Financial Statements of

ISOENERGY LTD.

For the years ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of IsoEnergy Ltd.

Opinion

We have audited the financial statements of IsoEnergy Ltd. (the Entity), which comprise:

- the statements of financial position as at December 31, 2020 and 2019
- the statements of loss and comprehensive loss for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is D. Philippa Wilshaw.

Vancouver, Canada

March 2, 2021

ISOENERGY LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31

	Note	2020	2019
ASSETS			
Current			
Cash		**$ 14,034,565**	$ 6,587,075
Accounts receivable		**67,967**	24,539
Prepaid expenses		**197,419**	184,245
		14,299,951	6,795,859
Non-Current			
Deposit		**9,274**	9,274
Equipment	6	**182,439**	232,132
Exploration and evaluation assets	7	**53,731,796**	47,966,888
TOTAL ASSETS		**$ 68,223,460**	$ 55,004,153
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 238,650**	$ 355,335
Current portion of lease liability	8	**66,745**	66,745
Flow-through share premium liability	10	**-**	227,522
		305,395	649,602
Non-Current			
Convertible debentures	9	**14,033,992**	-
Long-term lease liability	8	**84,895**	142,486
Deferred income tax liability	11	**711,587**	725,066
TOTAL LIABILITIES		**15,135,869**	1,517,154
EQUITY			
Share capital	12	**67,491,167**	58,740,682
Share option and warrant reserve	12	**4,235,150**	3,769,204
Accumulated deficit		**(18,566,260)**	(9,022,887)
Other comprehensive loss		**(72,466)**	-
TOTAL EQUITY		**53,087,591**	53,486,999
TOTAL LIABILITIES AND EQUITY		**$ 68,223,460**	$ 55,004,153

Nature of operations (Note 2)
Commitments (Notes 8, 9 and 10)
Subsequent event (Note 18)

The accompanying notes are an integral part of the financial statements
These financial statements were authorized for issue by the Board of Directors on March 2, 2021

"Tim Gabruch"	***"Trevor Thiele"***
Tim Gabruch, CEO, Director	**Trevor Thiele, Director**

ISOENERGY LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	2020	2019
General and administrative costs			
Share-based compensation	12, 13	$ 469,473	$ 238,849
Administrative salaries, contract and director fees	13	1,082,459	698,646
Investor relations		860,402	568,553
Office and administrative		112,491	142,080
Professional and consultant fees		266,340	180,084
Travel		40,446	188,734
Public company costs		123,550	80,183
Depreciation expense		62,112	60,692
Total general and administrative costs		(3,017,273)	(2,157,821)
Interest income		57,411	56,512
Interest on lease liability	8	(8,976)	(11,862)
Interest on convertible debentures	9	(248,962)	-
Fair value loss on convertible debentures	9	(6,331,940)	-
Foreign exchange gain		(86,351)	-
Rental income		34,837	30,305
Impairment of exploration and evaluation asset	7	-	(14,354)
Loss from operations		(9,601,254)	(2,097,220)
Deferred income tax recovery (expense)	11	57,881	(65,045)
Loss		$ (9,543,373)	$ (2,162,265)
Other comprehensive loss			
Change in fair value of convertible debentures attributable to the change in credit risk	9	(72,466)	-
Total comprehensive loss for the period		$ (9,615,839)	$ (2,162,265)
Loss per common share – basic and diluted		$ (0.11)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted		87,074,607	69,540,209

The accompanying notes are an integral part of the financial statements

ISOENERGY LTD.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Note	Number of common shares	Share capital	Share option and warrant reserve	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance as at January 1, 2019		**68,363,868**	**$52,533,694**	**$3,381,585**	**$(6,860,622)**	**$ -**	**$49,054,657**
Shares issued for cash	12	**15,834,858**	**6,722,843**	**-**	**-**	**-**	**6,722,843**
Premium on flow-through shares		**-**	**(233,340)**	**-**	**-**	**-**	**(233,340)**
Share issue costs	12	**-**	**(322,802)**	**64,449**	**-**	**-**	**(258,353)**
Shares issued on the exercise of warrants	12	**68,774**	**40,287**	**(14,153)**	**-**	**-**	**26,134**
Share-based payments	12	**-**	**-**	**337,323**	**-**	**-**	**337,323**
Loss for the period		**-**	**-**	**-**	**(2,162,265)**	**-**	**(2,162,265)**
Balance as at December 31, 2019		**84,267,500**	**$58,740,682**	**$3,769,204**	**$(9,022,887)**	**$ -**	**$53,486,999**
Shares issued in private placement	12	**8,585,055**	**8,000,000**	**-**	**-**	**-**	**8,000,000**
Share issue costs	12	**-**	**(582,261)**	**87,184**	**-**	**-**	**(495,077)**
Shares issued on the exercise of warrants	12	**1,000,728**	**593,131**	**(167,364)**	**-**	**-**	**425,767**
Shares issued on the exercise of stock options	12	**360,000**	**392,353**	**(158,303)**	**-**	**-**	**234,050**
Shares issued to settle fee and interest on convertible debentures	9, 12	**259,715**	**347,262**	**-**	**-**	**-**	**347,262**
Share-based payments	12	**-**	**-**	**704,429**	**-**	**-**	**704,429**
Loss for the period		**-**	**-**	**-**	**(9,543,373)**	**-**	**(9,543,373)**
Other comprehensive loss for the period		**-**	**-**	**-**	**-**	**(72,466)**	**(72,466)**
Balance as at December 31, 2020		**94,472,998**	**$67,491,167**	**$4,235,150**	**$(18,566,260)**	**$(72,466)**	**$53,087,591**

