

Azincourt Energy Corp.

(An Exploration Stage Company)

Consolidated Financial Statements

For the Years Ended September 30, 2018 and 2017

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Azincourt Energy Corp.

We have audited the accompanying consolidated financial statements of Azincourt Energy Corp., which comprise the consolidated statements of financial position as at September 30, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Azincourt Energy Corp. as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Azincourt Energy Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

December 20, 2018

Azincourt Energy Corp.*(An Exploration Stage Company)***Consolidated Statements of Financial Position***In Canadian Dollars*

ASSETS	September 30, 2018	September 30, 2017
Current		
Cash	\$ 850,168	\$ 502,158
Amounts receivable	18,034	15,653
Prepaid expenses	223,016	134,554
	<u>1,091,218</u>	<u>652,365</u>
Mineral Properties (Note 4)	<u>2,853,142</u>	<u>2,009,789</u>
	<u>\$ 3,944,360</u>	<u>\$ 2,662,154</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 92,847	\$ 68,647
Flow-through share liability (Note 5)	-	65,000
	<u>92,847</u>	<u>133,647</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	9,633,265	6,437,391
Reserves (Note 5)	1,931,458	1,323,401
Subscriptions received in advance (Note 5)	-	20,000
Deficit	<u>(7,713,210)</u>	<u>(5,252,285)</u>
	<u>3,851,513</u>	<u>2,528,507</u>
	<u>\$ 3,944,360</u>	<u>\$ 2,662,154</u>

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors:

"Paul Reynolds"

Paul Reynolds, Director

"Terrence O'Connor"

Terrence O'Connor, Director

- See Accompanying Notes -

Azincourt Energy Corp.
(An Exploration Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended September 30
In Canadian Dollars

	2018	2017
Expenses		
Audit and accounting	\$ 85,210	\$ 43,050
Consulting and directors' fees (Note 7)	531,000	341,750
Exploration and evaluation costs (Note 4, 7)	521,321	1,650
Filing and transfer agent fees	33,567	18,906
Insurance	4,991	825
Investor relations	32,611	2,856
Legal costs	20,799	13,061
Marketing, conferences and shareholder communications	853,001	243,132
Office and administration	63,189	52,104
Property investigation costs	99,400	-
Share-based compensation (Note 5, 7)	291,000	100,000
Total expenses	(2,536,089)	(817,334)
Interest income	10,164	-
Other income (Note 5)	65,000	-
Recovery of accounts payable	-	12,000
Loss and comprehensive loss for the year	\$ (2,460,925)	\$ (805,334)
Loss per share – basic and diluted	\$ (0.04)	\$ (0.04)
Weighted average number of common shares outstanding	61,093,142	21,433,359

– See Accompanying Notes –

Azincourt Energy Corp.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the Years Ended September 30
In Canadian Dollars

Cash Provided By (Used In):	2018	2017
Operations:		
Loss for the year	\$ (2,460,925)	\$ (805,334)
Items not affecting cash:		
Other income	(65,000)	-
Recovery of accounts payable	-	(12,000)
Share-based compensation	291,000	100,000
Change in non-cash working capital:		
Amounts receivable	(2,381)	(11,392)
Prepaid expenses	(88,462)	(134,554)
Accounts payable and accrued liabilities	24,200	(78,075)
	<u>(2,301,568)</u>	<u>(941,355)</u>
Investing:		
Mineral property acquisition costs	<u>(429,603)</u>	<u>(156,134)</u>
Financing:		
Proceeds from issuance of shares	1,830,000	1,584,887
Share issuance costs	(133,618)	(81,404)
Exercise of options	18,000	-
Exercise of warrants	1,364,799	46,950
Subscriptions received in advance	-	20,000
	<u>3,079,181</u>	<u>1,570,433</u>
Change in cash	348,010	472,944
Cash - beginning of year	502,158	29,214
Cash - end of year	\$ 850,168	\$ 502,158
Non-cash transactions summary:		
Interest and income taxes	\$ -	\$ -
Common shares issued for properties	\$ 413,750	\$ 1,077,761
Common shares for subscriptions received in prior year	\$ 20,000	\$ -

