Audited Financial Statements of

ISOENERGY LTD.

For the years ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S 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, 2022 and 2021
- the statements of income (loss) and comprehensive income (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, 2022 and 2021, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of indicators of impairment for exploration and evaluation assets

Description of the matter

We draw attention to Note 3(i), 4(c), 4(e) and 8 of the financial statements. The Entity has exploration and evaluation assets of $71,483,819. 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.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for exploration and evaluation assets as a key audit matter. This matter was of most significance due to the judgement required in evaluating the results of our audit procedures to assess the Entity's determination of whether the factors, individually or in the aggregate, resulted in indicators of impairment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Entity's analysis of factors within their impairment indicators memorandum by considering whether quantitative and qualitative information in the analysis was consistent with other evidence in other areas of the audit. This included:

- Information included in the Entity's press releases and management's discussion and analysis
- Other evidence obtained in other areas of the audit, including estimates of mineral resources and internal communications to management and the Board of Directors.

We assessed the status of the Entity's rights to explore the properties by discussing with management if any rights were not expected to be renewed and by inspecting government registries.

We considered the activities to date in each area to which the Entity has a right to explore by comparing the actual expenditures to the budgeted expenditures.

We assessed if substantive expenditures on further exploration for and evaluation of mineral resources in each area that the Entity has a right to explore are planned or discontinued by inspecting budgeted expenditures.

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 auditor's 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 auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP (signed)

The engagement partner on the audit resulting in this auditor's report is Andrew James.

Vancouver, Canada

February 16, 2023

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

	Note	2022	2021
ASSETS			
Current			
Cash		**$ 19,912,788**	$ 13,617,066
Accounts receivable		**46,061**	129,079
Prepaid expenses		**167,279**	107,253
Marketable securities	6	**5,774,617**	9,314,985
		25,900,745	23,168,383
Non-Current			
Property and equipment	7	**48,927**	66,549
Exploration and evaluation assets	8	**71,165,630**	60,955,590
TOTAL ASSETS		**$ 97,115,302**	$ 84,190,522
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 552,957**	$ 640,971
Flow-through share premium liability	9	**2,068,785**	-
		2,621,742	**640,971**
Non-Current			
Convertible debentures	10	**27,405,961**	25,101,132
Deferred income tax liability	11	**866,909**	2,534,750
TOTAL LIABILITIES		**$ 30,894,612**	$ 28,276,853
EQUITY			
Share capital	12	**$ 90,640,338**	$ 78,901,944
Share option and warrant reserve	12	**15,405,672**	6,469,143
Accumulated deficit		**(41,721,615)**	(34,346,954)
Other comprehensive income		**1,896,295**	4,889,536
TOTAL EQUITY		**66,220,690**	55,913,669
TOTAL LIABILITIES AND EQUITY		**$ 97,115,302**	$ 84,190,522

Nature of operations (Note 2)
Commitments (Notes 9, 10)

The accompanying notes are an integral part of the financial statements

These financial statements were authorized for issue by the Board of Directors on February 16, 2023

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

ISOENERGY LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
For the years ended December 31

	Note	2022	2021
General and administrative costs			
Share-based compensation	12, 13	**$ 7,575,501**	$ 3,739,554
Administrative salaries, contract and director fees	13	**1,412,472**	2,137,082
Investor relations		**471,317**	281,701
Office and administrative		**215,766**	148,240
Professional and consultant fees		**697,236**	264,161
Travel		**111,853**	8,433
Public company costs		**230,640**	119,232
Depreciation expense		**-**	29,398
Total general and administrative costs		**(10,714,785)**	**(6,727,801)**
Interest income		**107,178**	66,660
Interest expense		**(386)**	(5,230)
Interest on convertible debentures	10	**(701,609)**	(641,836)
Fair value gain/(loss) on convertible debentures	10	**2,921,806**	(11,036,471)
(Loss)/gain on disposal of assets	5,8	**(85,386)**	3,595,382
Foreign exchange gain/(loss)		**73,777**	(16,712)
Other income		**-**	29,274
Loss from operations		**(8,399,405)**	**(14,736,734)**
Deferred income tax recovery/(expense)	11	**1,024,744**	(1,043,960)
Loss		**$ (7,374,661)**	**$ (15,780,694)**
Other comprehensive (loss)/gain			
Change in fair value of convertible debentures attributable to the change in credit risk	10	**69,177**	(30,669)
Change in fair value of marketable securities	6	**(3,540,368)**	5,771,874
Deferred tax recovery/(expense)	11	**477,950**	(779,203)
Total comprehensive loss for the period		**$ (10,367,902)**	**$ (10,818,692)**
Loss per common share			
– basic		**$ (0.07)**	**$ (0.16)**
– diluted		**$ (0.07)**	**$ (0.16)**
Weighted average number of common shares outstanding			
– basic		**106,958,946**	98,348,056
– diluted		**106,958,946**	98,348,056

