



EXPLORATION AZIMUT INC.

AVIS

Les états financiers intermédiaires pour la période terminée le 31 mai 2006 n'ont fait l'objet d'aucun examen de la part de notre vérificateur.

NOTICE

The interim financial statements for the period ended on May 31, 2006 have not been reviewed by our auditor.

AZIMUT EXPLORATION INC.

(An exploration company)

Balance Sheets

	May 31, 2006	August 31, 2005
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash and cash equivalent	327,916	784,131
Amounts receivable	65,966	224,637
Prepaid expenses	20,765	9,955
	<u>414,647</u>	<u>1,018,723</u>
Exploration funds	10,170	81,323
Long-term investments (quoted value \$142,000; \$46,500)	105,550	41,550
Mining properties	669,328	138,934
Property, plant and equipment		
(less accumulated amortization of \$4,512; \$3,134 in 2005)	9,511	6,420
Intangible assets (less accumulated amortization of \$268; \$202 in 2005)	231	297
	<u>1,209,437</u>	<u>1,287,247</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	<u>85,986</u>	<u>82,922</u>
SHAREHOLDERS' EQUITY		
Convertible debentures	-	388,200
Share capital	6,038,119	5,521,425
Stock options	853,262	97,180
Contributed surplus	6,242	-
Deficit	<u>(5,774,172)</u>	<u>(4,802,480)</u>
	<u>1,123,451</u>	<u>1,204,325</u>
	<u>1,209,437</u>	<u>1,287,247</u>

AZIMUT EXPLORATION INC.

(An exploration company)

Deficit

For the periods ended May 31, 2006 and May 31, 2005 (unaudited)

	2006	2005
	\$	\$
Balance - Beginning of period	4,802,480	4,540,700
Interest on convertible debentures	-	(5,141)
Net loss for the period	971,692	85,653
Balance - End of period	<u>5,774,172</u>	<u>4,621,212</u>

Statements of deferred exploration expenses

For the periods of three (3) months and nine (9) months ended May 31, 2006 and May 31, 2005 (unaudited)

	2006	2005	2006	2005
	3 months	3 months	9 months	9 months
	\$	\$	\$	\$
Balance - Beginning of period	141,798	104,458	138,934	109,369
Expenses incurred during the period				
Claims and permits	610,856	78,982	620,986	144,987
Salaries	3,024	-	15,906	-
Geology	4,177	42,821	5,346	42,821
Transport	-	-	20,004	-
Accommodation	-	-	1,165	-
Analysis	-	(38,748)	229	-
	<u>618,057</u>	<u>83,055</u>	<u>663,636</u>	<u>187,808</u>
Option payments	(90,527)	(78,368)	(110,527)	(168,368)
Mining properties written off	-	-	(7,300)	-
Credit on duties refundable for losses and refundable tax credit relating to resources	-	(2,067)	(15,415)	(21,731)
	<u>(90,527)</u>	<u>(80,435)</u>	<u>(133,242)</u>	<u>(190,099)</u>
Balance - End of period	<u>669,328</u>	<u>107,078</u>	<u>669,328</u>	<u>107,078</u>

AZIMUT EXPLORATION INC.

(An exploration company)

Statements of Earnings

For the periods of three (3) months and nine (9) months ended May 31, 2006 and May 31, 2005 (unaudited)

	2006	2005	2006	2005
	3 months	3 months	9 months	9 months
	\$	\$	\$	\$
Revenue				
Interest income	3,065	3,242	13,727	5,119
Management fees	-	1,170	6,489	1,170
Gain on option of mining properties	173,473	125,811	173,473	125,811
	<u>176,538</u>	<u>130,223</u>	<u>193,689</u>	<u>132,100</u>
Expenses				
Salaries and fringe benefits	471,596	25,146	543,676	66,555
Professional and maintenance fees	22,276	25,166	89,945	54,586
Management fees and office expenses	311,153	23,866	371,675	76,137
Travelling and entertainment	10,121	4,613	24,511	18,791
Interests and bank charges	110	116	352	266
Depreciation of property, plant and equipment	608	284	1,378	697
Amortization of intangible assets	22	32	66	95
Write down of long-term investments	-	14,029	-	14,629
Search for properties	33,936	17,907	137,965	32,659
Credit on duties refundable for losses and refundable tax credit relating to resources	-	(9,088)	(11,701)	(15,642)
Written off properties	-	-	7,300	-
Part XII.6 Tax	-	-	214	-
	<u>849,822</u>	<u>102,071</u>	<u>1,165,381</u>	<u>248,773</u>
(Loss) Earning before taxes	(673,284)	28,152	(971,692)	(116,673)
Income taxes	-	-	-	(31,020)
Net (loss) Earning for the period	(673,284)	28,152	(971,692)	(85,653)
Basic and diluted net (loss) earning per share	(0.045)	0.002	(0.065)	(0.007)
Basic and diluted weighted average number of shares outstanding	15,032,556	12,919,193	14,920,626	12,130,757

AZIMUT EXPLORATION INC.