- See Accompanying Notes -

Azincourt Energy Corp.*(An Exploration Stage Company)***Consolidated Statements of Changes in Shareholders' Equity***In Canadian Dollars*

	Share Capital		Reserves		Subscriptions received in advance \$	Deficit \$	Total \$
	Shares	Amount \$	Warrants \$	Options \$			
Balance, September 30, 2016	10,005,007	4,253,069	303,958	540,571	-	(4,446,951)	650,647
Loss for the year	-	-	-	-	-	(805,334)	(805,334)
Private placements – non flow-through	21,398,495	1,324,887	-	-	-	-	1,324,887
Private placements – flow-through	2,600,000	260,000	-	-	-	-	260,000
Fair value of warrants	-	(395,886)	395,886	-	-	-	-
Fair value of finders' fee warrants	-	(2,000)	2,000	-	-	-	-
Flow-through share liability	-	(65,000)	-	-	-	-	(65,000)
Subscriptions received in advance	-	-	-	-	20,000	-	20,000
Share issue costs	-	(81,404)	-	-	-	-	(81,404)
Exercise of warrants	939,000	46,950	-	-	-	-	46,950
Fair value of warrants exercised	-	19,014	(19,014)	-	-	-	-
Shares issued to acquire mineral properties	4,898,913	1,077,761	-	-	-	-	1,077,761
Share-based compensation	-	-	-	100,000	-	-	100,000
Balance, September 30, 2017	39,841,415	6,437,391	682,830	640,571	20,000	(5,252,285)	2,528,507
Loss for the year	-	-	-	-	-	(2,460,925)	(2,460,925)
Private placements – non flow-through	14,933,325	1,850,000	-	-	(20,000)	-	1,830,000
Fair value of warrants	-	(651,999)	651,999	-	-	-	-
Share issue costs	-	(133,618)	-	-	-	-	(133,618)
Exercise of warrants	12,925,579	1,364,799	-	-	-	-	1,364,799
Fair value of warrants exercised	-	317,799	(317,799)	-	-	-	-
Exercise of options	180,000	18,000	-	-	-	-	18,000
Fair value of options exercised	-	17,143	-	(17,143)	-	-	-
Shares issued to acquire mineral properties	5,000,000	413,750	-	-	-	-	413,750
Share-based compensation	-	-	-	291,000	-	-	291,000
Balance, September 30, 2018	72,880,319	9,633,265	1,017,030	914,428	-	(7,713,210)	3,851,513

– See Accompanying Notes –

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2018 and 2017
In Canadian Dollars

1. Nature of Operations and Going Concern

Azincourt Energy Corp. (the "Company") was incorporated on April 7, 2011, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. On October 11, 2017, the Company changed its name from Azincourt Uranium Inc. to Azincourt Energy Corp. The head office, principal address, and records office of the Company are located at 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6, Canada.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these consolidated financial statements.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At September 30, 2018, the Company had not achieved profitable operations and had an accumulated deficit of \$7,713,210. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies set out in Note 3 have been applied consistently by the Company during the years presented.

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Notes to the Consolidated Financial Statements
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2. Basis of Presentation - Continued

b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

c) Approval of the Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 20, 2018.

d) Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Azincourt International Holdings Ltd. incorporated in British Columbia, Canada.

e) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of the Company's subsidiary does not differ from that of the parent company.

3. Significant Accounting Policies

a) Cash

Cash consists of amounts held in banks and demand deposits.

b) Mineral Property

i) Exploration and Evaluation

Staking costs, property option payments, finders' fees and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible exploration and evaluation assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred. Exploration and evaluation expenditures include costs of equipment rental, geochemical analysis, and geological consulting services.

Subsequent recovery of the resulting carrying value of capitalized costs depends on successful development or sale of the undeveloped project. If a project does not prove viable, all non-recoverable costs associated with the project net of any impairment provisions are written off.

