

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Balance Sheets**

	<b>February 28, 2010 \$ (unaudited)</b>	<b>August 31, 2009 \$ (audited)</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	3,354,909	1,349,818
Amounts receivable - Related party	40,867	40,867
Amounts receivable - Others (note 4)	725,544	614,256
Prepaid expenses	340,449	95,639
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	4,461,769	2,100,580
<b>Long-term investments</b> (note 5)	582,500	534,416
<b>Property and equipment</b> (less accumulated depreciation of \$65,034; \$56,685 as at August 31, 2009)	55,109	63,458
<b>Intangible assets</b> (less accumulated depreciation of \$5,456; \$4,471 as at August 31, 2009)	5,582	6,567
<b>Mining properties</b> (note 6)	2,031,866	1,791,427
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	7,136,826	4,496,448
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<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities - Related parties	67,548	-
Accounts payable and accrued liabilities - Others	311,486	418,577
Current portion of debentures (notes 7 and 8)	350,000	350,000
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	729,034	768,577
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<b>Debentures payable</b> (note 7)	231,000	322,317
<b>Liability component of debentures</b> (note 8)	837,664	801,464
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	1,068,664	1,123,781
	<hr/>	<hr/>
	1,797,698	1,892,358
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<b>Shareholders' equity</b>		
<b>Share capital</b> (note 9)	11,067,118	8,868,164
<b>Warrants</b> (note 9)	618,655	353,334
<b>Stock options</b> (note 10)	2,092,192	2,026,292
<b>Equity component of debentures</b>	194,820	194,820
<b>Contributed surplus</b>	449,250	449,250
<b>Deficit</b>	(8,877,291)	(9,034,070)
<b>Accumulated other comprehensive loss</b>	(205,616)	(253,700)
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	5,339,128	2,604,090
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	7,136,826	4,496,448
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**Subsequent events** (note 13)*The accompanying notes are an integral part of these interim financial statements.*

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Shareholders' Equity**

For the six (6)-month periods ended February 28, 2010 and 2009 (unaudited)

	Share capital		Warrants		Stock options		Equity Component of debenture	Contributed surplus	Deficit	Accumulated Other comprehensive loss	Total
	Number	\$	Number	\$	Number	\$	\$	\$	\$	\$	\$
<b>Balance as at September 1, 2008</b>	16,821,755	7,943,186	-	-	1,905,000	1,919,992	-	-	(6,357,232)	(673,750)	2,832,196
Private placements	250,000	95,000	125,000	5,000	-	-	-	-	-	-	100,000
Convertible debenture	-	-	-	-	-	-	559,936	-	-	-	559,936
Stock options exercised	250,000	137,500	-	-	(250,000)	(62,500)	-	-	-	-	75,000
Stock-based compensation costs	-	-	-	-	-	258,690	-	-	-	-	258,690
Share issue expenses	-	(65,942)	-	-	-	-	-	-	-	-	(65,942)
Net loss for the period	-	-	-	-	-	-	-	-	(845,759)	-	(845,759)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(430,911)	(430,911)
<b>Balance as at February 28, 2009</b>	<b>17,321,755</b>	<b>8,109,744</b>	<b>125,000</b>	<b>5,000</b>	<b>1,655,000</b>	<b>2,116,182</b>	<b>559,936</b>	<b>-</b>	<b>(7,202,991)</b>	<b>(1,104,661)</b>	<b>2,483,210</b>
<b>Balance as at September 1, 2009</b>	20,383,979	8,868,164	1,347,224	353,334	1,855,000	2,026,292	194,820	449,250	(9,034,070)	(253,700)	2,604,090
Private placements (note 9)	1,434,166	810,304	717,083	265,321	-	-	-	-	-	-	1,075,625
Flow-through private placements (note 9)	2,675,000	2,300,500	-	-	-	-	-	-	-	-	2,300,500
Payment of interest on convertible debenture	83,430	51,394	-	-	-	-	-	-	-	-	51,394
Share issue expenses (note 9)	-	(966,544)	-	-	-	-	-	-	-	-	(966,544)
Stock options exercised	5,000	3,300	-	-	(5,000)	(1,600)	-	-	-	-	1,700
Stock-based compensation costs	-	-	-	-	-	67,500	-	-	-	-	67,500
Net income for the period	-	-	-	-	-	-	-	-	156,779	-	156,779
Other comprehensive loss	-	-	-	-	-	-	-	-	-	48,084	48,084
<b>Balance as at February 28, 2010</b>	<b>24,581,575</b>	<b>11,067,118</b>	<b>2,064,307</b>	<b>618,655</b>	<b>1,850,000</b>	<b>2,092,192</b>	<b>194,820</b>	<b>449,250</b>	<b>(8,877,291)</b>	<b>(205,616)</b>	<b>5,339,128</b>

