



AZIMUT

Azimut Exploration Inc.

## MANAGEMENT'S DISCUSSION and ANALYSIS

For the nine-month period ended May 31, 2007

### Scope of management's financial analysis

This report represents a complimentary addition to the financial statements by providing additional contextual and prospective information. This analysis was prepared in accordance with Canadian generally accepted accounting principles (GAAP).

### Corporate profile and mission

Azimut Exploration Inc. ("Azimut") is a mineral exploration company using cutting-edge geoscience data processing methods to improve the selection of favourable exploration zones and to discover major ore deposits.

Since June 2003, the Company has acquired the following twenty-five wholly owned exploration properties using the results of its regional-scale mineral potential assessments in Quebec.

- In the James Bay area:
  - 4 gold properties in the Opinaca area (A and A East Blocks; B and B North Blocks; C Block, which is included in the Eleonore South project; and D Block)
  - 2 gold properties in the Eastmain area (Eastmain West and Wabamisk)
  - the Comptoir gold property
- In the Ungava Bay region:
  - 3 uranium properties (North Rae, South Rae and Daniel Lake)
- In the Central Quebec region:
  - 6 uranium properties (North Minto, South Minto, Central Minto, West Minto, South Bienville and Hudson Bay)
- In the North Shore region within the framework of a strategic agreement with Kennecott Exploration Company ("Kennecott"):
  - 4 copper and uranium properties (Manitou, Aguanish, Baskatong and Mont Merry)
  - the Grenium uranium project, which comprises 4 properties (Havre, Havre NW, Chevery and Augustin)

In addition, Azimut has acquired the North Havre uranium property, which lies north of the town of Havre St-Pierre.

Azimut also acquired 13 properties within the framework of a strategic agreement with Kennecott for nickel exploration.

The locations of Azimut's properties are shown on the attached map of the Province of Quebec.

Azimut conducts its exploration activities by following two main guiding principles. Firstly, the Company maximizes the probability of discovery by using a cutting-edge targeting methodology that reduces exploration risk. Secondly, the Company reduces the business risk by developing partnerships for projects generated by this targeting methodology.

## **Overall performance**

### **Summary of activities for the last quarter and subsequent activities**

#### *March 2007*

- Azimut Exploration appoints Dennis Wood as Chairman of the Board and Pierre Toth as director
- Azimut appoints Sylvain Guérard as Vice President Exploration
- Azimut and Majescor sign a Letter of Intent for the West Minto Uranium Property

#### *April 2007*

- Azimut and Rukwa Uranium sign 2 Letters of Intent for the North Minto and South Minto Uranium Properties
- Azimut and Silver Spruce sign a Letter of Intent for the Hudson Bay Uranium Property

#### *May 2007*

- Azimut and Central Uranium sign 2 Letters of Intent for the Central Minto and South Bienville Uranium properties
- Azimut and Everton release drilling results and provide an overview of the summer work program for Opinaca

#### *June 2007*

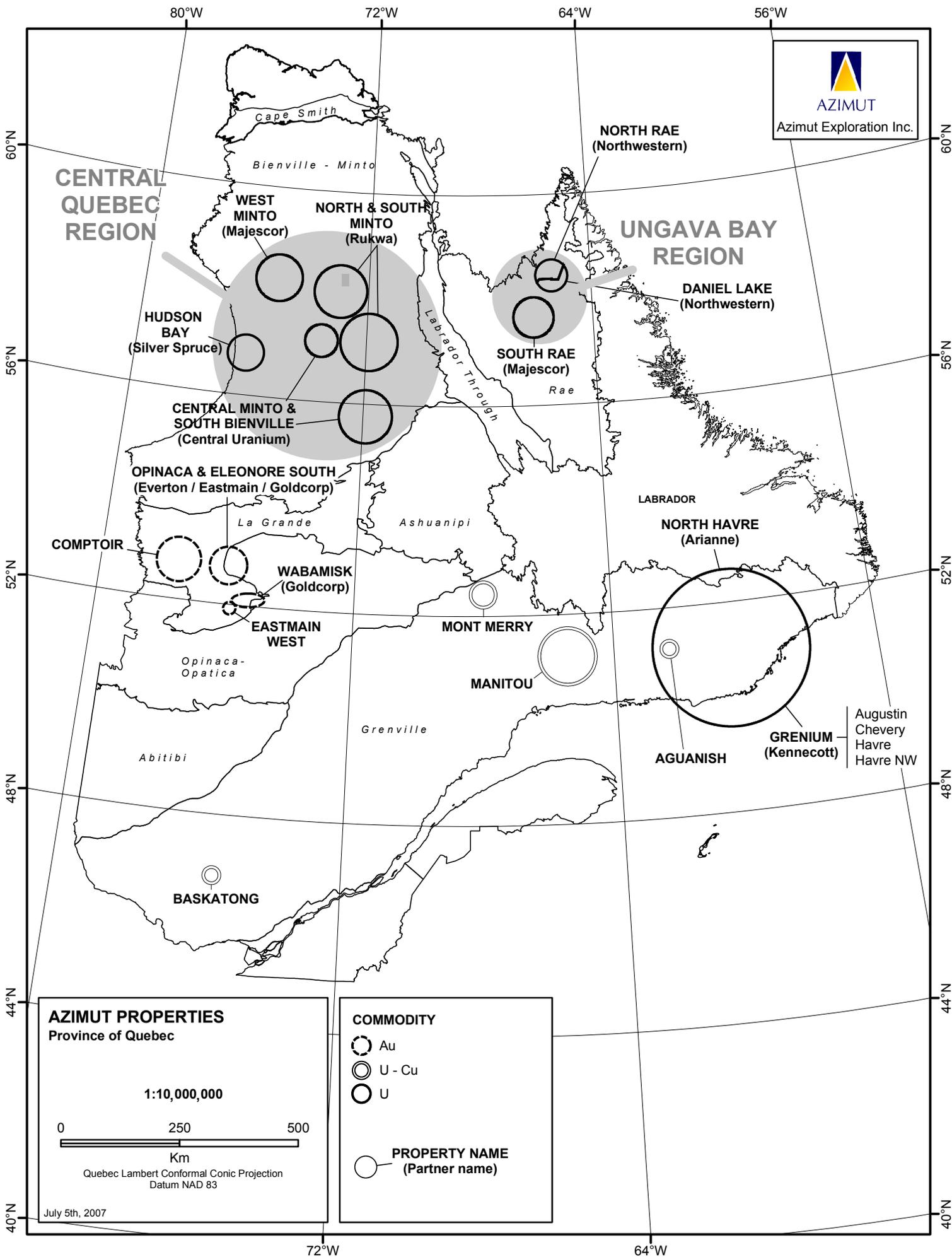
- Azimut announces a Strategic Alliance with Kennecott for nickel
- Azimut and Arianne sign a Letter of Intent for the North Havre uranium property