The accompanying notes are an integral part of the financial statements

ISOENERGY LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended December 31

		2020		2019
Cash flows from (used in) operating activities				
Loss for the period	$	(9,543,373)	$	(2,162,265)
Items not involving cash:				
Share-based compensation		469,473		238,849
Deferred income tax (recovery) expense		(57,881)		65,045
Depreciation expense		62,112		60,692
Impairment of exploration and evaluation assets		-		14,354
Interest on lease liability		8,976		11,862
Interest on convertible debentures		248,962		-
Fair value loss on convertible debentures		6,331,940		-
Changes in non-cash working capital				
Accounts receivable		(43,428)		40,953
Prepaid expenses		(13,174)		(94,928)
Accounts payable and accrued liabilities		4,792		(89,356)
	$	(2,531,601)	$	(1,914,794)
Cash flows used in investing activities				
Additions to exploration and evaluation assets	$	(5,499,470)	$	(4,207,899)
Acquisition of exploration and evaluation assets		(142,363)		(14,077)
Additions to equipment		(22,017)		(14,336)
	$	(5,663,850)	$	(4,236,312)
Cash flows from (used in) financing activities				
Shares issued	$	8,000,000	$	6,722,843
Share issuance costs		(678,195)		(353,909)
Shares issued for warrant exercise		425,767		26,134
Shares issued for option exercise		234,050		-
Convertible debentures				
Proceeds on issuance		7,902,000		-
Interest		(174,114)		-
Lease liability payments:				
Principal		(57,591)		(50,281)
Interest		(8,976)		(11,862)
	$	15,642,941	$	6,332,925
Change in cash	$	7,447,490	$	181,819
Cash, beginning of period		6,587,075		6,405,256
Cash, end of period	$	14,034,565	$	6,587,075

Supplemental disclosure with respect to cash flows (Note 17)

The accompanying notes are an integral part of the financial statements

1. REPORTING ENTITY

IsoEnergy Ltd. ("**IsoEnergy**", or the "**Company**") is an exploration stage entity engaged in the acquisition, exploration and evaluation of uranium properties in Canada. The Company's registered and records office is located on the 10th Floor, 595 Howe Street, Vancouver, BC, V6C 2TS. The Company's common shares are listed on the TSX Venture Exchange (the "**TSXV**").

As of December 31, 2020, the Company did not have any subsidiaries and NexGen Energy Ltd ("**NexGen**") holds 51.08% of IsoEnergy's outstanding common shares.

2. NATURE OF OPERATIONS

As an exploration stage company, the Company does not have revenues and historically has recurring operating losses. As at December 31, 2020, the Company had accumulated losses of $18,566,260 and working capital of $13,994,556 (working capital is defined as current assets less accounts payable and accrued liabilities and the current portion lease liability). The Company depends on external financing for its operational expenses.

The business of exploring for and mining of minerals involves a high degree of risk. As an exploration company, IsoEnergy is subject to risks and challenges similar to companies at a comparable stage. These risks include, but are not limited to, negative operating cash flow and dependence on third party financing; the uncertainty of additional financing; the limited operating history of IsoEnergy; the lack of known mineral resources or reserves; the influence of a large shareholder; alternate sources of energy and uranium prices; aboriginal title and consultation issues; risks related to exploration activities generally; reliance upon key management and other personnel; title to properties; uninsurable risks; conflicts of interest; permits and licenses; environmental and other regulatory requirements; political regulatory risks; competition; and the volatility of share prices.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate our business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations cannot be reasonably estimated at this time. We anticipate this could have an adverse impact on our business, results of operations, financial position, and cash flows in 2021. A program of core drilling at the Hurricane Zone on the Larocque East property was planned for the winter 2021 drilling season, however, due to concerns over COVID-19, the Company has decided to postpone the program at this time. The program was focused on expansion of the higher-grade mineralization at the western end of the Hurricane zone. The Company is revisiting the plans including the potential to expand its summer program. The scope and timing of that revised plan has not yet been finalized, but will take into consideration any restrictions related to the COVID-19 pandemic at that time.

These financial statements have been prepared using IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on its ability to obtain financing and achieve future profitable operations.

The underlying value of IsoEnergy's exploration and evaluation assets is dependent upon the existence and economic recovery of mineral resources or reserves and is subject to, but not limited to, the risks and challenges identified above.

3. BASIS OF PRESENTATION

Statement of Compliance

These financial statements as at and for the years ended December 31, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standard Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee.

3. BASIS OF PRESENTATION (continued)

Basis of Presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All monetary references expressed in these financial statements are references to Canadian dollar amounts ("$"), unless otherwise noted. These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

i. Impairment

At the end of each financial reporting period, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that an impairment loss or reversal of previous impairment should be recorded. Where such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. With respect to exploration and evaluation assets, the Company is required to make estimates and judgments about future events and circumstances and whether the carrying amount of exploration assets exceeds its recoverable amount. Recoverability depends on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or its ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

ii. Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of options to calculate share-based payment expenses. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payment expense. Refer to Note 12 for further details.

In situations where equity instruments are issued to settle amounts due or for goods or services received by the entity the transaction is measured at the fair value of the goods or services received unless that fair value cannot be estimated reliably, in which case the good or services received and corresponding increase in equity are measured at the fair value of the equity instrument issued.

3. BASIS OF PRESENTATION (continued)

iii. Convertible debentures

The Company uses a model based on a system of two coupled Black-Scholes equations to determine the fair value of the convertible debentures. This model involves five key inputs to determine the fair value of the convertible debentures: risk-free interest rate, credit spread, market price at valuation date, expected dividend yield and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. Refer to Note 9 for further details.

