# Azincourt Uranium Inc.

**(An Exploration Stage Company)**

## Consolidated Financial Statements

**For the Years Ended September 30, 2016 and 2015**

Expressed in Canadian Dollars

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Azincourt Uranium Inc.

We have audited the accompanying consolidated financial statements of Azincourt Uranium Inc., which comprise the consolidated statement of financial position as at September 30, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Azincourt Uranium Inc. as at September 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

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

***Other Matters***

The consolidated financial statements of Azincourt Uranium Inc. for the year ended September 30, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on December 17, 2015.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada — Chartered Professional Accountants

December 19, 2016

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

**[Auditors Report]**

| ASSETS | | September 30, 2016 | | September 30, 2015 |
|---|---|---|---|---|
| **Current** | | | | |
| Cash | $ | 29,214 | $ | 108,503 |
| Amounts receivable | | 4,261 | | 2,193 |
| Prepaid expenses | | - | | 880 |
| | | 33,475 | | 111,576 |
| **Mineral Properties** (Note 4) | | 775,894 | | 775,894 |
| | $ | 809,369 | $ | 887,470 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | $ | 158,722 | $ | 183,576 |
| Flow-through share liability (Note 5) | | - | | 6,284 |
| | | 158,722 | | 189,860 |
| **SHAREHOLDERS' EQUITY** | | | | |
| **Share Capital** (Note 5) | | 4,253,069 | | 4,077,332 |
| **Reserves** (Note 5) | | 844,529 | | 844,529 |
| **Deficit** | | (4,446,951) | | (4,224,251) |
| | | 650,647 | | 697,610 |
| | $ | 809,369 | $ | 887,470 |

**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 Uranium Inc.

*(An Exploration Stage Company)*

**Consolidated Statements of Loss and Comprehensive Loss**
**For the Years Ended September 30**

*In Canadian Dollars*

| | 2016 | 2015 |
|---|---|---|
| **Expenses** | | |
| Audit and accounting | $ 26,490 | $ 48,691 |
| Consulting and directors' fees (Note 7) | 119,500 | 133,678 |
| Exploration and evaluation costs (Note 4) | 40,000 | 272,605 |
| Filing and transfer agent fees | 17,482 | 27,130 |
| Insurance | 2,164 | 12,622 |
| Investor relations | 208 | 5,014 |
| Legal costs | 4,494 | 15,067 |
| Marketing, conferences and shareholder communications | - | 6,001 |
| Office and administration | 16,646 | 32,896 |
| Rent | 2,000 | 12,000 |
| Share-based compensation (Note 5) | - | 11,868 |
| Travel- | - | 27 |
| **Total expenses** | (228,984) | (577,599) |
| Interest income | - | 596 |
| Other income (Note 5) | 6,284 | 58,778 |
| Recovery of accounts payable | - | 35,780 |
| **Loss and comprehensive loss for the year** | $ (222,700) | $ (482,445) |
| **Loss per share – basic and diluted** | $ (0.02) | $ (0.08) |
| **Weighted average number of common shares outstanding** | 9,655,827 | 6,386,732 |

– See Accompanying Notes –

## Azincourt Uranium Inc.
*(An Exploration Stage Company)*
### Consolidated Statements of Cash Flows
### For the Years Ended September 30
*In Canadian Dollars*

| **Cash Provided By (Used In):** | **2016** | **2015** |
|---|---|---|
| **Operations:** | | |
| Loss for the year | $ (222,700) | $ (482,445) |
| Items not affecting cash: | | |
| Other income | (6,284) | (58,778) |
| Recovery of accounts payable | - | (35,780) |
| Share-based compensation | - | 11,868 |
| Change in non-cash working capital: | | |
| Amounts receivable | (2,068) | 15,717 |
| Tax credit receivable | - | 7,706 |
| Prepaid expenses | 880 | 12,058 |
| Advances | - | 203,916 |
| Accounts payable and accrued liabilities | (24,854) | 140,286 |
| | (255,026) | (185,452) |
| **Financing:** | | |
| Proceeds from issuance of shares | 177,500 | 130,020 |
| Share issuance costs | (1,763) | (14,156) |
| | 175,737 | 115,864 |
| **Change in cash** | (79,289) | (69,588) |
| **Cash - beginning of year** | 108,503 | 178,091 |
| **Cash - end of year** | $ 29,214 | $ 108,503 |

