

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Balance Sheets**

	<b>November 30, 2008 \$ (unaudited)</b>	<b>August 31, 2008 \$ (audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	2,396,821	1,291,771
Amounts receivable	1,616,495	2,535,911
Prepaid expenses	29,786	39,300
	<u>4,043,102</u>	<u>3,866,982</u>
<b>Long-term investments</b>	92,950	340,050
<b>Property, plant and equipment</b> (less accumulated depreciation of \$39,485 ; \$33,786 as at August 31, 2008)	79,671	85,371
<b>Intangible assets</b> (less accumulated depreciation of \$2,357 ; \$1,656 as at August 31, 2008)	8,679	9,380
<b>Deferred charges</b>	-	92,063
<b>Mining properties (note 5)</b>	<u>1,739,977</u>	<u>1,244,727</u>
	<u>5,964,379</u>	<u>5,638,573</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities		
Related parties	20,479	50,014
Others	1,728,083	2,756,363
	<u>1,748,562</u>	<u>2,806,377</u>
<b>Long term liabilities</b>		
Debentures payable (note 6)	500,000	-
Liability component of debentures (note 7)	840,064	-
	<u>1,340,064</u>	<u>-</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	7,981,766	7,943,186
Warrants (note 8)	5,000	-
Stock options (note 9)	2,085,142	1,919,992
Equity component of debentures (note 7)	559,936	-
Deficit	(6,843,841)	(6,357,232)
Accumulated other comprehensive loss	(912,250)	(673,750)
	<u>2,875,753</u>	<u>2,832,196</u>
	<u>5,964,379</u>	<u>5,638,573</u>

**Subsequent events (note 11)**

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Earnings and Comprehensive Loss**

For the three (3) month period ended November 30, 2008 and 2007 (unaudited)

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>		
Interest income	4,790	13,909
Gain on sale of options on mining properties	-	101,019
Management fees	-	39,225
Gain on sale of long-term investments	15,160	-
	<u>19,950</u>	<u>154,153</u>
<b>Expenses</b>		
Salaries and fringe benefits	101,156	93,778
Professional and maintenance fees	15,714	26,842
Management fees and office expenses	30,443	53,945
Travelling and entertainment	7,244	29,782
Interests and bank charges	724	580
Depreciation of property, plant and equipment	5,699	2,761
Amortization of intangible assets	701	-
Search for properties	29,942	14,685
Credit on duties refundable for losses and refundable tax credit relating to resources	(12,400)	(6,639)
Cost of mining properties abandoned or written off	-	-
Written off deferred charge	162,186	-
Stock options	165,150	237,393
	<u>506,559</u>	<u>453,127</u>
<b>Loss for the period</b>	<u>(486,609)</u>	<u>(298,974)</u>
Other comprehensive loss		
Decrease in value of long-term investments	(231,500)	(210,100)
Reclassification of gain on available for sale investments realized upon sale to net earnings	(7,000)	-
<b>Comprehensive loss for the period</b>	<u>(725,109)</u>	<u>(509,074)</u>
<b>Basic and diluted loss per share</b>	<u>(0.029)</u>	<u>(0.018)</u>
<b>Basic and diluted weighted average number of shares outstanding</b>	<u>16,838,239</u>	<u>16,771,755</u>

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Shareholders' Equity**

For the three (3) month period ended November 30, 2008 and 2007 (unaudited)

	Share capital Common shares		Warrants		Stock options		Defecit \$	Accumulated other comprehensive loss \$	Total \$
	Number	\$	Number	\$	Number	\$			
<b>Balance as at September 1, 2007</b>	16,771,755	7,924,286	-	-	1,595,000	1,128,367	(5,832,070)	-	3,220,583
Impact of adopting new accounting standards	-	-	-	-	-	-	-	(62,700)	(62,700)
Stock options granted (note 9)	-	-	-	-	-	237,393	-	-	237,393
Loss for the period	-	-	-	-	-	-	(298,974)	-	(298,974)
Decrease in the fair value of available-for-sale investments	-	-	-	-	-	-	-	(147,400)	(147,400)
<b>Balance as at November 30, 2007</b>	16,771,755	7,924,286	-	-	1,595,000	1,365,760	(6,131,044)	(210,100)	2,948,902
<b>Balance as at September 1, 2008</b>	16,821,755	7,943,186	-	-	1,905,000	1,919,992	(6,357,232)	(673,750)	2,832,196
Issuance of shares for cash consideration (a)	250,000	95,000	125,000	5,000	-	-	-	-	100,000
Stock options granted (note 9)	-	-	-	-	-	165,150	-	-	165,150
Share issue expenses (a)	-	(56,420)	-	-	-	-	-	-	(56,420)
Loss for the period	-	-	-	-	-	-	(486,609)	-	(486,609)
Decrease in the fair value of available-for-sale investments	-	-	-	-	-	-	-	(238,500)	(238,500)
<b>Balance as at November 30, 2008</b>	17,071,755	7,981,766	125,000	5,000	1,905,000	2,085,142	(6,843,841)	(912,250)	2,315,817