### **Project summaries**

#### **James Bay region - Opinaca sector**

The Opinaca sector is located northeast of the Opinaca reservoir in the James Bay region, 320 kilometres from Matagami or Chibougamau. This sector is underlain by the volcano-plutonic La Grande Subprovince and the metasedimentary Opinaca Subprovince. Conglomeratic metasedimentary sequences are unconformably deposited above mafic volcanic rocks in the upper part of the La Grande stratigraphy. Metamorphic grade increases gradually from the La Grande Subprovince towards the Opinaca Subprovince. There appear to be at least three generations of structures in this sector.

In 2004, Virginia Gold Mines Inc. discovered and delineated the major Roberto gold deposit on their Eleonore project. The definition was made at surface and in drill holes over a lateral distance of roughly 1,900 m and to a depth of more than 1,100 m. Goldcorp Inc. ("Goldcorp") has since acquired the Eleonore project and undertaken a feasibility study. In June 2007, Goldcorp announced an initial indicated gold resource of 1,834,900 ounces at an average grade of 7.4 grams per tonne, and an initial inferred gold resource of 929,100 ounces at an average grade of 7.1 grams per tonne. They also stated that high-grade drill results outside the resource point to significant expansion potential. The Roberto deposit straddles the contact between the volcano-plutonic



**CENTRAL QUEBEC REGION**

**UNGAVA BAY REGION**

WEST MINTO (Majescor)  
 NORTH & SOUTH MINTO (Rukwa)  
 HUDSON BAY (Silver Spruce)  
 CENTRAL MINTO & SOUTH BIENVILLE (Central Uranium)

NORTH RAE (Northwestern)  
 DANIEL LAKE (Northwestern)  
 SOUTH RAE (Majescor)

OPINACA & ELEONORE SOUTH (Everton / Eastmain / Goldcorp)

COMPTOIR

WABAMISK (Goldcorp)

EASTMAIN WEST

MONT MERRY

MANITOU

NORTH HAVRE (Arianne)

AGUANISH

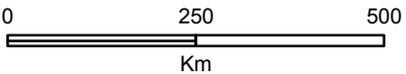
GRENium (Kennecott)

Augustin Chevery  
 Havre  
 Havre NW

BASKATONG

**AZIMUT PROPERTIES**  
 Province of Quebec

1:10,000,000



Quebec Lambert Conformal Conic Projection  
 Datum NAD 83

July 5th, 2007

**COMMODITY**

- Au
- ⊙ U - Cu
- U

○ **PROPERTY NAME (Partner name)**

La Grande Subprovince and the metasedimentary Opinaca Subprovince. Gold mineralization is largely confined to quartz-tourmaline-actinolite-arsenopyrite-pyrrhotite stockwork zones associated with pervasive alteration characterized by microcline, quartz, tourmaline and arsenopyrite. Mineralized zones appear to occur within a major structure.

Azimut acquired extensive holdings before and after the Roberto discovery and so gained one of the leading property positions in the area. The geological setting of Azimut's properties is comparable to that of the Roberto discovery.