Information about significant areas of judgment exercised by management in preparing these financial statements is as follows:

i. Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue its business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

ii. Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment to determine if indicators of impairment exists and whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of mineral reserves or resources. The determination of mineral reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company as set out below have been consistently followed in the preparation of these financial statements.

(a) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Translation of foreign currency transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rate prevailing at the date of the transaction or the date of valuation (when items are re-measured). Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot rate of exchange in effect as at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated into the reporting currency using the exchange rate as at the date of the initial transaction.

(b) Cash

Cash includes deposits held with banks and which are available on demand or have an initial term of 90 days or less.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration and Evaluation Assets

Once the legal right to explore a property has been obtained, exploration and evaluation costs are capitalized as exploration and evaluation assets on an area of interest basis, pending determination of the technical feasibility and commercial viability of the property. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a claim is relinquished, or a project is abandoned, the related deferred costs are recognized in profit or loss immediately. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in the loss for the year.

Although the Company has taken steps to verify its title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for similarly advanced exploration properties, these procedures do not guarantee the Company's title. A property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

At each reporting date, management reviews properties for events and circumstances which may indicate possible impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest is demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining assets and development assets within property, plant and equipment.

(d) Equipment

(i) Recognition and measurement

Items of equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of equipment is recognized when that cost is incurred, if it is probable that the future economic benefits of the item will flow to the Company and the cost of the item can be measured reliably.

(iii) Depreciation

The carrying amount of equipment (including initial and subsequent capital expenditures) is amortized to the estimated residual value over the estimated useful life of the specific assets. Depreciation is calculated over the estimated useful life of each significant component of equipment as follows:

- Software	55% declining balance basis
- Field equipment	20% declining balance basis
- Office equipment	5 years straight-line

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation methods, useful lives, and residual values are reviewed at least annually and adjusted if appropriate.

(iv) Disposal

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

(e) Impairment – Non-Financial Assets

At each reporting date the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or a cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is 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.

The recoverable amount of an asset is the greater of an asset's fair value less the cost to sell the asset and its value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

(f) Decommissioning and Restoration Provisions

Decommissioning and restoration provisions are recorded when a present legal or constructive obligation exists as a result of past events and 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as finance costs.

Changes in reclamation estimates are accounted for prospectively as a change in the corresponding capitalized cost.

The Company did not have any decommissioning and restoration provisions for the years presented.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Common shares issued for consideration other than cash, are measured based on the fair value of the consideration received, unless the fair value cannot be estimated reliably, in which case they are measured at the fair value of the shares at the date the shares are issued.

(h) Warrants

From time to time, warrants are issued as part of a unit which is made up of a common share and a full or partial warrant. The warrant allows the holder to acquire common shares of the Company. The Company uses the residual value in assigning the value to the warrant which is included in the warrant reserve in the statement of changes in equity.

(i) Share-based payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire common shares of the Company. The fair value of options granted is recognized as a share-based payments expense or capitalized to exploration and evaluation assets with a corresponding increase in equity reserves.

Fair value is measured at the grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of granted options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to settle amounts due or for goods or services received by the Company as consideration which cannot be estimated reliably, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the amount settled or goods or services received.

(j) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Company separates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors paid for the flow-through feature, which is recognized as a liability due to the obligation to incur eligible expenditures and ii) share capital. Upon eligible exploration expenditures being incurred, the Company recognizes a deferred tax liability for the amount of tax deduction renounced to shareholders. To the extent that eligible deferred income tax assets are available, the Company will reduce the deferred income tax liability and records a deferred income tax recovery. Proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration within a period of two years. Failure to expend such funds as required under the Canadian income tax legislation will result in a Part XII.6 tax to the Company on flow-through proceeds renounced under the "Look-back" Rule. If applicable, this tax is classified as an administration expense.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Loss per Share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

The Company uses the treasury stock method to compute the dilutive effect of options and other similar instruments. Under this method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

Shares to be issued on existing stock options, warrants and convertible debenture have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the years presented.

(k) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of 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 the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 by 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, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan for the Company. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("**FVTPL**"), at fair value through other comprehensive income ("**FVTOCI**") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as at FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL (such as the Convertible Debentures).

The Company has the following financial instruments, which are classified under IFRS 9 in the table below:

Financial assets/liabilities	Classification
Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	FVTPL

(ii) Measurement

Financial assets at FVTOCI
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income.

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise, except for financial liabilities measured at FVTPL, the change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive (loss) income. The Company's Convertible Debentures have been recognized at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Impairment of financial assets at amortized cost

Under IFRS 9, the Company recognizes a loss allowance using the expected credit loss model on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive (loss) income.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the profit or loss.

5. PENDING TRANSACTIONS

(a) Option Agreement

On August 7, 2020, IsoEnergy entered into an agreement with International Consolidated Uranium ("ICU") (formerly NxGold Ltd., a company with common directors) to grant ICU the option to acquire a 100% interest in the Company's Mountain Lake uranium property in Nunavut, Canada ("**Option Agreement**"). This Option Agreement is awaiting ICU shareholder approval and hence the terms of the Option Agreement are not reflected in these financial statements other than the $20,000 deposit paid prior to December 31, 2020.

Under the terms of the Option Agreement, ICU obtains the option to acquire a 100% interest in the Mountain Lake uranium property for consideration comprised of 900,000 ICU common shares and $20,000 cash (paid). The option is exercisable at ICU's election on or before the second anniversary of receipt of TSXV approval for additional consideration of $1,000,000, payable in cash or shares of ICU. If ICU elects to acquire the Mountain Lake property, IsoEnergy will be entitled to receive the following contingency payments in cash or shares of ICU:

- If the uranium spot price reaches US$50, IsoEnergy will receive an additional $410,000
- If the uranium spot price reaches US$75, IsoEnergy will receive an additional $615,000
- If the uranium spot price reaches US$100, IsoEnergy will receive an additional $820,000

The spot price contingent payments will expire 10 years following the date the option is exercised.

