

Azimut Exploration Inc

Unaudited Condensed Interim Financial Statements
February 29, 2012 and 2011
(expressed in Canadian dollars,
except share amounts)

Azimut Exploration Inc
Interim Balance Sheets
(Unaudited) As at February 29, 2012

	<u>February 29, 2012</u>	<u>August 31, 2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	2,728,065	3,834,831
Amounts receivable		
Related party	40,282	40,282
Others	2,227,284	2,314,148
Prepaid expenses	40,312	31,445
	<u>5,035,943</u>	<u>6,220,706</u>
Non-current assets		
Mining rights receivable	174,908	137,608
Long-term investment	311,614	386,405
Property and equipment, net of accumulated depreciation	39,533	92,555
Intangible assets (less accumulated amortization of \$11,874; \$9,751 as at August 31, 2011)	12,034	14,157
Exploration and evaluation assets (note 6)	8,206,371	7,561,643
	<u>8,744,460</u>	<u>8,192,368</u>
Total assets	<u>13,780,403</u>	<u>14,413,074</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities		
Related parties	42,720	79,659
Accounts payable and accrued liabilities, advances received for exploration work and others	266,131	1,459,691
Current portion of debentures payable	100,000	100,000
Obligation under capital lease	-	16,100
	<u>408,851</u>	<u>1,655,450</u>
Non-current liabilities		
Debenture payable	67,800	158,600
Liability component of convertible debentures (note 7)	-	296,118
Asset retirement obligation	50,000	-
	<u>117,800</u>	<u>454,718</u>
Total liabilities	<u>526,651</u>	<u>2,110,168</u>
Equity		
Share capital	20,457,968	18,837,579
Warrants (note 8)	336,894	735,046
Stock options (note 9)	1,995,864	2,198,030
Equity component of convertible debentures (note 7)	-	47,889
Contributed surplus	1,438,067	1,087,042
Deficit	(10,892,857)	(10,595,287)
Accumulated other comprehensive loss	(82,184)	(7,393)
	<u>13,253,752</u>	<u>12,302,906</u>
Total equity	<u>13,253,752</u>	<u>12,302,906</u>
Total liabilities and equity	<u>13,780,403</u>	<u>14,413,074</u>

Azimut Exploration Inc
Interim Statements of Comprehensive Loss
(Unaudited) For the three- and six-months period ended February 29, 2012 and 2011

	Three-month period ended		Six-month period ended	
	February 29,		February 29,	
	2012	2011	2012	2011
		(note 5)		(note 5)
Expenses				
General and administrative (note 10)	171,449	416,244	307,509	558,284
General exploration (note 10)	14,700	116,320	25,137	159,760
Operating loss	186,149	532,564	332,646	718,044
Financing cost, net				
Interest income	(8,347)	(4,076)	(17,394)	(9,253)
Interest on debentures	13,609	27,917	22,107	56,409
Interest and bank charges	591	690	1,073	990
Interest on obligation under capital lease	-	403	-	403
	5,853	24,934	5,786	48,549
Other gains and losses				
Gain on option payments on exploration and evaluation assets	26,729	74,205	26,729	74,205
Gain on termination of option on exploration and evaluation assets	-	-	-	148,642
Management fees	3,148	15,534	14,135	37,001
Gain on sale of available-for-sale investments	-	30,794	-	41,570
	29,877	120,533	40,862	301,418
Loss before income tax	(162,125)	(436,965)	(297,570)	(465,175)
Recovery of deferred income tax	-	9,760	-	52,346
Net loss for the period	(162,125)	(427,205)	(297,570)	(412,829)
Other comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale investments	26,060	22,288	(74,791)	187,678
Reclassification of the loss (gain) on sale of available-for-sale investments to statement of loss	-	(30,794)	-	(41,570)
	26,060	(8,506)	(74,791)	146,108
Comprehensive loss for the period	(136,065)	(435,711)	(372,361)	(266,721)
Basic and diluted net loss per share	(0.004)	(0.016)	(0.008)	(0.016)
Weighted average number of shares outstanding	36,470,328	26,609,817	35,721,510	26,157,575

Azimut Exploration Inc
Interim Statements of Changes in Equity
(Unaudited) For the six-month periods ended February 29, 2012 and 2011

