entitling them to acquire one additional common share of the Company at a price of \$1.01 until November 20, 2011 (note 14).

The convertible debentures are accounted for in accordance with their substance and are presented in the financial statements in their component parts. 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. The residual value has been allocated to the equity component.

	Liability component \$	Equity component \$	Total \$
As at September 1, 2010	878,847	150,050	1,028,897
Reimbursement in units	(640,000)	(102,161)	(742,161)
Accretion expense on convertible debentures	57,271	-	57,271
As at August 31, 2011	296,118	47,889	344,007
As at September 1, 2011	296,118	47,889	344,007
Reimbursement in units	(300,000)	(47,889)	(347,889)
Accretion expense on convertible debentures	3,882	-	3,882
As at August 31, 2012	-	-	-

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12 Asset retirement obligations

	2012 \$
Balance, beginning of year	-
New obligations	237,970
Unwinding of discount on asset retirement obligations	<u>3,308</u>
Balance, end of year	<u>241,278</u>

The estimated undiscounted cash flows required to settle the asset retirement obligations is \$251,480. A discount rate of 1.39% was used to estimate the new obligations in 2012 and the calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2015. If the Company decides not to continue to explore on the Rex, Rex South or NCG properties, it is assumed that the asset retirement obligation will be settled in 2015. Should the Company decide to continue its activity, by itself or through its partner on the Rex, Rex South or NCG properties, the obligation will be settled further into the future. The Company is reviewing, at each period, the expected timing of payment of the cash flows required to settle the obligations and adjusts the asset retirement obligations accordingly.

13 Share capital

Authorized

Unlimited number of common shares, without par value, voting and participating.

Issued and fully paid

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 and 833,333 flow through shares at a price of \$1.20 per share for a total of \$1.0 million. 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 twelve (12) months. The finder's fees totalled \$245,001.

Flow-through shares

The proceeds received from the issuance of flow-through shares amounted to \$1,000,000 in March 2011 and is committed to exploration expenses. As of August 31, 2011, Azimut had spent \$1.0 million on the qualifying expenditures and filed the renunciation form with the tax authorities that giving effect to renunciation as of December 2011.

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14 Warrants

The following table present the warrants activity since September 1, 2010 and summarizes the information about warrants outstanding and exercisable as at August 31, 2012:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable – September 1, 2010	2,542,154	564,152	0.76
Issued	3,872,134	543,052	1.17
Exercised	(1,841,071)	(372,158)	0.69
Outstanding and exercisable – August 31, 2011	4,573,217	735,046	1.13
Issued	256,271	43,823	0.76
Exercised	(1,439,435)	(246,580)	0.67
Expired	(723,389)	(195,395)	0.95
Extended	-	89,414	1.40
Outstanding and exercisable – August 31, 2012	2,666,664 *	426,308	1.40

* Expiring on March 19, 2013

The 256,271 warrants included in the units issued in October 2011, pursuant to the conversion of the convertible debentures (capital and interest) have an average exercise price of \$0.76, valid until November 20, 2011, and 250,000 warrants were exercised accordingly. The warrants were recorded at a value of \$43,822 based on a Black-Scholes option pricing model using the assumptions at the time the debenture was issued; risk free interest of 3.5%, expected life of 3 years, annualized volatility rate of 80% and dividend rate of 0%.

The 2,666,664 warrants included in the 5,333,332 units issued under the non-brokered private placement completed in March 2011, having an exercise price of \$1.40 and valid until March 19, 2012, were recorded at a value of \$336,894 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%. On March 6, 2012, the Company obtained all regulatory approvals to extend the expiry date of 2,666,664 warrants until March 19, 2013 from the original expiry date of March 19, 2012. Consequently, the fair value of the warrants were re-evaluated based on the Black-Scholes pricing model with the following assumption: risk-free interest of 1.04%, expected life of 1 year, annualized volatility rate of 60% and dividend rate of 0%. The adjustment to the fair value in the amount of \$89,414 was charged to the deficit. All other terms and conditions of the warrants remain unchanged.

The 1,205,470 warrants included in the units issued in November 2010, pursuant to the conversion of the convertible loan (capital and interest) have an average exercise price of \$0.66, valid until November 20, 2011, then 1,185,185 of these warrants have been exercised. They were recorded at a value of \$206,158 based on a Black-Scholes option pricing model using the assumptions at the time the debenture was issued: risk free interest of 3.5%, expected life of 3 years, annualized volatility rate of 80% and dividend rate of 0%.

