

Azincourt Energy Corp.

(An Exploration Stage Company)

Financial Statements

For the Years Ended September 30, 2020 and 2019

Expressed in Canadian Dollars

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Azincourt Energy Corp.

Opinion

We have audited the accompanying financial statements of Azincourt Energy Corp. (the "Company"), which comprise the statements of financial position as at September 30, 2020 and 2019 and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that as at September 30, 2020, the Company had not achieved profitable operations and had an accumulated deficit of \$14,075,121 and had limited working capital. As stated in Note 1, these material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

December 15, 2020

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

ASSETS	September 30, 2020	September 30, 2019
Current		
Cash	\$ 722,125	\$ 1,514,708
Amounts receivable	7,315	19,491
Prepaid expenses (Note 4)	97,752	60,327
	<u>827,192</u>	<u>1,594,526</u>
Mineral Properties (Note 4)	2,673,645	2,377,248
	<u>\$ 3,500,837</u>	<u>\$ 3,971,774</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 42,834	\$ 70,644
Flow-through share liability (Note 5)	28,410	-
	<u>71,244</u>	<u>70,644</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	13,276,471	11,555,038
Reserves (Note 5)	4,228,243	3,395,233
Deficit	<u>(14,075,121)</u>	<u>(11,049,141)</u>
	<u>3,429,593</u>	<u>3,901,130</u>
	<u>\$ 3,500,837</u>	<u>\$ 3,971,774</u>

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 11)

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)
Statements of Loss and Comprehensive Loss
For the Years Ended September 30
In Canadian Dollars

	2020	2019
Operating expenses		
Audit and accounting	\$ 102,943	\$ 86,690
Consulting and directors' fees (Note 7)	707,421	710,049
Exploration and evaluation costs (Note 4, 7)	1,274,364	1,150,828
Filing and transfer agent fees	15,302	23,209
Insurance	5,165	5,158
Investor relations	17,305	15,745
Legal costs	5,231	6,240
Marketing, conferences and shareholder communications	408,971	464,180
Office and administration	84,808	89,012
Property investigation costs	-	61,000
Share-based compensation (Note 5)	195,795	7,000
	<u>(2,817,305)</u>	<u>(2,619,111)</u>
Interest income	7,621	13,057
Other income (Note 5)	2,900	21,000
Recovery of accounts payable and accrued liabilities	-	25,017
Gain on settlement of debt (Note 5)	16,380	-
Write-off of prepaid expenses (Note 4)	(6,973)	-
Write-off of mineral property interests (Note 4)	(228,603)	(775,894)
	<u>(3,025,980)</u>	<u>(3,335,931)</u>
Loss and comprehensive loss for the year	\$ (3,025,980)	\$ (3,335,931)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	167,651,942	108,204,439

– See Accompanying Notes –

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

Cash Provided By (Used In):	2020	2019
Operations:		
Loss for the year	\$ (3,025,980)	\$ (3,335,931)
Items not affecting cash:		
Common shares issued for exploration and evaluation	-	200,000
Other income	(2,900)	(21,000)
Gain on settlement of debt	(16,380)	-
Recovery of accounts payable and accrued liabilities	-	(25,017)
Share-based compensation	195,795	7,000
Write-off of prepaid expenses	6,973	-
Write-off of mineral property interests	228,603	775,894
Change in non-cash working capital:		
Amounts receivable	12,176	(1,457)
Prepaid expenses	(44,398)	162,689
Accounts payable and accrued liabilities	12,490	2,814
	<u>(2,633,621)</u>	<u>(2,235,008)</u>
Investing:		
Mineral property acquisition costs	-	(200,000)
Financing:		
Proceeds from issuance of shares and units	1,706,905	3,276,496
Share issuance costs	(134,867)	(267,781)
Exercise of options	181,500	-
Exercise of warrants	87,500	90,833
	<u>1,841,038</u>	<u>3,099,548</u>
Change in cash	(792,583)	664,540
Cash - beginning of year	1,514,708	850,168
Cash - end of year	\$ 722,125	\$ 1,514,708
Non-cash transactions summary:		
Interest and income taxes	\$ -	\$ -
Common shares issued for properties	\$ 525,000	\$ 100,000
Common shares for subscriptions received in prior year	\$ -	\$ -
Common shares issued to extinguish debt	\$ 24,570	\$ -
Fair value of options exercised	\$ 83,269	\$ -
Fair value of warrants exercised	\$ 27,110	\$ 9,721
Fair value of warrants as finders' fees	\$ 34,000	\$ -
Share issuance costs included in accounts payable	\$ 650	\$ -
Flow-through share liability	\$ 31,310	\$ -