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Notes to the Consolidated Financial Statements
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3. Significant Accounting Policies – Continued

b) Mineral Property – Continued

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property development costs and are subject to an impairment test. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Mineral property interests are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

iii) Impairment

Exploration and evaluation assets are assessed for impairment at least annually by management for facts and circumstances suggesting that the carrying amount of the asset may exceed its recoverable amount. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (“CGU”), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU’s fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

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3. Significant Accounting Policies – Continued

b) Mineral Property – Continued

iii) Impairment – Continued

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis and are recorded through profit or loss. Assumptions, such as future commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risk uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

d) Site Closure and Reclamation Provision

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. For the years presented, the Company has not recognized any site closure and reclamation provision.

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3. Significant Accounting Policies – Continued

d) Site Closure and Reclamation Provision – Continued

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

e) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Share Capital

- i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.

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3. Significant Accounting Policies – Continued

f) Share Capital – Continued

- iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and common share purchase warrants. The fair value of the common share purchase warrants are determined using the Black-Scholes Option Pricing Model (“Black-Scholes”).

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

g) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. For the years presented, diluted and basic loss per share are the same because the effects of potential issuances of common shares under stock options and warrants would be anti-dilutive.

h) Comprehensive Income

Comprehensive income or loss includes net income or loss and other comprehensive income or loss. Other comprehensive income or loss may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign gains and losses from self-sustaining foreign operations.

i) Share-based Payments

From time to time, the Company grants stock options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees and non-employees become entitled to the award. The fair value of the stock options on the grant date is determined using the Black-Scholes option pricing model. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

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3. Significant Accounting Policies – Continued

j) Financial Instruments

The Company accounts for its financial instruments as follows:

Cash and amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

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3. Significant Accounting Policies – Continued

j) Financial Instruments – Continued

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

Financial Liabilities

Financial liabilities other than derivative liabilities and dividend liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit or loss are expensed as incurred.

Derivative liabilities are recognized at fair value with changes recognized in equity as adjustments to the distribution.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit or loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument’s original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial

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asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

3. Significant Accounting Policies – Continued

j) Financial Instruments – Continued

Impairment of Financial Assets - Continued

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

k) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a flow-through share liability and; ii) share capital. When the resource property expenditures are incurred, the Company proportionately derecognizes the liability and records the amount of tax reduction renounced to the shareholders as other income.

l) Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: recoverability and impairment of mineral property and the valuation of share-based payments.

Significant estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

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3. Significant Accounting Policies – Continued

l) Critical Accounting Judgments and Estimates – Continued

Recoverability of capitalized mineral property costs

The Company capitalizes mineral property acquisition costs that are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's capitalized mineral property costs is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the greater of: fair value less costs to sell and value in use.

Share-based payments

The Company uses Black-Scholes to calculate the fair value stock options and of common share purchase warrants issued. Black Scholes requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants. The assumptions used for estimating fair value of stock options and common share purchase warrants are disclosed in Note 5.

Critical judgments in applying the Company's accounting policies include the determination of the Company's ability to continue as a going concern (Note 1).

m) Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB. The following have not yet been adopted by the Company:

IFRS 9 *Financial Instruments* – New standard that replaces IAS 39, *Financial instruments: recognition and measurement*, for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers* – New standard to establish principles for reporting nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018.

The Company expects the impact of these new pronouncements on its financial statements to be limited to disclosure.

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3. Significant Accounting Policies – Continued

m) Recent Accounting Pronouncements – Continued

IFRS 16 *Leases* – New standards to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is assessing the impact of this standard on its financial statements.

n) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at fair value.

4. Mineral Properties

Patterson Lake North Project (“PLN Project”)

The Company owns a 10% interest in the Patterson Lake North Project located in northern Saskatchewan. The project is subject to a 2% net smelter returns (“NSR”) royalty.