Azimut's seven claim blocks are divided into four properties:

Everton agreement – 2 properties:

- A Block 454 claims for a total area of 236.4 km<sup>2</sup>
- A East Block 43 claims for a total area of 22.4 km<sup>2</sup>
- B Block 168 claims for a total area of 87.9 km<sup>2</sup>
- B North Block 52 claims for a total area of 27.2 km<sup>2</sup>

Three-party agreement with Eastmain and Goldcorp – Eleonore South property:

- A Block 248 claims for a total area of 129.8 km<sup>2</sup> (includes the 166 claims of the Opinaca C Block previously covered by the agreement with Eastmain Resources Inc. "Eastmain")
- B Block 34 claims for a total area of 17.8 km<sup>2</sup>

Eastmain agreement:

- D Block 188 claims for a total area of 98.0 km<sup>2</sup>

Azimut began acquiring these claim blocks in November 2003 based on the targeting results of its regional-scale gold potential modeling of the James Bay territory.

#### *A, A East, B and B North Blocks*

Surface prospecting results received at the end of 2005 for the A Block revealed a 1.7-km-long trend of gold showings forming a zone now referred to as the Inex Zone. As follow-up work to this discovery in 2006, Everton performed a soil sampling program (1,552 samples), a ground-based induced polarization (IP) survey (31.5 line-kilometres), and a six-hole drilling program (632 m) to test specific targets along the zone. This work demonstrated a strong correlation between IP anomalies, gold soil anomalies and outcrops with gold values up to 50.9 g/t Au. Drilling confirmed that the IP anomalies coincide with biotite-rich horizons containing up to 5% pyrite-pyrrhotite in metasedimentary rocks. Mineralization is also locally associated with silicified garnetiferous bands, and several specks of visible gold were observed in drill core. The best results were obtained from hole OP-06-03 where an intersection of 4.0 m yielded an average of 1.46 g/t Au.

The most significant development on the Opinaca B Block was the identification of a major NE-SW trending gold bearing system with possible extensions for at least 11 km. The Claude Target is located in the middle of this trend, and the Manuel showing (12.0 g/t Au over 4.6-m in a channel sample) held by Everton is 8 km northeast of the Claude Target. The Eleonore South property, where a strong gold potential has also been recognized (see below), lies 9 km west of the Claude Target.

During the winter of 2007, a nine-hole, 2,142-metre diamond drill program was completed at the Claude Target on Opinaca B to follow up on the extensions of a mineralized zone identified in the initial drill-test hole OP-06-07. The initial hole had revealed 221 ppb Au over 186.5 m, including 1.0 g/t Au over 21.5 m, within an arsenopyrite-mineralized silica alteration zone. The lateral extensions of hole OP-06-07 have been tested over a strike length of 350 metres to an average depth of 100 metres.

All nine holes encountered several intense alteration zones varying in thickness from several metres to 20 metres. These zones are characterized by strong silica alteration and low sulphide content, which is comparable to the alteration context at Goldcorp's Roberto deposit. Six of the nine holes encountered gold mineralization

over intervals of at least 1 metre. The last drill hole, OP-07-20, tested the Claude Target at a vertical depth of 200 metres. The results were encouraging and included visible gold at two locations and very strong alteration.

At the end of the 2006 calendar year, expenditures reached the minimum of \$900,000 for the two properties (Opinaca A and A East, B and B North). Everton has initiated a summer work program with a minimum budget of \$2.6 million. The program, designed to accelerate exploration work around existing targets and identify other targets from new areas, will consist of:

- Opinaca A: 2,000 metres of diamond drilling on the Smiley Target to test IP anomalies coincident with gold-in-soil anomalies about 5 km north of the Eleonore deposit; and
- Opinaca B: prospecting, rock sampling and trenching on the 10-km Claude-Manuel corridor between Azimut's Claude Target and the Manuel Showing, which is on Everton's Wildcat 5 property. This deformation zone coincides with gold and arsenic anomalies in lake bottom sediments.

Follow-up work (prospecting and soil sampling) will be conducted on twelve other clusters of multi-element lake bottom sediment anomalies and numerous gold-in-till anomalies that were delineated during the previous campaign.

#### *Eleonore South and D Block*

The Eleonore South property includes the Opinaca C Block claims that are now part of the three-party agreement with Eastmain and Goldcorp. As project operator, Eastmain conducted major prospecting, geophysical and trenching work during the summer and fall of 2006. The fieldwork program included:

- 200 km<sup>2</sup> of prospecting and geological mapping;
- 300 km of line cutting;
- 800 line-km of airborne VTEM and magnetic surveys;
- 8,631 geochemical samples collected at a sample spacing of 50 m by 200 m;
- 1,055 rock samples from across the property; and
- 2,784 m of mechanical trenching.

To date, only two of the 18 excavated trenches have been channel sampled. The most significant result is a mineralized rock channel section grading 1.49 g/t Au over 16 m in the northeastern part of the property. Grab samples taken along the channel assayed up to 12.95 g/t Au. This new occurrence, known as the "JT Target", is hosted by altered sulphide-bearing sediments that are comparable to the mineralized sediments of Goldcorp's Roberto deposit 12 km to the northwest.