(Expressed in Canadian Dollars)

5. PENDING TRANSACTIONS (continued)

(b) Agreement with 92 Energy

On October 27, 2020 IsoEnergy announced that it has entered into a binding Heads of Agreement (the "**Agreement**") with 92 Energy Pty. Ltd. ("**92 Energy**") for 92 Energy to acquire a 100% interest in IsoEnergy's Clover, Gemini, and Tower uranium properties in Saskatchewan, Canada (the "**Properties**").

92 Energy is a privately held Australian company currently planning an initial public offering ("**IPO**") of its common shares on the Australian Stock Exchange (the "**ASX**") in early 2021.

Pursuant to the Agreement, 92 Energy will acquire a 100% interest in the Clover, Gemini, and Tower uranium properties in consideration for the issuance of common shares equivalent to 16.25% of the issued capital of 92 Energy following the IPO. The shares will be issued at a price of A$0.20, and it is anticipated that approximately 6,500,000 common shares will be issued to IsoEnergy. Additional consideration to IsoEnergy includes milestone cash payments of A$100,000 within 60 days of 92 Energy's IPO, and an additional A$100,000 within 6 months of that date. IsoEnergy will retain a 2% NSR on the Properties and will be entitled to nominate a member to 92 Energy's Board of Directors, provided IsoEnergy maintains a minimum ownership position of 5%. 92 Energy will be required to spend an aggregate of A$1,000,000 on exploration expenditures on the Properties prior to May 1st, 2022.

The terms of the Agreement and the transaction contemplated are subject to requisite regulatory approval and are not reflected in these financial statements.

6. PROPERTY AND EQUIPMENT

The following is a summary of the carrying values of equipment:

	Right-of-use asset	Software	Field equipment	Office furniture	Total
Cost					
Balance, January 1, 2019	$ -	$ 64,947	$ 27,092	$ 13,103	$ 105,142
Additions	-	-	14,336	-	14,336
Asset recognized on adoption of IFRS 16 (Note 8)	259,512	-	-	-	259,512
Balance, December 31, 2019	$ 259,512	$ 64,947	$ 41,428	$ 13,103	$ 378,990
Additions	**-**	**-**	**22,017**	**-**	**22,017**
Balance, December 31, 2020	**$ 259,512**	**$ 64,947**	**$ 63,445**	**$ 13,103**	**$ 401,007**
Accumulated depreciation					
Balance, January 1, 2019	**-**	55,005	14,044	7,895	76,944
Depreciation	58,799	4,970	4,251	1,894	69,914
Balance, December 31, 2019	$ 58,799	$ 59,975	$ 18,295	$ 9,789	$ 146,858
Depreciation	**58,797**	**4,972**	**4,627**	**3,314**	**71,710**
Balance, December 31, 2020	**$ 117,596**	**$ 64,947**	**$ 22,922**	**$ 13,103**	**$ 218,568**
Net book value*:*					
Balance, December 31, 2019	$ 200,713	$ 4,972	$ 23,133	$ 3,314	$ 232,132
Balance, December 31, 2020	**$ 141,916**	**$ -**	**$ 40,523**	**$ -**	**$ 182,439**

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The following is a summary of the carrying value of the acquisition costs and expenditures on the Company's exploration and evaluation assets for the year ended December 31:

	Note	2020	2019
Acquisition costs:			
Acquisition costs, opening		$ 35,298,069	$ 35,284,839
Additions	a	142,363	14,077
Impairments	b	-	(847)
Acquisition costs, closing		$ 35,440,432	$ 35,298,069
Exploration and evaluation costs:			
Exploration costs, opening		$ 12,668,819	$ 8,188,403
Additions:			
Drilling		2,800,364	1,921,903
Geological and geophysical		30,500	600,253
Labour and wages		1,140,615	825,860
Share-based compensation	12	234,956	98,474
Geochemistry and assays		317,508	244,195
Environmental		137,083	-
Engineering		224,620	-
Camp costs		594,539	665,140
Travel and other		142,360	138,098
Impairments	b	-	(13,507)
Total exploration and evaluation in the period		$ 5,622,545	$ 4,480,416
Exploration and evaluation, closing		$ 18,291,364	$ 12,668,819
Total costs, closing		$ 53,731,796	$ 47,966,888

All claims are subject to minimum expenditure commitments. The Company expects to incur the minimum expenditures to maintain the claims.

(a) New claim staking

In the year ended December 31, 2020, the Company spent $142,363 to stake several property extensions and 12 new properties in the Eastern Athabasca adding approximately 200,000 hectares of mineral tenure in the Eastern Athabasca. The new exploration properties are Cable, Clover, Evergreen, Gemini, Hawk, Horizon, Larocque West, Ranger, Spruce, Tower, Trident and Sparrow.

(b) Impairment

In 2019, the Company decided not to incur expenditure required to maintain Fox in good standing and accordingly an amount of $14,354 relating to that property was impaired.

(Expressed in Canadian Dollars)

8. LEASE LIABILITY

The lease liability for the years ended December 31, are as follows:

	2020	2019
Opening balance, January 1	**$ 209,231**	$ -
Lease liability recognized on adoption of IFRS 16 on January 1, 2019	**-**	259,512
Interest on lease liability	**8,976**	11,862
Payments	**(66,567)**	(62,143)
Lease liability, end of period	**151,640**	209,231
Less Current portion	**(66,745)**	(66,745)
Long-term lease liability	**$ 84,895**	$ 142,486

On January 1, 2019 the Company adopted IFRS 16 – Leases retrospectively with the cumulative effect on initially applying the standard recognized at the date of initial application.

