AZIMUT EXPLORATION INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended August 31, 2012

INDEX

SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS

This report represents a complementary addition to the annual financial statements by providing additional contextual and prospective information on Azimut Exploration Inc. ("Azimut" or the "Company") financial position and operating performance for the years ended August 31, 2012 and 2011. This report should be read in conjunction with the Company's annual financial statements as of August 31, 2012. All figures are in Canadian dollars unless otherwise noted. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

CORPORATE PROFILE AND MISSION

Azimut is a publicly traded Canadian exploration-stage company specializing in mineral potential assessments 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 20, 2012, Azimut holds seventeen (17) exploration properties comprising 15,586 claims (14 properties and 16,719 claims as at August 31, 2012). 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 20, 2012, the Company's properties are as follows (Figure 1):

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)
- 3 uranium properties (North Rae, Daniel Lake, and Kangiq)
- 3 copper-gold properties (Qassituq, Kovik and Tasinga)
- 1 gold property (Nantais, 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

Jean-Marc Lulin, geologist, president, chief executive officer and director of Azimut Exploration Inc, is a qualified person under NI 43-101 and has reviewed the technical disclosures presented in subsequent sections. All claim totals, surface areas, and property descriptions are effective as at December 20, 2012.

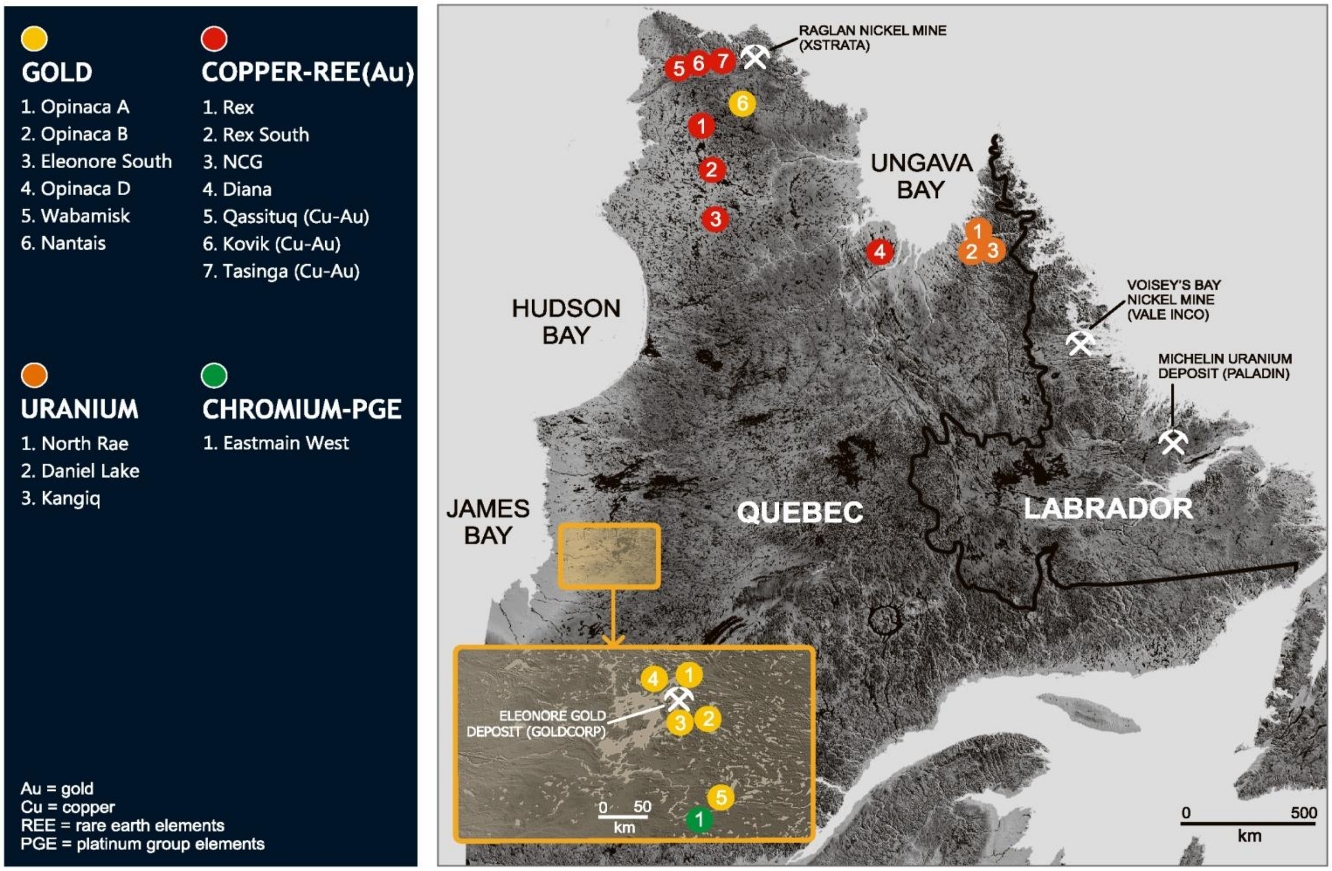

Figure 1: Azimut property location map.

OVERALL PERFORMANCE

Summary of activities for the last quarter and subsequent activities:

September 2012

- Azimut announces gold results on the Nantais Property in Nunavik, Northern Quebec
- Azimut obtains encouraging copper-gold results from the Copperton Zone on the Rex South property in Nunavik, Northern Quebec
- Azimut completes its exploration program along the Rex Trend in Nunavik, Northern Quebec

October 2012

- Azimut strengthens the Augossan Zone (Cu-W-Au-Ag) on its Rex South property in Nunavik, Northern Quebec

November 2012

- Azimut's partner Aurizon advances on the Opinaca A & B gold properties in the James Bay region of Quebec

NUNAVIK REGION

Azimut believes the Nunavik region has significant potential for large-scale copper, gold, silver, tungsten, rare earth element (REE), and uranium deposits. The results of Azimut's mineral potential assessment covering 640,000 km^2 in northern Quebec generated many quality exploration targets in Nunavik, several of them 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 eight (8) properties covering polymetallic, copper-gold, copper-only or gold-only projects and three (3) uranium projects.

NUNAVIK – POLYMETALLIC

Azimut identified very large and very strong geochemical footprints for copper and REE in Nunavik, northern Quebec, and began acquiring the most significant targets in western Nunavik (between Hudson Bay and Ungava Bay) in November 2009. These targets now form the 100%-owned Rex, Rex South, Nunavik Copper Gold ("NCG"), and Diana polymetallic properties.

The extensive Rex, Rex South and NCG properties (collectively 11,969 claims; 5,204.8 km^2) provide a commanding position over **The Rex Trend** (Figure 2), considered by Azimut's management to be a new mineral province with a potential for hosting large-scale deposits, including iron oxide copper-gold ("IOCG") deposits, intrusion-related polymetallic deposits, and sediment-hosted gold deposits. The Rex Trend is largely defined by a strong 330-km-long copper anomaly in lake-bottom sediments coupled with a strong 100-km-long REE anomaly (press releases of March 31 and July 22, 2011), and presents similarities with the Carajás Mineral Province in Brazil (see press release of April 4, 2012). Work performed to date on the three Rex Trend properties comprises 21,379 line-km of airborne geophysics, 6,226 in-fill lake-bottom sediment samples, 7,628 rock samples from prospecting, and 7,070 m of rotary drilling (82 holes), giving Azimut a key exploration edge in the region.

Rex property (copper-gold-silver-REE)

The wholly-owned polymetallic Rex property (4,992 claims in 7 claim blocks; 2,127.4 km^2) forms the northern segment of the 330-kilometre Rex Trend that includes the Rex South and NCG properties. Since announcing the initial copper discovery at Rex (press release of October 13, 2010), Azimut has identified more than 20 other copper or polymetallic (copper-gold-silver-cobalt-tungsten) prospects on this 100-km-long property. Drilling results, supported by prospecting, geological, structural and geochemical data, have confirmed several multi-kilometre IOCG-type targets. Azimut is also investigating the property's potential for other mineralization types, including diamonds. The main zones and target types are summarized below.