At Eleonore South, Eastmain identified several significant gold-in-soil anomalies. The most significant anomalies are as follows:

- a more than 10-km-long gold-arsenic-antimony anomaly ("main grid anomaly") trending east to northeast with values up to 0.92 g/t Au; this anomaly extends across the main block of the property;
- a 3-km-long gold anomaly north of the main grid near the margin of a magnetic high; this area also reveals a VTEM conductor coincident with high gold values in soil samples;
- a 2-km-long gold anomaly south of the main grid with gold values up to 1.20 g/t Au; and
- a 6-km-long gold-arsenic-antimony anomaly trending north-northwest located on the west grid with values up to 0.57 g/t Au; this anomaly coincides with a magnetic break and two VTEM conductors.

At the end of the 2006 calendar year, expenditures reached the minimum of \$1,000,000 for this property. In 2007, Eastmain will perform prospecting, geological mapping, IP surveys, trenching and drilling. Eastmain's planned exploration expenditures for 2007 total \$1.5 million.

On the D Block, several well-defined but discontinuous gold-arsenic soil anomalies were identified. The 2006 exploration program on this block consisted of detailed geochemical surveys (1,535 soil samples) and systematic rock sampling (124 samples). The work identified several target zones in sulphide-bearing altered metasediments displaying comparable characteristics to the host rocks of the Eleonore gold deposit.

At the end of the 2006 calendar year, expenditures reached the minimum of \$300,000 for this property. In 2007, Eastmain plans to perform prospecting and geological mapping with the aim of identifying drill targets. Eastmain's minimum allocated budget is \$100,000.

Azimut considers the results for the Eleonore South and D Block properties to be very encouraging.

### **James Bay region - Eastmain sector**

The Eastmain sector (Wabamisk and Eastmain West properties) lie 290 kilometres north of Chibougamau in the James Bay territory. It straddles the contact between the Opinaca (metasedimentary) and La Grande (volcano-plutonic) subprovinces. Paragneiss, basalt and granitic intrusions are the dominant lithologies.

Azimut's properties consist of one claim block each:

- Eastmain West Block      167 claims for a total area of 88.6 km<sup>2</sup>
- Wabamisk                      755 claims for a total area of 399.5 km<sup>2</sup>

A large east-west oriented syncline crosses the Wabamisk property. Local and regional northwest or northeast trending faults are also present on the properties. A large part of the property is marked by a very strong arsenic anomaly associated with metasediments. Both the geological context and the geochemical signature are comparable to those of the Roberto deposit.

Azimut began acquiring these properties in November 2003 based on targeting results from its regional-scale gold potential modeling of the James Bay territory.

#### *Eastmain West*

IAMGOLD conducted work on the Eastmain West property during the summer of 2005 and confirmed the presence of geochemical gold anomalies and a series of electromagnetic conductors in the northern sector of the project.

IAMGOLD conducted further work in 2006 that consisted of ground-based geophysical surveys, prospecting (84 rock samples), detailed geological mapping, and sampling of till and blocks. This program resulted in the discovery of significant chromium-platinum-palladium mineralization associated with an ultramafic sill. This sill appears to be at least 4 km long and 500 m thick. The best results from surface grab samples are 18.5% Cr, 0.44 g/t Pd and 0.1 g/t Pt (sample F-266111). The best nickel results are two samples with 0.24% Ni (F-266103 and F-266104). The Cr-Pt-Pd-Ni potential of the property is still largely under-explored and now constitutes a priority target in addition to the initial focus on gold.

As for the Eastmain West and Comptoir properties, IAMGOLD has informed Azimut that they will terminate the option agreements on both properties following their decision to cease Quebec regional exploration activities. Azimut wishes to acknowledge the excellent partnership it developed during the two last years with Cambior and its successor, IAMGOLD.

Azimut is currently reviewing its plans for the Eastmain West and Comptoir properties.

#### *Wabamisk property*

The 2005 work conducted by Goldcorp on the Wabamisk property identified several major gold bearing targets. Most of the known historic gold showings are found in these target zones.

The targets clearly extend laterally for several kilometres and were underexplored until now. Prospecting along reconnaissance traverses spaced 2 km apart discovered four new outcropping gold showings. A showing that assayed 8.2 g/t Au is hosted by metasedimentary rocks. This geological context underscores the potential of the Wabamisk property for metasediment-related gold deposits.

The results of the 2006 soil geochemistry survey, consisting of 2,644 samples collected over an area of 2.5 by 11.5 km, indicate several strong, multi-kilometre arsenic-antimony anomalies. The follow-up program in 2007 will consist of prospecting, geological mapping, ground geophysics, and possibly trenching and drilling. The planned exploration expenditures total \$1.0 million.

### **James Bay region - Comptoir property**

The Comptoir property is located 330 kilometres north of Matagami in the James Bay region.

As with other properties in this region, the property straddles the boundary between the Opinaca (metasedimentary) and La Grande (volcano-plutonic) subprovinces. The main lithological units on the property are paragneiss, amphibolite and late granodioritic to granitic intrusions.