- See Accompanying Notes -

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

	Share Capital		Reserves			Total \$
	Shares	Amount \$	Warrants \$	Options \$	Deficit \$	
Balance, September 30, 2018	72,880,319	9,633,265	1,017,030	914,428	(7,713,210)	3,851,513
Loss for the year	-	-	-	-	(3,335,931)	(3,335,931)
Private placements – flow-through	36,383,333	1,859,000	-	-	-	1,859,000
Flow-through liability	-	(21,000)	-	-	-	(21,000)
Relative fair value of warrants	-	(727,000)	727,000	-	-	-
Private placements – non flow-through	28,149,859	1,417,496	-	-	-	1,417,496
Relative fair value of warrants	-	(600,496)	600,496	-	-	-
Fair value of finders' fee warrants	-	(139,000)	139,000	-	-	-
Exercise of warrants	908,333	90,833	-	-	-	90,833
Relative fair value of warrants exercised	-	9,721	(9,721)	-	-	-
Share issue costs	-	(267,781)	-	-	-	(267,781)
Shares issued to acquire mineral properties	2,000,000	100,000	-	-	-	100,000
Shares issued for exploration and evaluation costs	4,000,000	200,000	-	-	-	200,000
Share-based compensation	-	-	-	7,000	-	7,000
Balance, September 30, 2019	144,321,844	11,555,038	2,473,805	921,428	(11,049,141)	3,901,130
Loss for the year	-	-	-	-	(3,025,980)	(3,025,980)
Private placements – flow-through	6,261,906	344,405	-	-	-	344,405
Flow-through liability	-	(31,310)	-	-	-	(31,310)
Relative fair value of warrants	-	(133,094)	133,094	-	-	-
Private placements – non flow-through	27,250,000	1,362,500	-	-	-	1,362,500
Relative fair value of warrants	-	(580,500)	580,500	-	-	-
Fair value of finders' fee warrants	-	(34,000)	34,000	-	-	-
Share issue costs	-	(135,517)	-	-	-	(135,517)
Shares issued to acquire mineral properties	16,000,000	525,000	-	-	-	525,000
Shares issued for settlement of debt	819,000	24,570	-	-	-	24,570
Exercise of options	3,630,000	181,500	-	-	-	181,500
Fair value of options	-	83,269	-	(83,269)	-	-
Exercise of warrants	1,250,000	87,500	-	-	-	87,500
Fair value of warrants	-	27,110	(27,110)	-	-	-
Share-based compensation	-	-	-	195,795	-	195,795
Balance, September 30, 2020	199,532,750	13,276,471	3,194,289	1,033,954	(14,075,121)	3,429,593

– See Accompanying Notes –

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

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 and Peru. 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 financial statements.

These 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, 2020, the Company had not achieved profitable operations and had an accumulated deficit of \$14,075,121 and had limited working capital. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time. To date the Company was required to limit operations on the Peru property due to the restrictions in travelling within the Peruvian provinces and internationally.

2. Basis of Presentation

a) Statement of compliance

These 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”).

Azincourt Energy Corp.
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Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019
In Canadian Dollars

2. Basis of Presentation - Continued

a) Statement of compliance – continued

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

b) Basis of Measurement

These 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 financial statements were approved and authorized for issue by the Board of Directors on December 15, 2019.

d) Basis of Consolidation

These financial statements included the financial statements of the Company and its wholly-owned subsidiary, Azincourt International Holdings Ltd. incorporated in British Columbia, Canada until January 23, 2019 when Azincourt International Holding Ltd. was dissolved and these financial statements included its operations to the date of dissolution.

