

Management's analysis of financial condition and results of operations

Nature of operations

Azimut Exploration Inc. is a mineral exploration company developing leading-edge geoscience data processing methods to better select prospective zones with the objective to discover major ore deposits. The Company has acquired 5 exploration properties following regional-scale assessments in the James Bay region (for gold) and in the Labrador Trough (for nickel-copper-platinum)., The Company was reactivated in June 2003, following the appointment of a new president.

Results of operations

The Company incurred a net loss of \$256,096 for the period ended May 31, 2004, compared to a net loss of \$609,485 for the period ended May 31, 2003. In November 2002, the Company abandoned its option to acquire a 50% interest in the Flavrian property, which resulted in a loss of \$563,696. Expenses in salaries and fringe benefits are related to the appointment of the new president. Expenses related to the search for properties mainly consist in an assessment of the mineral potential in Québec. \$75,000 in compensation has been included in professional fees in order to take into account a grant of 300,000 stock options in February 2004. Office and representation fees increased following Society reactivation.

Liquidity and sources of financing

The Company's working capital was \$101 481 at May 31, 2004, compared to \$58 232 at the beginning of the fiscal year. In November 2003, Azimut concluded two private financings for a total of \$450 000, of which \$250 000 was allocated for exploration programs. A value of \$161 800 has been allocated to warrants and presented separately in the shareholders' equity of the balance sheets.

Risks and uncertainties

The Company is considered to be at the exploration stage, thus it is dependent on obtaining regular financing in order to continue exploration. Despite previous success in acquiring financing, there is no guarantee of obtaining any future financing.

Outlook

Last Winter, the Company finalized the acquisition of five properties namely Retty, Eastmain, Lac Gillet, Opinaca and De Romer including 526 claims. The Company is presently in discussion with potential partners in order to option these properties and to share the risk of exploration. A prospecting campaign was initiated on these new properties. The Company continues to pursue the modeling of mineral potential in various regions of Québec in order to generate new projects of quality.

Management's Responsibility for Financial Information

Azimut's financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The financial statements were prepared by the Company's management in accordance with generally accepted Canadian accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

(s) Jean-Marc Lulin
President

(s) Gaétan Mercier
Controller

Quebec City, Québec, Canada
July 21, 2004

AZIMUT EXPLORATION INC.

(An exploration company)

Balance Sheets

	November 30, 2004	August 31, 2004
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash	154 385	227 964
Amounts receivable	120 366	114 028
Prepaid expenses	16 388	29 185
	<u>291 139</u>	<u>371 177</u>
Exploration funds	64 631	99 063
Long-term investments (quoted value 11 400 \$; 9 000 \$)	11 400	12 000
Mining properties	176 827	109 369
Property, plant and equipment	4 609	573
(less accumulated amortization of \$2 356; \$2 201 in 2004)		
Intangible assets (less accumulated amortization of \$107; \$75 in 2004)	392	424
	<u>548 998</u>	<u>592 606</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		
Related companies	---	85
Others	65 778	136 126
	<u>65 778</u>	<u>136 211</u>
SHAREHOLDERS' EQUITY		
Convertible debentures	388 200	488 200
Share capital	4 376 459	4 202 910
Stock options	132 093	128 685
Warrants	195 395	177 300
Deficit	(4 608 927)	(4 540 700)
	<u>483 220</u>	<u>456 395</u>
	<u>548 998</u>	<u>592 606</u>

AZIMUT EXPLORATION INC.

(An exploration company)

Deficit

For the periods ended November 30, 2004 and 2003 (unaudited)

	2004	2003
	\$	\$
Balance - Beginning of period	4 540 700	4 156 173
Interest on convertible debentures	(5 141)	4 871
Net loss for the period	73 368	49 315
Balance - End of period	<u>4 608 927</u>	<u>4 210 359</u>

Statements of deferred exploration expenses

For the periods of three (3) months ended November 30, 2004 and 2003 (unaudited)

	2004	2003
	3 months	3 months
	\$	\$
Balance - Beginning of period	<u>109 369</u>	---
Expenses incurred during the period		
Claims and permits	61 005	9 400
Geology	13 102	---
	<u>74 107</u>	<u>9 400</u>
Tax credits and mining rights	(6 649)	---
	<u>(6 649)</u>	<u>---</u>
Balance - End of period	<u>176 827</u>	<u>9 400</u>

AZIMUT EXPLORATION INC.

