

Azincourt Energy Corp.

(An Exploration Stage Company)

Condensed Interim Financial Statements

Three and Nine Months Ended June 30, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

| ASSETS | June 30, 2021 | September 30, 2020 |
|---|--------------------------|-------------------------------|
| Current | | |
| Cash | \$ 4,122,805 | \$ 722,125 |
| Amounts receivable | 122,511 | 7,315 |
| Prepaid expenses (Note 4) | 447,846 | 97,752 |
| | <u>4,693,162</u> | <u>827,192</u> |
| Mineral Properties (Note 4) | <u>3,914,815</u> | <u>2,673,645</u> |
| | <u>\$ 8,607,977</u> | <u>\$ 3,500,837</u> |
| | | |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 16,915 | \$ 42,834 |
| Flow-through share liability (Note 5) | 80,600 | 28,410 |
| | <u>97,515</u> | <u>71,244</u> |
| | | |
| SHAREHOLDERS' EQUITY | | |
| Share Capital (Note 5) | 17,922,909 | 13,276,471 |
| Reserves (Note 5) | 7,185,004 | 4,228,243 |
| Deficit | <u>(16,597,451)</u> | <u>(14,075,121)</u> |
| | <u>8,510,462</u> | <u>3,429,593</u> |
| | <u>\$ 8,607,977</u> | <u>\$ 3,500,837</u> |

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 10)

Approved by the Board of Directors:

"Paul Reynolds"

"Terrence O'Connor"

Paul Reynolds, Director

Terrence O'Connor, Director

- See Accompanying Notes -

Azincourt Energy Corp.*(An Exploration Stage Company)***Interim Statements of Loss and Comprehensive Loss****For the Three and Nine Months Ended June 30, 2021 and 2020***Unaudited – Prepared by Management**In Canadian Dollars*

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Nine Months Ended June 30, 2021 | Nine Months Ended June 30, 2020 |
|---|---|---|--|--|
| Expenses | | | | |
| Audit and accounting | \$ 10,500 | \$ 34,650 | \$ 44,093 | \$ 63,943 |
| Consulting and directors' fees (Note 7) | 256,509 | 265,230 | 871,583 | 461,730 |
| Exploration and evaluation costs (Note 4c)) | 85,039 | 77,856 | 1,029,516 | 1,266,581 |
| Filing and transfer agent fees | 25,223 | 2,688 | 46,690 | 14,047 |
| Insurance | 1,515 | 1,245 | 4,545 | 3,735 |
| Investor relations | 9,455 | 5,985 | 38,257 | 10,985 |
| Legal | 5,065 | 583 | 7,645 | 4,184 |
| Marketing, conferences and shareholder communications | 123,425 | 167,250 | 197,746 | 290,721 |
| Office and administration | 35,442 | 21,104 | 115,386 | 67,084 |
| Rent | 3,000 | - | 4,000 | - |
| Share-based compensation (Note 5f)) | - | 100,248 | 262,836 | 191,508 |
| Total Expenses | (555,173) | (676,839) | (2,622,297) | (2,374,518) |
| Other Income | | | | |
| Interest income | 2,157 | - | 2,157 | 7,614 |
| Other income (Note 5c)) | 6,200 | 2,200 | 97,810 | 2,200 |
| Net loss and comprehensive loss for the period | \$ (546,816) | \$ (674,639) | \$ (2,522,330) | \$ (2,364,704) |
| Loss per share – basic and diluted | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding | 344,629,402 | 173,146,439 | 270,600,369 | 158,155,560 |