	Share capital		Warrants		Stock options		Equity component of debenture	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
	Number	\$	Number	\$	Number	\$	\$	\$	\$	\$	\$
Balance - September 1, 2011	34,438,351	18,837,579	4,573,217	735,046	2,205,000	2,198,030	47,889	1,087,042	(10,595,287)	(7,393)	12,302,906
Net loss for the period	-	-	-	-	-	-	-	-	(297,570)	-	(297,570)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	(74,791)	(74,791)
Issuance of shares for payment of interest on convertible debentures	12,542	13,129	6,271	1,073	-	-	-	-	-	-	14,202
Conversion of secured debentures	500,000	301,257	250,000	42,750	-	-	(47,889)	-	-	-	296,118
Warrants exercised	1,439,435	1,208,488	(1,439,435)	(246,580)	-	-	-	-	-	-	961,908
Warrants expired	-	-	(723,389)	(195,395)	-	-	-	195,395	-	-	-
Stock options exercised	80,000	101,280	-	-	(80,000)	(48,480)	-	-	-	-	52,800
Stock options granted	-	-	-	-	100,000	-	-	-	-	-	-
Stock options expired	-	-	-	-	(80,000)	(155,630)	-	155,630	-	-	-
Stock-based compensation costs	-	-	-	-	-	1,944	-	-	-	-	1,944
Share issue expenses	-	(3,765)	-	-	-	-	-	-	-	-	(3,765)
Balance - February 29, 2012	36,470,328	20,457,968	2,666,664	336,894	2,145,000	1,995,864	-	1,438,067	(10,892,857)	(82,184)	13,253,752
Balance - September 1, 2010	25,111,070	11,745,400	2,542,154	564,152	2,440,000	2,482,790	150,050	459,472	(10,139,255)	(7,848)	5,254,761
Net loss for the period	-	-	-	-	-	-	-	-	(412,829)	-	(412,829)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	146,108	146,108
Issuance of shares for payment of interest on convertible debentures	39,727	35,211	-	-	-	-	-	-	-	-	35,211
Conversion of secured debentures	1,185,185	671,881	1,205,470	37,158	-	-	(102,162)	-	-	-	606,877
Warrants exercised	602,847	414,419	(602,847)	(19,443)	-	-	-	-	-	-	394,976
Stock options granted	-	-	-	-	450,000	-	-	-	-	-	-
Stock options expired	-	-	-	-	(475,000)	(452,640)	-	452,640	-	-	-
Stock-based compensation costs	-	-	-	-	-	322,500	-	-	-	-	322,500
Share issue expenses	-	(4,084)	-	-	-	-	-	-	-	-	(4,084)
Balance - February 28, 2011	26,938,829	12,862,827	3,144,777	581,867	2,415,000	2,352,650	47,888	912,112	(10,552,084)	138,260	6,343,520

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

Azimut Exploration Inc
Interim Statements of Cash Flows
(Unaudited) For the six-month periods ended February 29, 2012 and 2011

	2012 \$	2011 \$
Cash flows from operating activities		
Net loss for the period	(297,570)	(412,829)
Items not affecting cash		
Depreciation of property and equipment	6,096	6,814
Amortization of intangible assets	2,123	1,655
Gain on sale of available-for-sale investments	-	(41,570)
Gain on option payments on exploration and evaluation assets	(26,729)	(74,205)
Credit on duties refundable for losses and refundable tax credit relating to resources	(17,800)	(20,900)
Gain on termination of option on exploration and evaluation assets	-	(148,642)
Accretion expense on debentures	9,200	25,585
Interest on obligation under capital lease	-	403
Stock-based compensation costs	1,944	308,300
Shares issued for interest payment on debentures	14,202	35,211
Recovery of future income taxes	-	(52,346)
	<u>(308,534)</u>	<u>(372,524)</u>
 Net change in non-cash working capital items		
Amounts receivable	412,164	438,761
Prepaid expenses	(8,867)	(1,656)
Accounts payable and accrued liabilities	(1,782,486)	(756,747)
	<u>(1,379,189)</u>	<u>(319,642)</u>
	<u>(1,687,723)</u>	<u>(692,166)</u>
 Cash flows from financing activities		
Non-convertible debentures	(100,000)	(100,000)
Issuance of share capital net of share issue expenses	1,014,708	390,892
Payments of obligation under capital lease	(3,765)	(14,000)
	<u>910,943</u>	<u>276,892</u>
 Cash flows from investing activities		
Proceeds from sale of long-term investments	-	86,006
Additions to property and equipment	-	(7,780)
Additions to intangible assets	-	(12,870)
Addition to exploration and evaluation assets	(379,986)	(1,441,371)
Proceeds from sale of option on exploration and evaluation assets	50,000	50,027
	<u>(329,986)</u>	<u>(1,325,988)</u>
 Net change in cash and cash equivalents	<u>(1,106,766)</u>	<u>(1,741,262)</u>
Cash and cash equivalents - Beginning of period	3,834,831	2,704,823
Cash and cash equivalents - End of period	<u>2,728,065</u>	<u>963,561</u>
 Additional information		
Interest paid, net of interest received	56,813	54,047
Acquisition of exploration and evaluation assets included in accounts payable and accrued liabilities	74,671	282,463
Depreciation of property and equipment pursuant to a capital lease and included in exploration and evaluation assets	80,826	93,855
Stock based compensation included in exploration and evaluation assets	-	14,200