The **RBL Zone** was discovered in the summer of 2010 (press release of October 13, 2010). The zone is at least 3 km long by 50 to 200 m wide with a maximum grade to date of 11.3% Cu (grab sample). The 2011 drilling program (1,764 m in 23 short holes: 21 rotary, 2 RC) yielded the following best grades: 0.34% Cu over 4.58 m, 0.13% Cu over 9.14 m, 0.14% Cu over 13.72 m, 0.64% Cu over 1.52 m and 0.17% Cu over 6.10 m (press release of February 9, 2012). The envelope of mineralization and alteration is recognizable over the entire zone, and the drilling program revealed that copper values are frequently associated with anomalous values in cobalt and tungsten within a wide (up to 200 m) envelope containing anomalous barium, manganese, phosphorus and iron. Mineralization is present as breccias containing chalcopyrite, bornite and pyrite, as well as networks of magnetite and/or hematite veins/veinlets, all of which are hosted by migmatitic gneisses. Mineralization is accompanied by dominantly strong potassic alteration and pervasive silicification, with local albite, chlorite and epidote alteration. Anomalous values in gold (up to 0.16 g/t Au) and silver (up to 5.0 g/t Ag) were also obtained in surface grab samples during the 2010 program (press release of October 13, 2010).

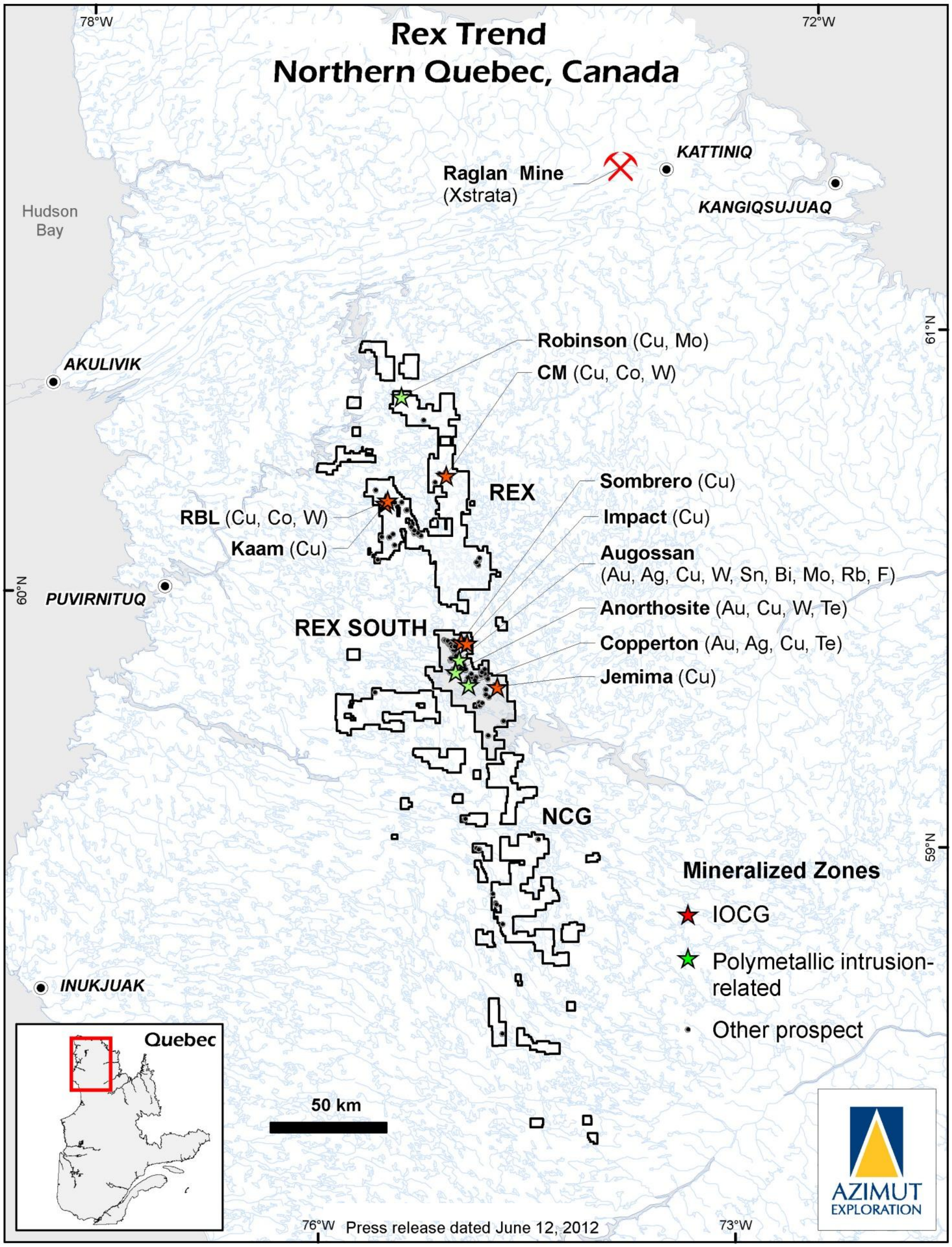

Figure 2: Distribution of Azimut's wholly-owned Rex, Rex South and NCG properties along the Rex Trend, a newly recognized mineral belt in Northern Quebec.

The **CM Zone** was also discovered in the summer of 2010 and announced in the press release of October 13. The zone measures at least 2.5 km long by 50 to 100 m wide with a maximum grade to date of 4.3% Cu (grab sample). The envelope of mineralization and alteration is recognizable over the entire zone at surface, and the 2011 drilling program (6 short holes, 408 m: 4 rotary, 1 RC) revealed a 150-metre-wide strong alteration system with anomalous values in copper, cobalt, tungsten, molybdenum, barium, manganese, phosphorous and iron (press release of February 9, 2012). 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 during the 2010 program (see press release of October 13, 2010).

The geological context of the **RBL and CM zones** (large alteration and breccia systems spatially associated with regional-scale structures) may indicate significant depth to the systems, and both show excellent potential for extensions based on their strong magnetic signatures and geochemical footprints in lake-bottom sediments. Azimut considers both to be significant IOCG-type targets. Furthermore, the two zones, spaced 27 km apart, demonstrate the regional scale of mineralization at Rex.

The 1.5-km-long copper-molybdenum **Robinson Zone** was discovered by prospecting in the summer of 2011 (press release of July 22, 2011). 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. Prospecting work during the 2011 summer program indicates that the Robinson Zone is part of a 30-km trend in the northern part of Rex that contains four (4) other prospects. Results along this trend include 20 rock samples with copper values higher than 0.1% Cu and up to 0.38% Cu, and 10 samples with molybdenum values ranging from 204 ppm Mo to 0.32% Mo (press release of February 9, 2012).

A number of other prospects on the property, several of them kilometre-scale, have also yielded significant grades for copper (up to 4.4 % Cu), gold (up to 16.2 g/t Au and 580.0 g/t Au), silver (up to 196.0 g/t Ag), tungsten (up to 0.87% W), molybdenum (up to 0.65% Mo), rhenium (up to 0.91 g/t Re) and bismuth (up to 285 ppm Bi) (press releases of February 9, 2012 and October 12, 2010). In addition, results in the southern part of Rex revealed a 4-km trend defined by anomalous barium values (up to 11.95% Ba) and a copper showing (0.67% Cu) within a strong, 13-km-long copper-molybdenum-cobalt-REE-manganese footprint in lake-bottom sediments. This area represents a top-priority IOCG target.

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. 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. 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. In addition, data from the 2010-2011 programs reveal a strong exploration potential for diamonds. The ongoing assessment is taking into account in-fill multi-element lake-bottom sediment results, a detailed aeromagnetic survey, a structural interpretation, and prospecting results for newly discovered ultramafic intrusive rocks and carbonatite dykes (press release of February 9, 2012). The Rex, Rex South and NCG properties cover a deep-seated structural corridor (the “Allemand-Tasiat Zone”), which has been previously recognized by the Ministry of Natural Resources of Quebec as being prospective for diamonds.

The 2011 exploration program was part of Azimut’s self-funded $3.8-million combined exploration program for the Rex and NCG properties. The program comprised ground-based geophysical surveys (49.2 line-km of IP and 122.3 km of magnetics) to better define drilling targets on the RBL and CM zones, in-fill lake-bottom sediment sampling (614 samples) to further define targets in the western part of the project, 1,116 grab rock samples from outcrops and boulders during property-wide prospecting, and 2,172 metres of reconnaissance drilling. The drilling program consisted of 29 short holes (2,113 m of standard rotary percussion drilling in 26 holes (“rotary”), and 59 m of reverse (“RC”) circulation drilling in 3 holes), from which 1,382 drill samples were sent for analysis. Results were published in the press release of February 9, 2012 and are summarized in the descriptions above.

