

Azincourt Uranium Inc.

(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended June 30, 2016 and 2015

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 Uranium Inc.
(An Exploration Stage Company)

Consolidated Interim Statements of Financial Position

In Canadian Dollars

ASSETS		June 30, 2016		September 30, 2015
Current				
Cash and cash equivalents	\$	42,615	\$	108,503
Amounts receivable		3,948		2,193
Prepaid expenses		-		880
		<u>46,563</u>		<u>111,576</u>
Mineral Properties (Note 4)		<u>775,894</u>		<u>775,894</u>
	\$	<u>822,457</u>	\$	<u>887,470</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	\$	45,514	\$	183,576
Flow-through share liability (Note 5d)		-		6,284
		<u>45,514</u>		<u>189,860</u>

SHAREHOLDERS' EQUITY

Share Capital (Note 5)		4,253,069		4,077,332
Reserves (Note 5e))		844,529		844,529
Deficit		<u>(4,320,655)</u>		<u>(4,224,251)</u>
		<u>776,943</u>		<u>697,610</u>
	\$	<u>822,457</u>	\$	<u>887,470</u>

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors:

"Paul Reynolds"

 Paul Reynolds, Director

"Terrence O'Connor"

 Terrence O'Connor, Director

- See Accompanying Notes -

Azincourt Uranium Inc.*(An Exploration Stage Company)***Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended June 30, 2016 and 2015***Unaudited – Prepared by Management**In Canadian Dollars*

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Expenses				
Audit and accounting	\$ 4,550	\$ 4,500	\$ 11,740	\$ 27,191
Consulting and directors' fees (Note 7)	2,250	66,000	17,250	206,678
Exploration and evaluation costs (Note 4c))	-	397	40,000	231,605
Filing and transfer agent fees	1,631	4,969	16,207	24,668
Insurance	-	3,497	2,164	10,999
Investor relations	-	-	208	4,706
Legal	2,284	179	4,494	13,738
Marketing, conferences and shareholder communications	-	-	-	6,001
Office and administration	1,832	5,097	8,625	27,493
Rent	-	3,000	2,000	9,000
Share-based compensation (Note 5f))	-	2,124	-	24,349
Travel	-	-	-	27
Total Expenses	12,547	89,763	102,688	586,455
Other Income				
Interest income	-	-	-	(596)
Other income (Note 5c))	-	(198)	(6,284)	(48,065)
Net loss and comprehensive loss for the period	\$ 12,547	\$ 89,565	\$ 96,404	\$ 537,794
Loss per share – basic and diluted	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.04
Weighted average number of common shares outstanding	10,005,007	6,455,010	9,538,584	6,363,726

– See Accompanying Notes –

Azincourt Uranium Inc.*(An Exploration Stage Company)***Consolidated Interim Statements of Cash Flows
For the Nine Months Ended June 30, 2016 and 2015***Unaudited – Prepared by Management**In Canadian Dollars*

Cash Provided By (Used In):	2016	2015
Operations:		
Loss for the period	\$ (96,404)	\$ (537,794)
Items not affecting cash:		
Share-based compensation	-	24,349
Other income	(6,284)	(48,065)
Change in non-cash working capital:		
Amounts receivable	(1,755)	15,431
Tax credit receivable	-	7,706
Prepaid expenses	880	12,938
Advances	-	203,916
Accounts payable and accrued liabilities	(138,062)	162,296
	<u>(241,625)</u>	<u>(159,223)</u>
Financing:		
Proceeds from issuance of shares	177,500	130,020
Share issuance costs	(1,763)	(10,402)
	<u>175,737</u>	<u>119,618</u>
Net increase (decrease) in cash	(65,888)	(39,605)
Cash - beginning of period	108,503	178,091
Cash - end of period	\$ 42,615	\$ 138,486