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15 Stock option plan

The Company maintains a stock option plan in which a maximum of 3,300,000 stock options may be granted. The number of shares reserved for issuance under the stock option plan is 15% of the shares issued and outstanding. The exercise price of the options is set at the closing price of the Company's shares on the TSX-V, on the day before the grant date. The options have a maximum term of ten (10) years following the granting date; the options granted will vest immediately, unless otherwise approved and disclosed by the Board of Directors.

The following tables present the stock option activity since September 1, 2010 and summarize the information about stock options outstanding and exercisable as at August 31:

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Outstanding – Beginning of year	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 year	<u>2,220,000</u>	<u>0.87</u>	<u>2,205,000</u>	<u>1.43</u>
Exercisable – End of year	<u>2,153,334</u>	<u>0.87</u>	<u>2,205,000</u>	<u>1.43</u>

The weighted average market share price at the exercise date was \$0.94 per share (\$1.26 in 2011).

Exercise price			Weighted average remaining contractual life
\$	Options outstanding	Options exercisable	(years)
0.34	505,000	505,000	6.63
0.45	395,000	395,000	9.69
0.60	80,000	80,000	7.90
0.66	410,000	410,000	7.51
0.80	430,000	430,000	8.37
0.83	100,000	33,334	9.36
1.25	40,000	40,000	8.59
3.03	260,000	260,000	0.60
	<u>2,220,000</u> *	<u>2,153,334</u> **	<u>6.54</u>

* 10,000 options @ \$0.34 and 100,000 options @ \$0.83, totalling 110,000 options, were forfeited subsequently to August 31, 2012.

** 10,000 options @ \$0.34 and 33,334 options @ \$0.83, totalling 43,334 options, were forfeited subsequently to August 31, 2012.

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 Company was

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not able to reliably determine the fair value of the services received and therefore used the fair value of the vested options amounts to \$5,833 was calculated by 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 fair value of options granted during 2011 amounts to \$364,660 for 490,000 options granted based on a Black-Scholes option pricing model with the following weighted average assumptions risk-free interest of 3.50%, expected life of 10 years, annualized volatility rate of 95%, and dividend rate of 0%.

16 Expenses by nature

	2012 \$	2011 \$
Salaries and fringe benefits	243,740	127,206
Professional and maintenance fees	138,542	140,162
Administration and office	200,975	205,609
Travelling and entertainment	49,557	57,228
Depreciation of property and equipment	12,190	14,280
Amortization of intangible assets	4,247	3,310
Allowance for doubtful accounts	40,282	47,320
Part XII.6 tax	-	(628)
Stock-based compensation	163,834	354,210
General and administrative expenses	853,367	948,697
Salaries for search of properties	30,655	236,392
Credit on duties refundable for loss and refundable tax credit for resources	(13,127)	(75,466)
General exploration	17,528	160,926

17 Related party transactions

Compensation of key management

Key management includes directors, the chief executive officer (“CEO”) and the chief financial officer (“CFO”). The compensation paid or payable for key management service is as follow:

	August 31, 2012	August 31, 2011
Salaries	340,000	324,493
Shares based payment	140,000	291,100
	480,000	615,593

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The Company entered into the following transaction, which were not in normal course of business, with a director and companies owned by directors:

	August 31, 2012	August 31, 2011
Conversion of debenture	-	340,000
Participation of directors in private placement	-	199,999
Cash payments to directors for interest on convertible debentures	-	20,344
Exercise of warrants	409,259	77,778
	<u>409,259</u>	<u>638,121</u>

During the year ended August 31, 2012, the Company took an additional allowance for doubtful accounts amounting to \$40,282 (\$40,282 in 2011), relating to the receivable from Rukwa Minerals Inc., of which the president and director is also a director of the Company.

Also, the Company extended the expiry date of 111,109 warrants held by a director and companies owned by directors until March 19, 2013 from the original expiry date of March 19, 2012. These warrants were issued under the non-brokered private placement completed in March 2011. All other terms and conditions of the warrants remain unchanged (note 14).

At August 31, 2012, accounts payable and accrued liabilities include an amount of \$30,623 (\$26,305 at August 31, 2011; \$30,756 at August 31, 2010) owed to key management.