In 2012, Azimut's self-funded $360,000 Nunavik program, which included the Rex property, was designed to increase the sampling density on already known quality mineralized zones and perform reconnaissance prospecting on newly defined targets. A total of 175 rock grab samples were collected on the Rex property. Azimut may elect to pursue its assessment of the Rex project in 2013 through partnership or by itself if the financial conditions are adequate.

Rex South property (gold-copper-silver-tungsten)

The wholly-owned polymetallic Rex South property (2,137 claims, 931.0 km^2; 1 block) forms the middle segment of the 330-kilometre Rex Trend that also includes the Rex and NCG properties. In May 2010, Azimut announced the signing of a letter of intent with Aurizon Mines Ltd ("Aurizon") in which Aurizon can acquire an initial 50% interest in the Rex South 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. Aurizon has since withdrawn from its option to earn an interest on the Rex South property (Azimut press release of June 12, 2012).

In 2012, Azimut completed a self-financed $360,000 exploration program in Nunavik that included infill grab sampling on two large zones of the Rex South property. Results were published in press releases dated September 13, 2011 and October 4, 2012 (see below for details). In 2011, Azimut and Aurizon jointly designed a comprehensive exploration program, operated by Aurizon, comprising ground-based geophysical surveys (53.9 line-km of IP and 149.5 km of magnetics), 257 infill lake-bottom sediment samples, 2,530 prospecting samples, 145.35 metres of channel samples (149 samples from 16 channels), and 4,934 metres of drilling in 53 holes on two zones (4,467 m of rotary and 467 m of RC; total of 3,171 samples). Results were published in press releases dated October 31, 2011 and April 4, 2012 (see below for details). In 2010, Azimut was the operator of an exploration program that included property-wide airborne geophysics (5,410 line-km), a detailed lake-bottom sediment geochemical survey (765 samples), and prospecting.

More than 30 mineralized zones and prospects have been discovered at Rex South to date (Figure 3). The gold-silver-copper-tungsten-tin **Augossan Zone** is the largest known mineralized zone and is of particular interest for its tungsten content given the surge in tungsten price in recent years. It represents the first reported occurrence of significant tungsten grades in the Nunavik region. Other commodities of interest are bismuth, tantalum, beryllium, rubidium, molybdenum, rhenium, tellurium and lithium.

The Augossan Zone represents a large polymetallic envelope at the contact between a fluorite-topaz-bearing granitic intrusion (the **Qalluviartuuq Intrusive Complex**) and volcano-sedimentary rocks. It is 7,000 metres long and 100 to 350 metres wide as defined by drilling, channelling and prospecting data. It remains open in all directions, notably toward the intrusion.

A total of 78 grab rock samples were collected along this zone in 2012, mostly from outcrops. The best grades include:

Copper (%)	Tungsten (%)	Gold (g/t)	Silver (g/t)	Sample #
0.84	1.03	-	31.4	L253840
1.71	0.02	1.3	17.9	L253842
1.27	0.18	-	45.1	L253839
0.37	0.21	0.6	62.3	L253836
0.09	1.35	0.4	-	L253803
1.08	0.02	0.6	9.0	L253849

The results for all 788 grab rock samples collected from this zone from 2010 to 2012 can be summarized as follows:

- Copper: 136 samples returned grades higher than 0.1% Cu, including 25 samples with grades ranging from 0.5% to 2.56% Cu
- Tungsten: 71 samples returned grades higher than 0.05% W, including 49 samples with grades ranging from 0.1% to 4.62% W
- Gold: 141 samples returned grades higher than 0.1 g/t Au, including 28 samples with grades ranging from 1.0 g/t to 23.3 g/t Au
- Silver: 209 samples returned grades higher than 1.0 g/t Ag, including 49 samples with grades ranging from 10.0 g/t to 90.0 g/t Ag

Channel sampling highlights from 2011 include: 13.75 g/t Au, 15.8 g/t Ag and 0.23% Cu over 1.1 m; 3.15% W over 1 m; and 0.64% W over 3 m. Channels were cut at 90 degrees to the apparent orientation of mineralization. Drilling highlights from 2011 include: 0.14% W over 15.24 m with an interval of 4.20 g/t Ag, 893 ppm Bi, 0.12% W, 0.35% Cu over 7.62 m; 1.28 g/t Au, 8.41 g/t Ag, 0.12% Cu over 6.1 m; 1.10 g/t Au, 2.60 g/t Ag over 9.14 m; 0.56% W, 2.84 g/t Ag, 0.11% Cu over 1.52 m. True widths of the drilling intervals were estimated to be approximately 75% to 100% of core length.

The gold-copper-tungsten **Anorthosite Zone** was also discovered in 2010 (press release of November 8, 2010), several kilometres south of the Augossan Zone. A few reconnaissance holes and prospecting data have outlined, in a preliminary manner, a 4-km-long by 200-m-wide mineralized envelope with Au, Ag, Cu, W and Te mineralization.

The **Copperton Zone**, discovered about 5 km southeast of the Anorthosite Zone, is 3,500 metres long by 20 to 100 metres wide. The zone's characteristic chalcopyrite and pyrite mineralization occurs as disseminations, veinlets and massive sulphide lenses hosted in a variably sheared, steeply dipping feldspathic intrusion, as well as amphibolites and gneissic metasediments. Results from the 2012 infill sampling program reveal consistent copper-gold-silver grades within the known envelope. The best grades among the 218 grab rock samples include:

Copper (%)	Gold (g/t)	Silver (g/t)	Sample #
7.37	3.86	56.9	L253563
2.17	9.56	31.4	L253585
1.19	1.96	11.5	L253742
0.74	4.62	4.46	L253549

The results for all 273 samples collected from this zone in 2011 and 2012 can be summarized as follows:

- Copper: 91 samples returned grades higher than 0.1% Cu, including 32 samples with grades ranging from 0.5% to 9.28% Cu
- Gold: 89 samples returned grades higher than 0.1 g/t Au, including 19 samples with grades ranging from 1.0 g/t to 9.56 g/t Au
- Silver: 77 samples returned grades higher than 1.0 g/t Ag, including 14 samples with grades ranging from 10.0 g/t to 82.7 g/t Ag

Several samples returned significant tellurium (up to 38.4 g/t Te) and cobalt values (up to 500 ppm Co).

The 2-km-long **Aura–Pegor Zone** is characterized by disseminated pyrite and strong alteration, including tourmaline in veinlets or stockworks accompanied by silica and albite. Grab sample assays include 15 samples with grades ranging from 0.5 g/t Au to 11.75 g/t Au. In addition, this zone presents anomalous values in copper (up to 0.37% Cu), tungsten (up to 0.06% W), bismuth (up to 0.14% Bi) and tellurium (up to 34 g/t Te).

The **Jemima Zone** forms a mineralized corridor 2 kilometres long by 30 to 100 metres wide, characterized by disseminated to semi-massive chalcopyrite and bornite associated with hematite-magnetite in veins, veinlets or as breccia cement, accompanied by strong pervasive potassic alteration, silica, chlorite and epidote. Mineralization and associated alteration are related to a brittle structure that clearly crosscuts the Archean gneissic country rocks. Assays for 15 grab samples ranged from 0.5% to 2.86% copper, up to 0.17% molybdenum and up to 0.422 g/t rhenium).

The Rex South property demonstrates evidence for two types of district-scale mineralized systems:

1. A system mainly emplaced around the 15 km x 5 km ovoid-shaped, fluorite-topaz-bearing Qalluviartuuq Intrusive Complex, that includes the Augossan, Anorthosite and Copperton zones, and the Pegor, Ferrus, Dragon and Le Breuil prospects. Considerable additional exploration potential exists along the 30-km-long contact between the intrusion and the volcano-sedimentary host rocks, as well as within the intrusion itself. This 30-km prospective trend is marked by a linear magnetic anomaly around the intrusion. The Aura-Pegor and Le Breuil zones, both characterized by abundant tourmaline and lesser fluorite, may represent a less eroded part of the system (roof zones?) along the NW and SE extensions of the Augossan trend.
2. IOCG mineralization associated with brittle structures and characterized by copper-dominant values accompanied by hematite and pervasive potassic alteration, represented by the Jemima Trend and the

Sombrero and Impact prospects. The Larissa, Agaku-1, Agaku-2, Agaku-4 prospects may also represent IOCG mineralization.