- See Accompanying Notes –

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

| | Share Capital | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Shares | Amount $ | Warrants $ | Options $ | Deficit $ | Total $ |
| Balance, September 30, 2014 | 6,184,132 | 4,027,478 | 279,938 | 528,703 | (3,741,806) | 1,094,313 |
| Loss for the year | - | - | - | - | (482,445) | (482,445) |
| Private placement – flow-through | 270,875 | 130,020 | - | - | - | 130,020 |
| Flow-through share liability | - | (41,990) | - | - | - | (41,990) |
| Fair value of warrants | - | (23,020) | 23,020 | - | - | - |
| Share issue costs | - | (14,156) | - | - | - | (14,156) |
| Fair value of finder's fee warrants | - | (1,000) | 1,000 | - | - | - |
| Share-based compensation | - | - | - | 11,868 | - | 11,868 |
| Balance, September 30, 2015 | 6,455,007 | 4,077,332 | 303,958 | 540,571 | (4,224,251) | 697,610 |
| Loss for the year | - | - | - | - | (222,700) | (222,700) |
| Private placement – non flow-through | 3,550,000 | 177,500 | - | - | - | 177,500 |
| Share issue costs | - | (1,763) | - | - | - | (1,763) |
| Balance, September 30, 2016 | 10,005,007 | 4,253,069 | 303,958 | 540,571 | (4,446,951) | 650,647 |

– See Accompanying Notes –

## 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 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 consolidated financial statements.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At September 30, 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, and exploration and development activities.

## 2. Basis of Presentation

### a) Statement of compliance

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

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

## 2. Basis of Presentation - *Continued*

### b) Basis of Measurement

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

### c) Approval of the Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 19, 2016.

### d) Basis of Consolidation

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

### e) Functional and Presentation Currency

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

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

## 3. Significant Accounting Policies

### a) Cash

Cash consists of amounts held in banks and demand deposits.

### b) Mineral Property

i) Exploration and Evaluation

Staking costs, property option payments, finders' fees and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible exploration and evaluation assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. 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.

**3. Significant Accounting Policies** – *Continued*

**b) Mineral Property** – *Continued*

ii) Development

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

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

iii) Impairment

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

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

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

## 3. Significant Accounting Policies – *Continued*

### b) Mineral Property – *Continued*

iii) Impairment – *Continued*

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

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

### c) Provisions

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

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

### d) Site Closure and Reclamation Provision

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. As at September 30, 2016, the Company has not recognized any site closure and reclamation provision.

## 3. Significant Accounting Policies – *Continued*

### d) Site Closure and Reclamation Provision – *Continued*

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

### e) Income Taxes

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

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

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

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

### f) Share Capital

i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.

## 3. Significant Accounting Policies – *Continued*

### f) Share Capital – *Continued*

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

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

### g) Loss per Share

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

### h) Comprehensive Income

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

### i) Share-based Payments

From time to time, the Company grants stock options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees and non-employees become entitled to the award. The fair value of the stock options on the grant date is determined using Black-Scholes. 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.

**3. Significant Accounting Policies** – *Continued*

**j) Financial Instruments**

The Company accounts for its financial instruments as follows:

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

*Financial Assets*

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

*Loans and Receivables*

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

*Financial Assets at Fair Value Through Profit or Loss*

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

## 3. Significant Accounting Policies – *Continued*

### j) Financial Instruments – *Continued*

*Available-for-sale Financial Assets*

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

*Financial Liabilities*

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

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

*Impairment of Financial Assets*

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

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

**3. Significant Accounting Policies** – *Continued*

**j) Financial Instruments –** *Continued*

*Impairment of Financial Assets - Continued*

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

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

**k) Flow-through Shares**

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

**l) Critical Accounting Judgments and Estimates**

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: recoverability and impairment of mineral property; 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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**3. Significant Accounting Policies** – *Continued*

**l) Critical Accounting Judgments and Estimates** – *Continued*

Recoverability of capitalized mineral property costs

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

Share-based payments

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

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

**m) Recent Accounting Pronouncements**

*Recent Accounting Pronouncements adopted:*

IFRS 7 Financial Instruments - Disclosure ("IFRS 7") has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on or after January 1, 2015. There is no effect on these financial statements.

*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.

## 3. Significant Accounting Policies – *Continued*

### m) Recent Accounting Pronouncements – *Continued*

*Recent Accounting Pronouncements not yet applied (Continued):*

IFRS 16 Leases ("IFRS 16") was issued on January 13, 2016 which requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. This standard is effective for reporting periods beginning on or after January 1, 2019.

### n) Related Parties

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

## 4. Mineral Properties

### Patterson Lake North Project

The Company owns a 10% interest in the Patterson Lake North Project located in northern Saskatchewan. The Company incurred acquisition costs of $775,894 (2015 - $775,894) and additional exploration costs to acquire its interest. The project is subject to a 2% net smelter returns royalty.

*In Canadian Dollars*

## 4. Mineral Properties – *Continued*

Details of exploration and evaluation costs incurred for the years ended September 30, 2016 and 2015 are as follows:

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

## 5. Shareholders' Equity

### a) Authorized

Unlimited number of common shares without par value.

### b) Issued Share Capital

<u>Share transactions for the year ended September 30, 2016:</u>

(i) 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.

