Exploration Azimut inc.

MANAGEMENT'S DISCUSSION and ANALYSIS

For the year ended August 31st, 2005

Scope of management's financial analysis

This Management's Discussion and Analysis supplements the financial statements and complements them by providing contextual and prospective information not provided by the financial statements. This analysis is based on the company's accounting policies that are in conformities with Canadian generally accepted accounting principles (GAAP).

Corporate profile and mission

Exploration Azimut Inc. ("Azimut") is a mineral exploration company developing cutting-edge geoscience data processing methods that improve exploration targeting with the objective of discovering major ore deposits.

Azimut was reactivated in June 2003 following the appointment of a new president. Since then, the company has acquired nine exploration projects, held 100% by Azimut, using the results of its regional-scale mineral potential assessments in Quebec:

- In the James Bay area:
  - 4 gold projects in the Opinaca area (A and A-East blocks, B and B-North blocks, C Block, D Block)
  - 2 gold projects in the Eastmain area (Eastmain and Wabamisk)
  - Comptoir gold project

- In the Sept Îles area:
  - Manitou project for copper, uranium, gold and rare earth elements; project selected within the context of a strategic alliance between Azimut and Kennecott Exploration Company ("Kennecott").

- In the Labrador Trough area:
  - Retty project (copper, nickel and platinum group elements)

Azimut conducts its exploration activities by following two guiding principles. First, the company maximizes the probability of discoveries by utilizing a cutting-edge targeting methodology that reduces the exploration risk. Second, the company develops partnerships for projects generated by its targeting methodology to reduce the business risk.

Overall performance

Summary of activities

- Azimut acquires additional properties near the Eleonore gold discovery in the James Bay region of Quebec from September to November 2004.

- Azimut enlarges the Eastmain property from January to April 2005.

- Azimut stakes a copper-uranium-gold property in Quebec from March to May 2005 as part of the agreement with Kennecott Exploration Company ("Kennecott").

- Six gold exploration programs get underway in June 2005 on Azimut's properties in the James Bay region; Azimut's partners finance total exploration budget of $1,550,000.

Summary of projects

Opinaca

The Opinaca area is located on the northeast side of the Opinaca reservoir in the James Bay region, 320 kilometres from Matagami or Chibougamau. The six claim blocks in the area are divided into four properties:

- A Block : 283 claims for a total area of 147.4 km^2
  A-East Block : 43 claims for a total area of 22.4 km^2

- B Block : 168 claims for a total area of 87.9 km^2
  B-North Block : 52 claims for a total area of 27.2 km^2

- C Block : 166 claims for a total area of 86.9 km^2

- D Block : 188 claims for a total area of 98.0 km^2

The acquisition of the Opinaca gold exploration projects began in November 2003 following Azimut's regional modeling of the gold potential in the James Bay region.

Geologically, the properties lie within the central part of the Superior province at the contact between the Opinaca (metasedimentary) and La Grande (volcanoplutonic) subprovinces. Paragneisses, amphibolites and rare conglomerate beds are generally folded along an east-west axis. Pre- to syn-tectonic intrusions (diorites to monzodiorites) and late intrusions (granodiorites and granites) are also found on the properties. The geological context is similar to that of the Eleonore property where a significant gold deposit has been discovered by Virginia Gold Mines. The Opinaca properties cover targets that follow the along-strike extension of the Eleonore mineralized corridor, or are adjacent to the corridor but display comparable geochemical signatures. Strong arsenic anomalies associated with metasediments have been identified on all Opinaca claim blocks.

A geological study covering the Opinaca claim blocks was completed during the second quarter. The focus of the study was to provide more detailed geological information about targets that had previously been defined by the regional modeling program.

Everton Resources Inc. performed exploration work on the A, A-East, B and B-North claim blocks during the last quarter. Work expenditures will total $500,000 at the end of the first year of the agreement (December 2005). Results are expected during the next quarters.

Eastmain Resources Inc. performed exploration work on the C and D claim blocks during the last quarter. Work expenditures will total $450,000 at the end of the first year of the agreement (March 2006). Results are expected during the next quarters.