Comptoir is a gold exploration project. Azimut began to acquire the claim block in July 2005 based on targeting results from its regional-scale gold potential modeling of the James Bay territory.

IAMGOLD's 2006 exploration program included geochemical surveys (138 lake bottom samples), prospecting (124 rock samples), and till sampling. Till assay values of up to 10 g/t Au combined with arsenic anomalies in lake-bottom sediments delineate several significant gold target zones. The targets are spatially related to regional-scale structures.

### **Northern Quebec**

Azimut believes northern Quebec has significant potential for large tonnage uranium deposits related to intrusive rocks in high-grade metamorphic environments. A well-known example of this type is Rössing in Namibia, one of the world's largest uranium mines. Azimut's two-year uranium potential assessment covering 640,000 km<sup>2</sup> in northern Quebec generated many exploration targets.

The Company has acquired most of the large uranium targets it identified in the province of Quebec. The targeted terrain includes parts of the Minto-Bienville and Rae subprovinces. The selected properties have strong potential for uranium due to their geochemical signature, association with anatectic granites, and spatial relationship with deep-seated structures. The exploration model is large tonnage, disseminated uranium mineralization within intrusions and surrounding rocks. Proximal secondary concentrations along late- to post-intrusive brittle or ductile-brittle faults are also considered. These properties have strong similarities with the footprint of several major uranium sites in Quebec and the neighbouring Central Mineral Belt in Labrador, a well-known prospective region for uranium.

The databases used in the targeting process included multi-element lake bottom sediment geochemistry as well as geophysical, geological and remote sensing data. Many strong uranium targets of regional extent were identified and subsequently acquired by Azimut via map designation.

In northern Quebec, two prospective district-scale targets stand out in the Ungava Bay and Central Quebec regions (see attached map).

### **Ungava Bay region**

Azimut holds three major properties in the Ungava Bay region:

- North Rae: 1,845 claims for a total surface area of 831.5 km<sup>2</sup>; this property is covered by a definitive option agreement with Northwestern Mineral Ventures Inc. ("Northwestern");
- Daniel Lake: 862 claims for a total surface area of 390.3 km<sup>2</sup>; this property is covered by a definitive option agreement with Northwestern; and
- South Rae: 2,080 claims for a total surface area of 959.3 km<sup>2</sup>; this property is covered by a letter of agreement with Majescor Resources Inc. ("Majescor").

The properties are located in an area measuring 80 by 220 km where another uranium company, Uranor, holds more than 4,600 claims. Azimut believes that with its three properties, it controls a large portion of the significant uranium targets in the region.

#### *North Rae property*

The North Rae property is located east of Ungava Bay in Northern Quebec, about 20 km from the coast and 160 km east of the town of Kuujuaq. The property consists of three claim blocks comprising 1,845 claims with a total surface area of 831.5 km<sup>2</sup>.

The property is a uranium exploration project covering a strong geochemical uranium anomaly in lake bottom sediments. The geological environment is favourable for uranium deposits hosted by intrusions and their surrounding rocks (presence of felsic intrusions, pegmatites and leucocratic gneisses).

Northwestern conducted an exploration program on the property consisting of a detailed lake bottom sediment survey, prospecting, and a helicopter-borne radiometric survey. The prospecting work identified 10 distinct uranium showings. The radiometric survey identified 14 priority anomalies on the property, each of which is at least 1 km in length, thus demonstrating the significant exploration potential at the project-scale. The airborne anomalies are in a very preliminary reconnaissance stage or have not yet been verified on the ground.

In the fall of 2006, a prospecting program defined the Rae-1 Zone, which coincides with elevated ground-based radiometry values and a strong, 5-km-long helicopter-borne radiometric anomaly. The assays for 68 selected rock samples from outcrops are summarized as follows:

- 22 rock samples with values higher than 0.05% U<sub>3</sub>O<sub>8</sub>; the best values were 0.59% U<sub>3</sub>O<sub>8</sub>, 0.57% U<sub>3</sub>O<sub>8</sub>, 0.46% U<sub>3</sub>O<sub>8</sub>, 0.30% U<sub>3</sub>O<sub>8</sub> and 0.22% U<sub>3</sub>O<sub>8</sub>;
- 26 rock samples with values ranging from 0.01% to 0.05% U<sub>3</sub>O<sub>8</sub>; and
- 20 samples yielding values lower than 0.01% U<sub>3</sub>O<sub>8</sub>.

Uranium mineralization is hosted by granitic pegmatites and gneissic lithologies. The presence of uraninite, an uraniferous mineral from which uranium is easily recovered, was confirmed by electron microprobe analyses. The Rae-1 Zone is clearly open both laterally and in thickness. Much additional work is necessary to define its geometry and its average grade.

At the end of the 2006 calendar year, expenditures reached the minimum of \$400,000 for this property. Azimut considers that the combined results from airborne geophysical surveying and preliminary prospecting are very encouraging. Results received to date are being interpreted and will be used to prioritize exploration targets at the property scale and define a major work program for the summer of 2007. A comprehensive work program is planned with a minimum budget of \$1.2 million which will comprise prospecting, ground geophysics and drilling.