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

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and six-month periods ended February 29, 2012 and 2011

1 Nature of operations and general information

Azimut Exploration Inc (the “Company”), incorporated under the Québec Corporations Act, is in the business of acquiring and exploring mining properties. The Company’s registered office is located at 110 De La Barre Street, Suite 214, Longueuil, Quebec, Canada. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. It has not yet been determined whether the Company’s properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and evaluation of its properties and the profitable sale of the exploration and evaluation assets.

Although management has taken steps to verify title to mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliant with regulatory requirements.

To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

As at February 29, 2012, the Company had working capital of \$4,627,092 (as at February 28, 2011 – \$1,075,932) including cash and cash equivalents of \$2,728,065 (2011 – \$963,561) of which no funds was restricted pursuant to flow-through financings, and an accumulated deficit of \$10.9 million (2011 – \$10.4 million), and had incurred a loss of \$297,570 (2011 – \$412,829) for the six-month period then ended.

Management believes the Company has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. To continue its exploration and evaluation programs on its properties and to continue operating beyond February 29, 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 mining properties, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

The Company’s financial year ends on August 31. These unaudited condensed interim financial statements were authorized by the Board of Directors on April 24, 2012.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and six-month periods ended February 29, 2012 and 2011

2 Basis of preparation and adoption of International Financial Reporting Standards (“IFRS”)

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim financial statements. In the financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at September 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended August 31, 2011.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of April 24, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending August 31, 2012 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended August 31, 2011, as well as with the Company's condensed interim financial statements for the quarters ended November 30, 2011 and 2010 prepared in accordance with IFRS applicable to the preparation of interim financial statements.

The significant accounting policies used in the preparation of these interim financial statements were described in the November 30, 2011 financial statements and remain unchanged for the February 29, 2012 financial statements.

3 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”; 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.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and six-month periods ended February 29, 2012 and 2011

- 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 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. 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.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and six-month periods ended February 29, 2012 and 2011

4 Critical accounting estimates, judgments and assumptions

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.

Significant estimates include the valuation of credit on duties refundable for loss and the refundable tax credit for resources, deferred tax assets and liabilities, the recoverability of short-term investments and mining properties, the valuation of long-term investments, other liabilities, and the fair value of stock options granted.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses were described in the November 30, 2011 financial statements.

5 Transition to IFRS

The effect of the Company's transition to IFRS, is summarized in this note as follows:

- a) Transition elections;
 - b) Reconciliation of balance sheet, equity and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes; and
 - c) Adjustments to the statement of cash flows.
- a) Transition elections

IFRS 1, First Time Adoption of IFRS, offers the possibility to use certain exemptions from full retrospective application of IFRS. The Company evaluated the options available and did not have to adopt any transition exemptions.

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and six-month periods ended February 29, 2012 and 2011

b) Reconciliation of balance sheet, equity and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes

		February 28, 2011			
<u>Canadian GAAP</u>	Note	Canadian GAAP \$	Adjustment \$	IFRS \$	<u>IFRS description</u>
Assets					
Current assets					
Cash and cash equivalents		963,561	-	963,561	Cash and cash equivalents
Amounts receivable					Amounts receivable
Related parties		80,564	-	80,564	Related parties
Others		721,258	-	721,258	Others
Prepaid expenses		23,504	-	23,504	Prepaid expenses
		<u>1,788,887</u>	<u>-</u>	<u>1,788,887</u>	
Non-current assets					
Mining rights receivable		18,000	-	18,000	Mining rights receivable
Long-term investments		479,233	-	479,233	Long-term investments
Property and equipment		189,533	-	189,533	Property and equipment
Intangible assets		15,812	-	15,812	Intangible assets
Mining properties		5,020,765	-	5,020,765	Exploration and evaluation assets
			3,133		
Deferred tax assets	ii)	-	(3,133)	-	Deferred tax assets
		<u>5,723,343</u>	<u>-</u>	<u>5,723,343</u>	
Total assets		<u>7,512,230</u>	<u>-</u>	<u>7,512,230</u>	Total assets