Eastmain

The properties in the Eastmain area of the James Bay region (Wabamisk and Eastmain) are located 290 kilometres north of Chibougamau. They consist of one claim block each:

- Wabamisk :755 claims for a total area of 400 km^2, of which 79 claims were confirmed by the MRNF in November 2005
- Eastmain :167 claims for a total area of 88.6 km^2.

The acquisition of these gold exploration projects began in November 2003 following Azimut's regional modeling of the gold potential in the James Bay territory.

Geologically, the properties lie within the central part of the Superior province at the contact between the Opinaca (metasedimentary) and La Grande (volcanoplutonic) subprovinces. Paragneisses, basalts and granitic intrusions are the dominant lithologies of the properties. A large east-west oriented syncline crosses the Wabamisk property. Local and regional north west and north east trending faults are also present on the properties. Both the geological context and the geochemical signature are comparable to those of the Eleonore property where Virginia Gold Mines discovered a major gold deposit. A large portion of the Azimut properties are marked by a very strong arsenic anomaly associated with metasediments.

A geological study covering the claim blocks of both properties was completed during the second quarter. The focus of the study was to provide more detailed geological information about targets that had been previously defined by the regional modeling program.

Cambior Inc. performed exploration work on the Eastmain property during the last quarter. Work expenditures will total $200,000 at the end of the first year of the agreement (April 2006). Results are expected during the next quarters.

Placer Dome (CLA) Limited performed exploration work on the Wabamisk property during the last quarter. Work expenditures will total $400,000 at the end of the first year of the agreement (May 2006). Results are expected during the next quarters.

Comptoir Property

The Comptoir property is located 330 kilometres north of Matagami in the James Bay region. It consists of 744 contiguous claims (of which 425 were confirmed by the MRNFP) for a total surface area of 388.3 km^2.

Comptoir is a gold exploration project. The claim block was acquired in July 2005 following the results of Azimut's regional modeling of the gold potential in the James Bay region.

From a geological point of view, the property lies within the Superior Province at the boundary between the Opinaca (metasedimentary) and La Grande (volcanoplutonic) subprovinces. The main lithological units on the property are paragneisses, amphibolites and late granodioritic to granitic intrusions.
A geological study of this property was conducted during the last quarter. The goal of the study was to more precisely define the geological context of the targets identified by regional modeling.

Retty

The Retty property is located 95 kilometres northeast of Schefferville. It consists of 199 contiguous claims for a total area of 96.5 km^2.

Geologically, the Retty project is located in the Proterozoic Labrador Trough volcanosedimentary belt. Numerous copper, nickel, cobalt, palladium and platinum sulphide deposits have been discovered in the Trough in mafic and ultramafic sills intruding sedimentary and volcanic rocks. Similar environments on the Retty property were targeted for copper, nickel and platinum exploration.

Property acquisition began in August 2003 following Azimut's regional modeling of the nickel-copper-platinum potential in the Labrador Trough. The property contains a 20-km long prospective zone related to an ultramafic sill combined with strong nickel, copper and cobalt lake bottom sediment geochemical anomalies.

Exploration work on this property was performed from late June to mid-July 2004. It consisted of sampling a 1-km wide sector that crosses the property from northeast to southwest. A total of 206 rock samples were taken and analyzed for gold, platinum, palladium, copper, cobalt, nickel, zinc and sulphur.

Abundant disseminated sulphides were observed on the property, mainly as disseminated pyrrhotite and traces of chalcopyrite in peridotite outcrops, pyroxenite blocks and sulphide-enriched argillites. The best results were from the peridotite body in the centre of the property, southeast of Nemo Lake. Grades were fairly low, with maximum values of 0.4% copper, 0.2% nickel and 0.2 g/t of precious metals. An increase in conductivity is also observed for this area. Two other conductors in the northwest sector of the property have not yet been evaluated. Detailed exploration work is proposed for this sector in order to better define the mineral potential of the conductors.

Gillet Lake

The claims from the Gillet Lake project were not renewed, as the project no longer meets Azimut's exploration criteria.

De Romer

The claims from the De Romer project were not renewed, as the project no longer meets Azimut's exploration criteria.

Strategic agreement with Kennecott

In July 2004, Azimut and Kennecott signed a strategic agreement regarding the development of an exploration strategy for gold and base metals over a vast region of Quebec totaling 500,000 km^2.