(a) On November 24, 2008, the Company completed a private placement of an additional 250,000 common shares of the Company at a price of \$0.40 per share for a total financing of \$100,000. The issued shares are subject to a four-month hold period. This placement gives the right to purchase 125,000 additional common shares of the Company at a price of \$0.65 per share for a 24-month period. A fair value of \$5,000 (see Note 8) was assigned to these warrants. The Company incurred shares issue expenses of \$56,420.

Deficit and accumulated other comprehensive income as at November 30, 2008, totalling \$7,756,091 (\$7,030,982 as at August 31, 2008)

(1) The entire balance of accumulated other comprehensive income is related to available-for-sale investments

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Cash Flows**

For the three (3) month period ended November 30, 2008 and 2007 (unaudited)

	<b>2008</b>	<b>2007</b>
	<b>3 months</b>	<b>3 months</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Loss for the period	(486,609)	(298,974)
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	5,699	2,761
Amortization of intangible assets	701	-
Gain on sale of long-term investments	(15,160)	-
Writeoff of deferred charges	162,186	-
Gain on sale of options on mining properties	-	(101,019)
Stock options	165,150	237,393
	<u>(168,033)</u>	<u>(159,839)</u>
Net change in non-cash working capital items		
Amounts receivable	1,168,581	813,924
Prepaid expenses	9,514	5,894
Accounts payable and accrued liabilities	<u>(1,057,815)</u>	<u>(359,977)</u>
	<u>120,280</u>	<u>459,841</u>
	<u>(47,753)</u>	<u>300,002</u>
<b>Cash flows from financing activities</b>		
Non convertible debentures	500,000	-
Convertible debentures	1,400,000	-
Issuance of share capital net of share issue expenses	43,580	-
	<u>1,943,580</u>	<u>-</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of long-term investments	23,760	-
Addition on property, plant and equipment	-	(13,880)
Increase in mining properties	(741,450)	(263,233)
Proceeds from sale of options on mining properties	-	120,000
Addition to deferred charges	(73,087)	-
	<u>(790,777)</u>	<u>(157,113)</u>
<b>Net change in cash</b>	1,105,050	142,889
<b>Cash - Beginning of period</b>	1,291,771	1,356,649
<b>Cash - End of period</b>	<u>2,396,821</u>	<u>1,499,538</u>
<b>Additional information</b>		
Tax credit and mining rights receivable applied against mining properties	(246,200)	(22,712)
Interest cashed, net of interest paid	4,066	13,328
Shares received and receivable in consideration of the sale of mining property	-	48,000
Acquisition of mining properties included in account payable and accrued liabilities	-	43,725
Cash proceeds from sale of options on mining properties included in amounts receivable	-	100,000

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

## **AZIMUT EXPLORATION INC.**

(An exploration company)

### **Notes to Interim Financial Statements (unaudited)**

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#### **1 Interim financial information**

The financial information as at November 30 2008, and for the three-month periods ended November 30 2008 and 2007 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 for the year ended August 31, 2008.

#### **2 Going concern assumption**

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of a going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

For the period ended November 30, 2008, the Company reported a loss of \$486,609 and an accumulated deficit of approximately \$6.8 million at that date. In addition to ongoing working capital requirements, the Company must secure sufficient funding to keep its properties in good standing and for general and administrative costs. Management is evaluating other alternatives to secure the necessary financing so that the Company can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classifications have not been adjusted as would be required if the going concern assumption was not appropriate.

#### **3 Accounting changes**

Effective September 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". These new standards relate only to disclosure and presentation, and have no impact on the Company's financial results.

Section 1400 requires that management make an assessment of the Company's ability to continue as a going concern over a period of at least, but not limited to, twelve months from the balance sheet date.

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Section 3862 describes the required disclosure for the assessment of the significance of financial instruments on an entity's financial position and performance and of the nature and extent of risk arising from financial instruments to which the entity is exposed and how the entity manages those risks.