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 income/(loss)	Total
Balance as at January 1, 2021		**94,472,998**	**$ 67,491,167**	**$ 4,235,150**	**$(18,566,260)**	**$ (72,466)**	**$ 53,087,591**
Shares issued on the exercise of stock options	12	4,839,999	6,884,679	(2,790,305)	-	-	4,094,374
Shares issued on the exercise of warrants	12	6,541,577	4,341,882	(276,053)	-	-	4,065,829
Shares issued to settle interest		54,196	184,216	-	-	-	184,216
Share-based payments	12	-	-	5,300,351	-	-	5,300,351
Loss for the period		-	-	-	(15,780,694)	-	(15,780,694)
Other comprehensive income for the period	6,10	-	-	-	-	4,962,002	4,962,002
Balance as at December 31, 2021		**105,908,770**	**$ 78,901,944**	**$ 6,469,143**	**$(34,346,954)**	**$ 4,889,536**	**$ 55,913,669**
Shares issued in private placements	12	3,341,802	13,027,001	-	-	-	13,027,001
Share issue cost	12	-	(571,459)	-	-	-	(571,459)
Premium on flow-through shares	9	-	(2,115,000)	-	-	-	(2,115,000)
Shares issued on the exercise of stock options	12	1,074,500	1,190,312	(470,421)	-	-	719,891
Shares issued to settle interest	12	67,058	207,540	-	-	-	207,540
Share-based payments	12	-	-	9,406,950	-	-	9,406,950
Loss for the period		-	-	-	(7,374,661)	-	(7,374,661)
Other comprehensive loss for the period	6,10	-	-	-	-	(2,993,241)	(2,993,241)
Balance as at December 31, 2022		**110,392,130**	**$ 90,640,338**	**$ 15,405,672**	**$(41,721,615)**	**$ 1,896,295**	**$ 66,220,690**

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

	Note	2022	2021
Cash flows used in operating activities			
Loss for the period		**$ (7,374,661)**	$ (15,780,694)
Items not involving cash:			
Share-based compensation		**7,575,501**	3,739,554
Deferred income tax (recovery) expense		**(1,024,744)**	1,043,960
Depreciation expense		**-**	29,398
Other income		**-**	(11,100)
Interest on lease liability		**-**	5,230
Interest on convertible debentures		**701,609**	641,836
Fair value (gain)/loss on convertible debentures		**(2,921,806)**	11,036,471
Loss/(gain) on disposal of asset		**85,386**	(3,595,382)
Foreign exchange (gain)/loss		**(168,700)**	3,208
Changes in non-cash working capital			
Accounts receivable		**83,018**	(61,112)
Prepaid expenses		**(60,026)**	110,166
Deposit		**-**	9,274
Accounts payable and accrued liabilities		**161,120**	79,621
		$ (2,943,303)	**$ (2,749,570)**
Cash flows used in investing activities			
Additions to exploration and evaluation assets		**$ (8,683,729)**	$ (5,457,400)
Acquisition of exploration and evaluation assets		**(10,249)**	(27,139)
Additions to equipment		**-**	(43,259)
Proceeds on sale of assets		**-**	192,200
		$ (8,693,978)	**$ (5,335,598)**
Cash flows from financing activities			
Shares issued	**12**	**13,027,001**	-
Share issuance cost	**12**	**(782,821)**	-
Shares issued for warrant exercise		**-**	4,065,829
Shares issued for option exercise		**719,891**	4,094,374
Convertible debentures			
Proceeds on issuance (net)	**10**	**5,295,812**	-
Interest		**(504,028)**	(457,620)
Lease liability payments:			
Principal		**-**	(28,024)
Interest		**-**	(5,230)
		$ 17,755,855	**$ 7,669,329**
Effects of exchange rate changes on cash		**177,148**	(1,660)
Change in cash		**$ 6,295,722**	$ (417,499)
Cash, beginning of period		**13,617,066**	14,034,565
Cash, end of period		**$ 19,912,788**	**$ 13,617,066**

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, 2022, the Company did not have any subsidiaries and NexGen Energy Ltd ("NexGen") holds 50.1% 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, 2022, the Company had accumulated losses of $41,721,615 and working capital of $25,347,788 (working capital is defined as current assets less accounts payable and accrued liabilities). 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 Company's limited operating history; the lack of known mineral 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.