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

3. Significant Accounting Policies

a) Cash

Cash consists of amounts held in banks and demand deposits.

Azincourt Energy Corp.
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Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019
In Canadian Dollars

3. Significant Accounting Policies – Continued

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.

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.

Azincourt Energy Corp.
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Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019
In Canadian Dollars

3. Significant Accounting Policies – Continued

b) Mineral Property – Continued

iii) Impairment – *Continued*

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.

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.

Azincourt Energy Corp.
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Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019
In Canadian Dollars

3. Significant Accounting Policies – Continued

c) Provisions – continued

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.

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.

Azincourt Energy Corp.
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Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019
In Canadian Dollars

3. Significant Accounting Policies – Continued

e) Income Taxes – continued

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.
- 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.

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Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019
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3. Significant Accounting Policies – Continued

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 fair value through other comprehensive income (“FVOCI”) securities 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.

j) Financial Instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; FVOCI; or fair value through profit or loss (“FVTPL”). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date. The Company’s financial assets which consist of cash and amounts receivable are classified as amortized cost.

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Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019
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3. Significant Accounting Policies – Continued

j) Financial Instruments – Continued

Financial liabilities

Financial liabilities are designated as either: FVTPL or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities which consist of accounts payables and accrued liabilities are classified as amortized cost.

Impairment of financial assets

An expected credit loss (“ECL”) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

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.

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

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:

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).

Azincourt Energy Corp.
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3. Significant Accounting Policies – Continued

m) Recent Accounting Pronouncements

IFRS 16 *Leases* – This standard sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. It eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The Company has determined there was no impact from this new standard on the Company's 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

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 (paid and completed) ⁽¹⁾	300,000	750,000 ⁽²⁾
On or before March 27, 2021	-	1,500,000 ⁽⁴⁾
On or before March 31, 2021	400,000 ⁽³⁾	-
TOTAL	\$ 1,000,000	\$ 2,500,000

⁽¹⁾\$150,000 was paid to Dixie Gold. In lieu of paying \$150,000 to Skyharbour Resources Ltd., the Company paid \$50,000 and issued 2,000,000 common with a fair value of \$100,000.

⁽²⁾4,000,000 common shares with a value of \$200,000 were issued to a third party for repayment of exploration expenditures paid on behalf of the Company.

⁽³⁾On April 7, 2020, the agreement was amended to extend the due date of the \$400,000 payment to March 31, 2021. In consideration for the extension, the Company issued 2,500,000 common shares each to Skyharbour and Dixie Gold at \$0.05 per share valued at \$250,000.

⁽⁴⁾On April 15, 2020, the agreement was amended to extend the due date of the \$1,500,000 work obligation to March 27, 2021.

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4. Mineral Properties – Continued

East Preston Project – Continued

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.

ELC Project

On September 5, 2018, and amended on October 16, 2019 and July 29, 2020, the Company entered into an 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 \$450,000 in staged cash payments, issuing 16,000,000 common shares, and incurring an aggregate of \$2,500,000 of staged expenditures as follows:

Date	Cash Payments	Common Shares	Work Obligation
On grant of the Option (completed)	\$ 100,000	4,000,000 ⁽¹⁾	\$ Nil
By November 15, 2019	Nil	5,000,000 ⁽²⁾	Nil
By August 15, 2020	Nil	6,000,000 ⁽³⁾	Nil
By September 5, 2021	350,000	1,000,000	1,000,000
By September 5, 2022	Nil	Nil	1,500,000
TOTAL	\$ 450,000	16,000,000	\$ 2,500,000

(1) issued at a value of \$300,000

(2) issued at a value of \$125,000

(3) issued at a value of \$150,000

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.

Patterson Lake North Project ("PLN Project")

The Company owns a 10% interest in the PLN Project located in northern Saskatchewan. The project is subject to a 2% net smelter returns ("NSR") royalty. During the year ended September 30, 2019, the Company elected not to fund the pro rata portion of the planned expenditures at PLN Project, therefore \$775,894 of capitalized costs was written off.