(An exploration company)

Statements of Cash Flows

For the periods of three (3) months and nine (9) months ended May 31, 2006 and May 31, 2005 (unaudited)

	2006	2005	2006	2005
	3 months	3 months	9 months	9 months
	\$	\$	\$	\$
Cash flows from operating activities				
Net (loss) earning for the period	(673,284)	28,152	(971,692)	(85,653)
Items not affecting cash and cash equivalent				
Future income taxes	-	31,020	-	31,020
Depreciation of property, plant and equipment	608	284	1,378	697
Amortization of intangible assets	22	32	66	95
Write-down of long-term investments	-	14,029	-	14,629
Cost of mining properties abandoned	-	-	7,300	-
Stock option	684,400	3,408	752,839	10,224
	<u>11,746</u>	<u>76,925</u>	<u>(210,109)</u>	<u>(28,988)</u>
Change in non-cash working capital items				
Amounts receivable	(2,114)	(37,277)	158,671	16,876
Prepaid expenses	426,538	25,682	(10,810)	(35,600)
Accounts payable and accrued liabilities	(175,575)	(4,342)	3,064	(99,510)
	<u>248,849</u>	<u>(15,937)</u>	<u>150,925</u>	<u>(118,234)</u>
	<u>260,595</u>	<u>60,988</u>	<u>(59,184)</u>	<u>(147,222)</u>
Cash flows from financing activities				
Variation in exploration funds	(56,643)	21,980	71,153	(26,358)
Issuance of share capital	5,200	758,028	40,200	902,636
Issuance of warrants	-	-	-	18,095
	<u>(51,443)</u>	<u>780,008</u>	<u>111,353</u>	<u>894,373</u>
Cash flows from investing activities				
Variation in long-term investments	(64,000)	(44,179)	(64,000)	(44,179)
Variation of mining properties	(634,335)	(18,241)	(659,915)	(10,796)
Proceeds from sale of options of mining properties	220,000	-	220,000	-
Addition on property, plant and equipment	(4,469)	(970)	(4,469)	(6,780)
	<u>(482,804)</u>	<u>(63,390)</u>	<u>(508,384)</u>	<u>(61,755)</u>
Net change in cash and cash equivalent	(273,652)	777,606	(456,215)	685,396
Cash and cash equivalent - Beginning of period	601,568	135,754	784,131	227,964
Cash and cash equivalent - End of period	327,916	913,360	327,916	913,360
Additional information				
Interests cashed (net of interest paid)	1,851	3,352	13,344	4,342
Shares issued and to be issued in consideration of the payment of interest on convertible debentures	-	-	-	5,141
Shares issued in consideration of payment of convertible debentures	388,200	-	388,200	100,000
Credit on duties refundable for losses and refundable tax credit relating to resources	-	37,373	15,415	37,373
Purchase of mining properties included in accounts payable and accrued liabilities	-	24,286	-	24,286
Shares issue expenses arising from the renunciation of tax deduction and included in share capital	-	31,020	-	31,020
Shares received in consideration of the sale of mining properties	64,000	-	64,000	-

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

1 Summary of significant accounting policies

Interim financial information

The financial information as at May 31, 2006 and for the periods ended May 31, 2006 and 2005 are 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.

New accounting standards

Standards applicable to future years

In January 2005, the CICA issued four new accounting standards relating to financial instruments: Section 3855, "Financial Instruments — Recognition and Measurement", Section 3865, "Hedges", Section 1530, "Comprehensive Income", and Section 3251, "Equity".

Section 3855 expands on Section 3860, "Financial Instruments — Disclosure and Presentation", by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented in the financial statements.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transaction as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13, "Hedging Relationships", and the hedging guidance in Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Section 1530, "Comprehensive Income", introduces a new requirement to temporarily present certain gains and losses outside net income.

Accordingly, Section 3250, "Surplus" has been revised to become Section 3251, "Equity".

Sections 1530, 3251, 3855 and 3865 apply to years beginning on or after October 1, 2006. The company will adopt these new standards on September 1, 2007, and has not yet determined their impact on its financial statements.

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

2 Mining properties

	Undivided participation %	Balance as of September 1, 2005 \$	Costs incurred \$	Option payments, written off, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at May 31, 2006 \$
Aguanish (102 claims)	100				
Mining property		-	-	-	-
Exploration costs		-	2,400	-	2,400
		-	2,400	-	2,400
South Bienville (1,045 claims)	100				
Mining property		-	127,820	-	127,820
Exploration costs		-	-	-	-
		-	127,820	-	127,820
Comptoir (796 claims)	100				
Mining property		46,750	15,400	-	62,150
Exploration costs		-	24,995	(10,270)	14,725
		46,750	40,395	(10,270)	76,875
Grenium (2,230 claims)	100				
Mining property		-	8,480	-	8,480
Exploration costs		-	1,236	-	1,236
		-	9,716	-	9,716
Hudson Bay (355 claims)	100				
Mining property		-	34,692	-	34,692
Exploration costs		-	-	-	-
		-	34,692	-	34,692
Manitou (2,478 claims)	100				
Mining property		(47)	-	-	(47)
Exploration costs		432	2,884	(672)	2,644
		385	2,884	(672)	2,597
North Minto (1,072 claims)	100				
Mining property		-	105,056	-	105,056
Exploration costs		-	-	-	-
		-	105,056	-	105,056
South Minto (645 claims)	100				
Mining property		-	63,210	-	63,210
Exploration costs		-	-	-	-
		-	63,210	-	63,210
Central Minto (337 claims)	100				
Mining property		-	31,850	-	31,850
Exploration costs		-	-	-	-
		-	31,850	-	31,850