The purpose of Section 3863 is to enhance the Financial Statements user's understanding of the significance of financial instruments as they pertain to the Company's financial position, performance and cash flows. It carries forward the presentation-related requirements of Section 3861 "Financial Instruments – Disclosure and Presentation".

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****4 Capital Management**

The capital structure of the Company consists of equity attributable to common shareholders and includes share capital, warrants, stock options, accumulated other comprehensive income and deficit.

The Company manages its capital to maximize its ability to be able to continue as a going concern. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day projections, and 180-day and 360-day lookout periods. Due to the nature of the activities of the Company, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing, through various means, including equity financing. On November 24, 2008, the Company completed a private placement of \$2,000,000. The proceed from the offering will be used for general purposes, technical work and business development.

The Company is not subject to any externally imposed capital requirements.

**5 Mining properties**

As at November 30, 2008, the following claims were in good standing and are located in the Province of Quebec.

	Undivided participation %	Balance as at September 1, 2008 \$	Costs incurred \$	Option payments, write- offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at November 30, 2008 \$
<b>Ungava Bay</b>					
North Rae (1,853 claims)					
Mining property	100	-	100,164	-	100,164
Exploration costs		409,134	276,923	(127,600)	558,457
		<u>409,134</u>	<u>377,087</u>	<u>(127,600)</u>	<u>658,621</u>
South Rae (2,477 claims)					
Mining property	100	-	-	-	-
Exploration costs		2,132	2,838	-	4,970
		<u>2,132</u>	<u>2,838</u>	<u>-</u>	<u>4,970</u>
Daniel Lake (972 claims)					
Mining property	100	-	87,924	-	87,924
Exploration costs		86,208	177,629	(81,800)	182,037
		<u>86,208</u>	<u>265,553</u>	<u>(81,800)</u>	<u>269,961</u>
Kangiq (1,743 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other (1,350 claims)					
Mining property	100	153,179	-	-	153,179
Exploration costs		1,112	-	-	1,112
		<u>154,291</u>	<u>-</u>	<u>-</u>	<u>154,291</u>
<b>Total Ungava Bay</b>		<u>651,765</u>	<u>645,478</u>	<u>(209,400)</u>	<u>1,087,843</u>

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****5 Mining properties - Cont'd****Central Quebec**

	Undivided participation %	Balance as at September 1, 2008 \$	Costs incurred \$	Option payments, write- offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at November 30, 2008 \$
North Minto (2,272 claims)					
Mining property	100	-	-	-	-
Exploration costs		439	6,655	-	7,094
		439	6,655	-	7,094
South Minto (1,609 claims)					
Mining property	100	-	-	-	-
Exploration costs		482	5,295	-	5,777
		482	5,295	-	5,777
Central Minto (1,146 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
West Minto (952 claims)					
Mining property	100	-	-	-	-
Exploration costs		582	629	-	1,211
		582	629	-	1,211
South Bienville (1,929 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Hudson Bay (661 claims)					
Mining property	100	-	-	-	-
Exploration costs		8	519	-	527
		8	519	-	527
West Bienville (288 claims)					
Mining property	100	-	-	-	-
Exploration costs		6,005	240	-	6,245
		6,005	240	-	6,245
Kativik (1,861 claims)					
Mining property	100	-	-	-	-
Exploration costs		38,608	79,865	(36,800)	81,673
		38,608	79,865	(36,800)	81,673
Quutsuki (19 claims)					
Mining property	100	1,862	-	-	1,862
Exploration costs		-	-	-	-
		1,862	-	-	1,862
<b>Total Central Quebec</b>		<b>47,986</b>	<b>93,203</b>	<b>(36,800)</b>	<b>104,389</b>

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)**

**5 Mining properties - Cont'd**

	Undivided participation %	Balance as at September 1, 2008 \$	Costs incurred \$	Option payments, write- offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at November 30, 2008 \$
<b>James Bay</b>					
Opinaca A, A East (497 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	158	-	158
		-	158	-	158
Opinaca B, B North (220 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	158	-	158
		-	158	-	158
Eleonore South (282 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	247	-	247
		-	247	-	247
Opinaca D (188 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	692	-	692
		-	692	-	692
Eastmain West (167 claims)					
Mining property	100	-	-	-	-
Exploration costs		5,386	294	-	5,680
		5,386	294	-	5,680
Wabamisk (755 claims)					
Mining property	100	-	-	-	-
Exploration costs		840	892	-	1,732
		840	892	-	1,732
Comptoir (796 claims)					
Mining property	100	59,450	-	-	59,450
Exploration costs		17,212	-	-	17,212
		76,662	-	-	76,662
Gold ( 2,277 claims)					
Mining property	100	229,490	-	-	229,490
Exploration costs		1,736	-	-	1,736
		231,226	-	-	231,226
<b>Total James Bay</b>		314,114	2,441	-	316,555