- See Accompanying Notes -

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

	Share Capital		Reserves			Total \$
	Shares	Amount \$	Warrants \$	Options \$	Deficit \$	
Balance, September 30, 2014 <i>(Audited)</i>	6,184,132	4,027,478	279,938	528,703	(3,741,806)	1,094,313
Comprehensive loss	-	-	-	-	(537,794)	(537,794)
Private placement – flow-through (Note 5c)(i))	270,875	130,020	-	-	-	130,020
Flow-through share liability (Note 5c)(i))	-	(41,990)	-	-	-	(41,990)
Fair value of warrants (Note 5c)(i))	-	(23,020)	23,020	-	-	-
Share issue costs (Note 5c)(i))	-	(14,156)	-	-	-	(14,156)
Fair value of finder's fee warrants (Note 5c)(i))	-	(1,000)	1,000	-	-	-
Share-based compensation expense (Note 5g))	-	-	-	24,349	-	24,349
Balance, June 30, 2015 <i>(Unaudited)</i>	6,455,007	4,077,332	303,958	553,052	(4,279,600)	654,742
Comprehensive income	-	-	-	-	55,349	55,349
Share-based compensation recovery (Note 5g))	-	-	-	(12,481)	-	(12,481)
Balance, September 30, 2015 <i>(Audited)</i>	6,455,007	4,077,332	303,958	540,571	(4,224,251)	697,610
Comprehensive loss	-	-	-	-	(96,404)	(96,404)
Private placement – non flow-through (Note 5c)(ii))	3,550,000	177,500	-	-	-	177,500
Share issue costs (Note 5c)(ii))	-	(1,763)	-	-	-	(1,763)
Balance, June 30, 2016 <i>(Unaudited)</i>	10,005,007	4,253,069	303,958	540,571	(4,320,655)	776,943

– See Accompanying Notes –

Azincourt Uranium Inc.
(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2016 and 2015

*Unaudited – Prepared by Management
In Canadian Dollars*

1. Nature of Operations and Going Concern

Azincourt Uranium Inc. (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 worldwide. 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 unaudited condensed consolidated 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, 2016, the Company had not achieved profitable operations, had an accumulated deficit and a positive working capital. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

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

2. Basis of Presentation

a) Statement of compliance

These condensed consolidated 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 consolidated 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, 2015.

Azincourt Uranium Inc.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2016 and 2015

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 23, 2016.

d) Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiary, Azincourt International Holding Ltd., incorporated and located in British Columbia.

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.

f) 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: impairment of mineral property; inputs used in the valuation of share-based payments; and provision for deferred income tax, including the effects of flow-through shares.

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

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2016 and 2015

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 mining 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 fair value less costs to sell.

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value stock options and of common share purchase warrants issued. The model 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 and models 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.

3. Recent Accounting Pronouncements

Recent Accounting Pronouncements adopted:

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations ("IFRS 11") has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. IFRS 11 is effective on or after January 1, 2016. There is no effect on these financial statements.

IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization ("IFRS 16 and IAS 38") have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets. IFRS 16 and IAS 38 are effective on or after January 1, 2016. There is no effect on these financial statements.

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3. Recent Accounting Pronouncements - Continued

Recent Accounting Pronouncements not yet applied:

IFRS 9 Financial Instruments (“IFRS 9”) partially replaces IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018.

4. Mineral Properties

a) Patterson Lake North Project (“PLN Project”)

On April 29, 2013, the Company entered into a Property Option and Joint Venture Agreement with Fission 3.0 Corp. (“Fission”) whereby the Company can earn up to a 50% interest in the PLN Project. The PLN project comprises 10 contiguous claims totaling 27,408 hectares in the southwest area of the Athabasca basin in northern Saskatchewan, Canada immediately north of and adjacent to Fission's Patterson Lake South project.

To earn a 50% interest, the Company must incur a total of \$12,000,000 of staged exploration expenditures and pay a total of \$4,750,000 in staged cash or common shares payments, at the election of the Company, on or before June 19, 2017 as follows:

Date	Interest Earned	Consideration	Work Obligation
On or before June 19, 2014	10%	\$500,000(paid*)	\$1,500,000
On or before June 19, 2015	10%	\$750,000	\$3,000,000
On or before June 19, 2016	15%	\$1,000,000	\$3,000,000
On or before June 19, 2017	15%	\$2,500,000	\$4,500,000
TOTAL	50%	\$4,750,000	\$12,000,000

* The initial cash payment of \$500,000 was settled through the payment of \$100,000 in cash and the issuance of 2,666,666 common shares. The number of shares to settle the \$400,000 of option payment was determined based on the market price as at the date of the Property Option and Joint Venture Agreement of \$0.15 per common share. These common shares were issued on June 24, 2013 at which time the Company's common shares had a market value of \$0.22 per common share. Therefore, the fair value of these common shares, being \$586,667 as at the time of their issuance, was capitalized to mineral properties.