In the event that change of control or termination of employment is for reasons other than gross negligence, the CEO will be entitled to receive an indemnity equal to six (6) months salary. After more than two (2) years of employment, the indemnity will be increased by one (1) month for every additional year of employment. And the CFO will be entitled to receive an indemnity which will be equal to twelve (12) weeks salary and will be increased by one (1) month for every additional year of employment. The indemnity is subject to a maximum indemnity period of twelve (12) months. In any event, the indemnity paid must not represent more than 10% of the Company's liquidities at such time.

18 Income taxes

Component of tax income

The recovery of deferred income taxes for the year ended August 31, 2011 was generated by an amortization of \$354,986 of the flow-through premium liability:

	2012 \$	2011 \$
Deferred tax expense (recovery)	-	-
Premium on flow-through share issuance	<u>-</u>	<u>(354,986)</u>

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	2012 \$	2011 \$
Loss before income taxes	1,306,012	811,018
Combined federal and provincial income tax of 27.40% (29.07% in 2011)	(358,000)	(236,000)
Non-deductible expenses	108,500	74,668
Amortization of flow-through share premiums	-	(354,986)
Unrecognized temporary differences	244,000	280,265
Change in enacted rates	5,000	9,309
Non-taxable gain (loss) on sale of long-term investments	-	(6,000)
Other	500	(122,242)
Recovery of deferred income taxes	-	(354,986)

The effective tax rate was lower than the effective tax rate in 2011 because of a change in the federal tax rate that came into effect on January 2012.

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Accordingly, some deferred tax assets have not been recognized, these deferred tax assets not recognized amount to \$779,000.

As at August 31, 2012 and 2011, significant components of the Company's deferred income tax assets and liabilities are as follows:

	2012 \$	2011 \$
Deferred income tax assets		
Non-capital losses	899,000	693,000
Capital losses	5,000	31,000
Investments	159,000	135,000
Share and warrant issue expenses	95,000	136,000
Property and equipment and intangible assets	82,000	139,000
Obligation under finance lease	-	3,000
Asset retirement obligations	65,000	-
Total deferred income tax assets	1,305,000	1,137,000
Deferred income tax liabilities		
Exploration and evaluation assets	526,000	601,000
Convertible debenture	-	1,000
Total deferred income tax liabilities	526,000	602,000
Unrecognized deferred income tax assets	779,000	535,000

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- As at August 31, 2012, expiration dates of losses available to reduce future years' income tax are:

	Federal \$	Provincial \$
2032	767,000	767,000
2031	680,000	680,000
2030	721,000	721,000
2029	816,000	816,000
2027	266,000	226,000
2016	124,000	93,000
	<u>3,374,000</u>	<u>3,303,000</u>

As at August 31, 2012, the Corporation has accumulated capital losses in Canada for income tax purposes amounting to approximately \$20,000 (2011: \$193,000) and can be arrived forward indefinitely against future capital gains.

19 Loss per share

For the years ended August 31, 2012 and 2011, the diluted loss per share was the same as the basic loss per share since the potential dilutive instruments had an anti-dilutive effect. Accordingly, the basic and diluted loss per share for those years were calculated using the basic weighted average number of shares outstanding 36,097,963 in 2012 and 29,247,703 in 2011.

20 Leases

Operating lease

The Company has minimum aggregate commitments under a nineteen (19) month operating lease amounting to \$61,745. Minimum lease payments are as follows:

	\$
2013	38,995
2014	22,750

Lease payments recorded as an expense in 2012 amount to \$38,995 (\$38,521 in 2011). This amount consists of minimum lease payments. The Company's operating lease will expire by March 31, 2014.

Obligations under finance leases

	As at August 31, 2011 \$	As at September 1, 2010 \$
Obligation under finance lease, capital and interest repayable in instalments up to July 2011	16,100	29,697
Less: Current portion of obligation under finance lease	<u>(16,100)</u>	<u>(29,697)</u>
	<u>-</u>	<u>-</u>

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In January 2011, the Company had exercised its right on the finance lease. Effective February 1, 2011, the lease obligation was ended and the final payment was paid in September 2011, after all the legal titles of the camp were transferred to the Company.

21 Financial instruments, financial risks and capital management

Classification

The Company's financial instruments as at August 31, 2012 consist of cash and cash equivalents, amounts receivable, investments, accounts payable and accrued liabilities, advances received for exploration work and others, and debenture payable. The fair value of these financial instruments, with the exception of investments, approximates their carrying value due to their short-term maturity or to current market rates. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The fair value of available-for-sale investments is established using the bid price on the most beneficial active market for this instrument that is readily available to the Company. When a bid price is not available, the Company uses the closing price of the most recent transaction on such instrument.