The agreement includes three main phases:

Phase 1: Azimut will deliver to Kennecott a mineral potential assessment study for the region in question. Kennecott will fund this phase by paying $40,000 CA to Azimut.

Phase 2: For targets that require further appraisal, Kennecott will invest $5,000 to $30,000 per target. Azimut will be the operator.

Phase 3: For each target, Kennecott will have an exclusive right to enter into a joint venture with Azimut by investing $1,000,000 over a four-year period to acquire a 60% interest per selected property. Kennecott will pay a $50,000 bonus to Azimut for each selected property that reaches the drilling stage. Furthermore, Kennecott will have the option to acquire an additional 20% interest, for a maximum total of 80%, by delivering a feasibility study within a five-year period.

The first phase of this agreement was completed during the second quarter. Azimut successfully defined several targets by conducting precious and base metal predictive modeling across the region.

Phase 2 of the agreement was initiated during the third quarter with the acquisition of 2,377 claims divided into 12 claim blocks for a total area of 1,284 km^2. These 12 claim blocks constitute the Manitou property. Azimut and Kennecott performed assessment fieldwork on identified targets during the last quarter. Results of the work are expected during the next quarter.

Regional modeling and project generation

During the last four quarters, Azimut has pursued mineral potential modeling for several areas in Quebec with the objective of generating and acquiring new projects, most notably for gold and base metals.

PLANNED EXPLORATION WORK

PROPERTY or PROJECT	PLANNED WORK FOR 2005-2006	BUDGET
Opinaca (A, A-East, B and B-North blocks)	By the partner	$500,000
Opinaca (C and D blocks)	By the partner	$450,000
Eastmain	By the partner	$200,000
Wabamisk	By the partner	$400,000
Retty	To be defined; by Azimut	N/A
Kennecott agreement	Phase 2	N/A
Manitou	By Azimut	$64,000
Regional modeling and project generation	Target modeling and field verification	$100,000

Selected annual information

	Results as at August 31		
	2005	2004	2003
	($)	($)	($)
	(12 months)	*(12 months)*	*(12 months)*
Revenues	135,660	5,520	17,636
Charges			
Administrative expenses	301,500	298,938	113,830
Cost of mining properties abandoned	31,811	--	563,696
Search for properties	86,409	87,944	39,615
Credit on duties refundable for losses and refundable tax credit relating to resources	(748)	(42,170)	(15,822)
Writedown of long-term investments	14,629	12,000	10,000
Gain on disposal of property, plant and equipment	--	--	(469)
Future income taxes	(31,020)	--	--
	402,581	356,712	710,850
Net loss	(266,921)	(351,192)	(693,214)
Basic and diluted net loss per share	(0.021)	(0.035)	(0.082)
Other information:			
Total asset	1,287,247	592,606	137,563
Long-term debt	--	--	--
Shareholders' equity	1,204,325	456,395	106,482

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Corporation's financial needs to found its exploration programs and its future financial growth, and any other factor that the board deem necessary to consider in the circumstances. It is highly unlikely that any dividends will be paid in the near future.

Result of operation

The company reported a net loss of $266,921 during the year compared to a net loss of $351,192 for the previous year. The option of the Opinaca A, A-East, B, B-North, C, D and Eastmain properties generated a gain of $119,380. In the previous year, a lesser portion of the salaries were capitalized in the properties. $45,000, representing the fair value of options granted in February 2004, were entered in the salaries of the preceding year. The increase in the travelling and entertainment expenses is explained by the increase of the Company's assistance to congresses. During the year, the Lac Gillet and De Romer properties have been abandoned. The adoption of EIC-146 on the flow-through shares in September 2004 generated future income tax credit of $31,020.

Quarterly information

The information presented below details the total revenues, overall net gain (net loss) and the net loss per participating share of the last eight quarters.