– See Accompanying Notes –

Azincourt Energy Corp.
(An Exploration Stage Company)
Interim Statements of Cash Flows
For the Nine Months Ended June 30, 2021 and 2020
Unaudited – Prepared by Management
In Canadian Dollars

| Cash Provided By (Used In): | 2021 | 2020 |
|--|----------------|----------------|
| Operations: | | |
| Loss for the period | \$ (2,522,330) | \$ (2,364,703) |
| Items not affecting cash: | | |
| Share-based compensation | 262,836 | 191,508 |
| Other income | (97,810) | (2,200) |
| Change in non-cash working capital: | | |
| Amounts receivable | (115,196) | (44,454) |
| Prepaid expenses | (350,094) | (309,691) |
| Accounts payable and accrued liabilities | (117,089) | (9,412) |
| | (2,939,683) | (2,538,952) |
| Investing: | | |
| Mineral property acquisition costs | (200,000) | - |
| Financing: | | |
| Proceeds from issuance of shares | 5,741,500 | 1,706,905 |
| Share issuance costs | (205,263) | (131,100) |
| Exercise of options | 280,000 | 172,500 |
| Exercise of warrants | 724,126 | 87,500 |
| | 6,540,363 | 1,835,805 |
| Net increase (decrease) in cash | 3,400,680 | (703,147) |
| Cash - beginning of period | 722,125 | 1,514,708 |
| Cash - end of period | \$ 4,122,805 | \$ 811,561 |

- See Accompanying Notes -

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

| | Share Capital | | Reserves | | Deficit \$ | Total \$ |
|---|---------------|--------------|----------------|---------------|---------------|-------------|
| | Shares | Amount \$ | Warrants \$ | Options \$ | | |
| Balance, September 30, 2019 | 144,321,844 | 11,555,038 | 2,473,805 | 921,428 | (11,049,141) | 3,901,130 |
| Loss for the period | - | - | - | - | (2,364,703) | (2,364,703) |
| 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 | - | (131,100) | - | - | - | (131,100) |
| Shares issued to acquire mineral properties | 10,000,000 | 375,000 | - | - | - | 375,000 |
| Exercise of options | 3,450,000 | 172,500 | - | - | - | 172,500 |
| Fair value of options | - | 76,935 | - | (76,935) | - | - |
| Exercise of warrants | 1,250,000 | 87,500 | - | - | - | 87,500 |
| Fair value of warrants | - | 27,110 | (27,110) | - | - | - |
| Share-based compensation | - | - | - | 191,508 | - | 191,508 |
| Balance, June 30, 2020 | 192,533,750 | 13,090,984 | 3,194,289 | 1,036,001 | (13,413,844) | 3,907,430 |
| Loss for the period | - | - | - | - | (661,277) | (661,277) |
| Shares issued to acquire mineral properties | 6,000,000 | 150,000 | - | - | - | 150,000 |
| Shares issued for settlement of debt | 819,000 | 24,570 | - | - | - | 24,570 |
| Share issue costs | - | (4,417) | - | - | - | (4,417) |
| Exercise of options | 180,000 | 9,000 | - | - | - | 9,000 |
| Fair value of options | - | 6,334 | - | (6,334) | - | - |
| Share-based compensation | - | - | - | 4,287 | - | 4,287 |
| Balance, September 30, 2020 | 199,532,750 | 13,276,471 | 3,194,289 | 1,033,954 | (14,075,121) | 3,429,593 |
| Loss for the period | - | - | - | - | (2,522,330) | (2,522,330) |
| Private placements – flow-through | 32,000,000 | 1,600,000 | - | - | - | 1,600,000 |
| Flow-through liability | - | (150,000) | - | - | - | (150,000) |
| Relative fair value of warrants | - | (633,000) | 633,000 | - | - | - |
| Private placements – non flow-through | 82,830,000 | 4,141,500 | - | - | - | 4,141,500 |
| Relative fair value of warrants | - | (1,901,500) | 1,901,500 | - | - | - |
| Fair value of finders' fee warrants | - | (566,000) | 566,000 | - | - | - |
| Shares issued as finders' fees | 5,420,896 | - | - | - | - | - |
| Shares issued to acquire mineral properties | 10,000,000 | 950,000 | - | - | - | 950,000 |
| Share issue costs | - | (205,263) | - | - | - | (205,263) |
| Exercise of options | 5,600,000 | 280,000 | - | - | - | 280,000 |
| Fair value of options | - | 180,879 | - | (180,879) | - | - |
| Exercise of warrants | 10,344,657 | 724,126 | - | - | - | 724,126 |
| Fair value of warrants | - | 225,696 | (225,696) | - | - | - |
| Share-based compensation | - | - | - | 262,836 | - | 262,836 |
| Balance, June 30, 2021 | 345,728,303 | 17,922,909 | 6,069,093 | 1,115,911 | (16,597,451) | 8,510,462 |