Deficit and accumulated other comprehensive loss amount to \$9,082,907 and \$8,307,652 as at February 28, 2010 and 2009, respectively.

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Earnings and Comprehensive Loss**

For the three (3)-month and six (6)-month periods ended February 28, 2010 and 2009 (unaudited)

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>3 months</b>	<b>3 months</b>	<b>6 months</b>	<b>6 months</b>
	\$	\$	\$	\$
<b>Expenses</b>				
Salaries and fringe benefits	67,966	137,452	109,966	238,608
Professional and maintenance fees	33,985	16,515	50,954	32,229
Management fees and office expenses	78,755	51,378	103,402	81,821
Travelling and entertainment	15,996	7,557	23,155	14,801
Interests on debentures	35,249	61,230	60,448	61,230
Interests and bank charges	560	314	823	1,038
Accretion on debentures	22,700	-	44,883	-
Depreciation of property and equipment	4,174	5,697	8,349	11,396
Amortization of intangible assets	492	707	985	1,408
Search for properties	27,021	32,940	43,727	62,882
Credit on duties refundable for losses and refundable tax credit relating to resources	(11,210)	-	(18,700)	(12,400)
Cost of mining properties abandoned or written off	79,224	-	79,224	-
Professional fees related to the decision of not proceeding with a short form prospectus	-	113,023	-	275,209
Stock-based compensation costs	-	93,540	67,500	258,690
	<u>354,912</u>	<u>520,353</u>	<u>574,716</u>	<u>1,026,912</u>
<b>Other income</b>				
Interest income	3,106	1,839	3,791	6,629
Gain on sale of option on mining properties	60,000	159,364	60,000	159,364
Gain on sale of long-term investments	-	-	-	15,160
Management fees	559	-	559	-
	<u>63,665</u>	<u>161,203</u>	<u>64,350</u>	<u>181,153</u>
Loss for the period before income taxes	(291,247)	(359,150)	(510,366)	(845,759)
Recovery of future income taxes	667,145	-	667,145	-
<b>Net earnings (loss) for the period</b>	<u>375,898</u>	<u>(359,150)</u>	<u>156,779</u>	<u>(845,759)</u>
Other comprehensive loss				
Decrease in value of long-term investments	79,650	(192,411)	48,084	(430,911)
<b>Comprehensive loss for the period</b>	<u>455,548</u>	<u>(551,561)</u>	<u>204,863</u>	<u>(1,276,670)</u>
<b>Basic and diluted earnings (loss) per share</b>	<u>0.016</u>	<u>(0.021)</u>	<u>0.007</u>	<u>(0.050)</u>
<b>Basic weighted average number of shares outstanding</b>	<u>23,706,384</u>	<u>17,117,755</u>	<u>22,033,544</u>	<u>16,977,225</u>
<b>Diluted weighted average number of shares outstanding</b>	<u>24,020,366</u>	<u>17,223,978</u>	<u>22,331,788</u>	<u>17,110,067</u>

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

**Statements of Cash Flows**

For the three (3)-month and six (6)-month periods ended February 28, 2010 and 2009 (unaudited)