A comparison can be made between the context of the Rex Trend (i.e., the Rex, Rex South and NCG projects) and the world-class Carajás Mineral Province in Brazil. The latter hosts several large IOCG deposits (Sossego, Salobo, Alemao, Gameleira and Cristalino) and intrusion-related Cu-Au-(W-Bi-Sn) and W deposits (Breves, Aguas Claras) associated with anorogenic granite intrusions. The ages for the Carajás IOCG deposits range from Archean (2.77 Ga) to Paleoproterozoic (1.73 Ga), and the intrusion-related Breves deposit is Paleoproterozoic (1.88 Ga). The Breves deposit (50 Mt @ 1.22% Cu, 0.75 g/t Au, 2.4 g/t Ag, 0.12% W, 70 ppm Sn, 175 ppm Mo, and 75 ppm Bi) has a number of features in common with the Qalluviartuuq mineralized system at Rex South, particularly the presence of fluorite, tourmaline, chalcopyrite, pyrite, arsenopyrite, wolframite, cassiterite, bismuthinite and native bismuth.

Azimut may elect to pursue its assessment of the Rex South project in 2013 through partnership or by itself if the financial conditions are adequate. Airborne geophysics, projecting and drilling are planned to follow up on previous drilling intersections and to test new targets, with particular focus on the Copperton, Augossan and Jemima zones.

NCG property (copper-gold)

The NCG property (4,840 claims in 22 blocks; 2,146.4 km^2) forms the southern segment of the 330-kilometre Rex Trend that also includes the Rex and Rex South properties. The claim blocks 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 field reconnaissance program in the summer of 2011 and a small program in 2012. The property-wide program in 2011 produced 2,584 in-fill lake-bottom sediment samples and 746 rock grab samples, mostly from outcrops or slightly displaced boulders (see press release of May 8, 2012). The results are presented below.

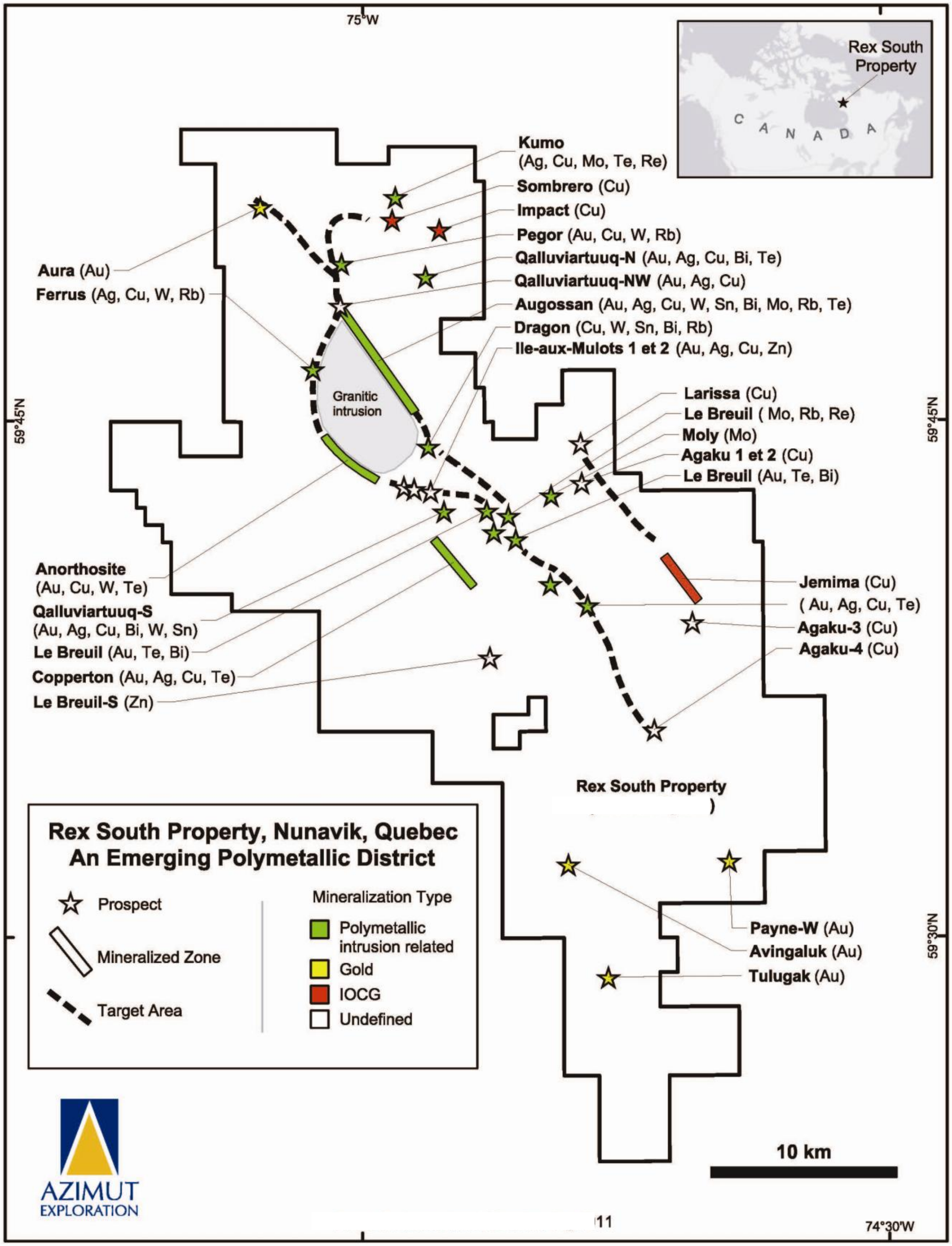

Figure 3: Main mineralized zones on the wholly-owned Rex South polymetallic (Au-Cu-Ag-W) property, one of three Azimut properties covering the Rex Trend in Northern Quebec.

The most notable prospecting results were for gold (63 samples returned grades higher than 0.1 g/t Au, including 21 samples ranging from 1.0 g/t to 26.1 g/t Au), silver (36 samples returned grades from 1.0 g/t to 33.8 g/t Ag) and copper (21 samples returned grades from 0.1% to 0.66% Cu). In addition, elevated tungsten (up to 0.77% W), molybdenum (up to 0.68% Mo) and rhenium values (up to 0.27 g/t Re) were also obtained.

Three of the main prospects identified to date are located in the central part of the NCG property along a 48-km long gold-(copper-tungsten) trend. From north to south, they are:

- Nico Prospect (H Block): 6 samples with grades ranging from 0.73 g/t Au to 3.42 g/t Au; hosted by felsic volcanics
- NCG West Prospect (L Block): 4.69 g/t Au, 33.8 g/t Ag, 0.61% Cu and 192 ppm Mo in one sample, and tungsten values of 0.3% W and 0.12% W in two other samples; hosted by felsic and mafic volcanics
- R Block Prospect: 7 samples with grades ranging from 1.48 g/t Au to 26.1 g/t Au; associated with pyrite in banded iron formations
- Fortin Prospect (B Block): anomalous gold (up to 0.4 g/t Au) and copper values (up to 0.31% Cu) associated with a strongly silicified pyrite-rich rock along a zone 650 metres long; this area in the northern part of the property represents evidence of a newly recognized late-stage mineralized event in the region and warrants additional work
- Historical PNAR Prospect (Q Block): 5 samples with grades ranging from 0.52 g/t Au to 12.65 g/t Au from a magnetite iron formation and an intermediate volcanic unit (historical grades up to 7.9 g/t Au)

In-fill lake-bottom sediment geochemistry (average sampling density of 1 sample/km^2) confirmed and outlined the giant copper anomaly previously identified by the Company using government data from a regional-scale survey (see press release dated March 31, 2011). The new multi-element geochemical results, combined with regional geologic and magnetic data, were used to characterize 33 quality targets within 22 different areas, including some containing 2 or 3 different targets. A few targets correspond to known prospects discovered during Azimut's previous exploration program (see descriptions above), but most remain unexplored. The main target types are as follows:

- 7 copper-only
- 6 copper-molybdenum, copper-molybdenum-cobalt, or copper-molybdenum-rare earths
- 7 gold-only or copper-gold
- 14 nickel-copper or nickel-copper-cobalt

Several high metal peaks are noticeable within these targets, including values in copper up to 791 ppm Cu, gold up to 472 ppb Au, nickel up to 663 ppm, rare earths up to 2,323 ppm REE, and molybdenum up to 423 ppm Mo.