– See Accompanying Notes –

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management
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. 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 condensed interim financial statements.

These interim 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 June 30, 2021, the Company had not achieved profitable operations and had an accumulated deficit of \$16,597,451. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim 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 condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of presentation

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s audited financial statements for the year ended September 30, 2020.

Azincourt Energy Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

2. Basis of Presentation - Continued

c) Approval of the Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on August 30, 2021.

d) 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.

e) 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:

Azincourt Energy Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

2. Basis of Presentation - Continued

f) 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).

3. 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.

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties

East Preston Project

The Company acquired an undivided 70% interest in the East Preston Project, located in Saskatchewan by entering into an Option Agreement with Skyharbour Resources Ltd. (“Skyharbour”) and Dixie Gold Inc. (“Dixie Gold”) (formerly Clean Commodities Corp.) on March 27, 2017. The following consideration and work obligations were performed:

| 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 (completed) | - | 1,500,000 ⁽⁴⁾ |
| On or before March 31, 2021 (paid) | 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, 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. \$200,000 cash option payment was paid to Dixie Gold as at March 31, 2021. On February 12, 2021, the Company amended its agreement with Skyharbour whereby in lieu of paying \$200,000 of cash, the Company will pay exploration expenditures on the property of up to \$200,000 and any deficiency by March 31, 2021 will be paid in cash. Total work expenditures paid by the Company as at March 31, 2021 were \$108,830 which was recorded as exploration and evaluation costs and the remaining \$91,170 was paid in cash as option payment during the nine months ended June 30, 2021.

⁽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.

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.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

ELC Project

On September 5, 2018, and amended on October 16, 2019, July 29, 2020 and on February 3, 2021, the Company entered into an option agreement with 1177865 BC Ltd. whereby the Company may acquire an undivided 100% interest in the ELC Project, located in Peru. The Company was required to issue a further 1,000,000 common shares, complete cash payments of \$350,000 and incur exploration expenditures of \$2,500,000 to acquire the property. Under the terms of the amended agreement on February 3, 2021, the Company agreed to exercise the option immediately with the issuance of 10,000,000 common shares. 1177865 BC Ltd. has waived all further cash payments and expenditures under the option agreement and assigned ownership of the ELC Project to the Company. The following cash payments were made and common shares were issued to acquire the property:

| Date | Cash Payments | Common Shares |
|------------------------------------|--------------------------|---------------------------|
| On grant of the Option (completed) | \$ 100,000 | 4,000,000 ⁽¹⁾ |
| By November 15, 2019 | Nil | 5,000,000 ⁽²⁾ |
| By August 15, 2020 | Nil | 6,000,000 ⁽³⁾ |
| By February 28, 2021 | Nil | 10,000,000 ⁽⁴⁾ |
| TOTAL | \$ 100,000 | 25,000,000 |

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

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

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

(4) issued as at value of \$950,000

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.

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.