These financial statements have been prepared using International Financial Reporting Standards ("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, 2022 and 2021 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.

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 judgement and estimation uncertainty considered by management in preparing the financial statements are as follows:

3. BASIS OF PRESENTATION (continued)

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.

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 10 for further details.

Reclassification of prior period comparative figures

Certain prior period comparatives have been reclassified for consistency with current period presentation. These reclassifications had no effect on these financial statements.

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.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(l) 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.

(m) 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
Marketable securities	FVTOCI
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	FVTPL

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 the change in fair value attributable to changes in the credit risk of the financial liabilities, which is presented in other comprehensive (loss) income. The Company's Convertible Debentures have been recognized at FVTPL.

(iii) 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.

Future accounting pronouncements:

The following standard has not yet been adopted by the Company and is being evaluated:

Amendments to IAS 1 related to the Classification of Liabilities as Current or Non-Current, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted. Among other items, the amendments clarify how a company classifies a liability that can be settled in its own shares, e.g., convertible debt.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

When a liability includes a counterparty conversion option that involves a transfer of the company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 *Financial Instruments: Presentation*. The IASB has now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity. The Company is currently evaluating the potential impact of these amendments, once it becomes effective, to the classification of it convertible debentures as current and non-current. The Company does not intend to apply these amendments before the effective date of January 1, 2024.

5. TRANSACTIONS

(a) Agreement with 92 Energy

On April 14, 2021 IsoEnergy closed a transaction based on a 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**") in consideration for the issuance of 10,755,000 fully paid ordinary shares of 92 Energy or 16.25% of the issued and outstanding shares of 92 Energy at the time. The 92 Energy shares were issued at a price of A$0.20 per share and were in escrow for 12 months following the completion of 92 Energy's initial public offering on the Australian Stock Exchange (the "**IPO**"). Additional consideration to IsoEnergy for the Properties included milestone cash payments of A$100,000 within 60 days of the IPO (received June 14, 2021), and an additional A$100,000 within 6 months of the IPO (received October 8, 2021). IsoEnergy retained a 2% NSR on the Properties and is entitled to nominate a member of 92 Energy's Board of Directors, provided IsoEnergy maintains a minimum ownership position of 5%. The Company recognized a gain of $2,236,489 on the completion of the transaction in 2021. 92 Energy met a contractual requirement to spend an aggregate of A$1,000,000 on exploration expenditures on the Properties prior to May 1, 2022. As at December 31, 2022 the Company's shareholding in 92 Energy represents 11.6% of the outstanding capital of 92 Energy.

(b) Mountain Lake Option Agreement

On August 10, 2021, IsoEnergy completed an agreement with Consolidated Uranium Inc. (previously International Consolidated Uranium Inc.) ("**Consolidated Uranium**"), which trades on the TSXV, to grant Consolidated Uranium the option to acquire a 100% interest in the Company's Mountain Lake uranium property in Nunavut, Canada (the "**Mountain Lake Option Agreement**").

Under the terms of the Mountain Lake Option Agreement, Consolidated Uranium obtained the option to acquire a 100% interest in the Mountain Lake uranium property for consideration comprised of 900,000 Consolidated Uranium common shares and $20,000 cash. The option is exercisable at Consolidated Uranium's election on or before August 3, 2023 for additional consideration of $1,000,000, payable in cash or shares of Consolidated Uranium (provided certain conditions are met) at the discretion of Consolidated Uranium. If Consolidated Uranium elects to acquire the Mountain Lake property, IsoEnergy will be entitled to receive the following contingent payments in cash or shares of Consolidated Uranium, at the discretion of Consolidated Uranium:

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

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

At the date of these financial statements the option has not been exercised by Consolidated Uranium.

The Company recognized a gain of $1,374,213 on completion of the Mountain Lake Option Agreement in 2021.