The 2011 program was part of Azimut's self-funded \$3.8-million combined exploration program for the Rex and NCG properties. In 2012, Azimut's self-funded \$360,000 Nunavik program, which included the NCG property, was designed to increase the sampling density on already known quality mineralized zones and to perform reconnaissance prospecting on newly defined targets. A total of 61 rock grab samples were collected on the NCG property. Azimut may elect to pursue its assessment of the NCG project in 2013 through partnership or by itself if the financial conditions are adequate.

Diana property (copper-nickel-cobalt-REE)

Azimut acquired the Diana property in east Nunavik by map-staking in 2009. The property comprises five (5) separate claim blocks totalling 479 claims over a surface area of 216.9 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 target areas were identified, four 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.

NUNAVIK – COPPER-GOLD

Qassituq, Kovik and Tasinga properties

Azimut has three (3) wholly-owned copper-gold properties in northern Nunavik: Qassituq (119 claims, 49.0 km^2), Kovik (300 claims, 123.1 km^2) and Tasinga (15 claims, 6.1 km^2). All three properties lie north of the Cape Smith Belt, ranging in distance from 60 to 70 km south of the Inuit village of Salluit on the Arctic Ocean and 70 to 140 km west of the Raglan mine.

NUNAVIK – GOLD-ONLY

Nantais property

The wholly-owned Nantais gold property (234 claims; 97.9 km^2) is located about 80 km south of Xstrata's world-class Raglan nickel mine and 115 km southwest of the Inuit village of Kangiqsujuaq. Azimut conducted its first prospecting program in the summer of 2011, producing 24 grab samples mostly from outcrops, and followed up in 2012 with another 128 samples. To date, mineralization has been recognized along a 3-kilometre-long prospective trend, open in all directions, which includes three historical prospects. Mineralization is hosted within a steeply dipping north-trending unit of mafic and felsic volcanic rocks belonging to the Nantais Complex of the Minto Block, a geological division of the Archean Superior Province. The results and geological context indicate an excellent potential for gold-rich polymetallic volcanogenic massive sulphide deposits.

The best results from the 2012 program are as follows (see press release dated September 18, 2012):

Gold (g/t)	Silver (g/t)	Copper (%)	Sample #
15.15	31.30	0.86	J351726
15.50	4.53	0.10	J351722
9.98	9.26	0.06	J351723
2.21	66.10	0.80	J351728
1.83	41.50	0.45	J351717

Many samples also returned anomalous zinc (up to 2.26% Zn) and lead values (up to 1.29% Pb). Highlights in 2011 included the discovery of two new gold prospects: 16.7 g/t Au from an outcrop and 26.1 g/t Au from a near-source boulder (see press release of April 19, 2012). The results for all 152 samples collected from this property in 2011 and 2012 can be summarized as follows:

- Gold: 31 samples returned grades higher than 0.1 g/t Au, including 14 samples ranging from 1.0 g/t to 26.10 g/t Au
- Silver: 93 samples returned grades higher than 1.0 g/t Ag, including 15 samples ranging from 10.0 g/t to 99.30 g/t Ag
- Copper: 17 samples returned grades from 0.1% to 0.86% Cu

Azimut may elect to further assess the Nantais property's potential in 2013 through partnership or by itself if the financial conditions are adequate. In such case, the program would comprise airborne geophysics, prospecting and possibly drilling.

NUNAVIK – URANIUM

Azimut 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 deposits in intrusions and their host 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 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 three (3) uranium properties in Nunavik.

North Rae, Daniel Lake and Kangiq properties

Azimut's uranium projects are all in eastern Nunavik, collectively covering more than 380 km^2 in the Ungava Bay, which is considered by the Company to be Canada's newest uranium province. AREVA, a major uranium company, also holds a large land position in the same area.

The North Rae (396 claims; 172.9 km^2), Daniel Lake (106 claims; 48.0 km^2) and Kangiq (50 claims; 22.7 km^2) properties are mostly contained within an area roughly 70 km long by up to 50 km wide, about 20 km from the east coast of Ungava Bay and the town of Kangiqsualujjuaq and 160 km northeast of the town of Kuujjuaq. At least twelve (12) mineralized zones have been discovered at surface since 2006, 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. Many targets have yet to be field-tested and many mineralized zones remain open.

Azimut believes that its North Rae, Daniel Lake and Kangiq projects cover a large portion of the significant uranium targets in the region, including those along a 70-km-long contact between the Proterozoic metasedimentary rocks of the Lake Harbour Group and the Archean granitized basement. AREVA drilled more than 10,000 m on its CAGE property in 2009 and reported the discovery of 14 mineralized zones with grades up to 9.34% U_3O_8, most of them hosted in metasedimentary rocks of the Lake Harbour Group, which it called "an important uranium-thorium province" in a report filed with the Quebec government in 2007.

The Company's Ungava Bay projects benefit from several strategic advantages, notably their potential for a large resource base at shallow depth, amenable to open pit mining, and the position of the properties 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.

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 the Opinaca Reservoir (Eleonore Gold Camp) area and the Eastmain River area. Azimut owns interests in five (5) gold properties and one (1) property for chromium and platinum group elements (PGE).

OPINACA RESERVOIR AREA (ELEONORE GOLD CAMP) – GOLD

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, since acquired by Goldcorp Inc ("Goldcorp"). The mine, currently in development, is on target for first production in 2014. The deposit has been 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. In 2011, Goldcorp announced a 43-101 compliant resource estimate of 12.48 Mt of probable reserves at 7.56 g/t Au for 3,030,000 ounces gold, 1.36 Mt of measured and indicated resources at 10.95 g/t Au for 480,000 ounces gold, and 12.25 Mt of inferred resources at 10.60 g/t Au for 417,000 ounces gold (Goldcorp press release of Feb. 9, 2011). The Eleonore mine is expected to produce more than 600,000 ounces of gold per year over a 15-year mine life with life-of-mine cash costs below $400 per ounce.

Azimut acquired extensive holdings both before and after the 2004 Eleonore discovery based on the targeting results of the Company's 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. Several exploration targets on Goldcorp's Eleonore property are located in close proximity to Azimut's project boundaries.

Azimut currently holds four (4) gold properties in the Opinaca area with comparable geological settings to Eleonore (Figure 4):

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

- Opinaca A: 428 claims in 2 blocks, for a total surface area of 222.9 km^2
- Opinaca B: 220 claims in 2 blocks, for a total surface area of 115.1 km^2

No partnership agreement

- 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 properties

The Opinaca A property is adjacent to Goldcorp's Eleonore property, and Opinaca B comprises two claim blocks to the east. In April 2010, Azimut confirmed that its partner Everton had earned its 50% interest on the Opinaca A and Opinaca B properties. In September 2010, the properties became subject to a three-way agreement between Azimut, Everton and Aurizon whereby Aurizon has the option to acquire a 50% interest in each of the two properties by incurring $6.0 million in exploration work over a four (4)-year period, and an additional 10% interest upon delivery of a bankable feasibility study. Aurizon recently announced it will renew its option for a second year on the properties (press release of November 19, 2012).