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Notes to Interim Financial Statements (unaudited)

2 Mining properties (continued)

	Undivided participation %	Balance as of September 1, 2005 \$	Costs incurred \$	Option payments, written off, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at May 31, 2006 \$
West Minto (660 claims)	100				
Mining property		-	64,582	-	64,582
Exploration costs		-	-	-	-
		-	64,582	-	64,582
Obamsca (39 claims)	100				
Mining property		-	-	-	-
Exploration costs		-	1,221	-	1,221
		-	1,221	-	1,221
Opinaca A, A East (424 claims)	100				
Mining property		157	-	(157)	-
Exploration costs		(95)	1,400	(1,305)	-
		62	1,400	(1,462)	-
Opinaca B, B North (220 claims)	100				
Mining property		-	-	-	-
Exploration costs		-	176	(176)	-
		-	176	(176)	-
Opinaca C (166 claims)	100				
Mining property		-	-	-	-
Exploration costs		62	452	(514)	-
		62	452	(514)	-
Opinaca D (188 claims)	100				
Mining property		-	-	-	-
Exploration costs		-	452	(452)	-
		-	452	(452)	-
North Rae (701 claims)	100				
Mining property		-	79,630	(79,630)	-
Exploration costs		-	1,014	(1,014)	-
		-	80,644	(80,644)	-
South Rae (970 claims)	100				
Mining property		-	84,572	-	84,572
Exploration costs		-	-	-	-
		-	84,572	-	84,572
Retty (153 claims)	100				
Mining property		26,912	2,842	(2,839)	26,915
Exploration costs		42,283	-	(4,461)	37,822
		69,195	2,842	(7,300)	64,737
Wabamisk (755 claims)	100				
Mining property		20,980	450	(21,430)	-
Exploration costs		1,500	8,822	(10,322)	-
		22,480	9,272	(31,752)	-
		138,934	663,636	(133,242)	669,328

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

3 Convertible debentures

	2006	2005
	\$	\$
Debentures convertible at the company's option into common shares		
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 May 2006 and entirely converted.	-	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 and entirely converted by anticipation in May 2006 .	* -	*138,200
	<u>-</u>	<u>388,200</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

*16,111,755 shares issued and fully paid

* 144,784 shares are subject to escrow and will gradually be released by July 14, 2007.

AZIMUT EXPLORATION INC.
(An exploration company)
Notes to Interim Financial Statements (unaudited)

5 Stock Option Plan

The following tables present the stock option activity since September 1, 2005 and summarize information about fixed stock options outstanding and exercisable as at May 31 :

	<u>9 months</u>	
	Number	Weighted average exercise price \$
Outstanding - beginning of period	785,000	0.32
Matured or cancelled	(70,000)	0.17
Exercised	(208,000)	0.19
Granted	730,000	1.47
Outstanding and exercisable - end of period	<u>1,237,000</u>	<u>0.99</u>

	<u>Options outstanding</u>	
exercise prices	Number	Weighted average remaining contractual life (years)
\$0.18	35,000	3.65
\$0.24	100,000	2.07
\$0.30	347,000	2.77
\$0.64	30,000	4.07
\$0.86	145,000	4.30
\$1.50	50,000	4.73
\$1.55	300,000	4.75
\$1.75	210,000	4.79
\$1.80	20,000	4.89
	<u>1,237,000</u>	

AZIMUT EXPLORATION INC.

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Notes to Interim Financial Statements (unaudited)

Accounting for the stock-based compensation plan

The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	Number of options granted	
	200,000	580,000
Risk-free interest rate	3.22 %	4.00%
Expected volatility	74 %	91%
Dividend yield	Zero	Zero
Weighted average expected life	36 months	60 months
Weighted average price granted	\$ 0.433	\$1.180

The fair value of stock options granted during the year amounts to \$749,350. The entire amount, representing the fair value of options granted, has been included in the statement of earnings under items "Search for properties", "Salaries and fringe benefits" and "Professional and maintenance fees" as well as in "Shareholders' Equity under the item "Stock options".

6 Comparative figures

Certain comparative figures have been reclassified to conform with the current period presentation.

AZIMUT EXPLORATION INC.

(An exploration company)

CORPORATE INFORMATION

Board of Directors

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

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

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

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

Dennis Wood, Director (Montreal)

Management

Jean-Marc Lulin, President and Chief Executive Officer

Normand Champigny, Executive Vice President

Moniroth Lim, Secretary Treasurer

Legal Counsel

Pothier Valiquette (Montreal)

Auditors

PricewaterhouseCoopers LLP (Quebec)

Transfer Agent

Trust CIBC Mellon Company (Montreal)

Listing

TSX Venture

Symbol: AZM

Contact and information

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