Azimut Exploration Inc
Notes to Condensed Interim Financial Statements
(Unaudited) For the three- and six-month periods ended February 29, 2012 and 2011

<u>Canadian GAAP</u>	<u>Note</u>	<u>Canadian GAAP</u> \$	<u>Adjustment</u> \$	<u>IFRS</u> \$	<u>IFRS description</u>
Liabilities					Liabilities
Current liabilities					Current liabilities
Accounts payable and accrued liabilities					Accounts payable and accrued liabilities
Related parties		188,185	-	188,185	Related parties
Accounts payable and accrued liabilities, advances received for exploration work and others		426,670	-	426,670	Accounts payable and accrued liabilities, advances received for exploration work and others
Current portion of debenture payable		100,000	-	100,000	Current portion of debenture payable
Obligation under capital lease		16,100	-	16,100	Obligation under capital lease
		<u>730,955</u>	<u>-</u>	<u>730,955</u>	
Non-current liabilities					Non-current liabilities
Debenture payable		149,400	-	149,400	Debenture payable
Liability component of convertible debentures		288,355	-	288,355	Liability component of convertible debentures
			3,133		
Deferred tax liability	ii)	-	(3,133)	-	Deferred tax liability
Other liability	i)	-	-	-	Other liability
		<u>437,755</u>	<u>-</u>	<u>437,755</u>	
Total liabilities		<u>1,168,710</u>	<u>-</u>	<u>1,168,710</u>	Total liabilities
Equity					Equity
Share capital	i)	12,641,827	221,000	12,862,827	Share capital
Warrants		581,867	-	581,867	Warrants
Stock options	iii)	2,335,400	17,250	2,352,650	Stock options
Equity component of convertible debentures		47,888	-	47,888	Equity component of convertible debentures
Contributed surplus		912,112	-	912,112	Contributed surplus
Deficit	i), iii)	(10,313,834)	(238,250)	(10,552,084)	Deficit
Accumulated other comprehensive loss		138,260	-	138,260	Accumulated other comprehensive loss
		<u>6,343,520</u>	<u>-</u>	<u>6,343,520</u>	
Total liabilities and equity		<u>7,512,230</u>	<u>-</u>	<u>7,512,230</u>	Total liabilities and equity

Azimut Exploration Inc

Notes to Condensed Interim Financial Statements

(Unaudited) For the three- and six-month periods ended February 29, 2012 and 2011

	Note	For the three-month period ended February 28, 2011			For the six-month period ended February 28, 2011			<u>IFRS description</u>
		Canadian GAAP \$	Adjustment \$	IFRS \$	Canadian GAAP \$	Adjustment \$	IFRS \$	
<u>Canadian GAAP</u>								
Expenses								
Salaries and fringe benefits		(21,072)	-	(21,072)	64,669	-	64,669	Salaries and fringe benefits
Professional and maintenance fees		33,200	-	33,200	46,994	-	46,994	Professional and maintenance fees
Administration and office		67,841	-	67,841	102,349	-	102,349	Administration and office
Travelling and entertainment		24,900	-	24,900	28,131	-	28,131	Travelling and entertainment
Depreciation of property and equipment		3,699	-	3,699	6,814	-	6,814	Depreciation of property and equipment
Amortization of intangible assets		1,310	-	1,310	1,655	-	1,655	Amortization of intangible assets
Part XII.6 tax		(434)	-	(434)	(628)	-	(628)	Part XII.6 tax
Stock-based compensation	iii)	305,300	1,500	306,800	305,300	3,000	308,300	Stock-based compensation
				<u>416,244</u>			<u>558,284</u>	General and administrative expenses
Search of properties		137,220	-	137,220	180,660	-	180,660	Salaries for search of properties
Credit on duties refundable for loss and refundable tax credit for resources		(20,900)	-	(20,900)	(20,900)	-	(20,900)	Credit on duties refundable for loss and refundable tax credit for resources
				<u>116,320</u>			<u>159,760</u>	General exploration
				<u>532,564</u>			<u>718,044</u>	Operating loss
								Finance costs, net
Interest income		(4,076)	-	(4,076)	(9,253)	-	(9,253)	Interest income
Interest on debentures		27,917	-	27,917	56,409	-	56,409	Interest on debenture
Interest on obligation under capital lease		403	-	403	403	-	403	Interest on obligation under capital lease
Interest and bank charges		690	-	690	990	-	990	Interest and bank charges
				<u>24,934</u>			<u>48,549</u>	
		<u>555,998</u>	<u>1,500</u>	<u>557,498</u>	<u>763,593</u>	<u>3,000</u>	<u>766,593</u>	