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITES

Marketable securities consist of 10,755,000 common shares of 92 Energy, 900,000 common shares of Consolidated Uranium and 193,300 common shares of Labrador Uranium Inc. ("**Labrador Uranium**"). On February 22, 2022, Consolidated Uranium completed a transaction pursuant to which it transferred its Moran Lake Project and associated liabilities to Labrador Uranium, which trades on the Canadian Securities Exchange, in exchange for 16,000,000 common shares of Labrador Uranium. Consolidated Uranium subsequently distributed the 16,000,000 common shares of Labrador Uranium to its shareholders and the Company received 193,300 Labrador Uranium common shares.

The carrying value of marketable securities is based on the estimated fair value of the common shares and determined using published closing prices.

	92 Energy	Consolidated Uranium	Labrador Uranium	Total
Balance, January 1, 2022	**$ 6,731,985**	**$ 2,583,000**	**$ -**	**$ 9,314,985**
Change in fair value recorded in Other comprehensive income	(2,479,157)	(1,125,000)	63,789	(3,540,368)
Balance, December 31, 2022	**$ 4,252,828**	**$ 1,458,000**	**$ 63,789**	**$ 5,774,617**

7. 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, 2021	$ 259,512	$ 64,947	$ 63,445	$ 13,103	$ 401,007
Additions	-	-	43,259	-	43,259
Lease modification	(259,512)	-	-	(13,103)	(272,615)
Balance, December 31, 2021	$ -	$ 64,947	$ 106,704	$ -	$ 171,651
Additions	-	-	-	-	-
Balance, December 31, 2022	**$ -**	**$ 64,947**	**$ 106,704**	**$ -**	**$ 171,651**
Accumulated depreciation					
Balance, January 1, 2021	$ 117,596	$ 64,947	$ 22,922	$ 13,103	$ 218,568
Depreciation	29,398	-	17,233	-	46,631
Lease modification	(146,994)	-	-	(13,103)	(160,097)
Balance, December 31, 2021	**$ -**	**$ 64,947**	**$ 40,155**	**$ -**	**$ 105,102**
Depreciation	**-**	**-**	**17,622**	**-**	**17,622**
Balance, December 31, 2022	**$ -**	**$ 64,947**	**$ 57,777**	**$ -**	**$ 122,724**
Net book value:					
Balance, December 31, 2021	**$ -**	**$ -**	**$ 66,549**	**$ -**	**$ 66,549**
Balance, December 31, 2022	**$ -**	**$ -**	**$ 48,927**	**$ -**	**$ 48,927**

(Expressed in Canadian Dollars)

8. 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:

	Note	2022	2021
Acquisition costs:			
Acquisition costs, opening		**$ 35,322,962**	$ 35,440,432
Additions	a	**10,249**	27,139
Dispositions and derecognition	b,c	**(42,706)**	(144,609)
Acquisition costs, closing		**$ 35,290,505**	$ 35,322,962
Exploration and evaluation costs:			
Exploration costs, opening		**$ 25,632,628**	$ 18,291,364
Additions:			
Drilling		**4,480,515**	3,075,366
Share-based compensation	12	**1,831,449**	1,560,797
Geological and geophysical		**1,593,079**	775,241
Labour and wages		**836,965**	829,848
Camp costs		**705,447**	540,141
Extension of claims		**470,021**	-
Geochemistry and assays		**190,177**	332,850
Travel and other		**177,524**	238,610
Environmental		**-**	2,311
Engineering		**-**	1,420
Disposal and derecognition of assets	b,c	**(42,680)**	(15,320)
Total exploration and evaluation in the period		**$ 10,242,497**	$ 7,341,264
Exploration and evaluation, closing		**$ 35,875,125**	$ 25,632,628
Total costs, closing		**$ 71,165,630**	$ 60,955,590

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

(a) New claim staking and acquisitions

In the year ended December 31, 2022, the Company spent $10,249 to re-stake a portion of the Cable project, stake several property extensions and one new property, Rapid River, adding approximately 14,817 hectares of mineral tenure in the Eastern Athabasca.

In 2021 the Company acquired 902 hectares of land which is contiguous to the Larocque East property for $27,139. These claims are subject to a 2% NSR which can be reduced to 1% for $1,000,000.

(b) Dispositions

The Company disposed of Tower, Clover and Gemini properties in 2021; the related carrying value of $33,434 was netted in the gain on sale of properties (see Note 5(a)).