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Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2016 and 2015

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In Canadian Dollars

4. Mineral Property - Continued

a) Patterson Lake North Project (“PLN Project”) – Continued

In addition, the Company will grant to Fission a 2% net smelter royalty on the Company's interest in PLN on exercise of the option. Within 90 calendar days following each 12 month term, the Company can elect to either continue earning interest in the table outlined above or convert the option into a joint venture agreement with Fission. Should the Company elect not to earn more than the initial 10% interest in the PLN Project, Fission will have the right buy out the Company's interest for \$500,000, payable by returning the consideration paid by the Company. The Company has the right to cancel the option at any time.

Whilst the option is in effect, the Company and Fission will jointly plan, manage, direct and control all exploration operations and budgeted expenditures on the Property. Fission will act as the operator and undertake all work programs on the PLN Project.

In connection with the agreement with Fission, the Company issued 300,000 common shares to Pure Capital Holdings Inc. as finder's fee at a market value of \$0.22 per common share on June 24, 2013. Therefore, a total of \$66,000 has been capitalized to mineral properties.

The Company previously made the initial consideration payment of \$500,000 and incurred the initial work obligations of \$1,500,000 by the June 19, 2014 due date thereby earning a 10% interest in the PLN Project. During the year ended September 30, 2015, the Company elected not pay the consideration payment of \$750,000 and did not incur the required work expenditures of \$3,000,000 that were due by June 19, 2015. As a result, the Company will not be proceeding with the earn-in of the remaining 40% interest as per the Property Option and Joint Venture Agreement (the “Agreement”). As a result of the Company failing to make the required consideration payment and incurring the work obligation, the Agreement provided Fission with the option of re-purchasing the Company's 10% interest for \$500,000 exercisable within 90 days of the Company's election not to proceed. Fission did not exercise its option within the required period, therefore the Company retained its 10% interest.

Azincourt Uranium Inc.*(An Exploration Stage Company)***Notes to the Condensed Consolidated Interim Financial Statements****For the Nine Months Ended June 30, 2016 and 2015***Unaudited – Prepared by Management**In Canadian Dollars***4. Mineral Properties - Continued****b) Accumulated Acquisition Costs**

Accumulated acquisition costs as of June 30, 2016 and September 30, 2015 for the PLN Project are as follows:

Balance, as at September 30, 2014	\$	775,894
Acquisition		-
Balance, as at September 30, 2015 and June 30, 2016	\$	775,894

c) Exploration and Evaluation Costs

Details of exploration costs incurred on the PLN Project for the year ended September 30, 2015 and the nine months ended June 30, 2016 are as follows:

	Nine months ended June 30, 2016	Year ended September 30, 2015
Exploration and evaluation costs:		
Geology mapping/sampling	\$ -	\$ 375
Geophysics airborne	-	625
Geophysics ground	-	26,753
Drilling	-	122,046
Land retention and permitting	-	47,612
Management fee	40,000	65,984
Technical reporting and database management	-	6,987
General	-	2,223
Total exploration and evaluation costs	40,000	272,605
Balance – beginning of period	3,837,939	3,565,334
Balance – end of period	\$ 3,877,939	\$ 3,837,939

Azincourt Uranium Inc.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value

b) Share Consolidation

On February 18, 2015, the Company consolidated its issued and outstanding common shares, stock options and share purchase warrants on the basis of one new share for every four existing shares.

On October 1, 2015, the Company further consolidated its issued and outstanding common shares, stock options and share purchase warrants on the basis of one new share for every two existing shares. Unless otherwise indicated, all references to share capital, stock options and share purchase warrants presented in these financial statements and notes thereto are on a post-consolidation basis.

c) Issued Share Capital

Share transactions for the year ended September 30, 2015:

- (i) On December 31, 2014, the Company completed a private placement consisting of the issuance of 270,875 flow-through units at a price of \$0.48 per unit, for gross proceeds of \$130,020. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one non flow-through common share at an exercise price of \$0.80 per share until December 31, 2016.