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Notes to Condensed Interim Financial Statements
(Unaudited) For the three- and six-month periods ended February 29, 2012 and 2011

	Note	For the three-month period ended February 28, 2011			For the six-month period ended February 28, 2011			<u>IFRS description</u>
		Canadian GAAP \$	Adjustment \$	IFRS \$	Canadian GAAP \$	Adjustment \$	IFRS \$	
Canadian GAAP								
Other income (expenses)								Other gain and losses
Gain on option payments on mining properties		74,205	-	74,205	74,205	-	74,205	Gain on option payments on exploration and evaluation assets
Gain on termination of option on mining properties		-	-	-	148,642	-	148,642	Gain on termination of option on exploration and evaluation assets
Management fees		15,534	-	15,534	37,001	-	37,001	Management fees
Gain on sale of long-term investments		30,794	-	30,794	41,570	-	41,570	Gain (loss) on sale of available-for-sale investments
		<u>120,533</u>	<u>-</u>	<u>120,533</u>	<u>301,418</u>	<u>-</u>	<u>301,418</u>	
Loss before income tax		(435,465)	(1,500)	(436,965)	(462,175)	(3,000)	(465,175)	Loss before income tax
Recovery of deferred income tax	i)	-	9,760	9,760	-	52,346	52,346	Recovery of deferred income tax
Net loss for the period		<u>(435,465)</u>	<u>8,260</u>	<u>(427,205)</u>	<u>(462,175)</u>	<u>49,346</u>	<u>(412,829)</u>	Net loss for the period
Other comprehensive income (loss)								Other comprehensive income (loss)
Unrealized gain (loss) on available-for-sale investments		22,288	-	22,288	187,678	-	187,678	Unrealized gain (loss) on available-for-sale investments
Reclassification of the loss (gain) on sale of available-for-sale investments to statement of loss		(30,794)	-	(30,794)	(41,570)	-	(41,570)	Reclassification of the loss (gain) on sale of available-for-sale investments to statement of loss
		<u>(8,506)</u>	<u>-</u>	<u>(8,506)</u>	<u>146,108</u>	<u>-</u>	<u>146,108</u>	
Comprehensive income (loss) for the period		<u>(443,971)</u>	<u>8,260</u>	<u>(435,711)</u>	<u>(316,067)</u>	<u>49,346</u>	<u>(266,721)</u>	Comprehensive income (loss) for the period
Basic and diluted net loss per share		<u>(0.016)</u>		<u>(0.016)</u>	<u>(0.018)</u>		<u>(0.016)</u>	Basic and diluted net loss per share
Weighted average number of shares outstanding		<u>26,609,817</u>		<u>26,609,817</u>	<u>26,157,575</u>		<u>26,157,575</u>	Weighted average number of shares outstanding

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Some amounts on the unaudited interim statements of comprehensive loss have been reclassified to conform to the presentation adopted under IFRS, as the statement of comprehensive loss incorporated expenses by function and by nature which is not permitted under IFRS.

Explanatory notes

- i) Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a future tax liability is recognized as a cost of issuing the shares (a reduction in share capital). Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in share capital and the amount the investors pay for the shares (premium) is recognized as other liability which is reversed into earnings as deferred tax recovery when eligible expenditures have been made. The tax effect resulting from the renunciation is recorded as a deferred tax expense when eligible expenditures have been made.
- ii) Under Canadian GAAP, there is an exception where there is no future income tax to record when the settlement of the liability component of compound financial instruments, in accordance with its terms, might occur without tax impact. When the entity is able to settle the instrument without the incidence of tax, the tax basis of the liability component is considered to be the same as its carrying amount and there is no temporary difference.

Under IFRS, deferred taxes relating to the liability component of compound financial instruments would be recorded if the carrying amount of the liability component differs from its tax basis.

In 2008, the Company issued convertible debentures for which no future income tax liability was recorded under Canadian GAAP. Upon transition to IFRS, the Company calculated the deferred tax liability arising from this liability.

- iii) IFRS 2 "Share-Based Payment" requires that stock option grant tranches with different vesting dates be recognized separately and the fair value determined for each grant. As at September 1, 2010, each tranche's compensation cost was recalculated using the new method and amortized over their respective vesting period.
- c) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flows.

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6 Exploration and evaluation assets

All mining properties are located in the Province of Quebec.