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Notes to the Financial Statements

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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 was required to make cash payments of \$200,000, issue 1,750,000 shares, and complete a minimum of \$2,750,000 of exploration expenditures.

As at September 30, 2020, the Company decided not to pursue acquiring interest in the Lithium Projects, therefore total acquisitions costs of \$228,603 and \$6,973 of advances to NAM, included in prepaid expenses, was written off.

Acquisition Costs Summary

	PLN Project	East Preston Project	Lithium Projects	ELC Project	Total
Balance, as at September 30, 2018	\$ 775,894	\$ 1,383,895	\$ 228,603	\$ 464,750	\$ 2,853,142
Option payment – cash	-	200,000	-	-	200,000
Option payment – shares	-	100,000	-	-	100,000
Write-off	(775,894)	-	-	-	(775,894)
Balance, as at September 30, 2019	-	1,683,895	228,603	464,750	2,377,248
Option payment – shares	-	250,000	-	275,000	525,000
Write-off	-	-	(228,603)	-	(228,603)
Balance, as at September 30, 2020	\$ -	\$ 1,933,895	\$ -	\$ 739,750	\$ 2,673,645

Azincourt Energy Corp.
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Notes to the Financial Statements

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4. Mineral Properties – Continued

Exploration and Evaluation Expenditures Summary

Details of exploration and evaluation costs incurred for the years ended September 30, 2020 and 2019 are as follows:

2020		East Preston Project		ELC Project		Total
Camp and general	\$	448,922	\$	25,241	\$	474,163
Drilling		535,301		-		535,301
Geological and geophysical		222,144		-		222,144
Helicopter charter		7,756		-		7,756
Legal		-		35,000		35,000
Total exploration and evaluation costs	\$	1,214,123	\$	60,241	\$	1,274,364

Exploration and Evaluation Expenditures Summary

Year Ended 2019		East Preston Project		Lithium Projects		ELC Project		Total
Camp and general	\$	360,425	\$	35,808	\$	61,128	\$	457,361
Drilling		135,926		-		-		135,926
Geological and geophysical		269,246		55,487		51,312		376,045
Helicopter charter		153,898		-		-		153,898
Management fee		-		9,130		-		9,130
Mapping and interpretation		17,000		-		1,468		18,468
Total exploration and evaluation costs	\$	936,495	\$	100,425	\$	113,908	\$	1,150,828

Azincourt Energy Corp.

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Notes to the Financial Statements

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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, 2020:

- (i) On October 24, 2019, the Company issued 5,000,000 common shares to 1177865 BC Ltd as part of an option agreement (Note 4), valued at \$125,000.
- (ii) On April 20, 2020, the Company completed a private placement of 3,000,000 units at \$0.05 per unit for gross proceeds of \$150,000. Each unit consists of one non flow-through common share and one warrant. Each warrant entitles the holder to purchase one additional non flow-through common share until April 20, 2025 at \$0.07 per share. The Company incurred share issue costs of \$2,425 relating to the private placement.

Of the cash proceeds received from common shares, \$85,000 was allocated to share capital and \$65,000 was allocated to warrants based on their relative fair value.

- (iii) On April 27, 2020, the Company issued 2,500,000 common shares each to Skyharbour and Dixie Gold at \$0.05 per share as per the amended agreement signed on April 7, 2020 (Note 4) for a total value of \$250,000. The Company incurred share issue costs of \$5,886 relating to the share issuances.
- (iv) On May 20, 2020, the Company completed a non-brokered private placement of 22,750,000 non flow-through units at \$0.05 per unit and 6,261,906 flow-through units at \$0.055 per unit for gross proceeds of \$1,481,905. Each non flow-through unit is comprised of one common share and one warrant. Each flow-through unit is comprised of one flow-through common share and one warrant. Each warrant entitles the holder to purchase one additional common share for 5 years at \$0.07 per share. In relation to the private placement, the Company paid finders' fees of \$111,890, paid share issue costs of \$9,349 and issued 1,160,191 finders' fee warrants valued at \$34,000. Each warrant entitles the holder to purchase one common share at \$0.07 per share until May 20, 2025.

