AZIMUT

Azimut Exploration Inc.

MANAGEMENT’S DISCUSSION and ANALYSIS

For the fiscal year ended August 31, 2011

Scope of management’s financial analysis

This report represents a complementary addition to the financial statements by providing additional contextual and prospective information. All figures are in Canadian dollars unless otherwise noted. The Company’s financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). Some statements in this analysis are forward-looking statements and reflect the Company’s present assumptions regarding future events. Forward-looking statements involve risks and uncertainties that could cause actual results to differ from current expectations.

Corporate profile and mission

Azimut Exploration Inc (“Azimut” or the “Company”) is a publicly traded Canadian exploration-stage company that specializes in mineral potential assessment and targeting to discover major ore deposits. Azimut conducts its exploration activities by following two main guiding principles. First, the Company maximizes the probability of discovery by using a cutting-edge targeting methodology that reduces exploration risk. Second, the Company reduces the business risk by developing partnerships for projects generated by its targeting methodology.

As at December 21, 2011, Azimut holds twenty-three (23) exploration properties comprising 19,678 claims (23 properties and 19,941 claims as at August 31, 2011). The properties were acquired based on the Company’s regional-scale assessments of Quebec’s mineral potential. Azimut owns a 100% interest in all but four (4) of its properties: Eleonore South for which it holds an interest of 26.4%; Opinaca A and Opinaca B for which it holds interests of 50% each; and Wabamisk for which it holds an interest of 49%. As at December 21, 2011, the Company’s properties are as follows:

In Nunavik, northern Quebec:

- 3 copper-gold-silver-tungsten rare earth properties (Rex, Rex South and NCG)
- 1 copper-nickel-cobalt-rare earth property (Diana)
- 8 uranium properties (North Rae, Daniel Lake, Kangiq, North Minto, Central Minto, South Minto, Kativik and Vernot Lake; the latter is listed under “Others, uranium properties” in the financial statements)
- 2 gold properties (Kapisililik and Nantais; both are listed under “Others, copper-gold-silver-cobalt-rare earth properties” in the financial statements)
- 3 copper properties (Pelican, Arnaud and Agvakvik; all three are listed under “Others, copper-gold-silver-cobalt-rare earth properties” in the financial statements)

In the James Bay region:

- 4 gold properties in the Opinaca area (Opinaca A, Opinaca B, Eleonore South and Opinaca D)
- 1 gold property (Wabamisk) in the Eastmain area
- 1 chromium-platinum-palladium property (Eastmain West), also in the Eastmain area

The locations of Azimut's main properties are shown on the attached map of the province of Quebec.

Overall performance

Summary of activities for the last quarter and subsequent activities

June 2011

- Azimut defines copper-nickel and rare earth targets at Diana in Nunavik

July 2011

- Azimut discovers a new copper-molybdenum zone at Rex in Nunavik

October 2011

- Azimut and its partner Aurizon complete major exploration programs in Nunavik, northern Quebec
- Azimut's partner Goldcorp exercises its second option on the Wabamisk gold property, James Bay region, Quebec
- Azimut and Aurizon expand district-scale polymetallic discovery at Rex South, Nunavik, Quebec

November 2011

- Azimut wins Quebec Prospector of the Year Award

December 2011

- Azimut receives $957,870 in warrants exercise

Nunavik region

Jean-Marc Lulin, geologist, President Chief Executive Officer and Director Azimut Exploration Inc, qualified person under NI 43-101 has reviewed the following technical disclosure.

Azimut believes Nunavik has significant potential for large-scale copper, gold, silver, tungsten and rare earth element (REE) deposits. Several types of deposits are envisioned, namely Iron Oxide Copper Gold (IOCG), intrusion-related polymetallic deposits, and sediment-hosted gold. Azimut's mineral potential assessment covering 640,000 km^2 of land in northern Quebec generated quality exploration targets, many quite large. The information used in the targeting process included multi-element lake-bottom sediment geochemistry, geophysics, geology and remote sensing data. Azimut's current land position consists of nine (9) properties covering polymetallic, copper-only or gold-only targets. In particular, the polymetallic Rex and Rex South properties have yielded the most significant results to date and form part of an extensive new mineral district along a 330-km trend, largely controlled by Azimut.

Azimut also considers Nunavik to be highly prospective for large-tonnage uranium deposits related to intrusive rocks in high-grade metamorphic environments. The Company's uranium properties in Nunavik have a strong potential given their geochemical signatures, associations with anatectic granites, and spatial relationships to deep-seated structures. The exploration model is large-tonnage, disseminated uranium mineralization in intrusions and surrounding rocks. A well-known example of this type is Rössing in Namibia, one of the world's largest uranium mines. Proximal secondary concentrations along late- to post-intrusive brittle or ductile-brittle

GOLD

1. Opinaca A
2. Opinaca B
3. Eleonore South
4. Opinaca D
5. Wabamisk
6. Nantais
7. Kapsililik

COPPER-REE(Au)