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)**

**5 Mining properties - Cont'd**

	Undivided participation %	Balance as at September 1, 2008 \$	Costs incurred \$	Option payments, write- offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at November 30, 2008 \$
<b>North Shore</b>					
Grenium (494 claims)					
Mining property	100	56,434	-	-	56,434
Exploration costs		7,063	-	-	7,063
		<u>63,497</u>	<u>-</u>	<u>-</u>	<u>63,497</u>
North Havre (209 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	328	-	328
		<u>-</u>	<u>328</u>	<u>-</u>	<u>328</u>
Nickel (1,896 claims)					
Mining property	100	167,340	-	-	167,340
Exploration costs		25	-	-	25
		<u>167,365</u>	<u>-</u>	<u>-</u>	<u>167,365</u>
<b>Total North Shore</b>		<u>230,862</u>	<u>328</u>	<u>-</u>	<u>231,190</u>
<b>Total mining properties</b>		<u>1,244,727</u>	<u>741,450</u>	<u>(246,200)</u>	<u>1,739,977</u>

Change in mining properties

	2008 3 months \$	2007 3 months \$
<b>Balance - Beginning of period</b>	<u>1,244,727</u>	<u>459,524</u>
Expenses incurred during the period		
Claims and permits	188,088	256,074
Geological surveys	244,136	50,884
Drilling	309,226	-
	<u>741,450</u>	<u>306,958</u>
Option payments	-	(118,981)
Credit on duties refundable for losses and refundable tax credit relating to resources	(246,200)	(22,712)
	<u>(246,200)</u>	<u>(141,693)</u>
<b>Balance - End of period</b>	<u>1,739,977</u>	<u>624,789</u>

## AZIMUT EXPLORATION INC.

(An exploration company)

### Notes to Interim Financial Statements (unaudited)

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#### 6 Debenture

The \$500,000 debenture is to be reimbursed over a 5 year-period in payments of \$100,000 per year. It bears interest at a rate of 12% per year payable in cash.

#### 7 Convertible debenture

On November 24, 2008, the Company completed a private placement of unsecured convertible debenture of \$900,000 to fund its technical work and business development. The debenture matures on November 24, 2011 and bears interest at the rate of 12% per annum, payable semi-annually either in cash or in shares. Non-interest bearing if the share is traded at \$0.90 and over during the twenty business days preceding the dates of interest instalments for the first two six-month periods ending May 24 and November 24, 2009, respectively, at \$1.35 and over for the third, fourth, fifth and sixth six-month periods ending May 24, 2010; November 24, 2010; May 24, 2011 and November 24, 2011, respectively. The principal is convertible at the option of the holder into common shares of the Company. During the first 2 years, the principals are convertible into units at a price of \$0.54. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.65. At the third year, the debentures are convertible into units at a price of \$0.60; each unit consists of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.75.

The Company had also completed a placement of \$500,000 secured convertible loan is to be reimbursed in two equal payments in 2009 and 2010 and bears interest at a rate of 12% per year, payable in cash or shares every six months. Non-interest bearing if the share is traded at \$0.90 and over during the twenty business days preceding the dates of interest instalments for the first two six-month periods ending May 24 and November 24, 2009, respectively, at \$1.35 and over for the third and fourth six-month periods ending May 24, 2010 and November 24, 2010. This loan is convertible into units at a price of \$0.54 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.65 for a 24-month period following the conversion date or until the term of the loan. The loan is secured by a hypothec on the Company's movable property, including tax credits to be received.

The convertible debenture is accounted for in accordance with its substance and is presented in the financial statements in its component parts, measured at their respective fair values at the time of issue. The liability component has been calculated as the present value of the required principal and interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debenture was issued.

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	\$	\$	\$
Unsecured convertible debenture	409,979	490,021	900,000
Secured convertible debenture	430,085	69,915	500,000
	<u>840,064</u>	<u>559,936</u>	<u>1,400,000</u>

#### 8 Warrants

The 125,000 warrants were granted in connection with a private placement concluded during the three-month period ended November 30, 2008.