#### **Central Quebec region**

Azimut holds six major properties in the Central Quebec region:

- North Minto: 2,042 claims for a total surface area of 935.2 km<sup>2</sup> (1,858 claims are active as of July 6, 2007); this property is covered by a letter of intent with Rukwa Uranium Ltd. (“Rukwa”);
- South Minto: 1,304 claims for a total surface area of 609.2 km<sup>2</sup> (1,238 claims are active as of July 6, 2007); this property is covered by a letter of intent with Rukwa;
- Central Minto: 1,146 claims for a total surface area of 535.3 km<sup>2</sup>; this property is covered by a letter of intent with Central Uranium Corporation (“Central Uranium”);
- South Bienville: 1,929 claims for a total surface area of 935.11 km<sup>2</sup>; this property is covered by a letter of intent with Central Uranium;
- West Minto: 918 claims for a total surface area of 416.3 km<sup>2</sup>; this property is covered by a letter of intent with Majescor; and

- Hudson Bay: 537 claims for a total surface area of 253.3 km<sup>2</sup>; this property is covered by a letter of intent with Silver Spruce Resources Inc. ("Silver Spruce").

The four Minto properties and the South Bienville property are aligned along an extensive regional-scale uranium lake-bottom sediment anomaly referred to by Azimut as the "Central Quebec Uranium Lineament". This roughly north-south geochemical trend measuring 350 km long by 10 to 30 km wide correlates well with late Archean intrusions and crustal-scale structures. The region has seen little exploration in the past, but there are strong indications that it has significant uranium potential. Strathmore Minerals' Dieter Lake deposit, 40 km east of the South Bienville property, is hosted by Paleoproterozoic sediments and has inferred resources of 11,000 t U<sub>3</sub>O<sub>8</sub> @ 0.057% U<sub>3</sub>O<sub>8</sub> according to an estimate in 2006.

Exploration programs on all 9 uranium properties in the Ungava Bay and Central Quebec regions will be initiated or pursued during the summer of 2007 with a minimum budget of \$5.6 million funded by Azimut's partners.

### **North Shore region**

Azimut holds four uranium properties (Havre, Havre-NW, Chevery and Augustin) collectively known as the "Grenium project". They comprise 971 claims that cover 523 km<sup>2</sup>. These properties were selected by Kennecott Exploration Company ("Kennecott"), a subsidiary of the Rio Tinto Group, within the framework of its strategic agreement with Azimut. The focus of the agreement was copper-uranium exploration over a 500,000-km<sup>2</sup> area in the geological Grenville Province, and an amendment was made in 2006 to include "uranium-only" targets.

The results of the 2006 reconnaissance prospecting on the four uranium-only properties validated Azimut's regional targeting. A detailed lake-bottom sediment survey also confirmed high uranium contents in lakes, with peak values up to 1,310 ppm U at Chevery, 532 ppm U at Augustin, and 497 ppm U at Havre.

In 2007, exploration on the properties will consist of a helicopter-borne survey and follow-up prospecting, with a planned budget of up to \$1 million funded by Kennecott.

Kennecott advised Azimut of its intention to suspend exploration on copper-uranium targets in order to focus their activities on uranium-only targets. Azimut is in the process of reviewing its plan for its copper-uranium properties (Manitou, Aguanish, Mont Merry and Baskatong), which are held 100% by the Company.

Azimut also holds the North Havre property, which consists of four claim blocks comprising 464 claims and a surface area of 249 km<sup>2</sup>. The claim blocks are located 110 to 200 km north of Havre St-Pierre. The property covers strong regional-scale uranium anomalies.

Azimut and D'Arianne Resources Inc. ("Arianne") signed of a letter of intent regarding the North Havre uranium property. In 2007, exploration on the property will consist of a helicopter-borne survey and follow-up prospecting, with a planned budget of \$200,000 funded by Arianne.

### **Quebec - Strategic Alliance with Kennecott for Nickel**

In November 2006, Azimut and Kennecott signed an agreement for the exploration of nickel deposits in Quebec. The agreement included the delivery to Kennecott of a Target Report covering a 222,000-km<sup>2</sup> region in the geological Grenville Province with the goal of identifying high-quality nickel targets. Within the framework of this alliance, Azimut has acquired thirteen nickel properties comprising 1,894 claims in fourteen claim blocks and covering 1,009 km<sup>2</sup>.

## Regional modeling and project generation

Azimut has and will continue to pursue mineral potential modeling for several regions in Quebec with the objective of generating new projects, most notably for gold, nickel and uranium.

## Perspectives

The 15 exploration programs underway in 2007 are presented in the table below. As of July 2007, the partner-funded programs represent a minimum investment of approximately \$12.0 million in work commitments on 19 different properties in Quebec. Azimut funds regional-scale mineral potential assessments and project generation in Quebec.