Of the cash proceeds received from non flow-through shares, \$655,000 was allocated to share capital and \$482,500 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 \$31,310 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 \$313,095, of which \$180,000 was allocated to share capital and \$133,095 was allocated to warrants based on their relative fair value.

Azincourt Energy Corp.

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Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

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5. Shareholders' Equity - Continued

b) Issued Share Capital - Continued

Share transactions for the year ended September 30, 2020 (continued):

- (v) On June 3, 2020, the Company completed a private placement of 1,500,000 units at \$0.05 per unit for gross proceeds of \$75,000. Each unit consists of one non flow-through common share and one warrant. Each warrant entitles the holder to purchase one additional non flow-through common share until June 3, 2025 at \$0.07 per share. The Company incurred share issue costs of \$1,550 relating to the private placement.

Of the cash proceeds received from common shares, \$42,000 was allocated to share capital and \$33,000 was allocated to warrants based on their relative fair value.

- (vi) On August 10, 2020, the Company issued 6,000,000 common shares to 1177865 BC Ltd as part of an option agreement (Note 4), valued at \$150,000. The Company incurred share issue costs of \$3,277 relating to the share issuances.
- (vii) On August 29, 2020, the Company issued 819,000 common shares to a third party consultant to settle \$40,950 of accounts payable. The shares were valued at \$24,570 based on the share price at the date of issuance. Therefore, the difference of \$16,380 was recorded as a gain on settlement of debt on the statement of loss and comprehensive loss. The Company incurred share issue costs of \$1,140 relating to the share issuances.
- (viii) During the year ended September 30, 2020, 3,630,000 options were exercised for gross proceeds of \$181,500. The fair value of the options exercised was \$83,269 and was transferred to share capital upon exercise.
- (ix) During the year ended September 30, 2020, 1,250,000 warrants were exercised for gross proceeds of \$87,500. The fair value of the warrants exercised was \$27,110 and was transferred to share capital upon exercise.

Share transactions for the year ended September 30, 2019:

- (x) On December 24, 2018, the Company completed a non-brokered private placement of 1,000,333 non flow-through units at \$0.06 per unit and 3,983,333 flow-through units at \$0.06 per unit for total proceeds of \$299,020. Each non flow-through 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 \$0.10 per share for a period of 1 year. Each flow-through unit consisted of one flow-through common share and one-half warrant. Each whole warrant entitles the holder to purchase one additional non flow-through common share at \$0.10 per share for a period of 1 year. The Company incurred share issue costs of \$10,389 relating to the private placement.

Azincourt Energy Corp.

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Notes to the Financial Statements

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5. Shareholders' Equity - Continued

b) Issued Share Capital - Continued

Share transactions for the year ended September 30, 2019 (continued):

- (x) Of the cash proceeds received from non flow-through shares, \$49,000 was allocated to share capital and \$11,020 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 \$21,000 based on the difference between the relative 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 \$218,000, of which \$197,000 was allocated to share capital and \$21,000 was allocated to warrants based on their relative fair value.

- (xi) On February 13, 2019, the Company issued 4,000,000 common shares valued at \$200,000 for costs paid on the East Preston property (Note 4) on behalf of the Company.
- (xii) On February 26, 2019, the Company closed the first tranche of a non-brokered private placement by issuing 6,000,000 flow-through and 11,272,000 non flow-through units at \$0.05 per unit for gross proceeds of \$300,000 and \$563,600, respectively. Each flow-through unit consisted of one flow-through share and one warrant and each non flow-through unit consisted of one non flow-through share and one warrant. Each warrant entitles the holder to purchase one common share for a period of 5 years at a price of \$0.07 per share. Of the proceeds from flow-through units, \$170,000 was allocated to share capital and \$130,000 was allocated to warrants based on their relative fair value. Of the proceeds from non flow-through units, \$319,000 was allocated to share capital and \$244,600 was allocated to warrants based on their relative fair value.

The Company paid finders' fee of \$42,000, issued 840,000 finders' fee warrants valued at \$32,000 and \$40,643 of share issuance costs relating to the private placement.