The classification of financial instruments is summarized as follows:

		<u>As at August 31, 2012</u>		<u>As at August 31, 2011</u>		<u>As at September 1, 2010</u>	
Classification		<u>Carrying value \$</u>	<u>Fair value</u>	<u>Carrying value \$</u>	<u>Fair value</u>	<u>Carrying value \$</u>	<u>Fair value</u>
Financial assets							
Cash and cash equivalents	Loans and receivable	1,402,610	1,402,610	3,834,831	3,834,831	2,704,823	2,704,823
Amounts receivable	Loans and receivable	299,392	299,392	154,764	154,764	461,957	461,957
Investments	Available for sale	<u>207,224</u>	<u>207,224</u>	<u>386,405</u>	<u>386,405</u>	<u>377,561</u>	<u>377,561</u>
		<u>1,909,226</u>	<u>1,909,226</u>	<u>4,376,000</u>	<u>4,376,000</u>	<u>3,544,341</u>	<u>3,544,341</u>
Financial Liabilities							
Accounts payable and accrued liabilities, advances received for exploration work and others	Financial liabilities at amortized cost	380,807	380,807	1,539,350	1,539,350	1,802,707	1,802,707
Debenture payable and convertible debentures	Financial liabilities at amortized cost	177,000	177,000	554,718	554,718	1,219,047	1,219,047
Obligation under finance lease	Financial liabilities at amortized cost	<u>-</u>	<u>-</u>	<u>16,100</u>	<u>16,100</u>	<u>29,697</u>	<u>29,697</u>
		<u>557,807</u>	<u>557,807</u>	<u>2,110,168</u>	<u>2,110,168</u>	<u>3,051,451</u>	<u>3,051,451</u>

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The Company defines the fair value hierarchy under which its financial instruments are valued as follows: level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities; level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liability, either directly or indirectly; and level 3 includes inputs for the asset or liability that are not based on observable market data. Investments are considered a level 1.

Financial risks

The Company has exposure to various financial risks, such as credit risk, liquidity risk and market risk from its use of financial instruments.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, amounts receivable and investments. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating, from which management believes the risk of loss to be minimal.

The credit risk associated with amounts receivable from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from exploration work carried out on properties under option and operated by the Company. In 2012, an allowance for doubtful account of \$40,282 (\$47,320 in 2011) was taken. The Company closely follows their cash position to reduce its credit risk on amounts receivable.

As at August 31, 2012, the Company had \$2,670,013 in the amounts receivable, of which \$1,705,603, represents the refundable tax credit for 2011 and the 2010 mining duty credit. Management has filed a request with Revenu Quebec to accelerate the process.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company had a cash balance and cash equivalent of \$1,402,610 (\$3,834,831 at August 31, 2011) to settle current liabilities of \$480,807 (\$1,655,450 at August 31, 2011). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The following are the contractual maturities of financial liabilities, including interest where applicable as at August 31, 2012:

	Carrying amount \$	Contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	More than 24 months \$
Accounts payable and accrued liabilities, advances received for exploration work and others	380,807	380,807	380,807	-	-
Non-current liabilities including the current portion of debenture payable	177,000	200,000	100,000	100,000	-

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Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments held with a Canadian chartered bank.

As at August 31, 2012, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Investments	Non-interest bearing
Accounts payable and accrued liabilities, advances received for exploration work and others	Non-interest bearing
Debentures payable	See note 10

Since Cash and cash equivalents are subject to variable interest rates, a fluctuation of interest rate will have no impact on their fair value.

Equity risk

Equity risk is the risk that the fair value of a financial instrument varies due to equity market changes. Changes in fair value of available-for-sale investments are recorded in other comprehensive income (loss). For the Company's available-for-sale investments, a variation of $\pm 10\%$ of the quoted market prices as at August 31, 2012, would result in an estimated effect in Other comprehensive income (loss) of \$21,000 (\$38,000 for the year ended August 31, 2011).

Capital management

The Company considers the items included in Equity as capital components.

In terms of capital management, the objectives of the Company are to maximize its ability to be able to continue as a going concern. Management reviews its capital management approach on an ongoing basis and, as needed, the Company raises funds through private placements.