Property or project		Work in 2007	Minimum planned expenditures
<b>Opinaca</b> (A, A East; B, B North Blocks)	Gold	By the partner	\$2,600,000
<b>Opinaca (D Block)</b>	Gold	By the partner	\$100,000
<b>Opinaca (Eleonore South)</b>	Gold	By the partner	\$1,500,000
<b>Wabamisk</b>	Gold	By the partner	\$1,000,000
<b>North Rae</b>	Uranium	By the partner	\$1,200,000
<b>Daniel Lake</b>	Uranium	By the partner	\$300,000
<b>South Rae</b>	Uranium	By the partner	\$600,000
<b>North Minto</b>	Uranium	By the partner	\$700,000
<b>South Minto</b>	Uranium	By the partner	\$600,000
<b>West Minto</b>	Uranium	By the partner	\$500,000
<b>Hudson Bay</b>	Uranium	By the partner	\$300,000
<b>Central Minto</b>	Uranium	By the partner	\$700,000
<b>South Bienville</b>	Uranium	By the partner	\$700,000
<b>North Havre</b>	Uranium	By the partner	\$200,000
<b>Grenium (4 properties)</b>	Uranium	By the partner	\$1,000,000
<b>Regional assessment and project generation</b>		Target modeling and field checks by Azimut	\$100,000
<b>Total</b>			<b>\$12,100,000</b>

Azimut continues to carry out regional-scale mineral potential modeling in order to acquire other quality properties and develop partnerships with reputable major and junior companies at an early stage.

Azimut believes that new ventures will be concluded with partners on properties to be generated or already held by the company.

## Selected financial information

	Results as at		
	May 31	August 31	
	2007	2006	2005
	(\$)	(\$)	(\$)
	(9 months)	(12 months)	(12 months)
<b>Revenues</b>	1,069,330	390,841	135,660
<b>Expenses</b>			
Administration fees	1,525,472	1,123,861	301,500
Written-off properties	14,641	7,300	31,811
Search for properties	192,002	184,476	86,409
Credit on duties refundable for losses and refundable tax credits relating to resources	(37,239)	(14,108)	(748)
Write-down of long-term investments	--	15,000	14,629
Future taxes	--	(30,971)	(31,020)
	1,694,876	1,285,558	402,581
<b>Net loss</b>	(625,546)	(894,717)	(266,921)
<b>Basic and diluted net loss per share</b>	(0.038)	(0.059)	(0.021)
<b>Other information</b>			
<b>Total assets</b>	3,396,013	1,511,407	1,287,247
<b>Shareholders' equity</b>	3,264,616	1,100,173	1,204,325

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

## Result of operations

The Company realized a net loss of \$625,546 during the period compared to a net loss of \$971,692 for the same period in 2006. The decrease is mainly due to the gain realized on cash payments and shares received following the conclusion of option agreements for the Company's mining properties. During the period, the Company has optioned eight new properties: South Rae, Daniel Lake, South Minto, North Minto, Central Minto, West Minto, South Bienville and Hudson Bay located in the Ungava Bay and Central Quebec regions, from which the Company realized a gain of \$701,442. In addition the Company realized a gain of \$196,184 related to cash payments and shares received in connection with the first anniversary of existing agreements. The Company receives management fees for its role as project operator in its strategic alliance with Kennecott. The "Administration fees" category in the "Selected annual information" table has increased significantly because the Company augmented its management team and incurred additional expenditures while actively pursuing its growth strategy. The higher "Administration fees" for the period (\$1,525,472 compared to \$278,978 for the period ended May 31, 2006), is primarily due to the fair value of stock options granted and exercisable during the period, which amounts to \$987,580 of which \$961,540 were included, and to a one-time contribution of \$50,000 to the *Fonds Restor-Action Nunavik*. The increase in the "Search for properties" category is explained by the higher level of activity for regional modeling and generation of new projects. Written-off properties for the period amount to \$14,641 pertaining to abandoned claims on the Manitou, Baskatong and Aguanish properties, compared to \$7,300 for the same period in 2006.

## Quarterly information

The information presented below details the total revenue, the net earnings (net loss), and the net earnings (net loss) per participating share for the last eight quarters.

Quarter ending	Total revenue	Net earnings (net loss)	Net earnings (net loss) per share	
			basic	diluted
31-05-2007	678,458	(596,312)	(0.036)	(0.036)
28-02-2007	353,859	112,324	0.007	0.007
30-11-2006	37,013	(141,559)	(0.009)	(0.009)
31-08-2006	197,152	76,975	0.006	0.006
31-05-2006	176,538	(673,284)	(0.045)	(0.045)
28-02-2006	5,841	(136,184)	(0.009)	(0.009)
30-11-2005	11,310	(162,224)	(0.011)	(0.011)
31-08-2005	3,560	(181,268)	(0.014)	(0.014)

## Cash flow situation

The Company's working capital increased to \$2,397,396 at the end of the period compared to \$331,731 at the beginning of the period. The increase is mainly explained by funds received from two (2) private financings for an amount of \$1,636,210 net of share issue expenses and by cash proceeds received from the conclusion of option agreements for mining properties for an amount of \$910,000. Prepaid expenses increased by \$359,988 for the nine-month period ended May 31, 2007, resulting from costs related to the staking of mining claims. During the period a total of 232,000 stock options were exercised for the amount of \$166,200 during the period compared to a total of 208,000 stock options that were exercised for an amount of \$40,200 during the same period ended in 2006. During the period, a total of \$60,000 in cash was received in connection with a new strategic alliance agreement with Kennecott.