- (xiii) On March 20, 2019, the Company closed the second tranche of a non-brokered private placement by issuing 1,600,000 flow-through and 5,453,000 non flow-through units at \$0.05 per unit for gross proceeds of \$80,000 and \$272,650, respectively. Each flow-through unit consisted of one flow-through share and one warrant and each non flow-through unit consisted of one non flow-through share and one warrant. Each warrant entitles the holder to purchase one common share for a period of 5 years at a price of \$0.07 per share. Of the proceeds from flow-through units, \$45,000 was allocated to share capital and \$35,000 was allocated to warrants based on their relative fair value. Of the proceeds from non flow-through units, \$155,000 was allocated to share capital and \$117,650 was allocated to warrants based on their relative fair value.

Azincourt Energy Corp.

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Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

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5. Shareholders' Equity - Continued

b) Issued Share Capital - Continued

Share transactions for the year ended September 30, 2019 (continued):

- (xiv) The Company paid finders' fee of \$9,500, issued 80,000 finders' fee warrants valued at \$3,000 and \$4,284 of share issuance costs relating to the private placement.
- (xv) On April 8, 2019, the Company closed the third tranche of a non-brokered private placement by issuing 1,000,000 flow-through and 2,878,000 non flow-through units at \$0.05 per unit for gross proceeds of \$50,000 and \$143,900, respectively. Each flow-through unit consisted of one flow-through share and one warrant and each non flow-through unit consisted of one non flow-through share and one warrant. Each warrant entitles the holder to purchase one common share for a period of 5 years at a price of \$0.07 per share. Of the proceeds from flow-through units, \$28,000 was allocated to share capital and \$22,000 was allocated to warrants based on their relative fair value. Of the proceeds from non flow-through units, \$81,000 was allocated to share capital and \$62,900 was allocated to warrants based on their relative fair value.

The Company paid finders' fee of \$10,400, issued 208,000 finders' fee warrants valued at \$9,000 and \$8,645 of share issuance costs relating to the private placement.

- (xvi) On April 11, 2019, the Company issued 2,000,000 common shares to Skyharbour Resources Ltd. in lieu of an option payment (Note 4), valued at \$100,000. The Company paid \$2,520 in share issue costs related to this share issuance.
- (xvii) On April 30, 2019, the Company closed the fourth tranche of a non-brokered private placement by issuing 15,000,000 flow-through and 5,546,526 non flow-through units at \$0.05 per unit for gross proceeds of \$750,000 and \$277,326, respectively. Each flow-through unit consisted of one flow-through share and one warrant and each non flow-through unit consisted of one non flow-through share and one warrant. Each warrant entitles the holder to purchase one common share for a period of 5 years at a price of \$0.07 per share. Of the proceeds from flow-through units, \$422,000 was allocated to share capital and \$328,000 was allocated to warrants based on their relative fair value. Of the proceeds from non flow-through units, \$156,000 was allocated to share capital and \$121,326 was allocated to warrants based on their relative fair value.

The Company paid finders' fee of \$83,020, issued 1,500,000 finders' fee warrants valued at \$64,000 and \$5,978 of share issuance costs relating to the private placement.

Azincourt Energy Corp.

(An Exploration Stage Company)

Notes to the Financial Statements

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5. Shareholders' Equity - Continued

b) Issued Share Capital - Continued

Share transactions for the year ended September 30, 2019 (continued):

(xviii) On May 24, 2019, the Company closed the fifth tranche of a non-brokered private placement by issuing 8,800,000 flow-through and 2,000,000 non flow-through units at \$0.05 per unit for gross proceeds of \$440,000 and \$100,000, respectively. Each flow-through unit consisted of one flow-through share and one warrant and each non flow-through unit consisted of one non flow-through share and one warrant. Each warrant entitles the holder to purchase one common share for a period of 5 years at a price of \$0.07 per share. Of the proceeds from flow-through units, \$249,000 was allocated to share capital and \$191,000 was allocated to warrants based on their relative fair value. Of the proceeds from non flow-through units, \$57,000 was allocated to share capital and \$43,000 was allocated to warrants based on their relative fair value.