	As at February 29, 2012 \$	As at August 31, 2011 \$
Exploration and evaluation assets	8,206,371	7,342,993
Advances for exploration work	-	218,650
	<u>8,206,371</u>	<u>7,561,643</u>

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Change in exploration and evaluation assets

Exploration properties	Undivided interest	Cost as at August 31, 2011	Additions	Option payments	Tax credit	Cost as at February 29, 2012	Accumulated impairment at August 31, 2011	Impairment	Accumulated impairment at February 29, 2012	Net book amount as at February 29, 2012
Nunavik	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rex (5,720 claims)	100									
Mining properties		548,040	249,606	-	-	797,646	-	-	-	797,646
Exploration costs		3,327,128	504,440	-	(176,000)	3,655,568	-	-	-	3,655,568
		<u>3,875,168</u>	<u>754,046</u>	<u>-</u>	<u>(176,000)</u>	<u>4,453,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,453,214</u>
Rex South (2,162 claims)	100									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		-	30,067	-	(12,900)	17,167	-	-	-	17,167
		<u>-</u>	<u>30,067</u>	<u>-</u>	<u>(12,900)</u>	<u>17,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,167</u>
NCG (5,439 claims)	100									
Mining properties		525,632	4,998	-	-	530,630	-	-	-	530,630
Exploration costs		607,750	329,185	-	(142,200)	794,735	-	-	-	794,735
		<u>1,133,382</u>	<u>334,183</u>	<u>-</u>	<u>(142,200)</u>	<u>1,325,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,365</u>
Diana (732 claims)	100									
Mining properties		14,388	31,719	-	-	46,107	-	-	-	46,107
Exploration costs		13,934	3,719	-	(1,550)	16,103	-	-	-	16,103
		<u>28,322</u>	<u>35,438</u>	<u>-</u>	<u>(1,550)</u>	<u>62,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,210</u>
Others, Copper-gold-silver-cobalt-REE (724 claims)	100									
Mining properties		70,250	-	-	-	70,250	-	-	-	70,250
Exploration costs		3,545	28,770	-	(10,500)	21,815	-	-	-	21,815
		<u>73,795</u>	<u>28,770</u>	<u>-</u>	<u>(10,500)</u>	<u>92,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,065</u>
Total Copper-gold-silver-cobalt-rare earth properties		<u>5,110,667</u>	<u>1,182,504</u>	<u>-</u>	<u>(343,150)</u>	<u>5,950,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,950,021</u>

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Exploration properties (continued)	Undivided interest %	Cost as at August 31, 2011 \$	Additions \$	Option payments \$	Tax credit \$	Cost as at February 29, 2012 \$	Accumulated impairment at August 31, 2011 \$	Impairment \$	Accumulated impairment at February 29, 2012 \$	Net book amount as at February 29, 2012 \$
North Rae (1,403 claims)	100									
Mining properties		494,266	25,030	-	-	519,296	-	-	-	519,296
Exploration costs		690,927	7,645	-	-	698,572	-	-	-	698,572
		<u>1,185,193</u>	<u>32,675</u>	<u>-</u>	<u>-</u>	<u>1,217,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,217,868</u>
Daniel Lake (388 claims)	100									
Mining properties		386,590	-	-	-	386,590	-	-	-	386,590
Exploration costs		302,146	-	-	-	302,146	-	-	-	302,146
		<u>688,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,736</u>
Kangiq (50 claims)	100									
Mining properties		5,450	-	-	-	5,450	-	-	-	5,450
Exploration costs		202	-	-	-	202	-	-	-	202
		<u>5,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,652</u>
North Minto (352 claims)	100									
Mining properties		15,943	-	-	-	15,943	-	-	-	15,943
Exploration costs		11,287	435	-	-	11,722	(11,287)	-	(11,287)	435
		<u>27,230</u>	<u>435</u>	<u>-</u>	<u>-</u>	<u>27,665</u>	<u>(11,287)</u>	<u>-</u>	<u>(11,287)</u>	<u>16,378</u>
Central Minto (195 claims)	100									
Mining properties		15,194	-	-	-	15,194	-	-	-	15,194
Exploration costs		1,041	395	-	-	1,436	(1,041)	-	(1,041)	395
		<u>16,235</u>	<u>395</u>	<u>-</u>	<u>-</u>	<u>16,630</u>	<u>(1,041)</u>	<u>-</u>	<u>(1,041)</u>	<u>15,589</u>
South Minto (220 claims)	100									
Mining properties		11,449	-	-	-	11,449	-	-	-	11,449
Exploration costs		7,445	435	-	-	7,880	-	-	-	7,880
		<u>18,894</u>	<u>435</u>	<u>-</u>	<u>-</u>	<u>19,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,329</u>