East Preston Project

On March 27, 2017, the Company entered into an Option Agreement with Skyharbour Resources Ltd. and Clean Commodities Corp. (“Property Owners”) whereby the Company may acquire an undivided 70% interest in the East Preston Project, located in Saskatchewan, by incurring an aggregate of \$2,500,000 of staged expenditures and paying an aggregate of \$1,000,000 in staged cash payments as follows:

Date	Consideration	Work Obligation
On execution of Option Agreement (paid)	\$ 150,000	\$ Nil
On or before March 27, 2018 (paid and completed)	150,000	250,000
On or before March 27, 2019	300,000	750,000
On or before March 27, 2020	400,000	1,500,000
TOTAL	\$ 1,000,000	\$ 2,500,000

In addition, the Company issued 4,500,000 common shares to the Property Owners on April 4, 2017 at a value of \$990,000. The Company issued 398,913 common shares of the Company as finders’ fees, valued at \$87,761. The project is subject to a 2% NSR royalty on commercial production and a Right of First Refusal of any future proposed sale of the project.

Azincourt Energy Corp.
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4. Mineral Properties – Continued

Lithium Projects

On January 11, 2018, the Company entered into an option agreement, subsequently amended, with New Age Metals Inc. (“NAM”) and its wholly-owned subsidiary, Lithium Canada Development Inc. (“LCD”) to acquire up to a 100% interest in certain mineral claims in Manitoba, Canada including claims in the Catlake Project, Lithium East Extension, and Lithium West Extension (collectively the “Property”)

To acquire an initial 50% interest in the Property (“Initial Option”), the Company must make cash payments of \$200,000, issue 1,750,000 shares, and complete a minimum of \$2,750,000 of exploration expenditures as follows:

Cash payments:

- (i) \$50,000 on January 28, 2018 (“Closing Date”)(paid);
- (ii) \$50,000 on or before July 28, 2018 (paid);
- (iii) \$50,000 on or before January 28, 2019; and
- (iv) \$50,000 on or before July 28, 2019.

Share issuances:

- (i) 250,000 shares on January 28, 2018 (issued at fair value of \$50,000);
- (ii) 750,000 shares on or before August 15, 2018 (issued at a fair value of \$63,750);
- (iii) 250,000 shares on or before January 28, 2019;
- (iv) 250,000 shares on or before January 28, 2020; and
- (v) 250,000 shares on or before January 28, 2021.

Exploration Expenditures:

- (i) \$500,000 on or before January 28, 2019, of which \$150,000 must be completed prior to May 31, 2018 and at least \$300,000 must be completed prior to August 31, 2018 (\$410,000 has been transferred to NAM for exploration and evaluation expenditures and \$107,397 remain as exploration advances at year end and is included in prepaid expenses);
- (ii) \$600,000 on or before January 28, 2020, of which \$200,000 must be completed prior to May 31, 2019 and at least \$400,000 must be completed prior to August 31, 2019; and
- (iii) \$1,650,000 on or before January 28, 2021, of which \$300,000 must be completed prior to May 31, 2020 and at least \$600,000 must be completed prior to August 31, 2020.

The Company has the right to acquire an additional 10% interest in the Property (“Secondary Option”) by completing the issuance of a further 1,000,000 shares within 10 days of notice and completing exploration expenditures of not less than \$750,000 on or before October 31, 2021.

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4. Mineral Properties – Continued

Lithium Projects – Continued

For a period of 90 days following the Secondary Option, NAM and LCD has the right to enter into a joint venture arrangement with the Company to develop the property. If NAM and LCD do not elect to form a joint venture with the Company, the Company has the right to acquire the remaining 40% of the Property by completing the issuance of a further 1,000,000 shares within 10 business days of committing to the Secondary Option and completing an additional exploration expenditures of not less than \$1,000,000 on or before October 31, 2022. The Property is subject to a 2% NSR.

During the year ended September 30, 2018, the Company paid a non-refundable \$10,000 signing bonus to NAM.

ELC Project

On September 5, 2018, the Company entered into Definitive Option Agreement with 1177865 BC Ltd. (“Property Owners”) whereby the Company may acquire an undivided 100% interest in the ELC Project, located in Peru, by paying an aggregate of \$850,000 in staged cash payments, issuing 7,000,000 common shares, and incurring an aggregate of \$3,250,000 of staged expenditures as follows:

Date	Cash Payments	Common Shares	Work Obligation
On grant of the Option (completed)	\$ 100,000	4,000,000*	\$ Nil
By September 5, 2019	150,000	1,000,000	250,000
By September 5, 2020	250,000	1,000,000	500,000
By September 5, 2021	350,000	1,000,000	1,000,000
By September 5, 2022	Nil	Nil	1,500,000
TOTAL	\$ 850,000	7,000,000	\$ 3,250,000

*issued at a fair value of \$300,000

The project is subject to a 1.5% NSR royalty on commercial production. In connection with the Option Agreement, the Company paid \$64,750 of advisory fees.