Of the total proceeds received from flow-through shares, \$107,000 was allocated to share capital and \$23,020 was allocated to warrants based on their relative fair value.

The fair value of the flow-through share liability associated with the flow-through shares was determined to be \$41,990 based on the difference between the price of share based on its relative fair value and the Company's trading price on TSX-V.

In connection with the private placement, the Company issued 21,670 share purchase warrants as finder's fees on a non flow-through basis at a price of \$0.80 per share until December 31, 2016 with a fair value of \$1,000. The Company incurred \$14,156 in share issue costs related to the private placement.

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements**For the Nine Months Ended June 30, 2016 and 2015**

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity - Continued**c) Issued Share Capital – Continued**

Share transactions for the nine months ended June 30, 2016:

- (ii) On November 5, 2015, the Company completed a non-brokered private placement of 3,550,000 shares at \$0.05 per share for total proceeds of \$177,500. The Company incurred \$1,763 in share issue costs related to the private placement.

d) Flow-through Share Liability

During the year ended September 30, 2015, the Company raised \$130,020 through issuance of flow-through shares (Note 5c)(i)) resulting in a total of flow-through share liability of \$41,990. During the year ended September 30, 2015, \$90,986 of these funds had been spent on qualifying flow-through exploration expenditures; therefore \$35,706, of the flow-through liability has been recognized in other income. During the nine months ended June 30, 2016, \$39,034 of these funds was spent on qualifying flow-through exploration expenditures; therefore the remaining \$6,284 of the flow-through liability were recognized in other income.

e) Reserves

The following is a summary of the reserves components relating to stock options and common share purchase warrants as at June 30, 2016 and September 30, 2015:

	June 30, 2016	September 30, 2015
Options	\$ 540,571	\$ 540,571
Warrants	303,958	303,958
Total	\$ 844,529	\$ 844,529

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Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity - Continued

f) Warrants

Details of warrants activity for the nine months ended June 30, 2016 and the year ended September 30, 2015 are as follows:

September 30, 2015	Issued	Expired Unexercised	June 30, 2016	Exercise Price	Expiry Date
644,000	-	-	644,000	\$1.20	May 1, 2017
86,597	-	(86,597)	-	\$3.20	October 1, 2015
292,545	-	-	86,597	\$0.80	December 31, 2016
1,023,142	-	(86,597)	730,597	\$1.08	

September 30, 2014	Issued	Expired Unexercised	September 30, 2015	Exercise Price	Expiry Date
644,000	-	-	644,000	\$1.20	May 1, 2017
339,193	-	(339,193)	-	\$3.20	December 19, 2014
86,597	-	-	86,597	\$3.20	October 1, 2015
-	292,545	-	292,545	\$0.80	December 31, 2016
1,069,790	292,545	(339,193)	1,023,142	\$1.25	

- (i) On June 30, 2015, 270,875 warrants were issued as part of a private placement (note 5c)(i)). Each warrant entitles the holder to purchase one non flow-through common share at an exercise price of \$0.80 per share until December 31, 2016. The fair value of the warrants was \$23,020 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	94.00%
Risk-free interest rate	1.01%
Expected life of options	2.0 years
Expected dividend yield	0.00%

- (ii) On June 30, 2015, 21,670 finder's fee warrants were issued as part of a private placement (note 5c)(i)). Each warrant entitles the holder to purchase one non flow-through common share at an exercise price of \$0.80 per share until December 31, 2016. The fair value of the warrants was \$1,000 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	94.00%
Risk-free interest rate	1.01%
Expected life of options	2.0 years
Expected dividend yield	0.00%

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2016 and 2015

Unaudited – Prepared by Management
In Canadian Dollars

5. Shareholders' Equity - Continued

g) Stock Options

On December 5, 2011, the Company adopted 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, 2016 and the year ended September 30, 2015 are as follows:

September 30, 2014	Cancelled	Forfeited	September 30, 2015	Expired	June 30, 2016	Exercise Price	Expiry Date
56,885	-	-	56,885	(56,885)	-	\$2.40	October 1, 2015
58,125	-	-	58,125	-	58,125	\$1.20	May 1, 2017
218,750	-	(62,500)	156,250	-	156,250	\$1.44	June 24, 2018
25,000	-	(25,000)	-	-	-	\$1.76	October 1, 2018
6,250	(1,563)	(4,687)	-	-	-	\$2.20	December 6, 2018
31,250	-	-	31,250	-	31,250	\$2.16	January 15, 2019
12,500	(6,250)	(6,250)	-	-	-	\$2.08	February 5, 2019
408,760	(7,813)	(98,437)	302,510	(56,885)	245,625	\$1.47	