The Company has contractual obligations in the form of an operating lease amounting to \$15,264, payable over one year.

## Financing sources

In October 2006, the Company closed a private financing for a total revenue of \$199,950 by issuing 93,000 common shares at a price of \$2.15 per share. In December 2006, the Company completed a private financing of \$1,511,250 by issuing 325,000 shares at a price of \$4.65 per share. These funds are used to finance the Company's working capital and growth activities.

A total of 7,000 stock options were exercised during the first quarter for \$2,100, 40,000 stock options during the second quarter for a total of \$24,700, and an additional 185,000 stock options during the third quarter for a total of \$139,400.

## Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

## **Related party transactions**

The Company entered into the following transaction with a law firm of which one of the directors is a partner:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Professional fees and disbursements	6,643	--

These transactions took place during the normal course of activities and were established using an exchange value representing an amount of compensation determined and accepted by the related parties.

## **Principal accounting assumption**

### **Mining properties book values**

At the end of each quarter, exploration work is analyzed in order to evaluate the future potential of each of the properties. If needed, write-offs are done following this analysis.

## **New accounting policies**

In January 2005, the CICA published 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 instructions set forth in Section 3860, “Financial Instruments — Disclosure and Presentation”, by prescribing when a financial instrument is to be recognized in 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 companies that choose to designate qualifying transactions 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

The cash and cash equivalents, amounts receivable, 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 given the particular characteristics of these financial instruments.

### Interest rate risk

As at May 31, 2007, the Company's exposure to interest rate risk is summarized as follows:

- Cash and cash equivalents	Variable interest rate
- Accounts receivable	Non-interest bearing
- Accounts payable and accrued liabilities	Non-interest bearing

## **Information regarding outstanding shares**

The Company can issue an unlimited number of common shares, without par value. As at July 24, 2007, there were 16,771,755 issued and outstanding shares.

The Company maintains a stock option plan in which a maximum of 1,475,000 stock options may be granted. On March 6, 2007, the Board of Directors decided to increase the number of shares reserved for issuance under the stock option plan to 15% of the shares issued and outstanding, i.e, 2,488,000. This increase was authorized by the Company's disinterested shareholders at the Annual and Extraordinary meeting of shareholders held on February 20, 2007 and is subject to regulatory approval. As of July 24, 2007, 1,595,000 stock options were outstanding, of which 1,365,000 were exercisable. Their exercise prices range from \$0.24 to \$4.30, and expiry dates range from June 19, 2008, to March 6, 2012. All stock options granted over and above the actual limit of 1,475,000 may not be exercised until the receipt of the required regulatory approvals.

## **Risks and uncertainties**

### Financial risks

The Company is considered to be an exploration company. It must therefore regularly obtain financing in order to pursue its activities. Despite previous success in acquiring such financing, there is no guarantee of success in the future.

### Property title risk

Although the Company has taken steps to verify property titles relating to its mining properties in which it holds an interest, and that those steps are in accordance with industry standards regarding the current exploration stage on the properties, these procedures do not guarantee the Company's right to the property title. The property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### Environmental risk

The Company is susceptible to various environmental incidents that can occur during exploration work. The Company maintains an environmental risk management system that includes operational plans and practices.

## **Additional information and continuous disclosure**

This Management's Discussion and Analysis report was prepared on July 24, 2007. The Company regularly divulges additional information through press releases, financial statements, and its annual information form on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

## **Management's responsibility for financial reporting**

The Company's management is responsible for preparing the financial statements and for the financial information included in this interim report. Management maintains a system of internal control to produce reliable financial statements and reasonable assurance that assets are safeguarded.

The interim financial statements are prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgements of management. Their preparation is based on 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. The interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

The audit committee meets annually with the external auditors, with and without management present, to review the financial statements and to discuss audit-related matters. On the recommendation of the audit committee, the Company's financial statements are approved by the Board of Directors.

## **Disclosure controls**

The Company's Chief Executive Officer and Secretary Treasurer are responsible for establishing and maintaining the Company's disclosure controls and procedures. These disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed with securities regulatory authorities is recorded and/or disclosed on a timely basis, as required by law, and is accumulated and communicated to the Company's management, including its Chief Executive Officer and its Secretary Treasurer, as appropriate to allow timely decisions regarding required disclosure. The Chief Executive Officer and Secretary Treasurer are assisted in this responsibility by the disclosure committee consisting of senior executives of the Company. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Secretary Treasurer have concluded that these disclosure controls and procedures operated effectively as of May 31, 2007 to ensure that material information relating to the Company would have been made known to them.

## **Internal control over financial reporting**

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and the Secretary Treasurer have evaluated whether there were changes to its ICFR during the period ended May 31, 2007 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

(s) Jean-Marc Lulin

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President and CEO

(s) Moniroth Lim

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Secretary Treasurer