The Company paid finders' fee of \$43,600, issued 812,000 finders' fee warrants valued at \$31,000 and \$5,302 of share issuance costs relating to the private placement.

(xix) During the year ended September 30, 2019, 908,333 warrants were exercised for gross proceeds of \$90,833. The fair value of the warrants exercised was \$9,721 and was transferred to share capital upon exercise.

c) Flow-through Share Liability

The following is a continuity of the liability portion of the flow-through share issuances:

Balance, September 30, 2018	\$ 21,000
Flow-through premium liability additions	-
Settlement of flow-through premium liability pursuant to qualifying expenditures	(21,000)
<hr/>	
Balance, September 30, 2019	-
Flow-through premium liability additions	31,310
Settlement of flow-through premium liability pursuant to qualifying expenditures	(2,900)
<hr/>	
Balance, September 30, 2020	\$ 28,410

Azincourt Energy Corp.*(An Exploration Stage Company)***Notes to the Financial Statements****For the Years Ended September 30, 2020 and 2019***In Canadian Dollars***5. Shareholders' Equity – Continued****d) Warrants**

Details of warrant activity (including finders' warrants) for the years ended September 30, 2020 and 2019 are as follows:

September 30, 2019	Issued	Exercised	Expired	September 30, 2020	Exercise Price	Expiry Date
2,083,667	-	-	(2,083,667)	-	\$0.10	December 24, 2019
18,112,000	-	(1,250,000)	-	16,862,000	\$0.07	February 26, 2024
7,133,000	-	-	-	7,133,000	\$0.07	March 20, 2024
4,086,000	-	-	-	4,086,000	\$0.07	April 8, 2024
22,046,526	-	-	-	22,046,526	\$0.07	April 30, 2024
11,612,000	-	-	-	11,612,000	\$0.07	May 24, 2024
-	3,000,000	-	-	3,000,000	\$0.07	April 20, 2025
-	30,172,097	-	-	30,172,097	\$0.07	May 20, 2025
-	1,500,000	-	-	1,500,000	\$0.07	June 3, 2025
65,073,193	34,672,097	(1,250,000)	(2,083,667)	96,411,623	\$0.07	

September 30, 2018	Issued	Exercised	Expired	September 30, 2019	Exercise Price	Expiry Date
400,000	-	-	(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
-	2,992,000	(908,333)	-	2,083,667	\$0.10	December 24, 2019
-	18,112,000	-	-	18,112,000	\$0.07	February 26, 2024
-	7,133,000	-	-	7,133,000	\$0.07	March 20, 2024
-	4,086,000	-	-	4,086,000	\$0.07	April 8, 2024
-	22,046,526	-	-	22,046,526	\$0.07	April 30, 2024
-	11,612,000	-	-	11,612,000	\$0.07	May 24, 2024
15,333,325	65,981,526	(908,333)	(15,333,325)	65,073,193	\$0.07	

The following weighted average assumptions were used in calculating the fair value of warrants issued in the years ended September 30, 2020 and 2019:

	2020	2019
Stock price volatility	113.70%	115.14%
Risk-free interest rate	0.38%	1.62%
Expected life of warrants	5.00 years	4.82 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, 2020 and 2019 are as follows:

September 30, 2019	Issued	Exercised	Expired Unexercised	Cancelled	September 30, 2020**	Exercise Price	Expiry Date
870,000	-	-	-	(180,000)	690,000	\$0.10	February 6, 2022
1,410,000	-	-	-	(180,000)	1,230,000	\$0.10	December 21, 2022
1,000,000	-	-	(1,000,000)	-	-	\$0.20	February 1, 2020
400,000	-	-	(400,000)	-	-	\$0.05	February 11, 2020
-	3,700,000	(3,450,000)	-	-	250,000*	\$0.05	October 1, 2024
-	700,000	-	-	-	700,000	\$0.05	November 1, 2021
-	1,000,000	-	-	-	1,000,000	\$0.05	April 1, 2025
-	1,200,000	-	-	-	1,200,000	\$0.05	May 1, 2022
-	2,000,000	(180,000)	-	-	1,820,000	\$0.05	May 1, 2025
3,680,000	8,600,000	(3,630,000)	(1,400,000)	(360,000)	6,890,000	\$0.06	