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>3 months</b>	<b>3 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>				
Net earnings (loss) for the period	375,898	(359,150)	156,779	(845,759)
Items not affecting cash				
Depreciation of property and equipment	4,174	5,697	8,349	11,396
Amortization of intangible assets	492	707	985	1,408
Gain on sale of long-term investments	-	-	-	(15,160)
Write-off of deferred charges	-	113,023	-	275,209
Cost of mining properties abandoned or written off	79,224	-	79,224	-
Gain on sale of option on mining properties	(60,000)	(159,364)	(60,000)	(159,364)
Recovery of future income taxes	(667,145)	-	(667,145)	-
Accretion on debentures	22,700	-	44,883	-
Stock-based compensation costs	-	93,540	67,500	258,690
	<u>(244,657)</u>	<u>(305,547)</u>	<u>(369,425)</u>	<u>(473,580)</u>
Net change in non-cash working capital items				
Amounts receivable	(23,930)	162,919	(111,288)	1,331,500
Prepaid expenses	(78,603)	(3,633)	(244,810)	5,881
Accounts payable	17,410	(1,349,824)	(39,543)	(2,407,639)
	<u>(85,123)</u>	<u>(1,190,538)</u>	<u>(395,641)</u>	<u>(1,070,258)</u>
	<u>(329,780)</u>	<u>(1,496,085)</u>	<u>(765,066)</u>	<u>(1,543,838)</u>
<b>Cash flows from financing activities</b>				
Non-convertible debentures	-	-	(100,000)	500,000
Convertible debentures	-	40,000	-	1,440,000
Issuance of share capital net of share issue expenses	3,128,120	65,478	3,129,820	109,058
	<u>3,128,120</u>	<u>105,478</u>	<u>3,029,820</u>	<u>2,049,058</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of long-term investments	-	3,500	-	27,260
Increase in mining properties	(338,148)	(175,592)	(319,663)	(917,042)
Proceeds from sale of option on mining properties	60,000	200,000	60,000	200,000
Addition to deferred charges	-	(110,059)	-	(183,146)
	<u>(278,148)</u>	<u>(82,151)</u>	<u>(259,663)</u>	<u>(872,928)</u>
<b>Net change in cash and cash equivalents</b>	<b>2,520,192</b>	<b>(1,472,758)</b>	<b>2,005,091</b>	<b>(367,708)</b>
Cash - Beginning of period	834,717	2,396,821	1,349,818	1,291,771
Cash and cash equivalents - End of period	<u>3,354,909</u>	<u>924,063</u>	<u>3,354,909</u>	<u>924,063</u>
<b>Additional information</b>				
Interest cashed, net of interest paid	2,546	1,525	2,968	5,591
Interest paid on debentures	-	-	32,568	-
Acquisition of mining properties included in accounts payable and accrued liabilities	(148,250)	-	-	-
Tax credit and mining rights receivable applied against mining properties	(9,750)	-	(115,250)	(246,200)

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

**AZIMUT EXPLORATION INC.**

(An exploration company)

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

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**1 Interim financial information**

The financial information as at February 28, 2010 and for the three(3)-month and six(6)-month periods ended February 28, 2010 and 2009, are unaudited; however, in the opinion of management, all adjustments necessary to fairly present the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These interim financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods used in the preparation of the Company's most recent annual financial statements. All disclosures required for annual financial statements have not been included in these financial statements. These interim financial statements should be read in conjunction with the Company's most recent annual financial statements for the year ended August 31, 2009.

**2 Incorporation and nature of activities**

The Company, incorporated under Part 1A of the Québec Companies Act, is in the business of acquiring and exploring mining properties. It has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and future profitable production or proceeds from the disposal of properties.

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

Management is periodically seeking additional forms of financing through the issuance of new equity instruments and the exercise of stock options to continue its operations, 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. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

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 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.

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

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<b>3 Cash and cash equivalents</b>	<b>February 28, 2010</b>	<b>August 31, 2009</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(audited)
Cash	1,054,409	1,349,818
Exploration funds	2,300,500	-
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	3,354,909	1,349,818
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Cash and cash equivalents consist of cash on hand and balances with banks as well as highly liquid short-term investments with original maturities of three months or less at the acquisition date.

Exploration funds are restricted in use for exploration expenses pursuant to flow-through financing agreements.