(c) Derecognitions

In September 2022, the Company lapsed all the mineral claims underlying the Cable (a portion of the Cable claims was re-staked in December 2022), Eagle, Horizon, and Whitewater East properties, as well of one of the five Whitewater mineral claims. These claims were lapsed pursuant to the Company's ongoing property portfolio evaluation process and a loss on disposal of $85,386 was recognized on the lapsing of the claims.

On August 10, 2021, IsoEnergy completed the Mountain Lake Option Agreement (Note 5 (b)). Although at the date of these financial statements the option has not been exercised and the Company retains the rights over the Mountain Lake property, the carrying value of the Mountain Lake property of $126,495 was derecognized and netted against the gain recognized on the Mountain Lake Option Agreement.

(Expressed in Canadian Dollars)

9. 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 following 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.

The Company issued flow-through shares on December 6, 2022 for proceeds of $5,029,000 (see Note 12) and subsequently incurred $109,889 in eligible exploration expenditures. As of December 31, 2022, the Company is obligated to spend $4,919,111 by December 31, 2023 on eligible exploration expenditures. As the commitment is satisfied, the remaining balance of the flow-through premium liability is derecognized.

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

	2022	2021
Balance, opening	$ -	$ -
Liability incurred on flow-through shares issued	2,115,000	-
Settlement of flow-through share liability on expenditures	(46,215)	-
Balance, closing	**$ 2,068,785**	$ -

10. CONVERTIBLE DEBENTURES

2020 Debentures

On August 18, 2020, IsoEnergy entered into an agreement with Queen's Road Capital Investment Ltd. ("**QRC**") for a US$6 million private placement of unsecured convertible debentures (the "**2020 Debentures**"). The 2020 Debentures carry a coupon ("**Interest**") of 8.5% per annum, of which 6% is payable in cash and 2.5% payable in common shares of the Company, over a 5-year term. The coupon on the 2020 Debentures 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. The principal amount of the 2020 Debentures (converted into Canadian dollars) is convertible into common shares of the Company at QRC's option at a conversion price (the "**Conversion Price**") of $0.88 per share, up to a maximum (the "**Maximum Conversion Shares**") of 9,206,311 common shares.

The Company received gross proceeds of $7,902,000 (US$6,000,000) on issuance of the 2020 Debentures. In the year ended December 31, 2022, the Company incurred interest expense of $663,822 (2021: $641,836) on the 2020 Debentures, of which $475,827 was settled in cash (2021: $457,620) and the remainder with the issue of 63,890 common shares of the Company (2021: 54,196).

2022 Debentures

On December 6, 2022, IsoEnergy entered into an agreement with QRC for a US$4 million private placement of unsecured convertible debentures (the "**2022 Debentures**" and together with the 2020 Debentures, the "**Debentures**"). The 2022 Debentures carry Interest at 10%, of which 7.5% is payable in cash and 2.5% payable in common shares of the Company, over a 5-year term. The principal amount of the 2022 Debentures (converted into Canadian dollars) is convertible into common shares of the Company at the holder's option at a Conversion Price of $4.33 per share, up to 1,464,281 Maximum Conversion Shares.

The Company received gross proceeds of $5,459,600 (US$4,000,000) on issuance of the 2022 Debentures. A 3% establishment fee of $163,788 (US$120,000) was paid to QRC in cash on closing. The fair value of the 2022 Debentures on issuance date was determined to be $5,295,812. In the year ended December 31, 2022, the Company incurred interest expense of $37,787 on the 2022 Debentures, of which $28,201 was settled in cash and the remainder with the issue of 3,168 common shares of the Company.

General terms of the Debentures

Interest is payable semi-annually on June 30 and December 31, and common shares of the Company issued as partial payment of Interest are, subject to TSXV approval, issuable at a price equal to the 20-day volume-weighted average trading price ("**VWAP**") of the Company's common shares on the TSXV on the twenty days prior to the date such Interest is due.

(Expressed in Canadian Dollars)

10. CONVERTIBLE DEBENTURES (continued)

On the 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 of such Debentures, would result in the common shares to be issued exceeding the Maximum Conversion Shares for such Debentures, on conversion QRC shall be entitled to receive a payment (an "**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 VWAP. IsoEnergy can elect to pay any such Exchange Rate Fee in cash or, subject to the TSXV approval, in common shares of the Company.