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Statements of Earnings

For the periods of three months ended November 30, 2004 and 2003 (unaudited)

	2004	2003
	3 months	3 months
	\$	\$
Revenue		
Interest income	835	485
Expenses		
Salaries and fringe benefits	19 059	14 633
Professional and maintenance fees	11 248	4 732
Management fees and office expenses	24 019	12 731
Travelling and entertainment	6 672	1 085
Interests and bank charges	76	63
Amortization of property, plant and equipment	155	36
Amortization of intangible assets	32	---
Write-off of long-term investments	600	---
Search for properties	23 167	30 452
Tax credits and mining rights	(10 825)	(13 932)
	<u>74 203</u>	<u>49 800</u>
Net loss for the period	<u>(73 368)</u>	<u>(49 315)</u>
Basic and diluted net loss per share	<u>(0.006)</u>	<u>(0.005)</u>
Basic and diluted weighted average number of shares outstanding	<u>11 652 683</u>	<u>10 177 378</u>

AZIMUT EXPLORATION INC.

(An exploration company)

Statements of Cash Flows

For the periods of three (3) months ended November 30, 2004 and 2003 (unaudited)

	2004	2003
	3 months	3 months
	\$	\$
Cash flows from operating activities		
Net loss for the period	(73 368)	(49 315)
Items not affecting cash		
Amortization of property, plant and equipment	155	36
Amortization of intangible assets	32	---
Write-off of long-term investments	600	---
Stock option	3 408	---
	<u>(69 173)</u>	<u>(49 279)</u>
Change in non-cash working capital items		
Amounts receivable	311	(29 946)
Prepaid expenses	12 797	(9 485)
Accounts payable and accrued liabilities	(95 803)	15 062
	<u>(82 695)</u>	<u>(24 369)</u>
	<u>(151 868)</u>	<u>(73 648)</u>
Cash flows from financing activities		
Variation in exploration funds	34 432	(221 445)
Convertible debenture contracted	---	200 000
Variation in share capital	78 690	235 825
Increase in warrants	18 095	---
	<u>131 217</u>	<u>214 380</u>
Cash flows from investing activities		
Variation of mining properties	(48 737)	(9 400)
(Acquisition) Sale on property, plant and equipment	(4 191)	---
	<u>(52 928)</u>	<u>(9 400)</u>
Net change in cash	(73 579)	131 332
Cash - Beginning of period	227 964	45 782
Cash - End of period	<u>154 385</u>	<u>177 114</u>
Additional information		
Items not affecting cash and cash equivalents related to financing and investing activities		
Interests cashed	722	485
Shares issued and to be issued in consideration of the payment of interest on convertible debentures	5 141	4 871
Shares issued in consideration of sale of a convertible debenture	100 000	---
Tax credit and mining rights receivable related to exploration costs applied against mining properties	6 649	---
Purchase of mining properties included in accounts payable and accrued liabilities	25 370	---

AZIMUT EXPLORATION INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)

1 Summary of significant accounting policies

Interim financial information

The financial information as at November 30, 2004 and for the periods ended November 30, 2004 and 2003 is unaudited; however, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These interim financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods used in the preparation of the Company's most recent annual financial statements. All disclosures required for annual financial statements have not been included in these financial statements. These interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)**2 Mining properties**

	Undivided participation %	Balance as at Sept. 1, 2004 \$	Costs incurred \$	Tax credits and abandoned mining properties \$	Balance as at November 30, 2004 \$
Retty (198 claims)	100				
Mining property		18 612	---	---	18 612
Exploration costs		31 745	---	---	31 745
		<u>50 357</u>	<u>---</u>	<u>---</u>	<u>50 357</u>
Eastmain (218 claims)	100				
Mining property		22 890	---	---	22 890
Exploration costs		909	---	---	909
		<u>23 799</u>	<u>---</u>	<u>---</u>	<u>23 799</u>
Lac Gillet (87 claims)	100				
Mining property		8 178	---	---	8 178
Exploration costs		10 112	---	---	10 112
		<u>18 290</u>	<u>---</u>	<u>---</u>	<u>18 290</u>
Opinaca (475 claims)	100				
Mining property		6 825	61 005	---	67 830
Exploration costs		518	13 102	(6 649)	6 971
		<u>7 343</u>	<u>74 107</u>	<u>(6 649)</u>	<u>74 801</u>
De Romer (26 claims)	100				
Mining property		2 469	---	---	2 469
Exploration costs		7 111	---	---	7 111
		<u>9 580</u>	<u>---</u>	<u>---</u>	<u>9 580</u>
		<u>109 369</u>	<u>74 107</u>	<u>(6 649)</u>	<u>176 827</u>