<b>4 Amounts receivable</b>	<b>February 28, 2010</b>	<b>August 31, 2009</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(audited)
Tax credit and mining rights receivable	668,356	534,407
Commodity taxes	57,188	79,849
Trade accounts receivable	267,734	267,734
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	993,278	881,990
Allowance for bad debts	(267,734)	(267,734)
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	725,544	614,256
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	<b>February 28, 2010</b>		<b>August 31, 2009</b>	
	<b>Amortized cost</b>	<b>Carrying value</b>	<b>Amortized cost</b>	<b>Carrying value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)	(audited)	(audited)
Eastmain Resources Inc.	8,600	29,400	8,600	24,400
NWT Uranium Corp.	50,750	61,250	50,750	50,750
Majescor Resources Inc.	49,980	51,940	49,980	49,980
Silver Spruce Resources Inc.	19,500	30,000	19,500	19,500
D'Arianne Resources Inc.	11,286	8,910	11,286	11,286
Channel Resources Inc.	48,000	21,000	48,000	28,500
Abitex Resources Inc.	400,000	180,000	400,000	150,000
Kativik Resources Inc.	200,000	200,000	200,000	200,000
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	788,116	582,500	788,116	534,416
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**AZIMUT EXPLORATION INC.**

(An exploration company)

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

**6 Mining properties**

As at February 28, 2010, the following claims were in good standing and are located in the Province of Quebec.

	Undivided participation %	Balance as at September 1, 2009 \$	Costs incurred \$	Option payments, write-offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2010 \$
<b>Ungava Bay</b>					
North Rae (1,853 claims)					
Mining property	100	348,707	71,689	-	420,396
Exploration costs		573,315	118,039	(54,000)	637,354
		922,022	189,728	(54,000)	1,057,750
South Rae (1,148 claims)					
Mining property	100	-	5,778	-	5,778
Exploration costs		8,081	1,461	(650)	8,892
		8,081	7,239	(650)	14,670
Daniel Lake (972 claims)					
Mining property	100	336,024	8,850	-	344,874
Exploration costs		225,187	104,345	(48,000)	281,532
		561,211	113,195	(48,000)	626,406
Kangiq (851 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Burrel Lake (892 claims)					
Mining property	100	94,593	-	-	94,593
Exploration costs		11	-	-	11
		94,604	-	-	94,604
Other					
Mining property	100	78,948	-	(78,948)	-
Exploration costs		276	6,245	(3,076)	3,445
		79,224	6,245	(82,024)	3,445
<b>Total Ungava Bay</b>		1,665,142	316,407	(184,674)	1,796,875

**AZIMUT EXPLORATION INC.**

(An exploration company)

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

**6 Mining properties - Cont'd**

**Central Quebec**

	Undivided participation %	Balance as at September 1, 2009 \$	Costs incurred \$	Option payments, write-offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2010 \$
North Minto (1,750 claims)					
Mining property	100	-	27,606	-	27,606
Exploration costs		-	535	-	535
		-	28,141	-	28,141
South Minto (1,198 claims)					
Mining property	100	-	12,091	-	12,091
Exploration costs		-	358	-	358
		-	12,449	-	12,449
Central Minto (665 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
West Minto (689 claims)					
Mining property	100	2,958	-	-	2,958
Exploration costs		1,205	-	-	1,205
		4,163	-	-	4,163
South Bienville (1,460 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Hudson Bay (524 claims)					
Mining property	100	4,690	-	-	4,690
Exploration costs		1,515	-	-	1,515
		6,205	-	-	6,205
Kativik (1,361 claims)					
Mining property	100	-	-	-	-
Exploration costs		83,933	(2,331)	-	81,602
		83,933	(2,331)	-	81,602
Rex (588 claims)					
Mining property	100	-	57,765	-	57,765
Exploration costs		-	14,648	(5,500)	9,148
		-	72,413	(5,500)	66,913
Other (140 claims)					
Mining property	100	14,280	-	-	14,280
Exploration costs		1,561	-	-	1,561
		15,841	-	-	15,841
<b>Total Central Quebec</b>		<b>110,142</b>	<b>110,672</b>	<b>(5,500)</b>	<b>215,314</b>