Exploration began in 2005 on the Opinaca A property where surface prospecting 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 up to 35.9 g/t Au. That same year, a major gold-bearing system was identified at the **Claude Target** on the Opinaca B property, which appeared to be part of a much larger NE-SW to E-W gold trend extending from the Manuel showing on Everton's adjacent Wildcat property (12.0 g/t Au over 4.6 m in a channel sample) to Azimut's Eleonore South property west of Opinaca B. In the winter of 2007, Everton, as operator, completed two drilling programs totalling

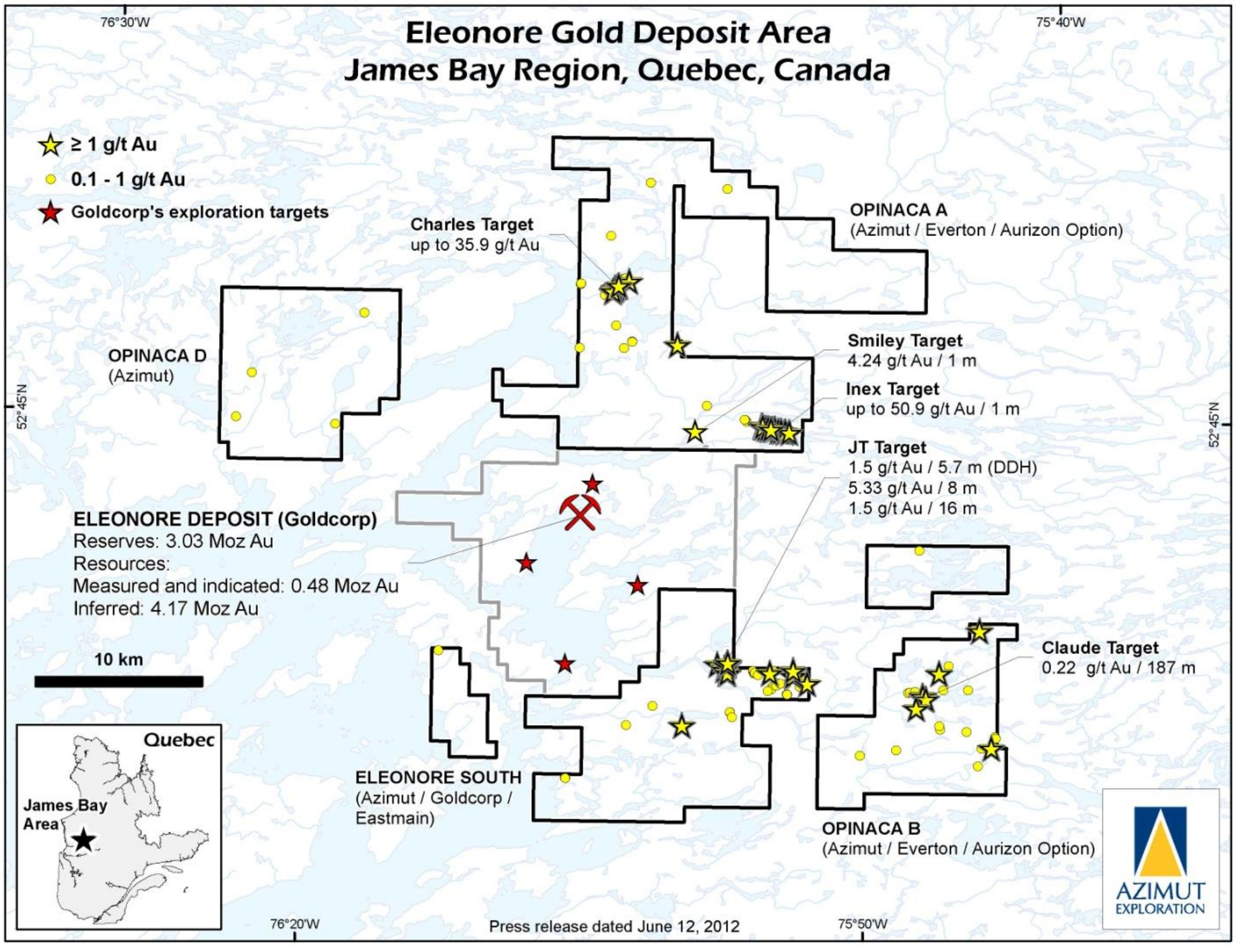

Figure 4: Azimut gold properties in the vicinity of Goldcorp's Eleonore gold deposit in the Opinaca Reservoir region of Central Québec.

3,390 m on both properties to cover all major targets. Assay results included 0.22 g/t Au over 187 m, including 1.0 g/t Au over 21.5 m at the Claude Target. During the winter programs of 2008, Everton carried out ground geophysics (160 line-km of IP and magnetics) and 1,600 m 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 on the Smiley Target, and 0.6 g/t Au over 0.3 m and 0.6 g/t Au over 1.2 m on the Dominic Target.

In 2010, Aurizon became project operator according to the terms of the three-way option agreement. In 2011, Aurizon carried out a $1.0 million exploration program consisting of surface sampling, geophysical surveys and 2,000 m of drilling. In 2012, Aurizon followed up with an extensive program comprising 622 line-km of helicopter-borne magnetic-EM surveying, 684 soil samples, 243 rock grab samples, 290 rock channel samples from 258.35 m of channels, and 93 till samples (press release of November 19, 2012). The main results are the discovery of three new outcropping targets on the Opinaca B property. These targets, located along an east-west structure at the boundary between the Opinaca and La Grande geological subprovinces, share geological similarities with the Eleonore deposit. The **D8 trench** displays a 20-metre-wide sheared and altered sedimentary unit with amphibolite and quartz-tourmaline veinlets. Best channel sampling results include 2.3 g/t Au over 1.0 metre and 0.55 g/t Au over 4.0 metres. his area presents gold anomalies in soil and till. The **Eric Prospect**, less than 1 km north of D8, yielded eight (8) bedrock samples with values above 0.1 g/t Au, including two above 0.5 g/t Au. The gold-bearing samples were collected within a kilometre-scale arsenic-gold soil geochemistry target. Mineralization is related to calc-silicate-altered sediments and arsenopyrite-tourmaline-bearing pegmatites. The **Penelope Prospect**, about 1 km west of the Eric and D8 targets, yielded ten (10) bedrock samples with values above 0.1 g/t Au, including four (4) with values above 0.5 g/t Au and up to 4.26 g/t Au. Mineralization is associated with quartz-tourmaline veins and veinlets.

Eleonore South property

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-metre (1-m) 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 determining ore grade thicknesses, as well as testing other priority targets elsewhere on the property. A number of attractive areas remain untested by drilling.

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%. Eastmain, as operator, is currently completing a $250,000 program funded by Goldcorp and Eastmain. Following this phase, a new program will be proposed, including drilling.

Opinaca D property

The Opinaca D project is about 8 km northwest of Goldcorp's Eleonore property. 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 7.32 g/t 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 drilling . Several drill targets have been defined on the project.

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 performed a limited prospecting and mapping program. In December 2011, the agreement with Dynasty was terminated.

EASTMAIN AREA – GOLD

The general Eastmain area is 290 km north of Chibougamau and about 80 km southeast of the Opinaca Reservoir. The area contains the Eau Claire (Clearwater) gold deposit belonging to Eastmain Resources Inc, who announced a NI 43-101 compliant resource estimate in October 2012 of measured and indicated resources of 4.87 Mt grading 4.60 g/t Au for 721,000 ounces gold and inferred resources of 6.4 Mt grading 5.45 g/t Au for 1,122,000 ounces gold.

Wabamisk property

Azimut acquired the Wabamisk property in 2004 (723 claims; 382.6 km^2) based on the results of its regional-scale gold-potential modelling of the entire James Bay region. The property is located about 70 km south of Goldcorp's Eleonore property, and has a comparable geological context and geochemical signature.

As Azimut's partner, Goldcorp began exploring the Wabamisk property in 2005 and identified several major gold target areas. Most historical gold showings in the area occur within these areas. A soil geochemistry survey in 2006 was followed by prospecting, geological mapping, soil sampling and rock sampling in 2007. 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 that identified two main prospective sectors for gold in the west half of the property. 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 had elected to pursue its second option on the property, whereby it can earn a 70% interest by funding additional exploration work and completing a bankable feasibility study within ten (10) years. Goldcorp funded and operated an $800,000 exploration program on the project in 2012. This comprised a soil geochemistry survey and prospecting work in preparation for a ground geophysics and drilling phase. Results are pending.

EASTMAIN AREA – CHROMIUM-PGE

Eastmain West property

The wholly-owned Eastmain West property (77 claims; 40.8 km^2). Initial programs by Azimut's former partner IAMGOLD focused on the property's gold potential in 2005-2006, but the work uncovered significant chromium (Cr) and platinum group element (PGE) mineralization. Azimut continued exploring the property with a new focus on Cr-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 self-funded 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.

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.