There were no significant changes in the Company's approach to capital management during the year ended August 31, 2012 and the Company is not subject to any externally imposed capital requirements, unless the Company closes a flow-through placement in which case the funds are reserved in use for exploration expenses. The variation of capital components is explained in the statements of changes in equity.

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22 Additional cash flow information

	2012 \$	2011 \$
Investments received in consideration of option payments on exploration and evaluation assets	-	50,000
Acquisition of exploration and evaluation assets included in accounts payable and accrued liabilities, advances received for exploration work and others	61,440	626,659
Depreciation of property and equipment included in exploration and evaluation assets	106,419	187,707
Stock-based compensation included in exploration and evaluation assets	-	14,200
Credit on duties refundable for loss and refundable tax credit for resources presented as a reduction in exploration and evaluation assets	628,768	1,749,557
Provision for asset retirement obligations included in acquisition of property and equipment.	237,970	-

23 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 statements of financial position, 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 utilize certain exemptions from full retrospective application of IFRS. The Company evaluated the options available and did not have to adopt any transition exemptions.

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b) Reconciliation of the statements of financial position, equity and comprehensive loss as previously reported under Canadian GAAP to IFRS

Note	August 31, 2011			September 1, 2010			IFRS description
	Canadian GAAP \$	Adj. \$	IFRS \$	Canadian GAAP \$	Adj. \$	IFRS \$	
Assets							Assets
Current assets							Current assets
Cash and cash equivalents	3,834,831		3,834,831	2,704,823		2,704,823	Cash and cash equivalents
Amounts receivable							Amounts receivable
Related parties	40,282		40,282	80,564		80,564	Related party
Others	2,314,148		2,314,148	939,469		939,469	Others
Prepaid expenses	31,445		31,445	21,848		21,848	Prepaid expenses
	<u>6,220,706</u>	<u>-</u>	<u>6,220,706</u>	<u>3,746,704</u>	<u>-</u>	<u>3,746,704</u>	
Non-current assets							Non-current assets
Mining rights receivable	137,608		137,608	-		-	Mining rights receivable
Available-for-sale investments	386,405		386,405	377,561		377,561	Investments
Property and equipment	92,555		92,555	282,422		282,422	Property and equipment
Intangible assets	14,157		14,157	4,597		4,597	Intangible assets
Mining properties	7,561,643		7,561,643	3,947,274		3,947,274	Exploration and evaluation assets
	<u>8,192,368</u>	<u>-</u>	<u>8,192,368</u>	<u>4,611,854</u>	<u>-</u>	<u>4,611,854</u>	
Total assets	<u>14,413,074</u>	<u>-</u>	<u>14,413,074</u>	<u>8,358,558</u>	<u>-</u>	<u>8,358,558</u>	Total assets

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

Canadian GAAP	Note	August 31, 2011			September 1, 2010			IFRS Description
		Canadian GAAP \$	Adj. \$	IFRS \$	Canadian GAAP \$	Adj. \$	IFRS \$	
Liabilities								Liabilities and Equity
Current liabilities								Current liabilities
Accounts payable and accrued liabilities related parties		79,659		79,659	93,905		93,905	Accounts payable and accrued liabilities related parties
Accounts payable and accrued liabilities, advances received for exploration work and others		1,459,691		1,459,691	1,708,802		1,708,802	Accounts payable and accrued liabilities, advances received for exploration work and others
Current portion of debenture payable		100,000		100,000	100,000		100,000	Current portion of debenture payable
Obligation under finance lease		16,100		16,100	29,697		29,697	Obligation under finance lease
		<u>1,655,450</u>	<u>-</u>	<u>1,655,450</u>	<u>1,932,404</u>	<u>-</u>	<u>1,932,404</u>	
Non-current liabilities								Non-current liabilities
Debenture payable		158,600		158,600	240,200		240,200	Debenture payable
Liability component of convertible debentures		296,118		296,118	878,847		878,847	Liability component of convertible debentures
Deferred tax liability	ii)	-	1,044	-	-	16,450	-	Deferred tax liability
Other liability	i)	-	(1,044)	-	-	(16,450)	-	Other liability
		<u>454,718</u>	<u>-</u>	<u>454,718</u>	<u>1,119,047</u>	<u>52,346</u>	<u>1,171,393</u>	
Total liabilities		<u>2,110,168</u>	<u>-</u>	<u>2,110,168</u>	<u>3,051,451</u>	<u>52,346</u>	<u>3,103,797</u>	Total liabilities
Equity								Equity
Share capital	i)	18,919,219	(81,640)	18,837,579	11,524,400	221,000	11,745,400	Share capital
Warrants		735,046		735,046	564,152		564,152	Warrants
Stock options	iii)	2,198,030	-	2,198,030	2,468,540	14,250	2,482,790	Stock options
Equity component of convertible debentures		47,889		47,889	150,050		150,050	Equity component of convertible debentures
Contributed surplus		1,087,042		1,087,042	459,472		459,472	Contributed surplus
Deficit	i), iii)	(10,676,927)	81,640	(10,595,287)	(9,851,659)	(287,596)	(10,139,255)	Deficit
Accumulated other comprehensive loss		(7,393)		(7,393)	(7,848)		(7,848)	Accumulated other comprehensive loss
		<u>12,302,906</u>	<u>-</u>	<u>12,302,906</u>	<u>5,307,107</u>	<u>(52,346)</u>	<u>5,254,761</u>	Total equity
Total liabilities and equity		<u>14,413,074</u>	<u>-</u>	<u>14,413,074</u>	<u>8,358,558</u>	<u>-</u>	<u>8,358,558</u>	Total liabilities and equity