1. Rex
2. Rex South
3. NCG
4. Diana
5. Pelican (Cu-only)
6. Arnaud (Cu-only)
7. Agvakvik (Cu-only)

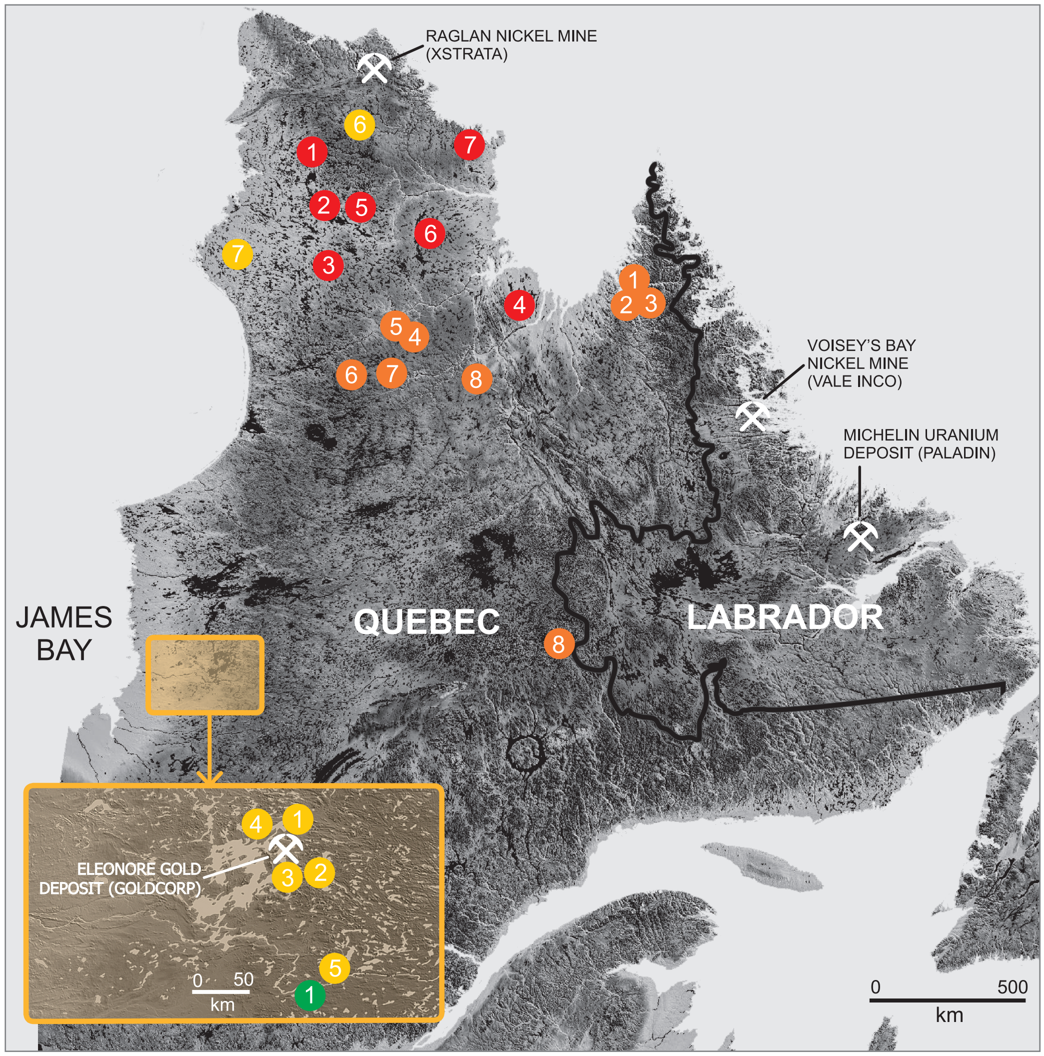
URANIUM

1. North Rae
2. Daniel Lake
3. Kangiq
4. Vernot Lake
5. North Minto
6. Central Minto
7. South Minto
8. Kativik

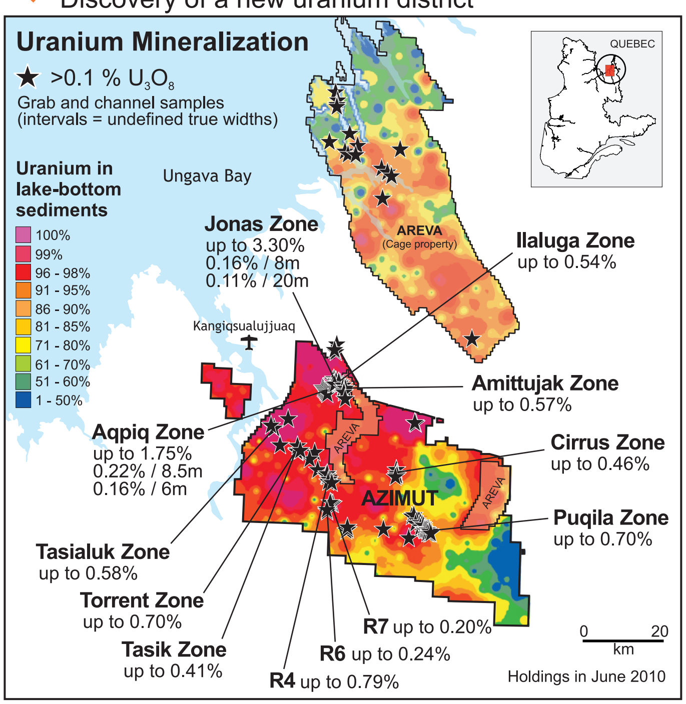
CHROMIUM-PGE

1. Eastmain West

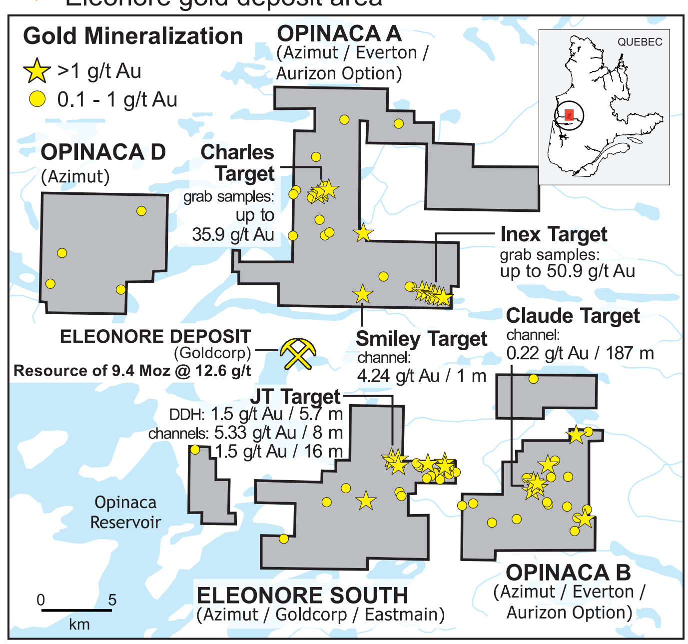
Au = gold
Cu = copper
REE = rare earth elements
PGE = platinum group elements



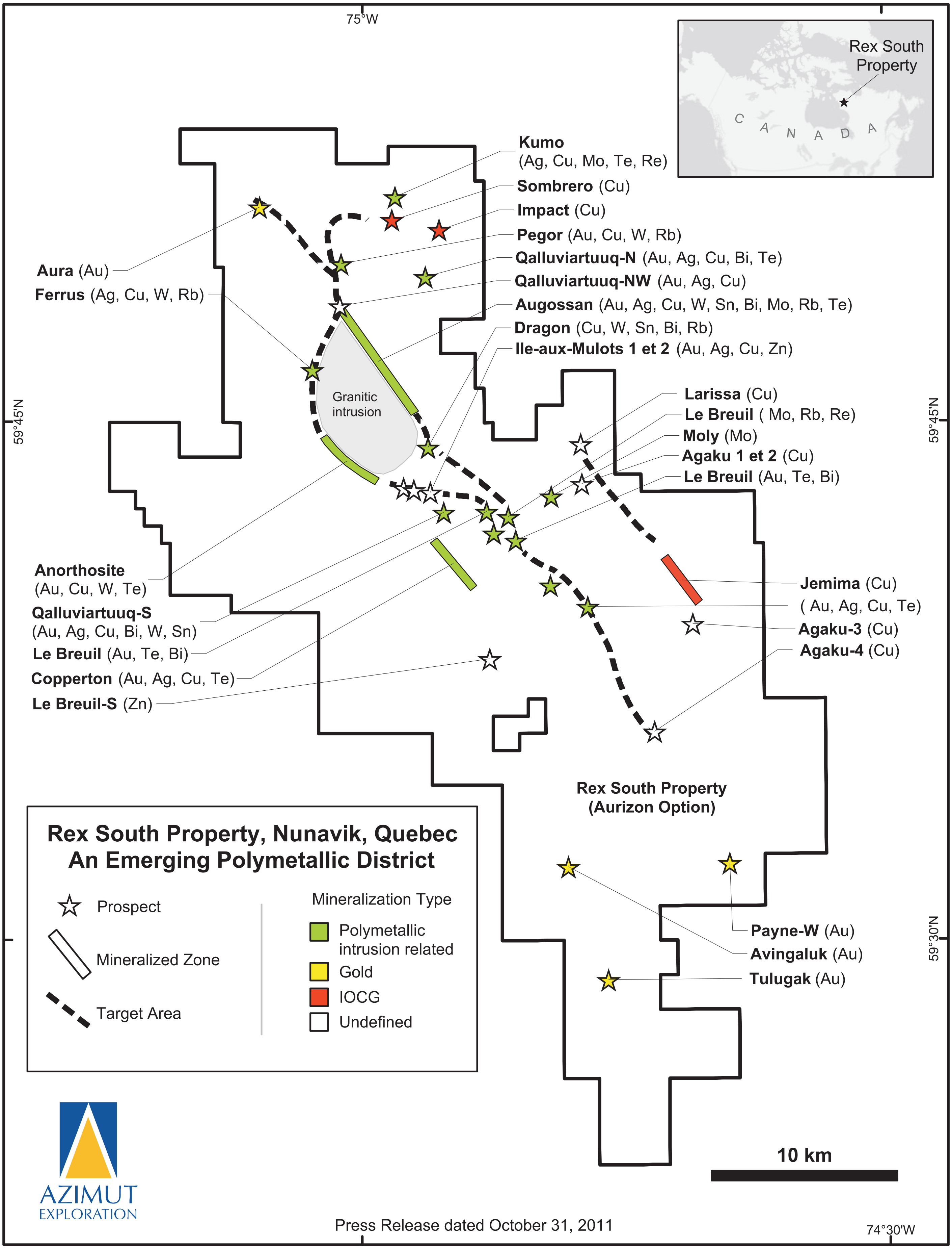
URANIUM Ungava Bay Region, Quebec
Discovery of a new uranium district



GOLD James Bay Region, Quebec
Eleonore gold deposit area



GOLD-SILVER-COPPER-TUNGSTEN Nunavik, Quebec
Rex South: one of three polymetallic properties forming a newly discovered polymetallic mineral district controlled by Azimut



faults are also considered. These properties share strong similarities with the footprint of several major uranium sites in Quebec, as well as the neighbouring Central Mineral Belt in Labrador, a well-known prospective region for uranium. Azimut currently holds eight (8) uranium properties in Nunavik.

Polymetallic properties (copper-gold-silver-tungsten-rare earths)
Azimut's systematic mineral potential modelling of Nunavik, northern Quebec, identified very large and very strong geochemical footprints for copper, REE and gold. In November 2009, the Company began acquiring the most significant targets in western Nunavik (between Hudson Bay and Ungava Bay) and these now form the 100% owned Rex, Rex South and NCG properties comprising 13,263 claims (5,764 km^2). These properties collectively provide a controlling land position along a 330-km prospective trend considered by Azimut to be a new mineral belt of major importance with excellent exploration potential for large-scale polymetallic deposits, including copper, gold, tungsten and rare earths (press releases of March 31 and July 22, 2011). This vast trend covered by the three properties is mainly defined by a strong, north-south-oriented, lake-bottom sediment copper anomaly about 20 to 30 km wide, located about 140 km east of Hudson Bay and the coastal communities of Puvirnituq and Inukjuak.

The same mineral potential modelling results also led the Company to acquire the Diana polymetallic (copper-nickel-cobalt-REE) property which lies further east, near the west coast of Ungava Bay.

Rex
On October 13, 2010, Azimut announced a significant copper discovery on its 100-km-long Rex property (5,720 claims in 7 claim blocks; 2,436.5 km^2). The largely outcropping zone, several kilometres long and 100 metres wide or more, was discovered during the initial prospecting program on the property in the summer of 2010. Two other copper and copper-molybdenum mineralized zones have since been identified, as well as several copper/copper-gold prospects and other target areas.

The following descriptions and results for the two main copper zones are from the summer 2010 program. Both zones were explored during the 2011 program and the new results will be released in a timely manner once received and interpreted. The **RBL Zone** is at least 3 km long by 50 to 200 m wide and grades up to 11.3% Cu. The envelope of mineralization and alteration is recognizable over the entire zone. Migmatitic gneisses host breccias containing chalcopyrite, bornite and pyrite, as well as networks of magnetite and/or hematite veins/veinlets. Alteration is dominated by strong potassic alteration, pervasive silicification, and local sodic alteration, chlorite and epidote. Anomalous values in gold (up to 0.16 g/t Au), silver (up to 5.0 g/t Ag) and cobalt (up to 286 ppm Co) were also obtained in grab samples. The **CM Zone** measures at least 2.5 km long by 50 to 100 m wide and grades up to 4.3% Cu. The envelope of mineralization and alteration is recognizable over the entire zone. Migmatitic gneisses host breccias containing chalcopyrite, bornite, covellite and pyrite, as well as networks of magnetite, hematite and/or quartz veins/veinlets. Alteration is dominated by strong potassic alteration, pervasive silicification, chlorite and epidote. Anomalous values in silver (up to 9.0 g/t Ag) and cobalt (up to 1,130 ppm Co) were also obtained in grab samples. Both the RBL and CM zones show excellent potential for extensions based on their strong magnetic signatures and geochemical footprints in lake-bottom sediments.

On July 22, 2011, Azimut announced the discovery by surface prospecting of the **Robinson Zone**, a new 1.5-km-long copper-molybdenum zone. The discovery was made during the summer 2011 program which followed up on an in-fill lake-bottom sediment survey performed by Azimut in 2010. The Robinson Zone has been recognized over a strike length of 1.5 km and a width of 30 to 130 m, and remains open in all directions. Mineralization, mostly represented by chalcopyrite, molybdenite and pyrite, is hosted in biotite-rich granite with porphyritic and pegmatitic facies. The dominant alteration type is silicification.