Quarter ended	Total revenues	Net earning (net loss)	Net earning (net loss)	
			Basic	Diluted
31-08-2005	3,560	(181,268)	(0.014)	(0.014)
31-05-2005	130,223	28,152	0.002	(0.002)
28-02-2005	1,042	(40,437)	(0.003)	(0.003)
30-11-2004	835	(73,368)	(0.006)	(0.006)
31-08-2004	885	(10,825)	(0.012)	(0.012)
31-05-2004	1,506	(71,925)	(0.006)	(0.006)
29-02-2004	2,644	(134,856)	(0.012)	(0.012)
30-11-2003	485	(49,315)	(0.005)	(0.005)

Liquidity

The working capital of the company increased to $935,801 at the end of the year compared to $234,966 at the beginning of the year. The company completed two private placements during the year. One private placement in November 2004 for a total amount of $100,000 and one flow-through private placement in December 2004 for a total amount of $100,000. During the year, a total of 1,861,906 warrants have been exercised for an amount of $789,048. During the year, $250,000 of cash payments were received pursuant to the grant of options of mining properties.

Contractual obligations	Payments due by period		
	Total	Less than 1 year	1-3 years
Lease	$30,528	$15,264	$15,264

Capital resources

During the year, the company completed two private placements.

In November 2004, the company issued 238,096 common shares for a total amount of $100,000. This amount will be used for the administrative expenses of the company. In November 2004, the company converted a $100,000 debenture expiring in March 2005 into 555,556 common shares of the company. In December 2004, the company issued 166,670 common flow-through shares for a total amount of $100,000. This amount will be used to finance a part of the exploration work performed in the fiscal years 2005 and 2006. A total of 1,861,906 warrants has been exercised for an amount of $789,048 during the third quarter.

Off balance sheet arrangements

The company has no off balance sheet arrangements.

Related party transactions

The company entered into the following transactions with a company owned by a director:

	2005	***2004***
	$	***$***
Office expenses	--	762

These transactions are in the normal course of operations and were measured at the fair market value of the services provided as established and agreed to by the related parties.

Fourth Quarter

During the last quarter of the year ended August 31, 2005, the Company has:

- written-off mining assets related the De Romer and Gillet Lake properties, resulting in an additional loss of $ 31,811 at the end of the fiscal year;
- acquired the Comptoir property for an amount of $ 46,750;
- issued 245,000 shares for the exercise of stock options for a total amount of $ 39,900.

Mining properties book values

At the end of each quarter, exploration work performed on mining properties is reviewed to evaluate their potential. Following this analysis, write-offs can be effected.

Changes in accounting policies

The change in accounting policies and the impact of such changes are described in note 2 of the financial statements. In September 2004, the company adopted E.I.C-146. published in March 2004 on the flow-through shares.

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 fiscal 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.

Financial instruments

Fair value

Cash and cash equivalent, amounts receivable, exploration funds 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 convertible debentures could not be determined due to the specific characteristics of these financial instruments.

Interest rate risk

As at August 31, 2005, the company’s exposure to interest rate risk is summarized as follows:

- Cash and cash equivalent	Variable interest rate
- Amounts receivable	Non interest bearing
- Exploration funds	Variable interest rate
- Accounts payable and accrued liabilities	Non interest bearing
- Convertible debentures	As described in note 8 of the financial statements

Disclosure of outstanding share data

The company is authorized to issue an unlimited number of common shares, without per value. As of December 20, 2005, 14,857,456 shares were issued and outstanding.

The company maintains a stock option plan pursuant to which a maximum of 1,421,685 stock options may be granted. As of December 20, 2005, 645,000 stock options are issued and remain unexercised. The exercise price varies from $0.16 to $0.86 and their expiry dates vary from November 6, 2007 to September 15, 2010.

During the year, 1,861,906 warrants were exercised.

As at December 20, 2005, two convertible debentures are issued. Pursuant to these debentures, a minimum of 1,042,780 and a maximum of 3,343,239 common shares can be issue.

Risk and uncertainties

Financial risk

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

Risk on the uncertainty of title

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

Environmental risk

The company is subject to various environmental incidents that can occur during exploration work. The company maintains an environmental management system including operational plans and practices.

Additional information and continuous disclosure

This Management's Discussion and Analysis has been prepared as of December 20, 2005. Additional information on the company is available through regular filings of press releases, financial statements and its annual information form on SEDAR (www.sedar.com).

(s) Jean-Marc Lulin	(s) Gaétan Mercier
President and Chief Executive Officer	Secretary - Treasurer