**AZIMUT EXPLORATION INC.**  
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**Notes to Interim Financial Statements (unaudited)**

**6 Mining properties - Cont'd**

	Undivided participation %	Balance as at September 1, 2009 \$	Costs incurred \$	Option payments, write-offs, credit on duties refundable for losses, refundable tax credit relating to resources \$	Balance as at February 28, 2010 \$
<b>James Bay</b>					
Opinaca A, A East (429 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	35	-	35
		-	35	-	35
Opinaca B, B North (220 claims)					
Mining property	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Eleonore South (282 claims)					
Mining property	29.4	-	-	-	-
Exploration costs		728	1,256	(550)	1,434
		728	1,256	(550)	1,434
Opinaca D (188 claims)					
Mining property	100	-	-	-	-
Exploration costs		990	2,055	(900)	2,145
		990	2,055	(900)	2,145
Eastmain West (61 claims)					
Mining property	100	5,695	(1,800)	-	3,895
Exploration costs		8,680	872	(350)	9,202
		14,375	(928)	(350)	13,097
Wabamisk (755 claims)					
Mining property	100	-	-	-	-
Exploration costs		50	5,416	(2,500)	2,966
		50	5,416	(2,500)	2,966
<b>Total James Bay</b>		16,143	7,834	(4,300)	19,677
<b>Total mining properties</b>		1,791,427	434,913	(194,474)	2,031,866

**AZIMUT EXPLORATION INC.**  
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**Notes to Interim Financial Statements (unaudited)**

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**6 Mining properties - Cont'd**

Change in mining properties

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>3 months</b>	<b>3 months</b>	<b>6 months</b>	<b>6 months</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance - Beginning of period</b>	1,921,192	1,739,977	1,791,427	1,244,727
Expenses incurred during the period				
Claims and permits	175,618	13,490	181,979	201,578
Geological surveys	25,840	4,314	254,744	248,450
Geophysical surveys	(3,750)	129,762	(3,750)	129,762
Drilling	-	28,026	-	337,252
Administration and others	1,940	-	1,940	-
	<u>199,648</u>	<u>175,592</u>	<u>434,913</u>	<u>917,042</u>
Mining properties abandoned or written off	(79,224)	-	(79,224)	-
Option payments	-	(40,637)	-	(40,637)
Credit on duties refundable for losses and refundable tax credit relating to resources	<u>(9,750)</u>	<u>-</u>	<u>(115,250)</u>	<u>(246,200)</u>
<b>Balance - End of period</b>	<u>2,031,866</u>	<u>1,874,932</u>	<u>2,031,866</u>	<u>1,874,932</u>

**7 Debenture**

On November 20, 2008, the Company issued a five(5)-year unsecured debenture of \$500,000, bearing interest at 12% annually. The opening balance of that debt has been decreased by \$92,000 as a discount on debenture so as to consider an effective interest rate of 20%. An accretion of debenture of \$8,683 is also reflected in earnings. The principal is to be reimbursed in cash over a five(5)-year period for \$100,000 per year.

**AZIMUT EXPLORATION INC.**

(An exploration company)

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

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**8 Convertible debentures**

The Company completed a private placement of \$940,000 in unsecured convertible debentures. The debentures mature on November 20, 2011, and bear interest at the rate of 12% per annum, payable semi-annually either in cash or in shares. Non-interest bearing if the share is traded at \$1.35 and over for the six(6)-month periods ending May 20, 2010; November 20, 2010; May 20, 2011 and November 20, 2011, respectively. The principal is convertible at the option of the holder into common shares of the Company. During the first two (2) years, the principal is convertible into units at a price of \$0.54. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.65. At the third year, the debentures are convertible into units at a price of \$0.60; each unit consists of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.75.

The Company had also completed a placement consisting of a \$250,000 secured convertible loan which is to be reimbursed in 2010 and bears interest at a rate of 12% per year, payable in cash or shares every six (6) months. Non-interest bearing if the share is traded at \$1.35 and over for the six(6)-month periods ending May 20, 2010 and November 20, 2010. This loan is convertible into units at a price of \$0.54 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.65 for a 24-month period following the conversion date or until the term of the loan. The loan is secured by a hypothec on the Company's movable property, including tax credits to be received.