Several other kilometre-scale prospects have also yielded significant grades for copper (up to 4.4 % Cu), gold (up to 16.1 g/t Au and 580.0 g/t Au), silver (up to 196.0 g/t Ag) and cobalt (up to 0.19% Co). In addition, five (5) new target areas were announced on February 23, 2011 based on airborne geophysics (15,969 line-km) and lake-bottom sediment geochemistry (2,006 samples). The target areas, ranging from 7 to 20 km long and 3 to 7 km wide, are mainly delineated by strong to very strong lake-bottom sediment anomalies for copper, REE and cobalt. Four (4) of the target areas overlie regional-scale magnetic boundaries.

The geological context of the multi-kilometre RBL and CM mineralized zones (large alteration and breccia systems spatially associated with regional-scale structures) may indicate significant depth to the systems, and Azimut considers both zones to be significant IOCG-type targets (see below). Furthermore, these two zones, spaced 27 km apart, demonstrate the regional scale of mineralization on the Rex property. The other prospective zones on the property may be related to deposit types typical of Archean greenstone belts, such as copper-gold mineralization in shear zones and volcanogenic massive sulphides.

Azimut's management is of the opinion that the Rex property, with a strike-length of more than 100 km, has the potential to become an important metal district in northern Quebec. The field work and analytical results to date validate Azimut's assessment of the Rex property as highly prospective for IOCG-type deposits. The IOCG deposit-type encompasses a wide spectrum of ore bodies, often polymetallic and of significant size, which may notably produce iron, copper, gold, uranium, silver, cobalt and REE. The best known IOCG example is Olympic Dam in Western Australia, one of the largest known deposits in the world.

The summer 2011 program began in May with ground-based geophysical surveys (49.2 line-km of induced polarization (IP) and 122.3 km of magnetics) to better define drilling targets on the RBL and CM zones. The Company also collected 614 in-fill lake-bottom sediment samples to further define targets in the western part of the project, and 1,116 grab rock samples from outcrops and boulders during property-wide prospecting. The drilling program consisted of 29 holes totalling 2,136 metres on the RBL and CM zones (2,110 m of conventional drilling and 26 m of reverse circulation drilling), from which 1,382 drill samples were sent for analysis. Results will be released in a timely manner. The 2011 exploration program was part of Azimut's self-funded minimum $3.8-million combined exploration program for the Rex and NCG properties. Azimut will finalize its 2012 program for the Rex property once all results are received and interpreted.

Rex South
In May 2010, Azimut announced the signing of a letter of intent with Aurizon Mines Ltd ("Aurizon") regarding the Rex South property (2,162 claims in 1 main and 3 small satellite blocks; 942 km^2). Aurizon can acquire an initial 50% interest in the project by performing $5.0 million in exploration work over a five (5)-year period, including 5,000 meters of diamond drilling, and an additional 15% interest upon delivery of a bankable feasibility study.

Following the 2010 summer exploration program, Azimut and Aurizon announced the discovery of a major gold-silver-copper-tungsten mineralized zone on the Rex South property (press release of November 8, 2010). More than twenty (20) other significant mineralized prospects have since been identified on the property. The main mineralized zone, the **Augossan Zone**, occurs in an area of significant outcrop exposure. It has been recognized over a strike length of 7 km and a width of 50 to 300 m, and is open in all directions. Grab samples from the 2010 program returned gold grades up to 23.3 g/t Au, silver up to 90.0 g/t Ag, copper up to 2.56% Cu and tungsten up to 4.62% W; the latter marked the first time significant tungsten grades have been found in Nunavik (press release of February 15, 2011). Significant values in bismuth (up to 0.13% Bi), molybdenum (up to 0.11% Mo) and rubidium (up to 0.18% Rb) were also present. Another gold-copper-tungsten zone, the 4-km-long **Anorthosite Zone,** was also discovered in 2010, several kilometres south of the Augossan Zone. On October 31, 2011, Azimut and Aurizon announced the prospecting discovery of the **Copperton Zone**, 3-km-long mineralized trend several kilometres southeast of the Anorthosite Zone. The mineralized system at Copperton is similar in nature to the Anorthosite Zone, and the best grab samples graded 7.9 g/t Au, 82.7 g/t Ag and 9.28% Cu; 3.0 g/t Au, 12.0 g/t Ag and 2.72% Cu; and 2.3 g/t Au, 5.7 g/t Ag and 1.17% Cu.

Mineralized zones and prospects on the Rex South property collectively cover a trend at least 30 km long and can be categorized into three (3) main deposit types (press release of October 31, 2011):

1. *Gold-silver-copper-tungsten related to granitic intrusions*: Three multi-kilometre mineralized zones (Augossan, Anorthosite, Copperton) and four prospects (Pegor, Ferrus, Dragon, Le Breuil) are located

along, or close to the contact between a 15 km x 5 km ovoid-shaped, fluorite-bearing, granitic intrusion and the surrounding volcano-sedimentary host rocks. In addition to gold, silver, copper and tungsten, mineralization often includes highly anomalous values of bismuth, molybdenum, tin, tellurium, rhenium, and beryllium. A preliminary mineralogical study identified topaz associated with mineralization. Also, a second fluorite-bearing granitic intrusion was discovered on the property at the end of the 2011 program.

2. *Gold-only*: Located 7 km north of the Augossan Zone, the Aura Zone appears as a 300 m x 700 m mineralized zone with strong alteration, including tourmaline in veinlets or stockworks accompanied by silica and albite. The Aura Zone may represent the northern lateral extension of the Augossan-Anorthosite intrusion-related mineralized system.
3. *Iron Oxide Copper Gold ("IOCG")*: At least three distinct IOCG-type zones have been identified (Sombrero, Impact and Jemima), characterized by disseminated to semi-massive chalcopyrite associated with hematite in veins, veinlets or as breccia cement, along with strong pervasive potassic alteration, silica, chlorite and epidote. Mineralization and related alteration clearly crosscut the Archean gneissic country rocks and this may indicate a late or post Archean age.

In 2010, Azimut was the operator of the exploration program, which included a property-wide airborne geophysical survey (5,410 line-km), a detailed lake-bottom sediment geochemical survey (765 samples), and prospecting. In 2011, Azimut and Aurizon designed a comprehensive follow-up exploration program that began in May with ground-based geophysical surveys (53.9 line-km of induced polarization and 149.5 km of magnetics) to better define drilling targets on the Augossan and Anorthosite zones. The Company also collected: 257 in-fill lake-bottom sediment samples to further define targets on the property; 2,530 rock grab samples during property-wide prospecting; and 145.35 metres of channel samples (16 channels and 149 samples). The drilling program consisted of 53 drill holes totalling 4,934 m on the Augossan and Anorthosite zones (4,467 m of conventional drilling and 467 m of RC drilling), from which 3,171 drill samples were sent for analysis. Partial results have been released (press release of October 31, 2011) and the remainder are being interpreted or are still pending. Azimut and Aurizon will prepare the 2012 program once all remaining results are received and interpreted.

NCG

The NCG copper-gold property (5,381 claims; 2,385 km^2) forms the southern segment of the 330-km long prospective trend that includes the Rex and Rex South properties. The 22 claim blocks that constitute NCG are spread over a distance of about 210 km in a roughly north-south direction. Several attractive targets with comparable footprints to the Rex and Rex South mineralized zones were the focus of an intense first field reconnaissance program in the summer of 2011. Samples collected thus far are as follows: 2,584 in-fill lake-bottom sediment samples covering all claim blocks; and 746 rock grab samples collected during property-wide reconnaissance prospecting. Analytical results are pending. The 2011 exploration program was part of Azimut's self-funded minimum $3.8-million combined exploration program for the Rex and NCG properties. Azimut will determine the 2012 program once all results are received and interpreted.

Diana

Azimut acquired the Diana property in east Nunavik by map-staking in 2009. The property comprises six (6) separate claim blocks totalling 732 claims over a surface area of 331.5 km^2. It is defined by a strong, 45-km-long, multi-element geochemical footprint in lake-bottom sediments and is considered to be a major copper, nickel, cobalt and REE exploration project. The property is well positioned, just 40 km northwest of the town of Kuujjuaq and about 50 km southwest of the Ungava Bay shoreline.

Initial exploration work was carried out in the summer of 2010 by Azimut's partner at the time, Valencia Ventures Inc ("Valencia"). Work included airborne magnetic and spectrometric surveys, detailed lake-bottom sediment geochemistry, and intensive prospecting. Six (6) target areas were identified, four (4) of which show strong to very strong combined copper-nickel-cobalt anomalies in lake-bottom sediments. The largest target has a strike length of 16 km and largely coincides with a trend of magnetic highs that may correspond to a previously unrecognized mafic to ultramafic layered intrusive complex.

In May 2010, Azimut announced that Valencia had reached an agreement with Azimut's former partner 2227352 Ontario Inc (a private Ontario company) regarding the Diana property. The agreement gave Valencia the right to acquire an interest of up to 65% in the project by assuming all of the rights and obligations held by the private Ontario company and issuing a total of five million (5,000,000) common shares to the private Ontario company over a period of two (2) years, subject to regulatory approval. Accordingly, Valencia could acquire an initial 50% interest in the project by performing $4.0 million in exploration work over a four (4)-year period, and an additional 15% interest upon delivery of a bankable feasibility study. Cumulative work of $452,000 had been done by Valencia as at August 31, 2011. Valencia has since terminated the option in a letter dated March 4, 2011 due to Valencia's inability to obtain the requisite approval of the TSX Venture Exchange.

Uranium properties (Ungava Bay, east Nunavik)

Three (3) of Azimut's uranium properties cover more than 800 km^2 in the eastern Ungava Bay region where a major uranium company, AREVA, also holds a very large land position. Azimut believes that with these properties, it controls a large portion of the significant uranium targets in the region. This includes targets located along a 70-km-long contact between the Proterozoic metasedimentary rocks of the Lake Harbour Group and the Archean granitized basement.

AREVA reported the discovery of fourteen (14) mineralized zones with grades up to 9.34% U_3O_8, most of them hosted in metasedimentary rocks of the Lake Harbour Group. In a report filed with the Ministry of Natural Resources and Wildlife of Quebec in 2007, AREVA described the Lake Harbour Group as an "important uranium-thorium province".