2013 PERSPECTIVE

The status of current work programs on Azimut properties and the preliminary 2013 exploration programs are presented in the following table.

Azimut is moving forward with a focus primarily on exploring 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. Management believes that 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.

In addition, and most importantly, the Company will continue to identify early-stage and quality exploration targets, most recently exemplified by the acquisition of the Rex, Rex South and NCG properties in Nunavik, which collectively provide a commanding position over the Rex Trend, a 330-kilometre-long mineral belt containing large polymetallic targets. Azimut will continue to actively seek new partnerships in Quebec and elsewhere. This strategy will safeguard the value added to Azimut's projects.

NUNAVIK REGION		
Property	**Status**	**2013 planned work program**
Rex **(copper, gold, silver, REE)**	Priority targets identified	Planned programs to include airborne geophysics, prospecting and drilling. These programs may be performed by new partners or, eventually, by Azimut subject to adequate financing conditions.
Rex South **(gold, silver, copper, tungsten)**	Priority targets identified	
NCG **(copper, gold)**	Priority targets identified	
Nantais **(gold)**	Priority targets identified	
Diana **(copper, nickel, cobalt, REE)**	Priority targets identified	To be determined
North Rae and Daniel Lake **(uranium)**	Priority targets identified	To be determined

JAMES BAY REGION		
Property	**Status**	**2013 planned work program**
Opinaca A & Opinaca B (gold)	Technical assessment underway	Partner-funded program to include prospecting, stripping and drilling
Opinaca D **(gold)**	Targets identified	To be determined
Eleonore South **(gold)**	Results pending	Partner-funded program to include drilling
Wabamisk **(gold)**	Results pending	Partner-funded program to include drilling
Eastmain West **(chromium, platinum, palladium)**	Priority targets identified	To be determined

SELECTED FINANCIAL INFORMATION

	As at August 31,		
	2012 ($)	**2011 ($)**	**2010[1] ($)**
Expenses			
General and administrative	853,367	948,697	1,039,789
General exploration	17,528	160,926	102,036
Impairment of exploration and evaluation assets	390,324	70,895	158,630
Finance costs, net of interest income	39,175	84,909	222,301
	1,300,394	1,265,427	1,522,756
Other (gain) and loss	5,618	(454,409)	(123,167)
Recovery of deferred income taxes	-	(354,986)	(582,000)
Net loss for the year	1,306,012	456,032	817,589
Basic and diluted loss per share	0.04	0.02	0.03

RESULTS OF OPERATIONS

2012 COMPARED TO 2011

For the fiscal year ended 2012 the Company reported a net loss of $1,306,000 compared to a net loss of $456,000 for the fiscal year ended 2012. The variations are as follows:

Expenses

- General and administrative expenses totalled $853,000 in 2012 compared to $949,000 in 2011. The decrease in 2012 is due mainly to the fair value accounted for 495,000 stock options granted during the fiscal year. Stock-based compensation costs were $164,000 in 2012 compared to $354,000 in 2011, attributable to the fair value of stock options granted during the period. This expense does not affect cash. In 2012, salaries and fringe benefits were $244,000 compared to $127,000 in 2011 due to the reduction of the Company's involvement in conducting work on the mining properties and in the search for new properties.
- General exploration expenses totalled $18,000 in 2012 compared to $161,000 in 2011. The decrease was due to the reduction of the Company's involvement in activities pertaining to the search for new properties.
- The charge related to the impairment of exploration and evaluation assets during 2012 was $390,000 ($71,000 in 2011). Write-offs were performed in 2012 for some of the Company's Nunavik properties, specifically the North Minto, South Minto, Central Minto, Kativik and Vernot Lake uranium properties totalling $157,000 ($71,000 in 2011) and the Kapisililik, Cu-Nunavik, Pelican, Agvakvik and Arnaud copper-gold-silver-cobalt-rare earth properties totalling $74,000 ($nil in 2011), given that no Exploration and Evaluation ("E&E") expenses are budgeted. In 2012, a write-down was performed for the Rex and NCG copper-gold-silver-rare earth properties totalling $68,000 ($nil in 2011) and for the Daniel Lake uranium property totalling $91,000 ($nil in 2011) to reflect that some claims were abandoned.

[1] Because the Company adopted IFRS in 2012 with a transition date of September 1, 2010, the selected financial information for the year ended August 31, 2010, as presented in the 2011 financial statements and prepared under Canadian GAAP, has not been adjusted.

- Finance costs, net of interest income, totalled $39,000 in 2012 compared to $85,000 in 2011. The decrease was due to the conversion of convertible debentures that took place in the first quarter in 2012.

Other gain and loss

- The gain realized on option payments in 2012 was $28,000 ($172,000 in 2011) due to the fact that one new option was concluded in 2012 and no payment for renewal of option was realized.
- The gain upon termination by partners of option agreements on the exploration and evaluation assets in 2012 was $111,000 ($174,000 in 2011) following the termination of the option agreement on the Rex South property. The gain represented an estimated net liquidation value of property and equipment (camps) bequeathed to Azimut by the partner.
- The Company has no recovery of deferred income tax compared to $355,000 in 2011, resulting from the eligible expenditures incurred with respect to flow-through financing.

CHANGES IN EXPLORATION AND EVALUATION ASSETS (“E&E” ASSETS)

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

OTHER INFORMATION

	August 31, 2012	August 31, 2011	September 1, 2010
Cash and cash equivalents	$1,402,610	$3,834,831	$2,704,823
Total assets	$13,272,788	$14,413,074	$8,358,558
Non-current liabilities	$318,278	$454,718	$1,171,393
Shareholders' equity	$12,473,703	$12,302,906	$5,254,761
Number of shares outstanding	36,470,328	34,438,351	25,111,070
Number of stock options outstanding	2,220,000	2,205,000	2,440,000
Number of warrants outstanding	2,666,664	4,573,217	2,542,154

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

2012 COMPARED TO 2011

The Company's working capital was $3,618,000 as at August 31, 2012, compared to $4,565,000 as at August 31, 2011. 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. To continue its exploration program on its Rex, Rex South, NCG, Nantais, North Rae and Daniel Lake properties and its operations beyond August 31, 2013, the Company will periodically have to raise additional funds through the issuance of new equity instruments, the exercise of stock options or warrants and the search of partners to sign option agreements on certain of its exploration and evaluation assets, 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.

Financing activities

Cash flows provided from financing activities for the year ended 2012 amounted to $909,000 ($6,664,000 in 2011); net of share issue expenses of $6,000 ($315,000 in 2011). The variation is attributable to:

- No funds raised in 2012 ($5,800,000 in 2011).
- The exercise of warrants totalling $962,000 ($1,266,000 in 2011).
- The exercise of stock options totalling $53,000 ($27,200 in 2011).
- Reimbursement of $100,000 ($100,000 in 2011) of the unsecured non-convertible debenture.

Investing activities

The investing activities mainly consisted of the addition to exploration and evaluation assets. In the period ended 2012, net cash flows used investing activities totalling $2,344,000, compared to $5,121,000 used in 2011. Cash flows received from option payment on exploration and evaluation assets was $50,000 ($180,000 in 2011). Significant exploration work was carried out on copper-gold-silver-rare earth properties (Rex, Rex South, NCG and Nantais). Advanced exploration of parts of the Rex, Rex South, NCG and Nantais 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 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 gain (expenses)	Net earnings (Net loss)	Net earnings (Net loss) per share	
			Basic	Diluted
31-08-2012	(45,788)	*(457,671)	(0.013)	(0.013)
31-05-2012	(690)	**(550,771)	(0.015)	(0.015)
29-02-2012	29,877	(162,125)	(0.004)	(0.004)
30-11-2011	10,985	(135,445)	(0.004)	(0.004)
31-08-2011	24,637	(107,759)	(0.003)	(0.003)
31-05-2011	128,354	***64,556	0.002	0.002
28-02-2011	120,533	****(427,205)	(0.016)	(0.016)
30-11-2010	180,885	*****14,376	0.001	0.001

* Due to impairment of E&E assets and other than temporary write-down on available-for-sale investment.
** Due to impairment of E&E assets and fair value of stock options granted during the period.
*** Due to recovery of deferred income taxes on flow-through shares premium and the gain on termination by a partner of an option agreement on the Diana property.
**** Due to fair value of stock options granted during the period.
***** Due to gain on termination by a partner of option agreements on the Central Minto, South Bienville and Kangiq properties.