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management
In Canadian Dollars

4. Mineral Properties – Continued

Acquisition Costs Summary

| | East Preston Project | Lithium Projects | ELC Project | Total |
|-----------------------------------|----------------------------|---------------------|----------------|--------------|
| Balance, as at September 30, 2019 | \$ 1,383,895 | \$ 228,603 | \$ 464,750 | \$ 2,853,142 |
| 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 |
| Option payment – cash | 291,170 | - | - | 291,170 |
| Option payment – shares | - | - | 950,000 | 950,000 |
| Balance, as at June 30, 2021 | \$ 2,225,065 | \$ - | \$ 1,689,750 | \$ 3,914,815 |

Exploration and Evaluation Expenditures Summary

Details of exploration and evaluation costs incurred for the nine months ended June 30, 2021 and 2020 are as follows:

Nine Months Ended June 30, 2021

| | East Preston Project | ELC Project | Total |
|--|-------------------------|----------------|--------------|
| Camp and general | \$ 272,150 | \$ 22,711 | \$ 294,861 |
| Drilling | 340,305 | - | 340,305 |
| Freight | 3,622 | - | 3,622 |
| Geological and geophysical | 320,918 | - | 320,918 |
| Helicopter charter | 63,010 | - | 63,010 |
| Mapping and interpretation | 6,800 | - | 6,800 |
| Total exploration and evaluation costs | \$ 1,006,805 | \$ 22,711 | \$ 1,029,516 |

| | East Preston Project | ELC Project | Total |
|--|-------------------------|----------------|--------------|
| Nine Months Ended June 30, 2020 | | | |
| Camp and general | \$ 448,922 | \$ 25,241 | \$ 474,163 |
| Drilling | 535,301 | - | 535,301 |
| Geological and geophysical | 214,361 | - | 214,361 |
| Helicopter charter | 7,756 | - | 7,756 |
| Legal | - | 35,000 | 35,000 |
| Total exploration and evaluation costs | \$ 1,206,340 | \$ 60,241 | \$ 1,266,581 |

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity - Continued

a) Authorized

Unlimited number of common shares without par value

b) Issued Share Capital

Share transactions for the nine months ended June 30, 2021:

- (i) On January 19, 2021, the Company completed a private placement of 30,000,000 flow-through units at \$0.05 per unit for total proceeds of \$1,500,000. Each flow-through unit consisted of one non flow-through common share and one warrant. Each whole warrant entitles the holder to purchase one additional non flow-through common share at \$0.07 per share for a period of 5 years. The Company incurred share issue costs of \$34,578, issued 2,240,896 finders' fee warrants, and issued 2,240,896 finders' fee common shares valued at \$100,840 relating to the private placement. Each finders' fee warrant entitles the holder to purchase one additional non flow-through common share at \$0.07 per share for a period of 5 years.

The amount of the flow-through share liability associated with the flow-through shares was determined to be \$150,000 based on the difference between unit price of the flow-through unit and the share price on the TSX Venture Exchange at the date of issuance. The remaining proceeds from the flow-through shares, after deducting the flow-through share liability was \$1,350,000, of which \$764,000 was allocated to share capital and \$586,000 was allocated to warrants based on their relative fair value.

- (ii) On January 26, 2021, the Company completed the first tranche of a private placement by issuing 17,750,000 non flow-through units at \$0.05 per unit for total proceeds of \$17,750,000. 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 \$0.07 per share for a period of 5 years. The Company incurred share issuance costs of \$21,542 and issued 168,000 finders' fee warrants relating to the private placement. Each finders' fee warrant entitles the holder to purchase one additional non flow-through common share at \$0.07 per share for a period of 5 years.

Of the cash proceeds received from non flow-through shares, \$506,000 was allocated to share capital and \$381,500 was allocated to warrants based on their relative fair value.

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity – Continued

b) Issued Share Capital – Continued

Share transactions for the nine months ended June 30, 2021 (continued):

- (iii) On March 3, 2021, the Company closed the second tranche of a private placement by issuing 2,000,000 flow-through and 65,080,000 non flow-through units at \$0.05 per unit for gross proceeds of \$100,000 and \$3,254,000, respectively. Each flow-through and non flow-through unit consisted of one non flow-through share and one warrant. Each warrant entitles the holder to purchase one non flow-through common share for a period of 5 years at a price of \$0.07 per share. Of the proceeds from flow-through units, \$53,000 was allocated to share capital and \$47,000 was allocated to warrants based on their relative fair value. Of the proceeds from non flow-through units, \$3,254,000 was allocated to share capital and \$1,520,000 was allocated to warrants based on their relative fair value.