The lease is for an office space lease that extends to May 31, 2023. The discount rate applied to the lease is 5%. See Note 6 for information related to the leased asset. In addition to the lease payments the Company pays approximately $47,000 annually related to operating costs and realty taxes of the leased office space. This amount is reassessed annually based on actual costs incurred.

IsoEnergy sub-leases approximately 50% of its office space. The Company accounts for the sublease as an operating lease with amounts received recognised as rental income.

As at December 31, 2020, the minimum future lease payments relating to the leased asset are as follows:

2021	$ 66,745
2022	66,745
2023	27,810
	$ 161,300

In addition to the leased asset above, the Company engages a drilling company to carry out its drilling programs on its exploration and evaluation properties. The drilling company provides all required equipment. These contracts are short-term, and the Company has elected not to apply the recognition and measurement requirements of IFRS 16 to them. Payments to the drilling company in the year ended December 31, 2020 were $2,304,575 (December 31, 2019 - $1,722,898).

9. CONVERTIBLE DEBENTURES

Fair value on issuance, August 18, 2020	**$ 7,629,586**
Change in fair value in the period	**6,404,406**
Interest expense	**248,962**
Interest paid	**(248,962)**
Fair value, end of period	**14,033,992**

On August 18, 2020, IsoEnergy entered into an agreement with Queen’s Road Capital Investment Ltd. (the “**Debentureholder**”) for a US$6 million private placement of unsecured convertible debentures (the “**Debentures**”). The Debentures will be convertible at the holder’s option at a conversion price of $0.88 (the “**Conversion Price**”) into a maximum of 9,206,311 common shares (the “**Maximum Conversion Shares**”) of the Company.

(Expressed in Canadian Dollars)

9. CONVERTIBLE DEBENTURES (continued)

On any conversion of any portion of the principal amount of the Debentures, if the number of common shares to be issued on such conversion, taking into account all common shares issued in respect of all prior conversions would result in the common shares to be issued exceeding the Maximum Conversion Shares, on such conversion the Debentureholder shall be entitled to receive a payment (the "**Exchange Rate Fee**") equal to the number of common shares that are not issued as a result of exceeding the Maximum Conversion Shares, multiplied by the 20-day volume-weighted average trading price ("**VWAP**"). IsoEnergy can elect to pay the Exchange Rate Fee in cash or, subject to the TSXV approval, in common shares of the Company.

The Company received gross proceeds of $7,902,000 (US$6,000,000). A 3% establishment fee of $272,414 (US$180,000) was also paid to the Debentureholder through the issuance of 219,689 common shares. The fair value of the Debentures on issuance date was determined to be $7,629,586. The Company revalues the Debentures at the end of each reporting period with the change in the period related to credit risk recorded in Other Comprehensive Income or Loss and other changes in fair value in the period recorded in the Profit or Loss. The fair value of the Debentures increased from $7,629,586 on the issuance date to $14,033,992 at December 31, 2020, resulting in a loss of $6,404,406 for the period. This loss was bifurcated with the amount of the change in fair value of the Debentures attributable to changes in the credit risk recognized in Other Comprehensive Income (loss of $72,466) and the remaining amount recognized in the loss for the period (loss of $6,331,940). The following assumptions were used to estimate the fair value of the Debentures:

	August 18, 2020	December 31, 2020
Expected stock price volatility	48%	46%
Expected life	5 years	4.6 years
Risk free interest rate	0.76%	0.79%
Expected dividend yield	0.00%	0.00%
Credit spread	22.80%	21.70%
Underlying share price of the Company	$ 1.24	$ 1.87
Conversion price	$ 0.88	$ 0.88
Exchange rate (C$:US$)	1.3168	1.2725

The Debentures carry an 8.5% coupon (the "**Interest**") over a 5-year term. The Interest is payable semi-annually with 6% payable in cash and 2.5% payable in common shares of the Company, subject to TSXV approval, at a price equal to the 20-day VWAP of the Company's common shares on the TSXV on the twenty days prior to the date such Interest is due. The Interest can be reduced to 7.5% per annum on the public dissemination by the Company of an economically positive preliminary economic assessment study, at which point the cash component of the Interest will be reduced to 5% per annum. In the year ended December 31, 2020, the Company incurred interest expense of $248,962, of which $174,114 was settled in cash and $74,848 by way of issue of 40,026 common shares of the Company.

The Company will be entitled, on or after the third anniversary of the date of issuance of the Debentures, at any time the 20-day VWAP if the Company's shares listed on the TSXV exceeds 130% of the Conversion Price, to redeem the Debentures at par plus accrued and unpaid Interest.

Upon completion of a change of control (which includes in the case of the holders' right to redeem the Debentures, a change in the Chief Executive Officer of the Company), the holders of the Debentures or the Company may require the Company to purchase or the holders to redeem, as the case may be, any outstanding Debentures in cash at: (i) on or prior to August 18, 2023, 130% of the principal amount; and (ii) at any time thereafter, 115% of the principal amount, in each case plus accrued but unpaid interest, if any. In addition, upon the public announcement of a change of control that is supported by the Board, the Company may require the holders of the Debentures to convert the Debentures into common shares at the Conversion Price provided the consideration payable upon the change of control exceeds the Conversion Price and is payable in cash.