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

3 Convertible debentures

	2004	2003
	\$	\$
Debentures convertible at the company's option into common shares		
At a conversion price of \$0.18 per share, 14%, interest payable by half-yearly instalments through common shares of the company at the base rate on the date of payment, non-interest bearing if the share is traded at \$0.36 and over during the twenty business days preceding the dates of interest instalments, maturing in March 2005.	---	100 000
At a conversion price of \$0.425 per share, 12%, interest payable by half-yearly instalments through common shares of the company at the base rate on the date of payment, non-interest bearing if the share is traded at \$0.15 and over for the first/second six-month period, and \$0.20 and over for the subsequent six-month period during the twenty business days preceding the dates of interest instalments, maturing in March 2006.	250 000	250 000
At a conversion price varying from \$0.33 to \$0.44 per share, 12%, interest payable by half-yearly instalments through common shares of the company at the base rate on the date of payment, non-interest bearing if the share is traded at more than \$0.37 for the first/second six-month period, at more than \$0.45 for the third/forth six-month period, at more than \$0.55 for the fifth/sixth six-month period, at more than \$0.65 for the seventh/eighth six-month period and at more than \$0.75 for the ninth/tenth six-month period during the twenty business days preceding the dates of interest instalments, maturing in November 2008.	138 200*	138 200*
	<u>388 200</u>	<u>488 200</u>

* This convertible debenture has been presented net of the fair value of warrants amounting to \$61 800.

4 Share Capital

Authorized

Unlimited number of commons shares, without par value, voting and participating
12 413 880* shares issued and fully paid

*434 352 shares are subject to escrow and cannot be released without the consent of regulatory authorities.

AZIMUT EXPLORATION INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)**5 Variation of warrants**

	Number	Weighted average exercise price \$
Outstanding - beginning of period	1 742 858	0.42
Granted	119 048	0.52
Exercised	0	0.00
Matured or cancelled	0	0.00
Outstanding and exercisable - end of period	1 861 906	0.43

The following table summarizes the expiry date of outstanding warrants :

600 000 warrants at \$0,45 expire in May 2005
892 858 warrants at \$0,40 expire in May 2005
250 000 warrants at \$0,40 expire in December 2005
119 048 warrants at \$0,52 expire in May 2006

Warrants are recorded at their fair value, which was determined using the Black-Scholes model.

6 Stock Option Plan

The following tables present the stock option activity since September 1, 2004 and summarize information about fixed stock options outstanding and exercisable as at November 30 :

	3 months	
	Number	Weighted average exercise price \$
Outstanding - Beginning of period	1 000 000	0.23
Exercised	---	---
Granted	---	---
Outstanding - End of period	1 000 000	0.23
Exercisable - End of period	860 000	0.24

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

exercise prices	Options outstanding		Options currently exercisable
	Number	Weighted average remaining contractual life (years)	Number
\$0.16	380 000	1.73	290 000
\$0.18	140 000	5.14	90 000
\$0.24	120 000	3.55	120 000
\$0.26	10 000	4.60	10 000
\$0.30	350 000	4.20	350 000
	<u>1 000 000</u>	<u>3.34</u>	<u>860 000</u>

7 Subsequent events

- a) In december 2004, the company complete a flow through shares private placement and issued 166 670 common shares of its share capital at a price of \$0.60 per share.
- b) In december 2004, the company signed two letters of agreement with Everton Resources on four of six claims blocks of the Opinaca property. Everton can acquire a 50 % interest by spending 4,8 millions dollars in exploration work and \$340 000 in cash and may acquire an additional 15 % interest upon delivery of a bankable feasibility study.

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

Board of Directors

Jacques Bonneau, Eng., M.Sc., Chairman of the Board (Quebec City)

Jean-Marc Lulin, Ph.D., geologist, Director (Montreal)

Jean-Charles Potvin, B.Sc., M.B.A., Director (Toronto)

Louis P. Salley, B.A., LL.B., Director (Vancouver)

Management

Jean-Marc Lulin, President and Chief Executive Officer

Ga tan Mercier, Secretary and Treasurer

Management Advisors

Jacquelin Gauthier, Eng.

Jack Stoch, B.Sc., geologist

Legal Counsel

Pothier Valiquette (Montreal)

Auditors

PricewaterhouseCoopers LLP (Quebec)

Transfer Agent

Trust CIBC Mellon Company (Montreal)

Listing

TSX Venture

Symbol: AZM

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