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

For the year ended August 31, 2011					
Canadian GAAP	Note	Canadian GAAP \$	Adj. \$	IFRS \$	IFRS Description
Expenses					Expenses
Salaries and fringe benefits		127,206		948,697	General and administrative
Professional and maintenance fees		140,162		-	
Administration and office		205,607		-	
Travelling and entertainment		57,228		-	
Depreciation of property and equipment		14,280		-	
Amortization of intangible assets		3,310		-	
Allowance for doubtful accounts		47,320		-	
Part XII.6 tax		(628)		-	
Stock-based compensation	iii)	368,460	(14,250)	-	
Search of properties		236,392		160,926	General exploration
Credit on duties refundable for loss and refundable tax credit for resources		(75,466)		-	
Write-off and write-down of mining properties		70,895		70,895	Impairment of exploration and evaluation assets
				<u>1,180,518</u>	Operating loss
					Finance costs, net
Interest income		(36,836)		(36,838)	Interest income
Interest on debentures		119,623		119,623	Interest on debentures
Interest on obligation under finance lease		403		403	Interest on obligation under finance lease
Interest and bank charges		1,721		1,721	Interest and bank charges
				<u>84,909</u>	
		<u>1,279,677</u>	<u>(14,250)</u>	<u>1,265,427</u>	

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

		<u>For the year ended August 31, 2011</u>			
Canadian GAAP	Note	Canadian GAAP \$	Adj. \$	IFRS \$	IFRS Description
Other income (expenses)					Other gains and losses
Gain on option payments on mining properties		171,639		171,639	Gain on option payments on exploration and evaluation assets
Gain on termination of option on mining properties		174,174		174,174	Gain on termination of option on exploration and evaluation assets
Management fees		67,026		67,026	Management fees
Gain on sale of long-term investments		41,570		41,570	Gain on sale of available-for-sale investments
		<u>454,409</u>	<u>-</u>	<u>454,409</u>	
Loss before income tax		(825,268)	14,250	(811,018)	Loss before income tax
Recovery of deferred income tax	i)	<u>-</u>	<u>354,986</u>	<u>354,986</u>	Recovery of deferred income tax
Loss for the year		<u>(825,268)</u>	<u>369,236</u>	<u>(456,032)</u>	Loss for the year
Other comprehensive income (loss)					Other comprehensive income (loss)
Unrealized gain on available-for-sale investments		42,025		42,025	Unrealized gain on available-for-sale investments
Reclassification of the gain on sale of available-for-sale investments to statement of loss		(41,570)		(41,570)	Reclassification of the gain on sale of available-for-sale investments to loss for the year
		<u>455</u>	<u>-</u>	<u>455</u>	
Comprehensive income (loss) for the year		<u>(824,813)</u>	<u>369,236</u>	<u>(455,577)</u>	Comprehensive loss for the year
Basic and diluted loss per share		<u>(0.03)</u>		<u>(0.02)</u>	Basic and diluted net loss per share
Weighted average number of shares outstanding		<u>29,247,703</u>		<u>29,247,703</u>	Weighted average number of shares outstanding

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2012 and 2011

(in Canadian dollars)

Some amounts on the 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 options granted in tranches with different vesting dates be recognized separately and 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.