September 30, 2018	Issued	Exercised	Expired Unexercised	Cancelled	September 30, 2019	Exercise Price	Expiry Date
870,000	-	-	-	-	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
-	400,000	-	-	-	400,000	\$0.05	February 11, 2020
3,280,000	400,000	-	-	-	3,680,000	\$0.12	

** 6,140,000 of the total options are exercisable as at September 30, 2020

- (i) During the year ended September 30, 2020, the Company granted 8,600,000 stock options. The fair value of options issued was \$202,437 (or \$0.02 per option) of which \$195,795 was recorded as share-based compensation in profit or loss and included in reserves.
- (ii) During the year ended September 30, 2019, the Company granted 400,000 stock options. The fair value of options issued was \$7,000 (or \$0.02 per option) and was recorded as share-based compensation in profit or loss 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, 2020 and 2019:

	2020	2019
Stock price volatility	133.30%	94.15%
Risk-free interest rate	0.94%	1.79%
Expected life of options	4.25 years	1.00 year
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.

The Company's geographic information for years ended September 30, 2020 and 2019 are as follows:

As at September 30, 2020	Canada	Peru	Total
<u>Assets</u>			
Mineral properties	\$ 1,933,895	\$ 739,750	\$ 2,673,645
Other assets	827,192	-	827,192
Total	\$ 2,761,087	\$ 739,750	\$ 3,500,837

As at September 30, 2019	Canada	Peru	Total
<u>Assets</u>			
Mineral properties	\$ 1,912,498	\$ 464,750	\$ 2,377,248
Other assets	1,594,526	-	1,594,526
Total	\$ 3,507,024	\$ 464,750	\$ 3,971,744

Azincourt Energy Corp.

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Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

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7. Related Party Transactions

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

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:

	2020	2019
Consulting and directors' fees	\$ 160,500	\$ 168,000
Exploration and evaluation costs	30,000	40,500
	\$ 190,500	\$ 208,500

Compensation of Key Management Personnel

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, 2020	September 30, 2019
Key management personnel	\$ 13,125	\$ 30,450

8. Income Taxes

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

	2020	2019
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	\$ (817,000)	\$ (901,000)
Change in statutory, foreign tax, foreign exchange rates and other	(38,000)	29,000
Permanent differences	48,000	(5,000)
Impact of flow-through shares	298,000	297,000
Share issue costs	(37,000)	(72,000)
Adjustment to prior years provision versus statutory tax returns and expiry	(54,000)	
Change in unrecognized deductible temporary differences	600,000	652,000
Total income tax expense (recovery)	\$ -	\$ -

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Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

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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 statement of financial position are as follows:

	2020	2019
Deferred tax assets (liabilities)		
Mineral properties	\$ 767,000	\$ 541,000
Share issue costs	91,000	88,000
Non-capital losses available for future period	1,916,000	1,545,000
	2,774,000	2,174,000
Unrecognized deferred tax assets	(2,774,000)	(2,174,000)
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 statement of financial position are as follows:

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary Differences				
Mineral properties	\$ 2,741,000	No expiry date	\$ 1,903,000	No expiry date
Investment tax credit	\$ 37,000	2032 to 2034	\$ 37,000	2032 to 2034
Share issue costs	\$ 339,000	2040 to 2044	\$ 327,000	2040 to 2043
Non-capital losses available for future period	\$ 7,095,000	2030 to 2040	\$ 5,721,000	2030 to 2039

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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For the Years Ended September 30, 2020 and 2019

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10. Financial Instruments

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: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2: Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3: Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of cash, amounts receivable, and accounts payables and accrued liabilities approximates their carrying value due to their short term maturity. Cash is measured using level I of the fair value hierarchy.

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.

(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.

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Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

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10. Financial Instruments – Continued

b) Management of Risks Arising From Financial Instruments – Continued

(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.

11. Subsequent Event

Subsequent to September 30, 2020, 600,000 warrants were exercised at \$0.07 per share for gross proceeds of \$42,000.