North Rae, Daniel Lake and Kangiq

North Rae (1,403 claims; 626.0 km^2), Daniel Lake (388 claims; 175.8 km^2) and Kangiq (50 claims; 226.7 km^2) form a block of properties roughly 70 km long by up to 50 km wide in northern Quebec, about 20 km from the east coast of Ungava Bay and the town of Kangiqsualujjuaq, and 160 km northeast of the town of Kuujjuaq. In 2006, preliminary field work confirmed the presence of a large-scale uranium mineralized system on North Rae and Daniel Lake. Results of subsequent field programs led to the discovery of twelve (12) mineralized zones at surface, with a cumulative length of 17 km and grades up to 3.3% U_3O_8. These zones show an excellent spatial correlation with uranium anomalies identified by geophysical surveys flown over the two properties. Azimut believes the overall uranium potential of the region is well represented by its airborne uranium footprint. Many targets have yet to be field-tested and many mineralized zones remain open.

These developments, as well as AREVA's exploration work on their nearby CAGE property (e.g., more than 10,000 m of drilling in 2009), underscore Azimut's appraisal that the region is Canada's newest uranium province. Azimut's properties in the Ungava Bay region benefit from three strategic advantages:

- The properties have the potential for a large resource base at shallow depth, amenable to open pit mining;
- The properties are well positioned, only a short distance from port facilities on the Ungava Bay coast, near deep sea water, and close to a permanent airport and other infrastructure; and
- The province of Quebec is recognized around the world as a low-risk region for exploration and mining.

Uranium properties (west and central Nunavik)

Azimut holds seven (5) uranium properties in the west and central parts of Nunavik as follows (information as at July 25):

- North Minto: 352 claims for a total surface area of 161.5 km^2
- South Minto: 220 claims for a total surface area of 102.8 km^2
- Central Minto: 195 claims for a total surface area of 91.1 km^2
- Kativik, consisting of 4 widely dispersed claim blocks (1 of which fall within the James Bay administrative territory): 234 claims for total surface area of 111.7 km^2
- Vernot Lake: 140 claims for a total surface area of 64.3 km^2

North, Central, South Minto, Kativik

The three Minto properties occur within a regional-scale, lake-bottom sediment uranium anomaly the Company calls the “Central Quebec Uranium Lineament”. This roughly north- south geochemical trend 350 km long by 10-30 km wide correlates well with late Archean intrusions and crustal- scale structures. The Kativik claim blocks are also characterized by strong uranium lake-bottom sediment anomalies in addition to other favourable geochemical, geophysical, geological and structural parameters.

Although this part of Nunavik has seen little exploration in the past, there are strong indications of significant uranium potential. The Dieter Lake deposit of Fission Energy Corp is hosted in Paleoproterozoic metasedimentary rocks approximately 150 km north of Hydro Quebec Reservoir LG-4. According to an NI 43-101 estimate released in 2007, the deposit has an inferred resource of 24.4 million lbs U_3O_8 contained in 19.3 Mt of ore at an average grade of 0.057% U_3O_8.

In April 2007, the Company granted Rukwa Minerals Inc, formerly Rukwa Uranium Ltd (“Rukwa”), the option to acquire a 50% interest in the North and South Minto properties for respective cash considerations of $360,000 and $340,000, transfers of $200,000 worth of common shares of Rukwa in each case, and respective work expenditures of $4.2 million and $4.0 million. Rukwa could also acquire an additional 15% interest in each property with the delivery of a bankable feasibility study. As at August 31, 2010, Rukwa had made cumulative payments of $480,000 in cash, had paid $400,000 in cash in lieu of $400,000 worth of its common shares, and had carried out work expenditures totalling about $3.3 million. All commitments required under the option agreements were extended until March 31, 2011 at which time both options were terminated.

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 could 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 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 at which time the option was terminated.

Gold-only and copper-only properties

Five (5) other properties comprise 724 claims covering 312.3 km^2 in Nunavik: Nantais for gold (211 claims), Kapisililik for gold (40 claims), Pelican for copper (100 claims), Arnaud for copper (355 claims), and Agvakvik for copper (18 claims). Two of these properties include notable historical mineralized grab samples:

- On the Nantais property: 15.9 g/t Au and 7.9 g/t Au at the Nantais-2 prospect; and 1,315 g/t Ag, 0.6 g/t Au, 2.77% Zn, 5% Pb and 0.11% Cu at the Cabane prospect
- On the Pelican property: 1% Cu at the PN-2055 prospect; and 4.7% Zn and 29.2 g/t Ag at the Pelican Lake prospect

James Bay region

The James Bay territory was the initial focus of Azimut’s mineral potential modelling methodology in 2003. The Company’s current holdings are concentrated in two areas centered on the Opinaca Reservoir and the Eastmain River. Five (5) of the properties are for gold and one (1) is for chromium and platinum group elements (PGE).

Opinaca area (gold properties)
The Opinaca area is northeast of the Opinaca Reservoir in the James Bay region, 320 km from Matagami or Chibougamau. In 2004, Virginia Mines Inc discovered the major Roberto gold deposit on their Eleonore project. The deposit was defined at surface and in drill holes over a lateral distance of roughly 1,900 m and to a depth of more than 1,100 m. Goldcorp Inc ("Goldcorp") has since acquired the Eleonore project and undertaken a feasibility study.

Azimut acquired extensive holdings both before and after the Eleonore discovery based on the targeting results of its regional-scale gold potential modeling of the entire James Bay region. As a result, it gained one of the leading property positions in the area. Azimut currently holds four properties in the Opinaca area, all for gold and all with comparable geological settings to Eleonore:

Agreement with Everton Resources Inc ("Everton") and Aurizon

- Opinaca A: 429 claims in 2 blocks, for a total surface area of 223.4 km^2
- Opinaca B: 220 claims in 2 blocks, for a total surface area of 115.1 km^2

Agreement with Dynasty Gold Corp ("Dynasty")

- Opinaca D: 188 claims for a total surface area of 98.0 km^2

Three-party agreement with Eastmain Resources Inc ("Eastmain") and Goldcorp

- Eleonore South: 282 claims for a total surface area of 147.6 km^2

Opinaca A and B
Exploration on the Opinaca A property began in 2005 when surface prospecting results revealed a 1.7-km trend of gold showings with values up to 50.9 g/t Au, now known as the **Inex Zone**. During the summer of 2007, follow-up prospecting work led to the discovery of the **Charles Target** in the central part of Opinaca A and results yielded gold values up to 35.9 g/t Au. Both the Charles Target and the **Smiley Target** were drill tested that same year during Everton's 11-hole program (1,248 m). The most significant results graded 0.8 g/t Au over 9.0 m.

At the Opinaca B property, early work revealed a major gold-bearing system at the **Claude Target**, which appears to be part of a much larger NE-SW to E-W gold trend extending from Everton's Manuel showing (8 km northeast of Opinaca B; channel sample grading 12.0 g/t Au over 4.6 m) to Azimut's Eleonore South property (9 km west of Opinaca B). During the winter of 2007, Everton completed a 9-hole (2,142 m) diamond drill program at the Claude Target. Assay results from this initial hole revealed an intersection grading 0.22 g/t Au over 187 m, including 1.0 g/t Au over 21.5 m.

During the winter programs of 2008, Everton carried out ground-based geophysical surveys consisting of 160 line-km of IP and magnetics on the properties, and 1,600 metres of follow-up diamond drilling (Charles, Smiley and Lola targets at Opinaca A; Dominic Target at Opinaca B). Drilling results included 4.2 g/t Au over 1 m and 0.4 g/t Au over 1 m in a drill hole on the Smiley Target, and 0.6 g/t Au over 0.3 m and 0.6 g/t Au over 1.2 m in hole DB-08-01 on the Dominic Target.

In April 2010, Azimut confirmed that Everton had earned its 50% interest on the Opinaca A and B properties. In September 2010, Azimut announced the signing of a Letter of Intent with Aurizon and Everton whereby Aurizon can acquire up to a 60% undivided ownership interest in the Opinaca Project (A and B properties) by incurring $6.0 million in exploration work over a four (4)-year period, and an additional 15% interest upon delivery of a bankable feasibility study. Aurizon is presently carrying out a $1.0 million exploration program on the Opinaca Project consisting of surface sampling, geophysical surveys and 2,000 m of drilling. Results are pending.

Eleonore South
The Eleonore South property is covered by a three-party agreement between Azimut, Les Mines Opinaca Ltée (a wholly-owned subsidiary of Goldcorp) and Eastmain Resources. Eastmain is the project operator.

Major exploration programs (prospecting, geophysics, trenching and drilling; funded by Azimut's partners) have mainly focused on the **JT gold zone**, which is characterized by altered, sulphide-bearing metasedimentary rocks comparable to those hosting the Roberto gold deposit 12 km to the northwest on Goldcorp's adjacent Eleonore property. Drilling and trenching on the JT Zone have defined a 1.2 km x 100 m auriferous halo, also comparable in nature to the geochemical halo surrounding the Roberto gold deposit.

From 2006 to 2010, thirty-five (35) trenches were excavated on the Eleonore South property and 5,063 one (1)-metre channel samples collected. The most significant channel result was 5.3 g/t Au over 8 m on the JT Zone. Diamond drilling programs in 2008, 2009 and 2010 tested several high-priority sediment-hosted gold targets. The most significant result from the 2008 program (16 holes; 3,129 m) was 1.5 g/t Au over 5.7 m in the JT Zone. During the $1.6-million program in 2009 (14 holes; 3,697 m), nine (9) of the twelve (12) holes in the JT area intersected wide intervals of gold-bearing sedimentary rocks along a 1-km-long corridor. The most significant result was 1.40 g/t Au over 10.0 m. The $1.6 million exploration program in 2010-2011 focused on drill-testing the extensions of the JT gold zone with the aim of discovering ore grade thicknesses, as well as testing other priority targets elsewhere on the property. Results are pending.