(Expressed in Canadian Dollars)

9. CONVERTIBLE DEBENTURES (continued)

A "change of control" of the Company is defined as consisting of: (i) the acquisition, directly or indirectly, by a person or group of persons acting jointly or in concert of voting control or direction over 50% or more of the outstanding common shares, (ii) the amalgamation, consolidation or merger of the Company with or into another entity as a result of which the holders of common shares immediately prior to such transaction, directly or indirectly, hold less than 50% of voting control or direction over the entity carrying on the business of the Company following such transaction, (iii) the sale, assignment, transfer or other disposition of all or substantially all of the property or assets of the Company to another entity in which the holders of common shares immediately prior to such transaction, directly or indirectly, hold less than 50% of voting control or direction following such transaction, (iv) the removal by resolution of the shareholders of the Company, of a majority of the then incumbent directors of the Company, which removal has not been recommended in the Company's management information circular, or the failure to elect to the Company's board of directors a majority of the directors proposed for election by management in the Company's management information circular; or (v) the acquisition by any transaction, directly or indirectly, by a person or group of persons acting jointly or in concert of voting control or direction over more of the common shares than are then held by NexGen.

10. COMMITMENTS

The Company has raised funds through the issuance of flow-through shares. Based on Canadian tax law, the Company is required to spend this amount on eligible exploration expenditures by December 31 of the year after the year in which the shares were issued.

The premium received for a flow-through share, which is the price received for the share in excess of the market price of the share, is recorded as a flow-through share premium liability. This liability is subsequently reduced when the required exploration expenditures are made, on a pro rata basis, and accordingly, a recovery of flow-through premium is then recorded as a reduction in the deferred tax expense to the extent that deferred income tax assets are available.

As of December 31, 2020, the Company is obligated to spend $4,000,000 by December 31, 2022 on eligible exploration expenditures. The 2020 FT Shares (see Note 12(a)) were issued at a price that was below market value on the date of issue and therefore no flow-through share premium liability was recorded.

The flow-through share premium liability for the years ended December 31, is comprised of:

		2020		**2019**
Balance, opening	**$**	**227,522**	$	550,392
Liability incurred on flow-through shares issued		**-**		233,340
Settlement of flow-through share liability on expenditures		**(227,522)**		(556,210)
Balance, closing	**$**	**-**	$	227,522

(Expressed in Canadian Dollars)

11. INCOME TAXES

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

	2020	2019
Loss from operations	$ (9,601,254)	$ (2,097,220)
Statutory rate	27%	27%
Expected tax recovery	$ (2,592,339)	$ (566,249)
Permanent differences:		
Share-based compensation	126,758	64,489
Convertible debt	1,709,624	-
Other	3,721	8,862
Release of flow-through share premium liability	(227,522)	(556,210)
Flow-through renunciation	921,877	1,114,153
Income tax (recovery) expense	$ (57,881)	$ 65,045

The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as calculated for income tax purposes gives rise to the following deferred tax assets and liabilities:

	2020	2019
Tax loss carry forwards	$ 2,766,808	$ 1,886,988
Financing costs	248,892	194,576
Exploration and evaluation assets	(3,785,462)	(2,848,502)
Property and equipment	58,175	41,872
Deferred tax liabilities	$ (711,587)	$ (725,066)

Movement in the Company's deferred tax balance in the year is as follows:

December 31, 2020	Opening Balance	Recognized in Income Tax Expense	Recognized in Shareholders Equity	Closing Balance
Deferred tax assets:				
Tax loss carry forwards	$ 1,886,988	$ 879,820	$ -	$ 2,766,808
Financing costs	194,576	(128,797)	183,113	248,892
Deferred tax liabilities:				
Exploration and evaluation assets	(2,848,502)	(936,960)	-	(3,785,462)
Equipment	41,872	16,303	-	58,175
	$ (725,066)	$ (169,634)	$ 183,113	$ (711,587)

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

December 31, 2019	Opening Balance	Recognized in Income Tax Expense	Recognized in Shareholders Equity	Closing Balance
Deferred tax assets:				
Tax loss carry forwards	$ 1,323,170	$ 563,818	$ -	$ 1,886,988
Financing costs	177,234	(78,214)	95,556	194,576
Deferred tax liabilities:				
Exploration and evaluation assets	(1,723,879)	(1,124,623)	-	(2,848,502)
Equipment	24,109	17,763	-	41,872
	$ (199,366)	$ (621,256)	$ 95,556	$ (725,066)

The Company has non-capital losses of $10,247,410 (2019 - $6,988,843) which expire in 2035-2040. Tax attributes are subject to review, and potential adjustment, by tax authorities.

In 2016 IsoEnergy acquired exploration and evaluation assets from NexGen. At the time of acquisition from NexGen the net book value was $22,773,810, as recorded in NexGen's financial statements immediately prior to the transfer, compared to the consideration paid by the Company of $29,000,000. The difference has not been recognized as a deferred tax liability pursuant to the "initial recognition exemption" under IFRS 12 - *Income Taxes*.

12. SHARE CAPITAL

Authorized Capital - Unlimited number of common shares with no par value.

Issued

For the year ended December 31, 2020:

(a) On December 22, 2020, the Company issued 2,702,703 flow-through shares (the "**2020 FT Shares**") at a price of $1.48 per 2020 FT Share for aggregate gross proceeds of $4,000,000. Share issuance costs for the 2020 FT Shares funds raised were $340,115, net of $93,557 of tax. Share issuance costs includes $87,184 related to 162,162 brokers' warrants which were valued using the Black-Scholes model with a corresponding amount added to the Warrant reserve account in Equity. The brokers' warrants entitle the holder to purchase an additional common share for a period of two years at an exercise price of $1.48.