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4. Mineral Properties – Continued

Acquisition Costs Summary

	PLN Project	East Preston Project	Lithium Projects	ELC Project	Total
Balance, as at September 30, 2016	\$ 775,894	\$ -	\$ -	\$ -	\$ 775,894
Filing fees	-	6,134	-	-	6,134
Option payment – cash	-	150,000	-	-	150,000
Option payment – shares	-	990,000	-	-	990,000
Finders' fee shares	-	87,761	-	-	87,761
Balance, as at September 30, 2017	775,894	1,233,895	-	-	2,009,789
Signing bonus	-	-	10,000	-	10,000
Acquisition fees	-	-	4,853	64,750	69,603
Option payment – cash	-	150,000	100,000	100,000	350,000
Option payment – shares	-	-	113,750	300,000	413,750
Balance, as at September 30, 2018	\$ 775,894	\$ 1,383,895	\$ 228,603	\$ 464,750	\$ 2,853,142

Exploration and Evaluation Expenditures Summary

Details of exploration and evaluation costs incurred for the years ended September 30, 2018 and 2017 are as follows:

	PLN Project	East Preston Project	Lithium Projects	ELC Project	2018 Total	2017 Total
Exploration and evaluation costs:						
Camp and general	\$ -	\$ 388	\$ 144,329	\$ -	\$ 144,717	\$ -
Geological and geophysical	-	200,997	88,610	1,000	290,607	-
Helicopter charter	-	56,066	-	-	56,066	-
Management fee	-	-	22,964	-	22,964	1,650
Mapping and interpretation	-	6,500	-	467	6,967	-
Total exploration and evaluation costs	\$ -	\$ 263,951	\$ 255,903	\$ 1,467	\$ 521,321	\$ 1,650

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5. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value.

b) Issued Share Capital

Share transactions for the year ended September 30, 2018:

- (i) On October 6, 2017, the Company completed the second tranche of a non-brokered private placement of 3,900,000 units at \$0.05 per unit for gross proceeds of \$195,000, of which \$20,000 was received in the year ended September 30, 2017. Each unit comprised of one non flow-through common share and one warrant. Each warrant entitles the holder to purchase one non flow-through common share at \$0.12 per share until October 6, 2018. The Company incurred \$2,775 in share issue costs related to the private placement.

Of the cash proceeds received from non flow-through shares, \$142,000 was allocated to share capital and \$53,000 was allocated to warrants based on their relative fair value.

- (ii) On January 23, 2018, the Company completed a non-brokered private placement of 11,033,325 units at \$0.15 per unit for gross proceeds of \$1,655,000. Each unit is comprised of one non flow-through common share and one warrant. Each warrant entitles the holder to purchase one non flow-through common share until January 23, 2019 at \$0.22 per share. The Company paid \$78,450 of cash commissions as finders' fees and \$52,393 of share issuances costs related to the private placement.

Of the cash proceeds received from non flow-through shares, \$1,056,000 was allocated to share capital and \$598,999 was allocated to warrants based on their relative fair value.

- (iii) On January 25, 2018, the Company issued 250,000 common shares to NAM as part of an option agreement (Note 4), valued at \$50,000.
- (iv) On August 7, 2018, the Company issued 750,000 common shares to NAM as part of an option agreement (Note 4), valued at \$63,750.
- (v) On September 13, 2018, the Company issued 4,000,000 common shares to 1177865 BC Ltd as part of an option agreement (Note 4), valued at \$300,000.
- (vi) During the year ended September 30, 2018, 12,925,579 warrants were exercised for gross proceeds of \$1,364,799. The fair value of the warrants exercised was \$317,799 and was transferred to share capital upon exercise.
- (vii) During the year ended September 30, 2018, 180,000 options were exercised for gross proceeds of \$18,000. The fair value of the warrants exercised was \$17,143 and was transferred to share capital upon exercise.