- (i) On June 24, 2013, the Company granted to its directors and officers 1,750,000 stock options with an exercise price of \$0.18 per share expiring on June 24, 2018. 25% of the options will vest on the grant date and every six months after. The fair value of \$Nil (2015: \$11,208) that vested during the nine months ended June 30, 2016 was recorded as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	113.22 - 119.06%
Risk-free interest rate	1.71%
Expected life of options	3.5 – 5.0 years
Expected dividend yield	0.00%

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Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2016 and 2015

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6. Shareholders' Equity - Continued

g) Stock Options - Continued

- (ii) On December 6, 2013, the Company granted to a consultant 6,250 stock options with an exercise price of \$2.20 per share expiring on December 6, 2018. 25% of the options will vest on March 6, 2014 and every three months after. The fair value of \$Nil (2015: \$499) that vested during the nine months ended June 30, 2016 was recorded as share-based compensation in the statement of operations and included in reserves. The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	117.14 – 119.17%
Risk-free interest rate	1.57%
Expected life of options	4.0 – 4.75 years
Expected dividend yield	0.00%

- (iii) On January 15, 2014, the Company granted to a director 31,250 stock options with an exercise price of \$2.16 per share expiring on January 15, 2019. 25% of the options will vest on January 15, 2014 and every six months after. The fair value of \$10,205 (2015: \$8,081) that vested during the nine months ended June 30, 2016 was recorded as share-based compensation in the statement of operations and included in reserves. The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	116.67 – 122.63%
Risk-free interest rate	1.48%
Expected life of options	. 3.5 – 5.0 years
Expected dividend yield	0.00%

- (iv) On February 5, 2014, the Company granted to an investor relations consultant 12,500 stock options with an exercise price of \$2.08 per share expiring on February 5, 2019. 25% of the options will vest on May 5, 2014 and every three months after. The fair value of \$Nil (2015: \$2,437) that vested during the nine months ended June 30, 2016 was recorded as share-based compensation in the statement of operations and included in reserves. The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	116.35 – 119.83%
Risk-free interest rate	1.37%
Expected life of options	. 4.0 – 4.75 years
Expected dividend yield	0.00%

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Unaudited – Prepared by Management
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5. Shareholders' Equity - Continued

h) Escrow Shares

Pursuant to an Escrow Agreement dated December 5, 2011, 459,375 common shares and 209,375 common share purchase warrants were placed in escrow. Pursuant to the Escrow Agreement, 10% of the escrowed shares and 10% of the escrowed warrants were released from escrow upon completion of the IPO on April 30, 2012, and 15% of the common shares and 15% of the common share purchase warrants are released from escrow every 6 months thereafter. As of June 30, 2016, all of the common shares and common share purchase warrants were released from escrow.

6. Segmented Information

The Company has only one reportable operating segment, being mineral property explorations in Canada.

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 current and former directors and senior management including the former President and Chief Executive Officer and Chief Financial Officer. Key management personnel compensation for the nine months ended June 30, 2016 and 2015 includes:

	2016	2015
Consulting and directors' fees	\$ 3,750	\$ 178,178
Exploration and evaluation costs	40,000	4,322
Share-based compensation	-	21,413
	\$ 43,750	\$ 203,913

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, 2016	September 30, 2015
Key management personnel	\$ 12,788	\$ 84,000

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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, and to bring its mineral properties to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares and share purchase warrants. 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 all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

9. Financial Instruments

The classification of the financial instruments as well as their carrying values as at June 30, 2016 is shown in the table below:

Loans and receivables	\$	46,563
Financial liabilities measured at amortized cost	\$	45,514

a) Fair Value of Financial Instruments

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

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

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

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

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

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9. Financial Instruments – Continued

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 cash equivalents and amounts receivable. Cash and cash equivalents are held with a major Canadian financial institution and the receivables are 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.

(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 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.