(b) On August 10, 2020, the Company issued 5,882,352 common shares at a price of $0.68 per common share for aggregate gross proceeds of $3,999,999. Share issuance costs were $242,146, net of tax of $89,561.

(c) On August 18, 2020, the Company issued 219,689 shares to the Debentureholder in connection with the issuance of the Debentures which were valued at $272,414 (see Note 9).

(d) During the year ended December 31, 2020, the Company issued 1,000,728 common shares on the exercise of warrants for proceeds of $425,767. As a result of the exercises, $167,364 was reclassified from reserves to share capital.

(e) On August 20, 2020, the Company issued 100,000 shares on the exercise of options for proceeds of $50,000. In the fourth quarter, the Company issued 260,000 common shares on the exercise of options for proceeds of $184,050. As a result of the exercises, $158,303 was reclassified from reserves to share capital.

(f) On December 31, 2020, the Company issued 40,026 common shares to the Debentureholder to settle $74,848 which is 2.5% of the interest owing on the Debentures (see Note 9).

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

For the year ended December 31, 2019:

(g) On December 3, 2019, the Company issued 7,778,000 flow-through shares (the "**2019 FT Shares**") at a price of $0.45 per 2019 FT Share for aggregate gross proceeds of $3,500,100.

On December 9, 2019 the Company issued 8,056,858 units at a price of $0.40 per Unit for aggregate gross proceeds of $3,222,743 (the "**Unit**"). Each Unit consisted of one non-flow through common share and one-half of a share purchase warrant (the "**Warrant**") with each Warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.60. The Warrants were valued at $nil using the residual method.

Share issuance costs for the funds raised in December 2019 were $322,802, net of $95,556 of tax. Share issuance costs includes $64,449 related to 466,680 brokers' warrants which were valued using the Black-Scholes model with a corresponding amount added to the Warrant reserve account in Equity. The brokers' warrants entitle the holder to purchase an additional common share for a period of two years at an exercise price of $0.45.

(h) The Company issued 68,774 shares on the exercise of warrants for proceeds of $26,134.

Stock Options

Pursuant to the Company's stock option plan, directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of 10 years and are subject to vesting provisions as determined by the Board of Directors of the Company.

Stock option transactions and the number of stock options outstanding on the dates set forth below are summarized as follows:

	Number of options	Weighted average exercise price per share
Outstanding January 1, 2019	6,320,000	$ 0.74
Granted	100,000	$ 0.50
Outstanding December 31, 2019	6,420,000	$ 0.74
Exercised	(360,000)	$ 0.65
Granted	2,510,000	$ 0.63
Outstanding, December 31, 2020	8,570,000	$ 0.71
Number of options exercisable	6,917,495	$ 0.73

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

As at December 31, 2020, the Company has stock options outstanding and exercisable as follows:

Number of options	Exercise price per option	Number of options exercisable	Exercise price per option	Vesting	Remaining contractual life (years)	Expiry date
3,025,000	$1.00	3,025,000	$1.00		0.8	October 25, 2021
100,000	$1.00	100,000	$1.00		0.8	October 24, 2021
250,000	$1.00	250,000	$1.00		1.0	January 4, 2022
355,000	$0.57	355,000	$0.57		2.0	January 8, 2023
1,070,000	$0.36	1,070,000	$0.36		2.6	July 30, 2023
1,300,000	$0.42	1,300,000	$0.42		3.0	December 28, 2023
1,645,000	$0.385	521,665	$0.385	(i)	4.1	January 24, 2025
50,000	$0.385	37,500	$0.385	(ii)	4.1	January 24, 2025
775,000	$1.19	258,330	$1.19	(i)	4.7	August 25, 2025
8,570,000	$0.71	6,917,495	$0.73			

(i) 1/3 annually with 1/3 vesting immediately
(ii) 25% quarterly starting one quarter after the grant date

The Company uses the Black-Scholes option pricing model to calculate the fair value of granted stock options. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect fair value estimates. The following weighted average assumptions were used to estimate the grant date fair values for the year ended December 31, 2020:

Expected stock price volatility	75%
Expected life of options	5 years
Risk free interest rate	1.04%
Expected dividend yield	0.00%
Weighted average exercise price	$ 0.63
Weighted average fair value per option granted	$ 0.38

The Company has share-based compensation related to options that vested or forfeited in the period. Share-based compensation in the period is as follows:

	2020	**2019**
Capitalized to explorations and evaluation assets	**$ 234,956**	$ 98,474
Expensed to the statement of loss and comprehensive loss	**469,473**	238,849
	$ 704,429	$ 337,323

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

Warrants

As of December 31, 2020, the Company has the following warrants outstanding:

Expiry Date	January 1, 2020	Issued	Exercised	December 31, 2020	Weighted average exercise price per warrant
December 20, 2020	484,774	-	(484,774)	-	$0.38
April 21, 2021	2,400,260	-	(62,500)	2,337,760	$0.60
December 6, 2021	4,028,429	-	-	4,028,429	$0.60
December 3, 2021	466,680	-	(453,454)	13,226	$0.45
December 22, 2022	-	162,162	-	162,162	$1.48
	7,380,143	162,162	(1,000,728)	6,541,577	$0.62

The Company uses the Black-Scholes option pricing model to calculate the fair value of warrants issued for services. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect fair value estimates. The following weighted average assumptions were used to estimate the grant date fair values for the year ended December 31, 2020:

Expected stock price volatility	75%
Expected life of options	2 years
Risk free interest rate	0.21%
Expected dividend yield	0.00%
Weighted average exercise price	$ 1.48
Weighted average fair value per warrant issued	$ 0.54

13. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel is summarized as follows:

Year ended December 31, 2020	Short term compensation	Share-based compensation	Total
Expensed in the statement of loss and comprehensive loss	**$ 846,197**	**$ 400,851**	**$1,247,048**
Capitalized to exploration and evaluation assets	**551,727**	**81,684**	**633,411**
	$ 1,397,924	**$ 482,535**	**$1,880,459**

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (continued)

Year ended December 31, 2019	Short term compensation	Share-based compensation	Total
Expensed in the statement of loss and comprehensive income loss	$ 635,860	$ 178,552	$ 814,412
Capitalized to exploration and evaluation assets	520,490	59,257	579,747
	$ 1,156,350	$ 237,809	$ 1,394,159

As of December 31, 2020, $47,000 (December 31, 2019 – $34,500) was included in accounts payable and accrued liabilities owing to directors and officers for compensation.

On August 10, 2020, NexGen acquired 4,411,764 common shares of the Company (see Note 12). On December 9, 2019, NexGen acquired 7,371,858 Units of the Company (see Note 12). NexGen also holds 3,685,929 warrants with an exercise price of $0.60 that expire on December 6, 2021.

Up until March 31, 2020, the Company charged office lease and administrative expenditures to ICU, a company with common directors. During the year ended December 31, 2020, office lease and administrative expenditures charged to ICU amounted to $26,533 (2019 – $106,644). At December 31, 2020, ICU owes IsoEnergy nil (December 31, 2019 – $8,844). In addition, on August 7, 2020, the Company entered into the Option Agreement with ICU (see Note 5).

Subsequent to year end, the Chief Executive Officer resigned and was paid $897,254 in accordance with the terms of his employment contract.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of assets. The Board of Directors does not impose quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

In the management of capital, the Company considers all types of equity and is dependent on third party financing, whether through debt, equity, or other means. Although the Company has been successful in raising funds to date, there is no assurance that the Company will be successful in obtaining required financing in the future or that such financing will be available on terms acceptable to the Company.

The properties in which the Company currently has an interest are in the exploration stage. As such the Company, has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it determines that there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and Debentures.

15. FINANCIAL INSTRUMENTS (continued)

Fair Value Measurement

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their carrying value, due to their short-term maturities or liquidity.

The Debentures are re-measured at fair value at each reporting date with any change in fair value recognized in profit or loss, except the change in fair value that is attributable to change in credit risk is presented in other comprehensive income (Note 9). The Debentures are classified as Level 2.

Financial instrument risk exposure

As at December 31, 2020, the Company's financial instrument risk exposure and the impact thereof on the Company's financial instruments are summarized below:

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at December 31, 2020, the Company has cash on deposit with a large Canadian bank. Credit risk is concentrated as a significant amount of the Company's cash and cash equivalents is held at one financial institution. Management believes the risk of loss to be remote.

The Company's accounts receivable consists of input tax credits receivable from the Government of Canada and interest accrued on cash equivalents. Accordingly, the Company does not believe it is subject to significant credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its obligations under financial instruments. The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital to meet short-term obligations. As at December 31, 2020, the Company had a working capital balance of $13,994,556, including cash of $14,034,565.

(c) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(i) Interest Rate Risk

Interest rate risk is the risk that the future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value of the Company's cash and cash equivalent balances as of December 31, 2020. The interest on the Debentures is fixed and not subject to market fluctuations.

15. FINANCIAL INSTRUMENTS (continued)

(ii) Foreign Currency Risk

The functional currency of the Company is the Canadian dollar. The Company is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the Canadian dollar in relation to other currencies impact the fair value of financial assets, liabilities and operating results. Financial assets and liabilities subject to currency translation risk primarily include US dollar denominated cash and US dollar accounts payable and accrued liabilities and the Debentures. The Company maintains Canadian and US dollar bank accounts in Canada.

The Company is exposed to foreign exchange risk on its US dollar denominated Debentures. At maturity the US$6 million principal amount of the Debentures is due in full, and prior to then at a premium upon the occurrence of certain events, including a change of control. The Company holds sufficient US dollars to make all cash interest payments due under the Debentures until maturity but not to pay the principal amount. Accordingly, the Company is subject to risks associated with fluctuations in the Canadian/US dollar exchange rate that may make the Debentures more costly to repay.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact of movements in individual equity prices or general movements in the level of the stock market on the Company’s financial performance. Commodity price risk is defined as the potential adverse impact of commodity price movements and volatilities on financial performance and economic value. Future declines in commodity prices may impact the valuation of long-lived assets. The Company closely monitors the commodity prices of uranium, individual equity movements, and the stock market.

16. SEGMENT INFORMATION

The Company operates in one reportable segment, being the acquisition, exploration and development of uranium properties. All of the Company’s non-current assets are located in Canada.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There was no cash paid for income tax in the year ended December 31, 2020 and 2019.

Non-cash transactions in the year ended December 31, 2020 and 2019 included:

(a) A non-cash transaction of $234,956 (2019 – $98,474) related to share-based payments was included in exploration and evaluation assets.

(b) The lease liability of $259,512 and related lease asset recorded in the year ended December 31, 2019 were non-cash (see Notes 6 and 8).

(c) The Company issued 219,689 shares valued at $272,414 to settle the establishment fee related to the Debentures (see Note 9).

(d) The Company issued 40,026 shares valued at $74,848 to settle a portion of the interest owing on the Debentures (see Note 9).

18. SUBSEQUENT EVENT

(a) Subsequent to December 31, 2020, 780,000 stock options and 7,779 warrants were exercised. In February 2021, 250,000 options were issued that at exercisable at $2.44 per share.