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Exploration properties (continued)	Undivided interest %	Cost as at August 31, 2011 \$	Additions \$	Option payments \$	Tax credit \$	Cost as at February 29, 2012 \$	Accumulated impairment at August 31, 2011 \$	Impairment \$	Accumulated impairment at February 29, 2012 \$	Net book amount as at February 29, 2012 \$
Kativik (234 claims)	100									
Mining properties		31,145	-	-	-	31,145	-	-	-	31,145
Exploration costs		27,010	-	-	-	27,010	-	-	-	27,010
		<u>58,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,155</u>
Others, Uranium properties (140 claims)	100									
Mining properties		29,260	763	-	-	30,023	-	-	-	30,023
Exploration costs		18,646	448	-	-	19,094	-	-	-	19,094
		<u>47,906</u>	<u>1,211</u>	<u>-</u>	<u>-</u>	<u>49,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,117</u>
Total Uranium properties		<u>2,048,001</u>	<u>35,151</u>	<u>-</u>	<u>-</u>	<u>2,083,152</u>	<u>(12,328)</u>	<u>-</u>	<u>(12,328)</u>	<u>2,070,824</u>
Total Nunavik		<u>7,158,668</u>	<u>1,217,655</u>	<u>-</u>	<u>(343,150)</u>	<u>8,033,173</u>	<u>(12,328)</u>	<u>-</u>	<u>(12,328)</u>	<u>8,020,845</u>

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Exploration properties (continued) James Bay	Undivided interest %	Cost as at August 31, 2011 \$	Additions \$	Option payments \$	Tax credit \$	Cost as at February 29, 2012 \$	Accumulated impairment at August 31, 2011 \$	Impairment \$	Accumulated impairment at February 29, 2012 \$	Net book amount as at February 29, 2012 \$
Opinaca A-A East (429 claims)	50									
Mining properties		8,460	-	(8,460)	-	-	-	-	-	-
Exploration costs		3,261	3,128	(6,389)	-	-	-	-	-	-
		<u>11,721</u>	<u>3,128</u>	<u>(14,849)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Opinaca B-B-North (220 claims)	50									
Mining properties		4,500	-	(4,500)	-	-	-	-	-	-
Exploration costs		2,574	1,346	(3,920)	-	-	-	-	-	-
		<u>7,074</u>	<u>1,346</u>	<u>(8,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Eleonore South (282 claims)	26.4									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		4,510	2,152	-	-	6,662	-	-	-	6,662
		<u>4,510</u>	<u>2,152</u>	<u>-</u>	<u>-</u>	<u>6,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,662</u>
Opinaca D (188 claims)	100									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		3,868	580	-	-	4,448	-	-	-	4,448
		<u>3,868</u>	<u>580</u>	<u>-</u>	<u>-</u>	<u>4,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,448</u>
Eastmain W (77 claims)	100									
Mining properties		9,923	-	-	-	9,923	-	-	-	9,923
Exploration costs		152,124	2,648	-	-	154,772	-	-	-	154,772
		<u>162,047</u>	<u>2,648</u>	<u>-</u>	<u>-</u>	<u>164,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,695</u>
Wabamisk (723 claims)	49									
Mining properties		-	-	-	-	-	-	-	-	-
Exploration costs		7,433	3,938	-	(1,650)	9,721	-	-	-	9,721
		<u>7,433</u>	<u>3,938</u>	<u>-</u>	<u>(1,650)</u>	<u>9,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,721</u>
Total James Bay		<u>196,653</u>	<u>13,792</u>	<u>(23,269)</u>	<u>(1,650)</u>	<u>185,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,526</u>
Total mining properties		<u>7,355,321</u>	<u>1,231,448</u>	<u>(23,269)</u>	<u>(344,800)</u>	<u>8,218,700</u>	<u>(12,328)</u>	<u>-</u>	<u>(12,328)</u>	<u>8,206,371</u>

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	Six months period ended February 29,	
	2012	2011
	\$	\$
Balance – Beginning of the period	7,561,643	3,880,774
Exploration and evaluation incurred during the period		
Claims and permits	312,116	561,780
Geological surveys	462,152	354,311
Geochemical surveys	175,049	138,886
Geophysical surveys	1,607	151,229
Drilling	193,751	410
Administration and others	5,946	18,792
Stock based compensation cost	-	14,200
Depreciation of property and equipment	80,826	93,855
Variation of advance for exploration work	(218,650)	-
	1,012,797	1,333,463
Option payments	(23,269)	(25,822)
Credit on duties refundable for loss and refundable tax credit for resources	(344,800)	(167,650)
	(368,069)	(193,472)
Balance – End of the period	8,206,371	5,020,765