In September 2010, Azimut announced that the Company had reviewed and approved the 2010-2011 technical program, but decided not to contribute to it, thereby incurring a proportional dilution of its interest in the property. As at August 31, 2011, Goldcorp and Eastmain had spent $3.2 million in cumulative work expenditures as part of the joint venture, and ownership of the property is currently as follows: Azimut 26.4%, Goldcorp 36.8% and Eastmain 36.8%. The 2011-2012 technical program is being planned but the budget has not been finalized. Once finalized, Azimut will decide whether to contribute its share of the program. Since 2006, Azimut's partners have spent more than $7 million on exploration at Eleonore South.

Opinaca D
Exploration on the Opinaca D property began in 2005 and has included reconnaissance geological mapping and prospecting over a number of exploration targets defined by VTEM and/or soil geochemistry anomalies. The soil geochemistry surveys confirmed a broad trend of gold, arsenic and antimony anomalies, with maximum values of 7,320 ppb Au for gold, 447 ppm As for arsenic, and 2.3 ppm Sb for antimony. The strong gold-arsenic-antimony soil anomalies have not yet been tested by other methods. A minimum of $980,000 has been spent on the property to date.

In December 2010, Azimut announced the signing of a Letter of Intent with Dynasty regarding the Opinaca D property. Dynasty can acquire an initial 50% interest in the project by conducting $3.2 million in exploration work over a four (4)-year period, and an additional 15% interest upon delivery of a bankable feasibility study. In 2011, Dynasty completed a prospecting and mapping program. Communication of the results is pending. In December 2011, the agreement with Dynasty was terminated.

Eastmain area (gold and Cr-PGE properties)
The Eastmain area is 290 km north of Chibougamau and about 80 km southeast of the Opinaca Reservoir. The area notably contains the Eau Claire (Clearwater) gold deposit belonging to Eastmain Resources Inc, who announced a NI 43-101 resource estimate in 2011 of 632,000 ounces gold contained in 3.35 Mt of ore grading 5.86 g/t Au (measured and indicated) and 1.037 million ounces in 5.32 Mt at 6.06 g/t Au (inferred).

Azimut began acquiring properties in the Eastmain area based on the targeting results from its regional-scale gold potential modelling of the entire James Bay territory. Azimut currently has two properties in the area, consisting of one (1) claim block each:

- Eastmain West (chromium-PGE): 77 claims for a total surface area of 40.8 km^2
- Wabamisk (gold): 723 claims for a total area of 382.6 km^2 (Azimut: 49%, Goldcorp: 51%)

Eastmain West
Initial programs by Azimut's former partner IAMGOLD focused on the property's gold potential in 2005-2006, but the work uncovered significant chromium-platinum-palladium mineralization. Azimut continued exploring the property with a new focus on chromium and platinum group elements (PGE) after IAMGOLD terminated the option agreement in 2007 following a corporate decision to cease regional exploration activities in Quebec.

On May 19, 2011, Azimut announced the results from its fall 2010 program, notably the discovery of high-grade chromium mineralization (up to 39% Cr_2O_3) and PGE values up to 1.9 g/t PGE within a 4-km-long ultramafic intrusive body. A total of 50 rock grab samples were collected, and a magnetics-VLF survey was performed over 54 kilometres of lines over the main target zones.

Mineralization occurs as two main rock types: (i) an ultramafic facies with grades ranging from 0.1% to 14.7% Cr_2O_3 and PGE values up to 0.14 g/t Pd+Pt (18 samples); and (ii) a chromite-rich facies in dykes or sills with grades ranging from 17.6% to 39.1% Cr_2O_3 and combined PGE values up to 1.9 g/t (21 samples). Samples of the latter have an average Cr:Fe ratio of 1.24, the highest ratio being 2.20. Two prospects have been identified on the property, each exhibiting both types of mineralization. The **Sledgehammer Prospect** (up to 36.8% Cr_2O_3) can be traced for 100 metres within a 200 x 900 m magnetic high, whereas the **Dominic Prospect** (up to 39.1% Cr_2O_3) occurs in a magnetic low.

A preliminary mineralogical study shows very coarse chromite grains within a magnesium-rich aluminosilicate matrix. According to the study, a primary grind should be sufficient to easily liberate the chromite from the silicate gangue.

Wabamisk
The geological context and geochemical signature at Wabamisk are comparable to those of Goldcorp's Roberto (Eleonore) deposit in the Opinaca area about 70 km to the north. As the Company's partner at Wabamisk, Goldcorp began exploration work in 2005 and identified several major gold targets. Most historical gold showings in the area occur within these target zones.

A soil geochemistry survey in 2006 was followed by a 2007 program of prospecting, geological mapping, soil sampling and rock sampling. The 2008 program consisted of line cutting, IP geophysical surveying, prospecting, geological mapping and rock sampling. The 2009 program tested several quality gold targets and included soil sampling, prospecting, grab sampling, channel sampling and an initial diamond drilling program that focused on the east half of the property. Drill holes mainly intersected sulphides or graphite with little or no gold.

In 2010, Goldcorp completed an 8-hole (2,800 m) diamond drilling program on two of the three priority targets it identified in the west half of the property. Two main prospective sectors for gold were recognized. At the **GH Prospect**, the best intercept in six **(**6) drill holes yielded 2.3 g/t Au over 4.3 m within a large envelope of 0.7 g/t Au, 0.39% Sb and 0.20% As over 19 m. This gold-antimony-arsenic zone is associated with a diorite intrusion and metasedimentary rocks. Mineralization is marked by Sb and As sulphides as disseminations and veinlets accompanied by sericitic and silica alteration. The area forms a target zone 3.5 km long, outlined by coincident soil (Sb, As) and geophysical (IP) anomalies, and the alteration and mineralization footprint indicates a strong exploration potential both laterally and at depth. The second prospective sector, the **Dome-ML Prospect**, is 1.7 km long and includes several historical high-grade gold values (up to 80.7 g/t Au) in grab samples taken from sheared and altered mafic volcanic units and a dioritic intrusion.

In 2011, Goldcorp earned its 51% interest in the Wabamisk property. On October 18, 2011, Azimut announced that Goldcorp was exercising its second option on the property, allowing it to earn an additional 19% interest upon delivery of a bankable feasibility study during the next ten (10) years. Goldcorp is currently planning the 2012 exploration program.

Regional modelling and project generation

Azimut continues to pursue the mineral potential modelling of several regions in Quebec with the objective of generating new projects, most notably for gold, copper, rare earths and uranium. Opportunities in other regions and for other commodities are also considered.

2011 and 2012 perspectives

The status of current work programs on Azimut properties and the preliminary 2012 exploration programs are presented in the following table.

Azimut is moving forward with a focus primarily on exploration work for its major copper-gold-silver-tungsten-REE properties in Nunavik (Rex, Rex South and NCG). The Company is also maintaining its long-standing exploration focus in the James Bay region with work programs on its gold and chromium-PGE properties in the Opinaca and Eastmain areas. The Company has adequate financial resources to maintain its properties in good standing and to maintain its management team, and does not anticipate having to contribute to work expenditure commitments on its partnered properties to maintain the Company's interest. The one exception is the Eleonore South gold property: Azimut may decide to contribute its share in the future depending on the results of the 2010-2011 program.

In addition, and most importantly, the Company will maintain its pursuit of identifying early-stage and quality exploration targets, most recently exemplified by the acquisition of the Rex, Rex South and NCG properties in Nunavik that collectively provide control of a 330-kilometre-long exploration domain containing large copper-gold-silver-tungsten and/or REE targets. Azimut will continue to actively seek new partnerships in Quebec and elsewhere. This strategy will safeguard the value added to Azimut's projects.

Property	Status	2012 planned work program
	Nunavik	
Rex **(copper, gold, silver, REE)**	Compilation and interpretation in progress	Program may include prospecting, ground geophysics and drilling
Rex South **(gold, silver, copper, tungsten)**	Compilation and interpretation in progress	Partner-funded program may include prospecting, ground geophysics and drilling
NCG **(copper, gold)**	Results pending; compilation and interpretation in progress	Program may include extensive prospecting as follow-up of in-fill lake-bottom sediment anomalies
Diana **(copper, nickel, cobalt, REE)**	Priority targets identified	Next program may include airborne and ground geophysics, prospecting and drilling
North Rae **(uranium)**	Priority targets identified	To be determined
Daniel Lake **(uranium)**	Priority targets identified	To be determined
Other properties **(uranium)**	Technical reassessment underway	To be determined
	James Bay region	
Opinaca A & B **(gold)**	Pending results	$1.3 million Partner-funded program may include prospecting, ground geophysics and drilling
Opinaca D **(gold)**	Pending results	To be determined

Eleonore South (gold)	Technical reassessment underway	To be determined Partner-funded program will include drilling
Wabamisk (gold)	Pending results	To be determined Partner-funded program will include drilling
Eastmain West (chromium, platinum, palladium)	Priority targets identified	Azimut-funded program includes ground geophysics, stripping and prospecting

Financial Information

The following selected financial data is extracted from the audited financial statements of the Company that were prepared in accordance with Canadian GAAP.