<u>Share transactions for the year ended September 30, 2015:</u>

(ii) 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 consisted 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 Company's trading price on TSX-V and the relative fair value as calculated above.

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.

### c) Flow-through Share Liability

During the year ended September 30, 2015, the Company raised $130,020 through issuance of flow-through common shares and recorded 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 had been recognized in other income. During the year ended September 30, 2016, $39,034 of these funds were spent on qualifying flow-through exploration expenditures; therefore the remaining $6,284 of the flow-through liability was recognized in other income.

*In Canadian Dollars*

**5. Shareholders' Equity** – *Continued*

**d) Warrants**

Details of warrants activity for the years ended September 30, 2016 and 2015 are as follows:

| September 30, 2015 | Issued | Expired | September 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 | - | - | 292,545 | $0.80 | December 31, 2016 |
| 1,023,142 | - | (86,597) | 936,545 | $1.08 | |

| September 30, 2014 | Issued | Expired | 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 December 31, 2014, 270,875 warrants were issued as part of a private placement. Each warrant entitled 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 Black-Scholes.

(ii) On December 31, 2014, 21,670 finder's fee warrants were issued as part of a private placement. Each warrant entitled 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.

The following weighted average assumptions were used:

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

*In Canadian Dollars*

## 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 year ended September 30, 2016 and 2015 are as follows:

| September 30, 2014 | Cancelled | Forfeited | September 30, 2015 | Expired | September 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 | |

During the year ended September 30, 2016, $Nil (2015 - $11,868) was recorded as share-based compensation due to vesting of previously granted options.

## 6. Segmented Information

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

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

| | 2016 | 2015 |
|---|---|---|
| Consulting and directors' fees | $ 62,500 | $ 97,678 |
| Exploration and evaluation costs | 40,000 | 45,322 |
| Share-based compensation | - | 21,413 |
| | $ 102,500 | $ 164,413 |

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, 2016 | September 30, 2015 |
|---|---|---|
| Key management personnel | $ 51,250 | $ 84,000 |

*In Canadian Dollars*

## 8. Income Taxes

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

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Statutory tax rate | | 26.00% | | 26.00% |
| Expected income tax (recovery) | $ | (58,000) | $ | (125,000) |
| Permanent differences | | (2,000) | | (57,000) |
| Impact of flow-through shares | | 10,000 | | 84,000 |
| Share issue costs | | - | | (4,000) |
| Adjustment to prior years provision versus statutory tax returns and expiry | | 57,000 | | - |
| Change in unrecognized deductible | | (7,000) | | 102,000 |
| **Total income tax expense (recovery)** | **$** | **-** | **$** | **-** |

The Canadian income tax rate declined/increased during the year due to changes in the law that reduced/increased corporate income tax rates in Canada/British Columbia.

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

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Deferred tax assets (liabilities) | | | | |
| Mineral properties | $ | 265,000 | $ | 235,000 |
| Share issue costs | | 56,000 | | 94,000 |
| Allowable capital losses | | - | | 85,000 |
| Non-capital losses available for future period | | 393,000 | | 307,000 |
| | | 714,000 | | 721,000 |
| Unrecognized deferred tax assets | | (714,000) | | (721,000) |
| **Net deferred tax assets** | **$** | **-** | **$** | **-** |

*In Canadian Dollars*

**8. Income Taxes** – *Continued*

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

| | | 2016 | Expiry Date Range | | 2015 | Expiry Date Range |
|---|---|---|---|---|---|---|
| Temporary Differences | | | | | | |
| Mineral properties | $ | 914,000 | No expiry date | $ | 906,000 | No expiry date |
| Investment tax credit | $ | 37,000 | 2032 to 2034 | $ | - | 2032 to 2034 |
| Share issue costs | $ | 216,000 | 2017 to 2020 | $ | 361,000 | 2016 to 2019 |
| Allowable capital losses | $ | - | No expiry date | $ | 650,000 | No expiry date |
| Non-capital losses available for future period | $ | 1,509,000 | 2017 to 2036 | $ | 1,181,000 | 2016 to 2035 |

**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 regular basis. The Company is not subject to externally imposed capital requirements.

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

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## 10. Financial Instruments

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

| | | |
|---|---|---|
| Loans and receivables | $ | 33,475 |
| Financial liabilities measured at amortized cost | $ | 158,722 |

### a) Fair Value of Financial Instruments

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

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

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

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

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

### b) Management of Risks Arising From Financial Instruments

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

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

## 10. Financial Instruments – *Continued*

### b) Management of Risks Arising From Financial Instruments – *Continued*

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

**(iv) Commodity Price Risk** – The Company's future success is linked to the price of minerals, because the value of mineral resources and the Company's future 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

On November 10, 2016, the Company completed a non-brokered private placement of 4,000,000 units at $0.05 per unit for total proceeds of $200,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share at $0.05 per share for a period of 2 years.