FOURTH QUARTER

The Company's net loss for the three-month period ended August 31, 2012 was $458,000 compared to $108,000 in 2011. The change in 2012 was primarily attributable to the following:

- Write-down on long-term investments of $173,000 ($nil in 2011) reclassified from comprehensive loss for other than temporary write-down on available-for-sale investments.
- Impairment of E&E assets during 2012 of $288,000 ($71,000 in 2011).
- Gain upon termination by a partner of an option agreement on E&E asset in 2012 of $111,000 ($5,000 in 2011) following the termination of the option agreement on the Rex South property. The gain represented an estimated net liquidation value of the property and equipment (camp) bequeathed to Azimut by the partner.
- No recovery of deferred income taxes in 2012 ($136,000 in 2011) on flow-through shares premium.

No cash flows were provided from financing activities in 2012 as compared to $741,000 in 2011.

Cash flows used in investing activities, mainly consisting of the acquisition and work on E&E assets, was $448,000 compared to $2,655,000 in 2011. Significant cost acquisitions and exploration work were carried out on the Rex, Rex South, NCG copper-gold-silver-rare earth properties and Nantais copper-gold property.

The net changes in cash for the fourth quarter decreased by $653,000 compared to a decrease of $1,831,000 in 2011.

CONTRACTUAL OBLIGATIONS

As at August 31, 2012 the Company has contractual obligations payments due by period as follows:

	Less than 1 year $	1-3 years $	4-5 years $	After 5 years $
Operating leases	38,995	22,750	-	-
Debentures	100,000	100,000	-	-
Asset retirement obligations	-	-	251,480	-
Total contractual obligations	138,995	122,750	251,480	-

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

E&E ASSETS CARRYING VALUES

At the end of each quarter, management reviews the carrying value of its E&E assets to determine whether any write-offs or write-downs are necessary. Based on impairment analysis performed in 2012, the Copper-gold-silver-cobalt-rare earth properties were impaired by $142,000 and the uranium properties were impaired by $248,000 representing a total impairment of $390,000 ($71,000 in 2011) given that no E&E expenses are budgeted and that some claims were abandoned. All the properties are located in the James Bay region and in Nunavik, Quebec.

RELATED PARTY TRANSACTIONS

The related parties of the Company include key management and companies owned by the key management team. Key management includes directors, the chief executive officer, and the chief financial officer. The compensation paid or payable for key management services is as follows:

	August 31, 2012	**August 31, 2011**
Salaries	$340,000	$324,493
Share-based payment	$140,000	$291,100
	$480,000	$615,593

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

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

In 2012, the Company took an additional allowance for doubtful accounts amounting to $40,000 ($40,000 in 2011), relating to the receivable from Rukwa Minerals Inc., of which the president and director is also a director of the Company.

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

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

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

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

(a) **Available-for-sale investments:** Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve (12) months, or management expects to dispose of them within twelve (12) months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of comprehensive loss as part of interest income. Dividends on available for sale equity instruments are recognized in the statement of comprehensive loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of comprehensive loss and are included in other gains and losses. The company's investments are classified within this category.

(b) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The company's cash and cash equivalents and amounts receivable are classified within this category.

(c) **Financial liabilities at amortized cost:** Financial liabilities at amortized cost include accounts payable and accrued liabilities, advances received for exploration work and others, debentures payable, convertible debentures and obligations under capital lease. Accounts payable and accrued liabilities, and advances received for exploration work and others are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Accounts payable and accrued liabilities, advances received for exploration work and others are measured at amortized cost using the effective interest method. Debentures payable, convertible debentures and obligations under capital lease are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

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

IMPAIRMENT OF FINANCIAL ASSETS

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

(a) **Financial assets carried at amortized cost:** The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(b) **Available-for-sale investments:** The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to loss.

EXPLORATION AND EVALUATION

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

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

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

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

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

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

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

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

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

LEASES

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

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

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

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

Impairment of non-financial assets

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

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

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

Provisions and asset retirement obligations

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that effect amounts reported in the financial statements and accompanying notes. Many of the amounts included in the financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

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

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

Based on an impairment analysis performed in 2012, the Copper-gold-silver-cobalt-rare earth properties were impaired by $142,000 and the uranium properties were impaired by $248,000 representing a total impairment of $390,000 given that no E&E expenses are budgeted and that some claims were abandoned (Note 9). The estimation of the impairment charge requires judgment from the management.

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

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

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

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

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

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

ADOPTION OF IFRS

In 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises must adopt IFRS in place of Canadian generally accepted principles ("GAAP") beginning on January 1, 2011 (for entities with a calendar year end). As such, the Company's financial statements as at August 31, 2012 and August 31, 2011, and for the years then ended, have been prepared in accordance with IFRS as issued by the IASB. Additionally, the Company's balance sheet as at September 1, 2010 has been adjusted to reflect its adoption of IFRS on a retrospective basis, effective on September 1, 2010 (the "Transition Date"). Consequently, all comparative financial information presented in this Management's Discussion and Analysis reflects the consistent, retrospective application of IFRS, unless otherwise noted.

IFRS differ in certain respects from Canadian GAAP. A complete description of the Company's conversion to IFRS, including reconciliations of previously reported Canadian GAAP information, is provided in note 23 to our annual financial statements as at August 31, 2012, and August 31, 2011, and for the years then ended, which note is incorporated by reference herein.

There were no changes in accounting policies applied by the Company for each quarter of 2012 compared to annual financial statements for the year ended August 31, 2012.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

The IASB issued the following standards which are relevant but have not yet been adopted by the Company: IAS 1, "Presentation of Financial Statements"; IFRS 9, "Financial Instruments"; IFRS 11, "Joint Arrangements"; IFRS 12, "Disclosure of Interest in Other Entities" and IFRS 13, "Fair Value Measurement". The following is a brief summary of the new standards.

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

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

IFRS 9 – FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

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

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

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

IFRS 11 – Joint Arrangements

IFRS 11 replaces IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Nonmonetary Contributions by Venturers. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 reduce the types of joint arrangement to two: joint ventures and joint operation. IFRS 11 requires a single method, known as the equity method, to account for interests in jointly controlled entities, which is consistent with the accounting treatment currently applied to investments in associates. IAS 28, Investments in Associates and Joint Ventures, was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures.

IFRS 11 is effective for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 – Disclosure of Interest in Other Entities

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

IFRS 12 is effective for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early

IFRS 13 – Fair Value Measurement

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

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

INFORMATION REGARDING OUTSTANDING SHARES

The Company can issue an unlimited number of common shares, without par value. As at December 20, 2012, there were 36,470,328 issued and outstanding shares and no shares were held in escrow.

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 are granted fully vested, unless otherwise approved by the Board of Directors. As at December 20, a total of 2,110,000 stock options were outstanding and vested. Their exercise prices range from $0.34 to $3.03 and expiry dates from April 10, 2013 to May 9, 2022.

Also as at December 20, a total of 2,664,664 warrants were outstanding with an exercise price of $1.40 and an expiry date of March 19, 2013.

RISK RELATED TO 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 investments. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating, from which management believes the risk of loss to be minimal.

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

As at August 31, 2012, the Company had $2,670,000 in amounts receivable, of which $1,706,000 are past due, representing the refundable tax credit for 2011 and the 2010 mining duty credit. Management has filed a request with Revenu Quebec to accelerate the process.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a general downturn in stock market conditions or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company had a cash balance and cash equivalent of $1,403,000 ($3,835,000 at August 31, 2011) to settle current liabilities of $481,000 ($1,655,000 at August 31, 2011). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

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

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

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

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Investments	Non-interest bearing
Account payable and accrued liabilities	Non-interest bearing
Debentures	See note 10 of the financial statements

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

EQUITY RISK

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

CAPITAL MANAGEMENT

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

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

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

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 (12) 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, 2013. 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. Azimut is beneficiary of a $1 million life insurance subscribed for Jean-Marc Lulin.

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, Rex South, NCG and Nantais). 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 20, 2012. 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 as result of new information, future events or otherwise, other than as required to do so by applicable securities laws.

(s) Jean-Marc Lulin	(s) Moniroth Lim
President and CEO	Chief Financial Officer