Selected financial information

	Earnings for the fiscal years ended August 31		
	2011	**2010**	**2009**
	($)	($)	($)
Other income (expenses)	491,247	136,483	(314,456)
Expenses			
Administration fees	548,888	621,305	716,848
Write-off and write-down of mining properties	70,895	158,630	622,783
Search for properties	236,392	111,600	104,331
Credit on duties refundable for losses and refundable tax credits for resources	(75,466)	(9,564)	(45,253)
Professional fees related to the decision of not proceeding with a short-form prospectus	-	-	202,805
Allowance for doubtful accounts	47,320	-	-
Interest on debentures	119,623	231,705	225,378
Interest on obligation under capital lease	403	1,386	-
Discount on a debenture	-	-	(92,000)
Stock-based compensation costs	368,460	421,010	627,490
	1,316,515	1,536,072	2,362,382
Recovery of income taxes	-	(582,000)	-
Net loss for the year	(825,268)	(817,589)	(2,676,838)
Basic and diluted loss per share	(0.03)	(0.03)	(0.15)

Result of operations

2011 compared to 2010

For the fiscal year ended 2011, the Company reported a net loss of $825,268 compared to a net loss of $817,589 for the fiscal year ended 2010. The variation is mainly due to no recovery in 2011 ($582,000 in 2010) of future income taxes related to the tax deductions that Azimut renounced to the holders of flow-through shares and important changes for expenses and other income as follows:

Expenses

Expenses totalled $1,316,515 in 2011 compared to $1,536,072 in 2010. The net decrease is principally related to the following variations:

- The cost of administration fees was $548,888 in 2011 compared to $621,305 in 2010; the reduction is due to greater involvement by Company personnel in conducting work on the mining properties and in the search for new properties, resulting in a higher allocation of salaries to the mining properties. The increase in the advertising cost in 2011 is due to the overhaul of Azimut's website as well as publishing costs in specialized magazines. Travelling and entertainment costs were $57,228 in 2011 ($75,904 in 2010), a decrease of $18,676 resulting from decreased participation at industry conventions and travelling.
- Interest on debenture was $77,076 in 2011 compared to $151,093 in 2010; the decrease is due to the conversion of $640,000 of convertible debentures into 1,185,185 units at $0.54 per unit.
- An allowance for doubtful accounts was taken in the 2011 fiscal year, amounting to $47,320 ($Nil in 2010), following the difficulty of collecting the balance due to the market condition for uranium and the parties ceasing to be Azimut's partners. An amount of $40,282 relating to the receivable from Rukwa Minerals Inc, a related company, for the costs charged-back and incurred on the North Minto and South Minto properties was taken in 2011.
- The cost related to the write-off and write-down of mining properties during 2011 for $70,895 ($158,630 in 2010). Write-offs were performed for the Burrel Lake, South Rae, South Bienville and Hudson Bay uranium properties in Nunavik. The North Minto and Central Minto properties in Nunavik were written down.
- Stock-based compensation costs were $368,460 in the year ended 2011 compared to $421,010 in 2010, attributable to the fair value of stock options granted and exercisable during the period. This expense does not affect cash.

  Unrealized gain on available-for-a-sale investments was $42,025 as compared to an unrealized loss of $193,715 in 2010, resulting from fluctuations in market prices.

Other income (expenses)

Other income (expenses) totalled $491,247 in 2011 compared to $136,489 in 2010. The net variation of $354,758 is due to the following import*a*nt variations:

- A gain of $174,174 ($Nil in 2010) upon termination by partners of option agreements on the Central Minto, South Bienville, Kangiq and Diana properties. The termination of the option agreements on the Central Minto, South Bienville and Kangiq properties were due to market conditions. The termination notice received from Valencia specified that the termination of the agreement on the Diana property was due to the inability of 2227352 Ontario Inc (the Partner) to obtain the requisite approval of the TSX Venture Exchange. The parties (Azimut and the Partner) mutually agreed that Azimut keeps the balance received in exchange for the discharge and release of all outstanding obligations
- The gain realized on option payments received on the Opinaca D property was $74,205 ($116,054 in 2010) and renewal payments for the Rex South property option were $97,434 ($259,897 in 2010).
- The Company reported management fees of $67,026 ($86,783 in 2010) for its role as project operator for the Diana and Rex South properties. Azimut is conducting exploration work funded by the partners and charges management fees ranging from 5% to 10%.
- A gain on disposal of a long-term investment amounting to $41,570 in 2011 compared to a loss of $215,567 in 2010.
- No write-down on long term investments in 2011 ($224,000 in 2010), reclassified from comprehensive loss for other than temporary write-down on available-for-sale investments, following the stock market decline.

Changes in mining properties

	Years Ended August 31,	
	2011 $	2010 $
Balance – Beginning of year	3,947,274	1,791,427
Expenses incurred during the year		
Claims and permits	915,444	719,245
Geological surveys	1,673,424	1,165,365
Geochemical surveys	797,281	360,147
Geophysical surveys	619,184	236,321
Drilling	1,068,998	-
Administration and others	64,821	4,840
Stock based compensation costs	14,200	33,060
Depreciation of property and equipment	187,707	46,927
Variation of advance for exploration work	152,150	66,500
	5,493,209	2,632,405
Write-off and write-down of mining properties	(70,895)	(158,630)
Option payments	(58,388)	(214,049)
Credit on duties refundable for loss and refundable tax credit for resources	(1,749,557)	(103,879)
	(1,878,840)	(476,558)
Balance – End of year	7,561,643	3,947,274

Other information

	August 31, 2011	August 31, 2010	August 31, 2009
Cash and cash equivalents	$3,834,831	$2,704,823	$1,349,818
Total assets	$14,413,074	$8,358,558	$4,496,448
Long-term-liabilities	$454,718	$1,119,047	$1,123,781
Shareholders' equity	$12,302,906	$5,307,107	$2,604,090
Number of shares outstanding	34,438,351	25,111,070	20,383,979
Number of stock options outstanding	2,205,000	2,440,000	1,855,000
Number of warrants outstanding	4,573,217	2,542,154	1,347,224

Since its incorporation, the Company has not declared cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company’s financial needs for its exploration programs and its future financial growth, and any other factor that the Board of Directors deems necessary to consider in the circumstances. It is unlikely that any dividends will be paid in the near future.

Cash flows, Liquidity and Capital resources

2011 compared to 2010

The Company's working capital was $4,565,256 as at August 31, 2011, compared to $1,814,300 as at August 31, 2010. Management is of the opinion that the current cash position is sufficient to meet current commitments on a continuous basis. The Company does not anticipate having to contribute to work expenditure commitments on its partnered properties in order to maintain its interest, with the exception of the Eleonore South property. To continue its exploration program on its Rex, NCG, Diana, North Rae and Daniel Lake properties and its operations beyond August 31, 2012, the Company will periodically have to raise additional funds through the issuance of new equity instruments, the exercise of stock options or warrants and the search of partners to sign option agreements on certain of its mining properties, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

Operating Activities

Cash flows used in operating activities in the fiscal year ended 2011 amounted to $413,167 compared to $682,340 in 2010; the variation is mainly due to a net change in non-cash items of the working capital resulting from a decrease in amounts receivable from partners and an increase in accounts payable and accrued liabilities.

Financing activities

Cash flows provided from financing activities for the fiscal year ended 2011 amounted to $6,664,413 ($2,718,104 in 2010), net of issue expenses $314,925 ($307,858 in 2010). The variation is attributable to the following:

- The Company completed a non-brokered private placement of $5,800,000 ($3,376,125 in 2010) representing 5,333,333 units at $0.90 per unit for proceeds of $4,800,000 ($1,075,625 in 2010) and 833,333 flow-through shares at $1.20 per share for proceeds of $1,000,000 ($2,300,500 in 2010).
- The exercise of warrants totalling $1,265,734 ($Nil in 2010).
- The exercise of stock options totalling $27,200 ($1,700 in 2010).
- Reimbursement of $100,000 ($100,000 in 2010) of the unsecured non-convertible debenture.
- Payments of obligation under capital lease of $13,597 ($251,863 in 2010.

Investing activities

In the fiscal year ended 2011, cash flows used in investing activities mainly consisted of the acquisition of mining properties and capitalization of exploration work totalling $5,528,598 compared to $1,692,821 in 2010. Significant cost acquisitions and exploration work were carried out on copper-gold-silver-rare earth properties (Rex and NCG), uranium properties (North Rae and Daniel Lake), and a chromium-PGE property (Eastmain West).

Advanced exploration of parts of the Rex and NCG properties and the North Rae and Daniel Lake properties, as well as the ongoing identification of early-stage and major exploration targets, are pursuits that require substantial financial resources. In the past, the Company has been able to rely on its ability to raise financing in privately negotiated equity offerings. There is no assurance that the Company will be successful in raising the additional required funds.

Quarterly information

The information presented below details the total other income (expense), the net earnings (net loss), and the net earnings (net loss) per share for the last eight quarters.

Quarter ended	Other income (expenses)	Net earnings (Net loss)	Net earnings (Net loss) per share	
			Basic	Diluted
31-08-2011	38,433	(261,317)	(0.008)	(0.008)
31-05-2011	142,143	(101,776)	(0.003)	(0.003)
28-02-2011	124,609	*(435,465)	(0.016)	(0.016)
30-11-2010	186,062	**(26,710)	(0.001)	(0.001)
31-08-2010	(32,166)	(495,950)	(0.018)	(0.018)
31-05-2010	104,299	(478,418)	(0.020)	(0.020)
29-02-2010	63,665	*** 375,898	0.016	0.016
30-11-2009	685	(219,119)	(0.011)	(0.011)

* Due to fair value of stock options granted and exercisable during the period
** Due to Gain on termination by a partner of option agreements on the Central Minto, South Bienville and Kangiq properties
*** Due to the recovery of future income taxes related to the tax deductions that the Company renounced to the holders of flow-through shares.

Fourth quarter

The Company's net loss for the three-month period ended August 31, 2011 was $261,317 compared to $495,950 in 2010. Other income totalled $38,433 compared to other expenses of $32,166 in 2010. Expenses amounted to $299,750 in 2011 compared to $378,639 in 2010. The change in 2011 was primarily attributable to the following:

- No write-down on long-term investments compared to $224,000 in 2010 reclassified from comprehensive loss for other than temporary write-down on available-for-sale investments, following the stock market decline.
- No gain related to cash and share payments in connection with option agreements in 2011 compared to $100,000 in 2010 due to the fact that no new option agreements were concluded.
- The revenue realized for the Company's role as the operator of the Diana and Rex South properties of $19,529 in 2011 compared to $86,224 in 2010; the decrease was due to the fact that the Diana option was terminated in March 2011.
- Decreased in travelling and participation at industry conventions.
- Decrease in interest on debentures due to the conversion of $640,000 of convertible debentures into 1,185,185 units at $0.54 per unit in November 2010.
- No stock-based compensation costs in 2011 as compared to $38,570 in 2010, attributable to the fair value of stock options granted and exercisable during the period.