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

Number of warrants granted	125,000
Risk-free interest rate	2.75%
Expected volatility	99.28%
Dividend yield	Nil
Weighted average expected life	2 years
Weighted average fair value of options granted	\$0.04

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****9 Stock Options**

The following tables present the stock option activity since September 1, 2008, and summarize information about fixed stock options outstanding and exercisable as at November 30, 2008 :

	<b>3 months</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding - Beginning of period	1,905,000	2.40
Cancelled	--	-
Exercised	--	-
Granted	--	-
	<hr/>	
Outstanding - End of period	1,905,000	2.40
	<hr/>	
Exercisable - End of period	1,512,500	2.15
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During the period ended November 30, 2008, an amount of \$165,150, representing the fair value of an additional 75,000 options that become exercisable, was included in the statement of earnings. The following table summarizes information about stock options outstanding and exercisable as at November 30, 2008.

<b>Exercise prices</b>	<b>Options outstanding Number</b>	<b>Options exercisable Number</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.30	290,000	290,000	0.28
\$0.64	30,000	30,000	1.56
\$0.86	105,000	105,000	1.79
\$1.50	50,000	50,000	2.23
\$1.55	300,000	300,000	2.25
\$1.75	150,000	150,000	2.28
\$1.80	20,000	20,000	2.39
\$3.03	360,000	127,500	4.35
\$3.85	300,000	150,000	3.27
\$4.30	300,000	290,000	3.26
	<hr/>		
	1,905,000	1,512,500	2.63
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**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****10 Financial instruments**

The fair values of financial instruments as at November 30, 2008, and August 31, 2008, are summarized as follows:

	Classification	November 30, 2008		August 31, 2008	
		Carrying value	Fair value	Carrying value	Fair value
		Total	Total	Total	Total
		\$	\$	\$	\$
<b>Financial assets</b>					
Cash	Held for trading	2,396,821	2,396,821	1,291,771	1,291,771
Amounts receivable	Loans and receivables	1,357,895	1,357,895	2,535,911	2,535,911
Long-term investments	Available for sale	144,700	144,700	340,050	340,050
		<u>3,899,416</u>	<u>3,899,416</u>	<u>4,167,732</u>	<u>4,167,732</u>
<b>Financial Liabilities</b>					
Accounts payable and Accrued liabilities	Other than held-for trading liabilities	1,748,562	1,748,562	2,806,377	2,806,377

Cash, amounts receivable and accounts payable and accrued liabilities are financial instruments whose fair value approximates their carrying value due to their short-term maturity or to current market rates.

The fair value of available-for-sale long-term investments is established using the bid price on the most beneficial active market for this instrument that is readily available to the Company. When a bid price is not available, the Company uses the closing price of the most recent transaction on such instrument. The Company reviews the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, interest rate risk, liquidity risk, and other price risks.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk is limited to cash and amount receivables. Cash and cash equivalents are deposited in bank accounts with Canadian chartered banks or invested in a diversified manner in securities having an investment-grade rating, and not asset-backed commercial paper. The credit risk associated with receivables from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from option payments and exploration work carried out on properties under option and operated by the Company. Other receivables represent amounts owed to the Company by the Canadian Revenue Agency for GST and QST refunds, and the Quebec Minister of Finance for the refundable tax credit relating to resources and credit on duties applicable for losses, all of which are expected to be collected.

**Interest Rate Risk**

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities.

As at November 30, 2008, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Long-term investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Debenture payable	12% interest rate

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Notes to Interim Financial Statements (unaudited)**

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**10 Financial instruments - Cont'd**

*Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operating requirements and capital expenditure plans. The Company manages liquidity by appropriately raising equity, if required, to meet its short-term operating requirements, and holdings of cash. The Company does not invest in asset-backed commercial paper.

*Commodity Price Risk*

The Company is still in the exploration stage and is not subject to commodity price risk.

**11 Subsequent events**

The termination agreement on the North Rae and Daniel Lake property between the Company and NWT Uranium Corp., dated July 5, 2008, expired on December 31, 2008. The termination agreement has no further force or effect and the current option agreements will remain valid and enforceable.

**12 Comparative figures**

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**CORPORATE INFORMATION**

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**Board of Directors**

Dennis Wood, Chairman of the Board (Montreal)

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)

Pierre Toth, M.Sc., Director (Montreal)

**Management**

Jean-Marc Lulin, President and Chief Executive Officer

Normand Champigny, Executive Vice President

Sylvain Guérard, Vice President Exploration

Moniroth Lim, Secretary and Treasurer

**Legal Counsel**

Miller Thomson Pouliot (Montreal)

**Auditors**

PricewaterhouseCoopers LLP (Quebec)

**Transfer Agent**

Trust CIBC Mellon Company (Montreal)

**Listing**

TSX Venture

Symbol: AZM

**Contact and information**

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