The Company will be entitled, on or after the third anniversary of the date of issuance of such Debentures, at any time the 20-day VWAP of the Company's shares listed on the TSXV exceeds 130% of the applicable Conversion Price, to redeem such 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 for the 2020 Debentures and on or prior to December 6, 2025 for the 2022 Debentures, 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 of Directors, 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.

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 (provided for purposes of the 2022 Debentures, that if such acquiror is NexGen, such threshold shall be 55% of the outstanding 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.

The Company revalues the Debentures to fair value at the end of each reporting period with the change in the period related to credit risk recorded in Other Comprehensive Income or Loss ("OCI") and other changes in fair value in the period recorded in the income or loss for the period.

Year ended December 31, 2022	**2022 Debentures**	**2020 Debentures**	**Total**
Fair value, start of period	**$ -**	**$ 25,101,132**	**$ 25,101,132**
Fair value on issuance	**5,295,812**	**-**	**5,295,812**
Change in fair value in the period included in profit and loss	**(163,006)**	**(2,758,800)**	**(2,921,806)**
Change in fair value in the period included in OCI	**3,754**	**(72,931)**	**(69,177)**
Fair value, end of period	**$ 5,136,560**	**$ 22,269,401**	**$ 27,405,961**

Year ended December 31, 2021	**2020 Debentures**
Fair value, balance, start of period	$ 14,033,992
Change in fair value in the period included in profit and loss	11,036,471
Change in fair value in the period included in OCI	30,669
Fair value, end of period	**$ 25,101,132**

(Expressed in Canadian Dollars)

10. CONVERTIBLE DEBENTURES (continued)

The following assumptions were used to estimate the fair value of the Debentures:

	2022 Debentures		**2020 Debentures**	
	December 31, 2022	**December 6, 2022**	**December 31, 2022**	**December 31, 2021**
Expected stock price volatility	52.80%	52.41%	52.80%	50.00%
Expected life (years)	4.9	5.0	2.6	3.6
Risk free interest rate	3.76%	3.35%	4.27%	1.78%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Credit spread	23.85%	23.91%	23.85%	21.86%
Underlying share price of the Company	$2.91	$3.10	$2.91	$3.74
Conversion price	$4.33	$4.33	$0.88	$0.88
Exchange rate (C$:US$)	1.3554	1.3653	1.3554	1.2637

11. INCOME TAXES

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

	2022	2021
Loss from operations	**$ (8,399,405)**	$ (14,736,734)
Statutory rate	**27%**	27%
Expected tax recovery	**$ (2,267,839)**	$ (3,978,918)
Permanent differences:		
Share-based compensation	**2,045,385**	1,009,680
Convertible debt	**(788,888)**	2,979,847
Other	**3,143**	(46,649)
Release of flow-through share premium liability	**(46,215)**	-
Flow-through renunciation	**29,670**	1,080,000
Income tax (recovery) expense	**$ (1,024,744)**	$ 1,043,960

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:

	2022	2021
Tax loss carry forwards	**$ 5,013,950**	$ 3,857,193
Financing costs	**208,277**	168,318
Exploration and evaluation assets	**(5,866,765)**	(5,855,183)
Marketable securities	**(301,253)**	(779,203)
Property and equipment	**78,882**	74,125
Deferred tax liabilities	**$ (866,909)**	$ (2,534,750)

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

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

December 31, 2022	**Opening Balance**	**Recognized in Income Tax Expense**	**Recognized in Shareholders Equity**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred tax assets:					
Tax loss carry forwards	**$ 3,857,193**	**$ 1,156,757**	**$ -**	**$ -**	**$ 5,013,950**
Financing costs	**168,318**	**(171,403)**	**211,362**	**-**	**208,277**
Deferred tax liabilities:					
Exploration and evaluation assets	**(5,855,183)**	**(11,582)**	**-**	**-**	**(5,866,765)**
Marketable securities	**(779,203)**	**-**	**-**	**477,950**	**(301,253)**
Equipment	**74,125**	**4,757**	**-**	**-**	**78,882**
	$ (2,534,750)	**$ 978,529**	**$ 211,362**	**$ 477,950**	**$ (866,909)**

December 31, 2021	**Opening Balance**	**Recognized in Income Tax Expense**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred tax assets:				
Tax loss carry forwards	$ 2,766,808	$ 1,090,385	$ -	$ 3,857,193
Financing costs	248,892	(80,574)	-	168,318
Deferred tax liabilities:				
Exploration and evaluation assets	(3,785,462)	(2,069,721)	-	(5,855,183)
Marketable securities	-	-	(779,203)	(779,203)
Equipment	58,175	15,950	-	74,125
	$ (711,587)	$ (1,043,960)	$ (779,203)	$ (2,534,750)

In 2022, a further $46,215 income tax recovery was recognized on the settlement of flow-through share liability on expenditures (2021: $Nil), for a total deferred tax recovery of $1,024,744 in the statement of profit (loss).