Cash flows provided from financing activities totalled $741,435 (cash flow used in financing activities of $256,612 in 2010), mainly due to the exercise of warrants totalling $715,203 and options totalling $27,200 as compared to none in 2010.

Cash flows used in investing activities mainly consisted of the acquisition of mining properties and capitalization of exploration wok totalling $2,655,088 compared to $575,811 in 2010. Significant cost acquisitions and exploration work were carried out on the REX and NCG copper-gold-silver-rare earth properties.

The net changes in cash for the fourth quarter decreased by $1,830,905 compared to a decrease of $608,600 in 2010.

Contractual obligations

As at August 31, 2011 the Company has contractual obligations payments due by period as follows:

	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$
Obligation under capital lease	16,100	-	-	-
Operating leases	35,750	-	-	-
Debentures	400,000*	200,000	-	-
Total contractual obligations	451,750	200,000	-	-

* In October 2011, $300,000 of the unsecured convertible debenture was converted into 500,000 units (see "Subsequent event" section)

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Related party transactions

In April 2007, the Company entered into option agreements with Rukwa Minerals Inc on the North Minto and South Minto properties and the agreements were terminated on Mach 31, 2011. Rukwa is a related party since Mr. Jean-Charles Potvin is the president and director of Rukwa and is also a director of the Company. The Company's Board of Directors had approved entering into the agreements without Mr. Potvin being present. No costs were charged back to Rukwa on the properties in 2011 ($39,697 in 2010; these costs were equivalent to what the Company would otherwise charge to a non-related third partner). An allowance for doubtful account amounting to $40,282 related to the receivable from Rukwa for the costs charged back and incurred on the North Minto and South Minto properties was taken in 2011. Interest on a convertible debenture of $40,000 was issued in November 2008 to Mr. Potvin, amounting to $2,393 ($4,800 in 2010). In 2011, the debenture was converted into 74,074 units at $0.54 per unit. Each unit consists of one common share and one share purchase warrant at $0.65 expiring November 20, 2011. All the share purchase warrants were exercised in November 2011. Also in 2011, Mr. Potvin participated in a private placement of 111,110 units at $0.90 per unit for an aggregate amount of $99,999 compared to $40,800 for 58,000 flow-through shares at $0.86 per share for an aggregate amount of $40,800.

A law firm in which Me Louis Paul Salley, director of the Company, is also a partner did not charge legal fees in 2011 as compared to $1,943 in 2010, which were capitalized in mining properties under "administration and other". The fees paid by the Company to the law firm are equivalent to what the Company would otherwise pay to an unrelated third party in the industry.

Interest on a convertible debenture of $300,000 was issued in November 2008, amounting to $17,951 ($36,000 in 2010) paid to a company controlled by Mr. Dennis Wood. In 2011, the debenture was converted into 555,555 units at $0.54 per unit. Each unit consists of one common share and one share purchase warrant at $0.65 expiring November 20, 2011. All the share purchase warrants were exercised in November 2011.

The 111,112 warrants issued to Mr. Wood under private placement in August 2009 were exercised in 2011 for $77,778 ($Nil in 2010). Also in 2011, Mr. Wood participated in a private placement of 111,111 units at $0.90 per unit for an aggregate amount of $100,000.

The related party transactions are summarized as follows:

	2011	2010
In normal course of operation		
Mining properties and exploration work	-	41,640
Not in normal course of business		
Conversion of debenture	340,000	-
Participation of directors in private placement	199,999	49,880
Cash payments to directors for interest on convertible debentures	20,344	40,800
Exercise of warrants	77,778	-
	638,121	90,680

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The conditions on the convertible debenture issued to directors were the same as to other non-related parties.

The shares issued pursuant to the private placement were subject to the same conditions as private placements completed with other unrelated parties.

The balance receivable (payable) to related parties is subject to the same conditions as those of non-related parties and is reflected on the balance sheet as at August 31, 2011 and 2010.

Subsequent events

Conversion of debentures and exercising warrants

(i) 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 (½) 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.

(ii) 1,435,185 warrants were exercised for total proceeds of $957,870 in exchange of common shares of the Company.

(iii) On December 13, 2011, the option agreement concluded on December 13, 2010 with Dynasty Gold Corp on the Opinaca D property, James Bay region, was terminated.

Mining properties carrying values

At the end of each quarter, management reviews the carrying value of its mining properties to determine whether any write-offs or write-down are necessary. Following this analysis, $70,895 in write-offs and write-down were deemed necessary for the fiscal year (Burrel Lake, South Rae, South Bienville, Hudson Bay, North Minto and Central Minto in Nunavik) compared to $158,630 in 2010 (Tasirlaq, West Minto and Burrel Lake in Nunavik).

Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the valuation of credit on duties refundable for loss and the refundable tax credit for resources, future income tax assets and liabilities, the recoverability of long-term investments, property and equipment and mining properties, the fair value of stock based compensation, other stock based payment and warrants included in units issued in private placement. Actual results could differ from those estimates.

A detailed summary of the entire Company's significant accounting policies is included in Note 3 to the Financial Statements for the year ended August 31, 2011, which have been consistently applied and are summarized as follows:

Financial instruments

The standards require that financial assets and financial liabilities, including derivative financial instruments, be initially measured at fair value. After initial recognition, the measurement of financial instruments depends on their classification: held for trading, available for sale, loans and receivables, and other than held-for-trading liabilities.

Held-for-trading **-** Financial assets and financial liabilities required to be classified or designated as held for trading are measured at fair value, with gains, losses and transaction costs recorded in the statement of loss for the period in which they arise. Transaction costs are recorded immediately in the statement of loss.

Available-for-sale **-** Financial assets classified as available for sale are measured at fair value. Unrealized gains and losses are recognized directly in other comprehensive income (loss), except for impairment losses, which are recognized in the statement of loss. Upon derecognition of the financial asset, the accumulated gains or losses previously recognized in accumulated other comprehensive loss are classified to the statement of loss. Transaction costs are added to the carrying amount of the financial instrument.

Held to maturity, loans and receivable and other liabilities **-** Financial assets classified as held-to-maturity, loans and receivables and other liabilities are required to be measured at amortized cost using the effective interest method of amortization.

The Company has implemented the following classification:

- Cash and cash equivalents are classified as held-for-trading;
- Amounts receivable are classified as loans and receivables;
- Long-term investments are classified as available for sale;
- Accounts payable and accrued liabilities, debenture payable, convertible debentures and obligations under capital lease are classified as other liabilities;

Mining properties
The Company records its interests in mining properties and areas of geological interest at cost less option payments and other recoveries. Exploration costs relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining properties on a regular basis to determine whether any write-downs are necessary. These costs will be amortized over the estimated useful life of mining properties following commencement of production. General exploration expenditures not related to specific mining properties are expensed as incurred in the statement of loss under search for properties.

Proceeds on the sale of mining properties are applied by property in reduction of the mining properties, then in reduction of the deferred exploration costs and any residual is recorded in the statement of loss unless there is contractual work required in which case the residual gain is deferred and will be reduced the contractual disbursements when 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 balance sheet as accounts payable. These amounts are reduced gradually when the exploration work are performed. The project management fees received when the Company is the operator are recorded in the statement of loss.

Impairment of long-lived assets
Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, as identified by comparing their net book value to the estimated undiscounted future cash flows generated by their use and eventual disposal. Impairment is measured as the excess of the carrying value over the fair value, determined principally by discounting the estimated net future cash flows expected to be generated from the use and eventual disposal of the related asset. In the event that the Company has insufficient information about its long-lived assets to estimate future cash flows to test the recoverability of the capitalized costs, the Company will test for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

When it is determined that a mining property is impaired, it is written down to its estimated fair value.

International Financial Reporting Standards

The Canada's Accounting Standards Board ("AcSB") requires all Canadian public issuers to report under International Financial Reporting Standards ("IFRS") for interim and annual financial statements for years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company's first quarter ended November 30, 2011 ("Q1-2012") with comparative information for the previous period. The adoption of IFRS will result in some change to accounting policies.

The Company has developed a changeover plan which includes the following three phases and sets out activities to be performed in each phase over the life of the project:

Phase 1 - Diagnosis phase: The initial diagnostic stage has been completed. The diagnosis has identified the main differences between the accounting treatments applied by the Company under Canadian GAAP and the IFRS as well as the practical implications related to the measure. The differences were further classified according to their degree of complexity and by the amount of work to implement with respect to the measure.

Phase 2 - Evaluation and design phase: The Company completed this phase involving the development of the detailed plan for convergence and implementation, analyses of policy alternatives allowed under IFRS, the specification of changes required to existing accounting policies, and the development of solutions for information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.

Phase 3 - Implementation phase: This phase will involve the implementation of all changes approved in the evaluation and design phase and will culminate in the preparation of the Company's financial reporting under IFRS. Preparation of the Q1-2012 and comparative data (Q1-2011 and the August 31, 2011) under IFRS, with reconciliation of the Canadian GAAP opening balance sheet as of September 1, 2010 and the design and implementation of the new IFRS control environment, are currently in progress, to be completed in conjunction with the Q1-2012 IFRS financial statements. At the present time, the calculations to measure the impacts on the opening balance sheet are still ongoing.

Impact of Adopting IFRS on the Company's Financial Statements
The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. The Company's first financial statement prepared in accordance with IFRS will be the interim financial statements for the first quarter ended November 30, 2011, which will include notes disclosing transitional information and disclosure of the new policies under IFRS.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. While the quantitative impact of these differences on the Company' future financial statements has not been yet determined. The highlight areas of potential differences in general are summarized as follows and this is not intended to be a complete list.