The Company incurred share issuance costs of \$143,718, issued 4,796,000 finders' fee warrants, and issued 3,180,000 finders' fee common shares valued at \$365,700 relating to the private placement.

- (iv) On March 5, 2021, the Company issued 10,000,000 common shares to 1177865 BC Ltd. as part of the ELC Project option agreement (Note 4), valued at \$950,000. The Company incurred \$5,425 of costs relating to the share issuances.
- (v) During the nine months ended June 30, 2021, 5,600,000 stock options were exercised for gross proceeds of \$280,000. The fair value of the options exercised was \$180,879 and was transferred to share capital upon exercise.
- (vi) During the nine months ended June 30, 2021, 10,344,657 warrants were exercised for gross proceeds of \$724,126. The fair value of the options exercised was \$225,696 and was transferred to share capital upon exercise.

Share transactions for the year ended September 30, 2020:

- (vii) 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.
- (viii) 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.

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity – Continued

b) Issued Share Capital – Continued

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

- (ix) 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.
- (x) 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.

- (xi) 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.

Azincourt Energy Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity - Continued

b) Issued Share Capital – Continued

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

- (xii) 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.
- (xiii) 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.
- (xiv) 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.
- (xv) 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.

c) Flow-through Share Liability

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

| | | |
|--|----|----------|
| 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 |
| Flow-through premium liability additions | | 150,000 |
| Settlement of flow-through premium liability pursuant to qualifying expenditures | | (97,810) |
| <hr/> | | |
| Balance, June 30, 2021 | \$ | 80,600 |

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity - Continued

d) Warrants

Details of warrants activity for the nine months ended September 30, 2021 and the year ended September 30, 2020 are as follows:

| September 30, 2020 | Issued | Exercised | Expired | June 30, 2021 | Exercise Price | Expiry Date |
|-----------------------|------------|--------------|---------|------------------|-------------------|-------------------|
| 16,862,000 | - | (3,222,000) | - | 13,640,000 | \$0.07 | February 26, 2024 |
| 7,133,000 | - | - | - | 7,133,000 | \$0.07 | March 20, 2024 |
| 4,086,000 | - | (1,028,000) | - | 3,058,000 | \$0.07 | April 8, 2024 |
| 22,046,526 | - | (3,624,657) | - | 18,421,869 | \$0.07 | April 30, 2024 |
| 11,612,000 | - | (100,000) | - | 11,512,000 | \$0.07 | May 24, 2024 |
| 3,000,000 | - | - | - | 3,000,000 | \$0.07 | April 20, 2025 |
| 30,172,097 | - | (2,370,000) | - | 27,802,097 | \$0.07 | May 20, 2025 |
| 1,500,000 | - | - | - | 1,500,000 | \$0.07 | June 3, 2025 |
| - | 32,240,896 | - | - | 32,240,896 | \$0.07 | January 19, 2026 |
| - | 17,918,000 | - | - | 17,918,000 | \$0.07 | January 26, 2026 |
| - | 71,876,000 | - | - | 71,876,000 | \$0.07 | March 3, 2026 |
| 96,411,623 | - | (10,344,657) | - | 208,101,862 | \$0.07 | |

| 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 | |

The following weighted average assumptions were used in the nine months ended June 30, 2021 and 2020:

| | 2021 | 2020 |
|--------------------------|-----------|------|
| Stock price volatility | 121.63% | - |
| Risk-free interest rate | 0.66% | - |
| Expected life of options | 5.0 years | - |
| Expected dividend yield | - | - |