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Notes to the Consolidated Financial Statements

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5. Shareholders' Equity – Continued

b) Issued Share Capital – Continued

Share transactions for the year ended September 30, 2017:

- (viii) On November 10, 2016, the Company completed a non-brokered private placement of 4,000,000 units at \$0.05 per unit for total proceeds of \$200,000. Each unit consisted of one non flow-through common share and one warrant. Each warrant entitles the holder to purchase one non flow-through common share at \$0.05 per share until November 10, 2018. The Company incurred \$1,850 in share issue costs related to the private placement.

Of the total proceeds received, \$119,000 was allocated to share capital and \$81,000 was allocated to warrants based on their relative fair value.

- (ix) On February 24, 2017, the Company completed a non-brokered private placement of 10,198,495 non flow-through units at \$0.075 per unit and 2,600,000 flow-through units at \$0.10 per unit for total proceeds of \$1,024,887. Each non flow-through unit consisted of one non flow-through common share and one-half warrant. Each whole warrant entitles the holder to purchase one additional non flow-through common share at \$0.12 per share for a period of 1 year. Each flow-through unit consisted of one flow-through common share and one-half warrant. Each warrant entitles the holder to purchase one additional non flow-through common share at \$0.12 per share for a period of 1 year. The Company paid cash commissions of \$44,501 and incurred costs of \$28,976 relating to the private placement.

Of the cash proceeds received from non flow-through shares, \$589,001 was allocated to share capital and \$175,886 was allocated to warrants based on their relative fair value.

The amount of the flow-through share liability associated with the flow-through shares was determined to be \$65,000 based on the difference between the fair value price per share of the flow-through shares and the non flow-through shares. The remaining proceeds from the flow-through shares, after deducting the flow-through share liability was \$195,000, of which \$150,000 was allocated to share capital and \$45,000 was allocated to warrants based on their relative fair value.

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5. Shareholders' Equity – Continued

c) Issued Share Capital – Continued

Share transactions for the year ended September 30, 2017 (Continued):

- (x) On August 14, 2017, the Company completed the first tranche of a non-brokered private placement of 7,200,000 units at \$0.05 per unit for total proceeds of \$360,000. Each unit consisted of one non flow-through common share and one warrant. Each warrant entitles the holder to purchase one additional non flow-through common share at \$0.12 per share for a period of one year. The Company paid cash commissions of \$4,800, incurred costs of \$1,277 relating to the private placement, and issued 96,000 finders' fee warrants valued at \$2,000. Each finders' fee warrant entitles the holder to purchase one non flow-through common share at \$0.12 per share for a period of 1 year.

Of the cash proceeds received from non flow-through shares, \$266,000 was allocated to share capital and \$94,000 was allocated to warrants based on their relative fair value.

- (xi) On April 4, 2017, the Company issued 4,500,000 common shares in connection with the East Preston Project (Note 4) valued at \$990,000. The Company also issued 398,913 common shares as finder's fee valued at \$87,761.
- (xii) During the year ended September 30, 2017, the Company issued 939,000 common shares on the exercise of 939,000 warrants for total proceeds of \$46,950. The fair value of the warrants exercised was \$19,014 and was transferred to share capital upon exercise.

d) Flow-through Share Liability

During the year ended September 30, 2017, the Company raised \$260,000 through the issuance of flow-through common shares and recorded a flow-through share liability of \$65,000. During fiscal 2018, the Company incurred flow-through exploration expenditures and recorded the \$65,000 as other income.