7 Convertible debentures

Unsecured convertible debentures

	Liability component	Equity component \$	Total \$
As at August 31, 2011	296,117	47,889	344,006
Reimbursement in units	(300,000)	(47,889)	(347,889)
Accretion expense on convertible debentures	3,883	-	3,883
As at February 29, 2012	-	-	-

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8 Warrants

The following table reflects the continuity of warrants for the period ended February 29, 2012:

	Six-month period ended February 29, 2012			Year ended August 31, 2011		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	4,573,217	735,046	1.13	2,542,154	564,152	0.76
Issued	256,271	43,823	0.76	3,872,134	543,052	1.17
Exercised	(1,439,435)	(246,580)	0.67	(1,841,071)	(372,158)	0.69
Expired	(723,389)	(195,395)	0.95	-	-	-
Outstanding - End of period	2,666,664	336,894	1.40	4,573,217	735,046	1.13

A total of 629,629 warrants were exercised by two directors for total proceeds of \$409,259 in exchange of common shares of the Company. In March 2012, the Company obtained all regulatory approvals respecting an extension of the expiry date of 2,666,664 warrants until March 19, 2013. All other terms and conditions of warrants remain unchanged.

9 Stock options

The following tables present the stock option activity since August 31, 2011 and summarize the information about fixed stock options outstanding and exercisable as at February 29, 2012:

	Six-month period ended February 29, 2012		Year ended August 31, 2011	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding - Beginning of period	2,205,000	1.43	2,440,000	1.54
Granted	100,000	0.83	490,000	0.84
Exercised	(80,000)	0.66	(80,000)	0.34
Expired/cancelled	(80,000)	3.36	(645,000)	1.53
Outstanding - End of period	2,145,000	1.36	2,205,000	1.43
Exercisable - End of period	2,078,334	1.38	2,205,000	1.43

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The following table summarizes information about stock options outstanding and exercisable as at February 29, 2012:

Exercise prices	Options Outstanding	Options Exercisable	Weighted Average Remaining Contractual Life (years)
\$0.34	505,000	505,000	7.13
\$0.60	120,000	120,000	8.40
\$0.66	410,000	410,000	8.04
\$0.80	450,000	450,000	8.87
\$0.83	100,000	33,334	9.86
\$1.25	40,000	40,000	9.09
\$3.03	260,000	260,000	1.12
\$4.30 *	260,000	260,000	0.09
	<u>2,145,000</u>	<u>2,078,334</u>	<u>6.31</u>

*Expired subsequently

On January 6, 2012 the Company granted 100,000 stock options to a consultant involved in business development. Of these, 33,334 stock options were vested immediately, an additional 33,333 stock options will vest after July 6, 2012, and an additional 33,333 stock options will vest after January 6, 2013. The fair value of the first tranche of vested options amounted to \$5,833 of which \$1,944 was accounted as a stock-based compensation expense for the current quarter, \$2,917 in the nine-month period ended May 31, 2012, and the remaining \$1,844 will be recorded in the last quarter of 2012.

The Company granted options to non-employees and it estimates the fair value of these services approximates the fair value of the options granted measured using the Black Scholes option pricing model with the following assumptions: risk-free interest of 0.92%, expected life of 9 months, annualized volatility rate of 61%, and dividend rate of 0%. The Company was not able to determine the fair value of the services received reliably and therefore used the fair value of the options calculated with the Black Scholes option-pricing model.

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10 Expenses by nature

	Three-month period ended February 29,		Six-month period ended February 29,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Salaries and fringe benefits	43,173	(21,072)	104,962	64,669
Professional and maintenance fees	44,096	33,200	52,305	46,994
Administration and office	58,617	67,841	100,061	102,349
Travelling and entertainment	19,508	24,900	40,018	28,131
Depreciation of property and equipment	3,049	3,699	6,096	6,814
Amortization of intangible assets	1,062	1,310	2,123	1,655
Part XII.6 tax	-	(434)	-	(628)
Stock-based compensation	1,944	306,800	1,944	308,300
General and administrative expenses	171,449	416,244	307,509	558,284
Salaries for search of properties	25,600	137,220	42,937	180,660
Credit on duties refundable for loss and refundable tax credit for resources	(10,900)	(20,900)	(17,800)	(20,900)
General exploration	14,700	116,320	25,137	159,760
Interest income	(8,347)	(4,076)	(17,394)	(9,253)
Interest on debentures	13,609	27,917	22,107	56,409
Interest on obligation under capital lease	-	403	-	403
Interest and bank charges	591	690	1,073	990
Finance costs, net	5,853	24,934	5,786	48,549

11 Comparative figures

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