First time adoption of International Financial Reporting Standards (IFRS 1)
IFRS 1 provides guidance on the general approach to take when adopting IFRSs for the first time. The fundamental principle of IFRS 1 is the retrospective application of IFRSs effective as of the date of adoption. IFRS 1 takes into account that a full retrospective application may not be possible or appropriate in all situations and allows for optional exemptions and mandatory exceptions to retrospective application of certain IFRSs.

Share-based payment (IFRS 2)
Unlike Canadian GAAP, IFRS 2 requires that the extinguishment of granted stock options be taken into account at initial recognition of the share-based compensation costs at the time of granting rather than recognizing the extinguishments when they occur. Moreover, in case of graded vesting or awards with a service condition, IFRS 2 requires that each vesting range be measured and recorded separately so as to obtain a distinct fair value for each range.

Given the choice made for the exemption allowed by IFRS 1, the Company will use this exemption for all stock options whose rights have been acquired as of September 1, 2010 and will apply IFRS 2 to stock options which will vest after September 1, 2010. Future amendments to this policy will not impact the August 31, 2010 financial statements, except for stock options, whose rights vested after the date of transition. The Company believes that the changes of this policy will have a limited impact on its financial statements, given that all the granted stock options vested immediately at the grant date, except for a non material number of stock options granted which vested after September 1, 2010.

Exploration and Evaluation of Mineral Resources (IFRS 6)
IFRS 6 applies to expenditures incurred on properties in the exploration and evaluation (E&E) phase. The E&E phase begins when an entity obtains the legal rights to explore a specific area and ends when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. IFRS 6 requires entities to select and consistently apply an accounting policy specifying which E&E expenditures are capitalized and which are expensed. The Company's policy under Canadian GAAP requires exploration and evaluation costs to be capitalized if the Company believes that these costs have the characteristics of property, plant and equipment.
Under IFRS, the Company will continue with its current policy of deferring exploration and evaluation expenditures until such time as the properties are either put into production, sold or abandoned.

Also under IFRS, exploration and evaluation assets shall be classified as either tangible or intangible assets according to the nature of the assets acquired. The Company will classify its assets accordingly.

Property, plant and equipment (IAS 16)
Under IFRS, the Company can elect to measure property, plant and equipment ("PPE") using either the cost model or the revaluation model. Canadian GAAP only accepts the cost model. The Company will not select the revaluation model due to the difficulty and effort needed to determine the fair value.

Under IAS 16, each part of a PPE with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. The residual value and useful life of an asset shall be reviewed at least at each year end, while Canadian GAAP requires the same review but on a regular basis. The Company believes that these changes will have no impact on the financial Statements on the changeover date since its PPE are basic. Nevertheless, should the Company acquire complex PPE in the future; additional attention will be needed to identify the different parts of each PPE.

Impairment of Assets (IAS 36)
Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring impairment by comparing asset carrying values to their fair value (which is calculated using discounted cash flows). IAS 36 uses a one-step approach for testing and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

The Company's accounting policies related to impairment of mining properties will be changed to reflect these differences; however, the Company does not expect these changes to have an immediate impact on the carrying value of its assets given that the Company already compares the carrying value of its properties to their fair value at the end of each quarter to determine whether any write-offs or write-down are necessary.

Accounting for flow-through financings
Under Canadian GAAP, the entire proceeds received on the issuance of flow-through shares are credited to share capital. At the time of the renouncement of the tax deductions related to the resource expenditure for income tax purposes, temporary taxable differences are created and a deferred income tax liability is recorded, and the related charge is treated as share issue costs. Under IFRS, the proceeds from issuance are allocated between the offering of shares and the sale of taxe benefits based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference which is extinguished by crediting income tax expense as the Company spends the flow-through proceeds. The Company is in the process of quantifying the impact of adopting this approach in accounting for flow-through financings under IFRS.

Financial instruments (IAS 39)
Under IFRS, all financial assets must be classified into "loans and receivables", held-to-maturity", "fair value through profit or loss" or "available-for-sale" categories. Like IFRS, all financial assets under Canadian GAAP must be classified into "loans and receivables", "held-to-maturity", "held-for-trading" (fair value through profit or loss) or "available-for-sale". However, there are certain differences from IFRS with respect to the types of assets that may be classified into each of these categories.

Financial instruments may be designated on initial recognition as measured at fair value through profit or loss only if certain criteria are met. Like IFRS, financial instruments under Canadian GAAP may be designated on initial recognition as held for trading (and measured at fair value through profit and loss) only if certain criteria are met. However, these criteria are less restrictive than under IFRS. The Company does not expect any material impact of these potential modifications; however a thorough evaluation will be performed as at the transition date in accordance with IFRS.

The Company is also in the process of evaluating the impact of the adoption of IFRS on certain debt instruments.

Income Taxes (IAS 12)
In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The Company does not expect any changes to its accounting policy related to income taxes that would result in a significant change to line items within its financial statements. However, a thorough evaluation will be performed as at the transition date in accordance with IFRS, including the impact of certain debt and equity instruments on the recognition and measurement of future (deferred) income taxes.

Information regarding outstanding shares

The Company can issue an unlimited number of common shares, without par value. As at December 21, 2011, there were 36,470,328 issued and outstanding shares and no shares were held in escrow. Since September 1, 2011, the Company has issued 1,439,435 shares for the warrants exercised of which 1,435,185 shares were issued in relation to the convertible debentures, 80,000 shares issued for the exercised stock options and 512,542 shares issued through the 512,542 units issued for the conversion of a $300,000 convertible debenture issued by Azimut on November 20, 2008 and its related accrued interest.

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 was increased to 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 Venture Exchange, on the day before the grant date. The options have a maximum term of ten years following the granting date; the options granted will be exercisable, unless otherwise approved by the Board of Directors. As at December 21, 2011, 2,125,000 stock options were outstanding and exercisable following 80,000 stock options were exercised in November. Their exercise prices range from $0.34 to $4.30 and expiry dates from March 4, 2012 to April 1, 2021.

Also as at December 21, 2011, 3,383,782 warrants were outstanding. Since September 1, the Company issued 256,271 warrants through 512,542 units issued for the conversion of a $300,000 convertible debenture issued by Azimut on November 20, 2008 and its related accrued interest. A total of 1,439,435 warrants were exercised and 6,271 warrants expired. Their exercise prices range from $0.95 to $1.40 and expiry dates from December 19, 2011 to March 19, 2012.

Financial instruments

The Company has exposure to various financial risks, such as credit risk, liquidity risk and equity 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 long-term 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 and from a related party 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 2011, an allowance for doubtful accounts of $47,320 ($Nil in 2010) was taken. The Company follows closely their cash position to reduce its credit risk on amounts receivable.

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 $3,834,831 ($2,704,823 at August 31, 2010, of which $502,581 was restricted pursuant to flow-through financings) to settle current liabilities of $1,655,450 ($1,932,404 at August 31, 2010). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The Company manages its liquidity needs by carefully monitoring cash outflows due in day-today business. Due to the nature of the activities of the Company, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing, through various means, including equity financing.

The following are the contractual maturities of financial liabilities, including interest where applicable as at August 31, 2011:

	Carrying amount	**Contractual cash flows**	**0 to 12 months**	**12 to 24 months**	**More than 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payables and accrued liabilities	1,539,350	1,539,350	1,539,350	-	-
Long-term liabilities including the current portion and obligation under capital lease	570,818	616,100	416,100	100,000	100,000

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 charted bank.

As at August 31, 2011, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Long-term investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Obligation under capital lease	See note 11 to the financial statements
Debentures	12% interest bearing

Since Cash and cash equivalents are subject to variable interest rate, a fluctuation of interest rate will have no impact or 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 shares are recorded in other comprehensive income (loss). For the Company's available-for-sale shares, a variation of ±10% of the quoted market prices as at August 31, 2011, would result in an estimated effect in Other comprehensive income (loss) of $38,000 ($37,000 for the year ended August 31, 2010).

Capital Management

The Company considers the items included in shareholders' 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, 2011 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 restricted in use for exploration expenses. The variation of capital components is explained in the statements of shareholders equity.

Risks and uncertainties

Financial risks
Management believes that it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. The Company will spend its existing working capital and raise additional funds as needed to continue its exploration program on its properties and its operation beyond August 31, 2012. 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.

Property title risk
Although the Company has taken steps to verify property titles relating to its mining properties in which it holds an interest, and that those steps are in accordance with industry standards regarding the current exploration stage on the properties, these procedures do not guarantee the Company's right to the property title. The property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental risk
The Company is susceptible to various environmental incidents that can occur during exploration work. The Company implements and maintains an environmental risk management system that includes operational plans and practices. The Company is in compliance with the regulatory requirements.

Uninsured hazards
Hazards, such as unusual geological conditions, are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company

Competition
The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

Conflicts of interest
Certain directors, proposed directors or officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider in addition to economic value, the degree of risk to which the Company may be exposed and its financial position at that time.

Key employees
Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

Canada Revenue Agency and provincial tax agencies
No assurance can be made that the Canada Revenue Agency and the provincial tax agencies will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses, or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

Outlook

In the coming year, the Company is moving forward with a focus primarily on initial exploration work for its major copper-gold-silver properties (Rex, NCG and Diana). Based on current industry trends and demand, the Company will also continue to pursue the mineral potential modelling of several regions in Quebec with the objective of generating new projects. Financing may be required for this purpose in the upcoming fiscal year.

Additional information and continuous disclosure

This Management's Discussion and Analysis report was prepared on December 21, 2011. The Company regularly divulges additional information through press releases and its financial statements on the SEDAR website (www.sedar.com).

Caution regarding forward-looking information

This document contains forward-looking statements, which reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". The forward-looking statements involve risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are many factors which could cause such differences, particularly volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies, and failure to obtain necessary permits and approvals from government authorities, as well as other development and operating risks. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward looking statement, whether or not it should be revised because of new information, future events or otherwise required to do so by applicable Securities Laws.

(s) Jean-Marc Lulin	(s) Moniroth Lim
President and CEO	Secretary-Treasurer in capacity of Chief Financial Officer