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

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	\$	\$	\$
Unsecured convertible debentures	789,950	150,050	940,000
Secured convertible debenture	205,230	44,770	250,000
	995,180	194,820	1,190,000
Accretion on convertible debentures	92,484	-	92,484
	1,087,664	-	1,087,664
Current portion	(250,000)	-	(250,000)
	837,664	-	837,664

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****9 Share capital**

In December 2009, the Company closed two (2) private placements for a total of \$3,376,125 representing 1,434,167 Units at \$0.75 per unit and 2,675,000 Flow-Through Shares at \$0.86 per share. Each Unit is comprised of one (1) common share and one-half (½) common share purchase warrant, each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.95 for a period of 24 months. The Underwriter's commission and finder's fee totalled \$208,107.

Warrants have been presented separately and recorded at a value of \$265,321 based on the Black-Scholes option pricing model using the following assumptions: risk free interest of 1.50%, expected life of warrants of 2 years, annualized volatility rate of 105% and dividend rate of 0%.

**Flow-through shares**

The proceed received from the issuance of flow-through shares amounted to \$2,300,500 and is committed to exploration expenses. In February 2010, the Company renounced \$2,300,500 of qualifying expenditures to the investors. The future income tax cost related to the resulting temporary difference would be approximately \$667,145 and is recorded as a share issue expense.

**Warrants**

The following table summarizes information about warrants outstanding and exercisable as at February 28, 2010.

<b>Exercise prices</b>	<b>Warrants outstanding</b>	<b>Expiry date</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.60	277,778	July 29, 2011	1.41
\$0.60	333,334	August 17, 2011	1.46
\$0.65	125,000	November 24, 2010	0.74
\$0.80	277,778	July 29, 2011	1.41
\$0.80	333,334	August 17, 2011	1.47
\$0.95	383,750	December 19, 2011	1.80
\$0.95	333,333	December 29, 2011	1.83
	<u>2,064,307</u>		

**10 Stock options**

The following tables present the stock option activity since September 1, 2009, and summarize information about fixed stock options outstanding and exercisable as at February 28, 2010.

	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding - Beginning of period	1,855,000	1.82
Exercised	(5,000)	0.34
	<u>1,850,000</u>	<u>1.82</u>
Outstanding - End of period	1,850,000	1.82
Exercisable - End of period	<u>1,820,000</u>	<u>1.81</u>

**AZIMUT EXPLORATION INC.**  
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**Notes to Interim Financial Statements (unaudited)**

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**10 Stock options - Cont'd**

The following table summarizes information about stock options outstanding and exercisable as at February 28, 2010.

<b>Exercise prices</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.34	585,000	585,000	9.13
\$0.64	30,000	30,000	0.32
\$0.86	105,000	105,000	0.54
\$1.50	50,000	50,000	0.98
\$1.55	300,000	300,000	1.00
\$1.75	150,000	150,000	1.02
\$1.80	20,000	20,000	1.14
\$3.03	310,000	280,000	2.02
\$4.30	300,000	300,000	3.10
	<u>1,850,000</u>	<u>1,820,000</u>	<u>4.05</u>

**11 Related party transaction**

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

	<u>February 28,</u>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Professional fees and disbursement of expenses	<u>1,944</u>	<u>1,304</u>

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. The amounts due from (to) related parties are without interest and terms of repayment.

**AZIMUT EXPLORATION INC.**

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**Notes to Interim Financial Statements (unaudited)****12 Financial instruments, financial risks and capital management**

The classification of financial instruments as at February 28, 2010, is summarized as follows:

	Classification	February 28, 2010		August 31, 2009	
		Carrying value	Fair value	Carrying value	Fair value
		Total	Total	Total	Total
		\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	Held for trading	3,354,909	3,354,909	1,349,818	1,349,818
Amounts receivable	Loans and receivables	766,411	766,411	655,123	655,123
Long-term investments	Available for sale	582,500	582,500	534,416	534,416
		<u>4,703,820</u>	<u>4,703,820</u>	<u>2,539,357</u>	<u>2,539,357</u>
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	Other than held-for-trading liabilities	379,034	379,034	418,577	418,577
Debenture and convertible debentures	Other than held-for-trading liabilities	1,418,664	1,418,664	1,473,781	1,473,781
		<u>1,797,698</u>	<u>1,797,698</u>	<u>1,892,358</u>	<u>1,892,358</u>

The Company's financial instruments as at February 28, 2010 consist of cash and cash equivalents, amounts receivable from related party and others, accounts payable and accrued liabilities and debentures. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or to current market rates. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The fair value of available-for-sale long-term investments is established using the bid price on the most beneficial active market for this instrument that is readily available to the Company. When a bid price is not available, the Company uses the closing price of the most recent transaction on such instrument.

**AZIMUT EXPLORATION INC.**

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

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**12 Financial instruments, financial risks and capital management - Cont'd**

**Financial risks**

The Company is exposed to various financial risks, such as credit risk, liquidity risk and interest rate risk from its use of financial instruments.

**Credit risk**

The Company's credit risk is primarily attributable to cash and cash equivalents, amounts receivable and long-term investments. Cash and cash equivalents and long-term investments are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating, from which management believes the risk of loss to be minimal.

The credit risk associated with amounts receivable from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from option payments and exploration work carried out on properties under option and operated by the Company. This risk is minimal because the net amount is not significant.

**Liquidity risk**

Liquidity risk is the risk that the Company may be unable to fulfill its financial obligations related to financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidities to meet liabilities when due. The Company anticipates that its funds are sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure the necessary financing so that the Company can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by, among others things, the strength of the capital markets. With the funds raised subsequent to February 28, 2010, the Company had enough funds available to meet its current and future financial liabilities from its commitments for the current year.

**Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments guaranteed by and held with a Canadian chartered bank.

As at February 28, 2010, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Long-term investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Debentures payable	See notes 7 and 8

**AZIMUT EXPLORATION INC.**

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

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**12 Financial instruments, financial risks and capital management - Cont'd**

The Company considers the items included in shareholders' equity as capital components.

There were no significant changes in the Company's approach to capital management during the period ended February 28, 2010, and the Company is not subject to any capital requirements related to externally imposed regulations or contractual issues, unless the Company closes a flow-through private placement in which case the funds can only be applied to exploration expenses.

**13 Subsequent events**

In March 2010, a total of 490,000 stock options have been granted to its directors, officers, employees and consultants. Of this number, 455,000 have been granted to its directors and officers and 35,000 to its employees and consultants. These options have an exercise price of \$0.66 per share and are exercisable during a 10-year period.

SIDEX exercised its conversion right on the balance of a loan in the amount of \$250,000 together with accrued interest totaling \$10,273.97. Azimut will issue to SIDEX a total of 477,847 units at an average price of \$0.5447 per unit, each consisting of one (1) common share and one (1) warrant having an exercise price of \$0.65 and valid until November 20, 2010.

Everton earned its 50% interest on the Opinaca A and B gold properties after completing exploration programs totalling \$4,800,000 and cash payments of \$540,000 over a 5-year period.

**14 Comparative figures**

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



**AZIMUT EXPLORATION INC.**

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**CORPORATE INFORMATION**

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**Board of Directors**

Dennis Wood, Chairman of the Board (Montreal)  
Jean-Marc Lulin, Ph.D., geologist, Director (Montreal)  
Jean-Charles Potvin, B.Sc., M.B.A., Director (Toronto)  
Louis P. Salley, B.A., LL.B., Director (Vancouver)  
Pierre Toth, M.Sc., Director (Montreal)

**Management**

Jean-Marc Lulin, President and Chief Executive Officer  
Moniroth Lim, Secretary and Treasurer

**Legal Counsel**

Miller Thomson Pouliot (Montreal)

**Auditors**

PricewaterhouseCoopers LLP (Quebec)

**Transfer Agent**

Trust CIBC Mellon Company (Montreal)

**Listing**

TSX Venture  
Symbol: AZM

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