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity – Continued

d) 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 nine months ended June 30, 2021 and the year ended September 30, 2020 are as follows:

| September 30, 2020 | Issued | Exercised | Expired Unexercised | Cancelled | June 30, 2021 | Exercise Price | Expiry Date |
|--------------------|-----------|-------------|---------------------|-----------|---------------|----------------|-------------------|
| 690,000 | - | - | - | - | 690,000 | \$0.10 | February 6, 2022 |
| 1,230,000 | - | - | - | - | 1,230,000 | \$0.10 | December 21, 2022 |
| 250,000 | - | (250,000) | - | - | - | \$0.05 | October 1, 2024 |
| 700,000 | - | (200,000) | - | - | 500,000 | \$0.05 | November 1, 2021 |
| 1,000,000 | - | - | - | - | 1,000,000 | \$0.05 | April 1, 2025 |
| 1,200,000 | - | (700,000) | - | - | 500,000 | \$0.05 | May 1, 2022 |
| 1,820,000 | - | (1,700,000) | - | - | 120,000 | \$0.05 | May 1, 2025 |
| - | 7,250,000 | (2,750,000) | - | - | 4,500,000 | \$0.05 | January 5, 2026 |
| 6,890,000 | 7,250,000 | (5,600,000) | - | - | 8,540,000* | \$0.06 | |

| 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 | |

*All options are exercisable as at June 30, 2021

- (i) During the nine months ended June 30, 2021, the Company recorded share-based compensation of \$1,836 for the vesting of the 1,000,000 options granted on April 1, 2020, which was included in profit or loss and reserves.

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity - Continued

e) Stock Options – Continued

(ii) On January 5, 2021, the Company granted 7,250,000 stock options with an exercise price of \$0.05 per share expiring on January 5, 2026. The fair value of \$261,000 that fully vested on the grant date was recorded as share-based compensation in profit or loss and included in reserves.

The following weighted average assumptions were used for calculating the share-based compensation in the nine months ended June 30, 2021 and 2020:

| | 2021 | 2020 |
|--------------------------|-------------|-------------|
| Stock price volatility | 116.91% | 133.30% |
| Risk-free interest rate | 0.39% | 0.94% |
| Expected life of options | 5.0 years | 4.25 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 as at June 30, 2021 and September 30, 2020 are as follows:

| As at June 30, 2021 | Canada | Peru | Total |
|--------------------------|---------------------|---------------------|---------------------|
| <u>Assets</u> | | | |
| Mineral properties | \$ 2,225,065 | \$ 1,689,750 | \$ 3,914,815 |
| Other assets | 4,693,162 | - | 4,693,162 |
| Total | \$ 6,918,227 | \$ 1,689,750 | \$ 8,607,977 |
| <hr/> | | | |
| As at September 30, 2020 | 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 | \$ 3,971,774 |

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

7. Related Party Transactions

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

Compensation of Key Management Personnel

Key management personnel consist of senior management including the Chief Executive Officer, Chief Financial Officer, and directors. Key management personnel compensation for the nine months ended June 30, 2021 and 2020 includes:

| | 2021 | 2020 |
|----------------------------------|-------------------|------------------|
| Consulting and directors' fees | \$ 297,000 | \$ 118,500 |
| Exploration and evaluation costs | 22,500 | 22,500 |
| Share-based compensation | 117,000 | - |
| | <u>\$ 436,500</u> | <u>\$ 99,000</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:

| | June 30, 2021 | September 30, 2020 |
|--------------------------|---------------|--------------------|
| Key management personnel | \$ - | \$ 13,125 |

8. 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 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.

Azincourt Energy Corp.
(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

9. 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.

Azincourt Energy Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended June 30, 2021 and 2020

Unaudited – Prepared by Management

In Canadian Dollars

9. 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.

10. Subsequent Event

On August 5, 2021, the Company issued 5,500,000 stock options at an exercise price of \$0.05 per share.