Azincourt Energy Corp.*(An Exploration Stage Company)***Notes to the Consolidated Financial Statements****For the Years Ended September 30, 2018 and 2017***In Canadian Dollars***5. Shareholders' Equity – Continued****e) Warrants**

Details of warrant activity for the years ended September 30, 2018 and 2017 are as follows:

September 30, 2017	Issued	Exercised	Expired	September 30, 2018	Exercise Price	Expiry Date
6,399,245	-	(6,032,579)	(366,666)	-	\$0.12	February 24, 2018
7,296,000	-	(4,232,000)	(3,064,000)	-	\$0.12	August 14, 2018
3,061,000	-	(2,661,000)	-	400,000*	\$0.05	November 10, 2018
	3,900,000	-	-	3,900,000*	\$0.12	October 6, 2018
	11,033,325	-	-	11,033,325	\$0.22	January 23, 2019
16,756,245	14,933,325	(12,925,579)	(3,430,666)	15,333,325	\$0.19	

September 30, 2016	Issued	Exercised	Expired	September 30, 2017	Exercise Price	Expiry Date
292,545	-	-	(292,545)	-	\$0.80	December 31, 2016
644,000	-	-	(644,000)	-	\$1.20	May 1, 2017
-	6,399,245	-	-	6,399,245	\$0.12	February 24, 2018
-	7,296,000	-	-	7,296,000	\$0.12	August 14, 2018
-	4,000,000	(939,000)	-	3,061,000	\$0.05	November 10, 2018
936,545	17,695,245	(939,000)	(936,545)	16,756,245	\$0.11	

*Expired unexercised subsequent to September 30, 2018

The following weighted average assumptions were used in calculating the fair value of warrants issued in the years ended September 30, 2018 and 2017:

	2018	2017
Stock price volatility	151.55%	143.98%
Risk-free interest rate	1.70%	0.90%
Expected life of warrants	1.00 year	1.23 years
Expected dividend yield	0.00%	0.00%

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5. Shareholders' Equity – Continued

e) Stock Options

The Company has a rolling stock option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

Details of activity in stock options for the years ended September 30, 2018 and 2017 are as follows:

September 30, 2017	Issued	Exercised	Expired Unexercised	September 30, 2018	Exercise Price	Expiry Date
156,250	-	-	(156,250)	-	\$1.44	June 24, 2018
1,050,000	-	(180,000)	-	870,000	\$0.10	February 6, 2022
-	1,410,000	-	-	1,410,000	\$0.10	December 21, 2022
-	1,000,000	-	-	1,000,000	\$0.20	February 1, 2020
1,206,250	2,410,000	-	(156,250)	3,280,000	\$0.13	

September 30, 2016	Issued	Expired	Forfeited	September 30, 2017	Exercise Price	Expiry Date
45,625	-	(45,625)	-	-	\$1.20	May 1, 2017
156,250	-	-	-	156,250	\$1.44	June 24, 2018
31,250	-	-	(31,250)	-	\$2.16	January 15, 2019
-	1,050,000	-	-	1,050,000	\$0.10	February 6, 2022
233,125	1,050,000	(45,625)	(31,250)	1,206,250	\$0.27	

- (i) On February 6, 2017, the Company granted to its directors, officers and consultants 1,050,000 stock options with an exercise price of \$0.10 per share expiring on February 6, 2022. The fair value of \$100,000 that fully vested on the grant date was recorded as share-based compensation in the statement of operations and included in reserves.
- (ii) On December 21, 2017, the Company granted to its directors, officers and consultants 1,410,000 stock options with an exercise price of \$0.10 per share expiring on December 21, 2022. The fair value of \$147,000 that fully vested on the grant date was recorded as share-based compensation in the statement of operations and included in reserves.
- (iii) On February 1, 2018, the Company granted to its directors, officers and consultants 1,000,000 stock options with an exercise price of \$0.20 per share expiring on February 1, 2020. The fair value of \$144,000 that fully vested on the grant date was recorded as share-based compensation in the statement of operations and included in reserves.