The Company has non-capital and other losses of $18,390,466 (2021 - $14,106,180) which expire in 2035-2042. 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.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL

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

Issued

For the year ended December 31, 2022

(a) During the year ended December 31, 2022 the Company issued 67,058 common shares to QRC to settle $207,540 of interest expense on the Debentures (see Note 10).

(b) During the year ended December 31, 2022, the Company issued 1,074,500 common shares on the exercise of stock options for proceeds of $719,891. As a result of the exercises, $470,421 was reclassified from reserves to share capital.

(c) On December 6, 2022, the Company issued the following common shares:

- 1,801,802 common shares to NexGen, at a price of $3.33 per share for gross proceeds of $6,000,001.
- 600,000 common shares at a price of $3.33 per share for gross proceeds of $1,998,000.
- 940,000 flow through common shares, at a price of $5.35 per share for gross proceeds of $5,029,000.

Share issuance costs were $571,459, net of tax of $211,362.

For the year ended December 31, 2021:

(d) During the year ended December 31, 2021, the Company issued 6,541,577 common shares on the exercise of warrants for proceeds of $4,065,829. As a result of the exercises, $276,053 was reclassified from reserves to share capital.

(e) During the year ended December 31, 2021, the Company issued 4,839,999 common shares on the exercise of stock options for proceeds of $4,094,374. As a result of the exercises, $2,790,305 was reclassified from reserves to share capital.

(f) On June 30, 2021 the Company issued 31,120 common shares to QRC to settle $91,194 of interest expense which is 2.5% of the interest owing on the Debentures (see Note 10). On December 31, 2021 the Company issued 23,076 common shares to QRC to settle $93,022 of interest expense which is 2.5% of the interest owing on the Debentures (see Note 10).

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, 2021	8,570,000	$0.71
Granted	4,540,000	$3.49
Cancelled	(103,334)	$0.88
Exercised	(4,839,999)	$0.85
Outstanding December 31, 2021	8,166,667	$2.17
Granted	**3,572,500**	**$3.51**
Cancelled	**(301,667)**	**$3.39**
Expired	**(6,667)**	**$3.99**
Exercised	**(1,074,500)**	**$0.67**
Outstanding, December 31, 2022	**10,356,333**	**$2.75**
Number of options exercisable	**6,776,334**	**$2.35**

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

As at December 31, 2022, 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	Weighted average remaining contractual life (years)
510,000	$0.36	510,000	$0.36		0.6
730,000	$0.42	730,000	$0.42		1.0
967,500	$0.39	967,500	$0.39		1.9
398,000	$1.19	398,000	$1.19		2.5
250,000	$2.44	166,667	$2.44	(i)	3.1
1,458,333	$2.81	1,033,333	$2.81	(i)	3.0
2,603,333	$3.99	1,796,667	$3.99	(i)	3.7
400,000	$4.96	133,333	$4.96	(i)	4.2
1,906,667	$3.47	680,000	$3.47	(i)	4.2
250,000	$3.46	83,333	$3.46	(i)	4.8
882,500	$2.97	277,500	$2.97	(ii)	5.0
10,356,333	$2.75	6,776,334	$2.35		3.3

i. Vest 1/3 on grant and 1/3 each year thereafter

ii. Vest 1/3 on grant and 1/3 each year thereafter, except for 50,000 options which vest 1/3 six months after grant date 1/3 on each anniversary of the grant date thereafter

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, 2022:

Expected stock price volatility	92.00%
Expected life of options (years)	5
Risk free interest rate	2.99%
Expected dividend yield	0%
Weighted average exercise price	$3.51
Weighted average fair value per option granted	$2.52

The Company has share-based compensation related to options that vested or forfeited in the period. Share-based compensation for the years ended December 31 are as follows:

	2022	2021
Capitalized to exploration and evaluation assets	**$ 1,831,449**	$ 1,560,797
Expensed to the statement of loss and comprehensive income (loss)	**7,575,501**	3,739,554
	$ 9,406,950	$ 5,300,351

Warrants

As of December 31, 2022, the Company had no warrants outstanding.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

NexGen is a related party due to its ownership in the Company and the overlapping members of the Board of Directors between NexGen and the Company. 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, 2022	**Short term compensation**	**Share-based compensation**	**Total**
Expensed in the statement of loss and comprehensive income (loss)	$ 826,159	$ 6,521,678	$ 7,347,837
Capitalized to exploration and evaluation assets	231,184	384,403	615,587
	$ 1,057,343	$ 6,906,081	$ 7,963,424

Year ended December 31, 2021	**Short term compensation**	**Share-based compensation**	**Total**
Expensed in the statement of loss and comprehensive loss	$ 734,766	$ 3,026,208	$ 3,760,974
Capitalized to exploration and evaluation assets	259,617	465,019	724,636
	$ 994,383	$ 3,491,227	$ 4,485,610

As of December 31, 2022, $17,317 (2021 – $nil) was included in accounts payable and accrued liabilities owing to NexGen and directors and officers.

During the year ended December 31, 2022, the Company paid NexGen, $26,710 (2021 - $16,601) for use of NexGen's office space.

On December 6, 2022, NexGen acquired 1,801,802 common shares of the Company (see Note 12).

On February 28, 2022, the former Chief Financial Officer resigned and was paid $175,997 in accordance with the terms of her employment contract. This is excluded from the table above for the year ended December 31, 2022.

On December 6, 2021, NexGen acquired 3,685,929 common shares on the exercise of 3,685,929 warrants with an exercise price of $0.60. In April 2021, NexGen acquired 1,537,760 common shares on the exercise of 1,537,760 warrants with an exercise price of $0.60 (see Note 12).

On February 15, 2021, the former Chief Executive Officer resigned and was paid $897,254 in accordance with the terms of his employment contract. This is excluded from the table above for year ended December 31, 2021.

14. CAPITAL MANAGEMENT

The Company manages its capital structure, defined as total equity plus debt, 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.

14. CAPITAL MANAGEMENT (continued)

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, marketable securities, accounts payable and accrued liabilities and convertible debentures.

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 (loss) (Note 10). The Debentures are classified as Level 2.

The marketable securities are re-measured at fair value at each reporting date with any change in fair value recognized in other comprehensive income (loss) (Note 6). The marketable securities are Level 1.

Financial instrument risk exposure

As at December 31, 2022, 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, 2022, 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, 2022, the Company had a working capital balance of $25,347,788, including cash of $19,912,788.

(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, 2022. 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, US dollar accounts payable and accrued liabilities, the Debentures and Australian dollar denominated marketable securities. 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 its respective maturity dates, the principal amounts of the Debentures are 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.

A 5% change in the US dollar exchange rate can result in a net increase or decrease in the Company's US dollar-based cash and debt of $1,215,144 that would flow through the statement of loss and comprehensive income (loss).

The Company is also exposed to foreign exchange risk on its Australian dollar denominated investment in 92 Energy. Accordingly, the Company is subject to risks associated with fluctuations in the Canadian/Australian dollar exchange rate that may decrease the value of its investment in 92 Energy.

A 5% change is the Australian dollar can increase or decrease the value of the Company's investment in 92 Energy by $212,642 that would flow through other comprehensive income (loss).

(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. The Company holds marketable securities which are subject to equity price risk.

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 years ended December 31, 2022 and 2021.

Non-cash transactions in the years ended December 31, 2022 and 2021 included:

(a) A non-cash transaction of $1,831,449 (2021 – $1,560,797) related to share-based payments was included in exploration and evaluation assets.

(b) The Company issued 67,058 shares valued at $207,540 (2021: 54,196 shares valued at $184,216) to settle a portion of the interest owing on the Debentures (see Note 10).

(c) In April 2021, the Company received 10,755,000 shares of 92 Energy on sale of assets (see Note 5(a)). These shares were valued at A$0.20 and are revalued to market at the end of each period.

(d) In August 2021, the Company received 900,000 shares of Consolidated Uranium on the completion of the Mountain Lake Option Agreement (see Note 5(b)). These shares were valued at $1.64 per share and are revalued to market at the end of each period.