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5. Shareholders' Equity – Continued

e) Stock Options – Continued

The following weighted average assumptions were used for calculating the share-based compensation in the years ended September 30, 2018 and 2017:

	2018	2017
Stock price volatility	145.04%	176.46%
Risk-free interest rate	1.86%	1.07%
Expected life of options	3.76 years	5 years
Expected dividend yield	0.00%	0.00%

6. Segmented Information

a) Operating Segment

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada and Peru.

b) Geographic Segments

The Company's geographic information for years ended September 30, 2018 and 2017 are as follows:

As at September 30, 2018	Canada	Peru	Total
<u>Assets</u>			
Mineral properties	\$ 2,388,392	\$ 464,750	\$ 2,853,142
Other assets	1,091,218	-	1,091,218
Total	\$ 3,479,610	\$ 464,750	\$ 3,944,360
<u>As at September 30, 2017</u>			
<u>Assets</u>			
Mineral properties	\$ 2,009,789	\$ -	\$ 2,009,789
Other assets	652,365	-	652,365
Total	\$ 2,662,154	\$ -	\$ 2,662,154

7. Related Party Transactions

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

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7. Related Party Transactions – Continued

Compensation of Key Management Personnel

Key management personnel consist of current and former directors and senior management including the Chief Executive Officer, Chief Financial Officer, directors and former President and Chief Executive Officer. Key management personnel compensation includes:

	2018	2017
Consulting and directors' fees	\$ 200,500	\$ 165,750
Exploration and evaluation costs	20,000	-
Share-based compensation	99,043	56,190
	<u>\$ 319,543</u>	<u>\$ 221,940</u>

The accounts payable and accrued liabilities of the Company include amounts due to related parties. The amounts owing are interest free, unsecured, current and without fixed terms and are as follows:

	September 30, 2018	September 30, 2017
Key management personnel	\$ 1,575	\$ 17,325

8. Income Taxes

a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2018	2017
Statutory tax rate	27.00%	26.00%
Expected income tax (recovery)	\$ (663,000)	\$ (209,000)
Change in statutory, foreign tax, foreign exchange rates and other	(34,000)	-
Permanent differences	61,000	26,000
Impact of flow-through shares	70,000	-
Share issue costs	(36,000)	(21,000)
Adjustment to prior years provision versus statutory tax returns and expiry	(8,000)	6,000
Change in unrecognized deductible temporary differences	610,000	198,000
Total income tax expense (recovery)	\$ -	\$ -

The Company's income tax rate increased during the year due to changes in the law that increased corporate income tax rates in British Columbia.

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8. Income Taxes – Continued

- b) The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2018	2017
Deferred tax assets (liabilities)		
Mineral properties	\$ 345,000	\$ 265,000
Share issue costs	43,000	40,000
Non-capital losses available for future period	1,134,000	607,000
	1,522,000	912,000
Unrecognized deferred tax assets	(1,522,000)	(912,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Mineral properties	\$ 1,177,000	No expiry date	\$ 914,000	No expiry date
Investment tax credit	\$ 37,000	2032 to 2034	\$ 37,000	2032 to 2034
Share issue costs	\$ 159,000	2039 to 2042	\$ 152,000	2039 to 2041
Non-capital losses available for future period	\$ 4,198,000	2030 to 2038	\$ 2,333,000	2030 to 2037

9. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of equity comprised of share capital, reserves and deficit. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other demand deposits, all held with major financial institutions.

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10. Financial Instruments

The classification of the financial instruments as well as their carrying values as at September 30, 2018 is shown in the table below:

Loans and receivables	\$	868,202
Financial liabilities measured at amortized cost	\$	92,847

a) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash, amounts receivable, and accounts payables and accrued liabilities approximates their carrying value due to their short term maturity.

b) Management of Risks Arising From Financial Instruments

The Company is exposed to various types of market risks including credit risk, liquidity risk, interest rate risk and commodity price risk. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

(i) Credit Risk – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. Cash is held with a major Canadian financial institution and the receivables are due from Government entities. Management is of the view that these amounts are fully collectible.

(ii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year. The Company is subject to liquidity risk.

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10. Financial Instruments – Continued

b) Management of Risks Arising From Financial Instruments – Continued

(iii) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest income. Presently, the Company is not at risk of realizing a loss as a result of a decline in the fair value of its financial instruments as the Company has no interest-bearing debt and due to the short-term nature of cash investments.

(iv) Commodity Price Risk – The Company's future success is linked to the price of minerals, because the value of mineral resources and the Company's future potential revenues are tied to prices of minerals. Worldwide production levels also affect the prices. The prices of minerals are occasionally subject to rapid short-term changes due to speculative activities.