Unaudited Condensed Interim Financial Statements of

ISOENERGY LTD.

For the three and six months ended June 30, 2020 and 2019

ISOENERGY LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	Note		June 30, 2020		December 31, 2019
ASSETS					
Current					
Cash		$	**2,725,988**	$	6,587,075
Accounts receivable			**82,707**		24,539
Prepaid expenses			**191,506**		184,245
			3,000,201		6,795,859
Non-Current					
Deposit			**9,274**		9,274
Equipment	5		**196,278**		232,132
Exploration and evaluation assets	6		**50,661,116**		47,966,888
TOTAL ASSETS		$	**53,866,869**	$	55,004,153
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	**138,916**	$	355,335
Current portion of lease liability	7		**66,745**		66,745
Flow-through share premium liability	8		**70,453**		227,522
			276,114		649,602
Non-Current					
Long-term lease liability	7		**114,462**		142,486
Deferred income tax liability	9		**1,091,696**		725,066
TOTAL LIABILITIES			**1,482,272**		1,517,154
EQUITY					
Share capital	10		**58,770,360**		58,740,682
Share option reserve	10		**3,696,644**		3,412,971
Warrant reserve	10		**347,418**		356,233
Deficit			**(10,429,825)**		(9,022,887)
TOTAL EQUITY			**52,384,597**		53,486,999
TOTAL LIABILITIES AND EQUITY		$	**53,866,869**	$	55,004,153

Nature of operations (Note 2)
Commitments (Notes 7 and 8)
Subsequent events (Note 16)

The accompanying notes are an integral part of the condensed interim financial statements
These condensed interim financial statements were authorized for issue by the Board of Directors on July 27, 2020

"Craig Parry"
Craig Parry, CEO, Director

"Trevor Thiele"
Trevor Thiele, Director

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

		For the three months ended June 30		For the six months ended June 30	
	Note	**2020**	**2019**	**2020**	**2019**
General and administrative costs					
Share-based compensation	10,11	**$ 56,770**	$ 63,287	**$ 199,256**	$ 126,385
Administrative salaries, contract and director fees	11	**148,740**	144,131	**325,255**	305,767
Investor relations		**231,079**	103,942	**380,539**	208,256
Office and administrative		**36,564**	35,446	**74,775**	81,890
Professional fees		**63,338**	29,356	**122,511**	89,844
Travel		**-**	45,388	**40,446**	71,204
Public company costs		**19,819**	25,276	**61,054**	46,228
Depreciation expense		**15,528**	15,173	**31,056**	30,346
Total general and administrative costs		**(571,838)**	(461,999)	**(1,234,892)**	(959,920)
Interest income		**3,535**	19,166	**26,084**	37,118
Interest on lease liability	7	**(2,616)**	(3,124)	**(5,231)**	(6,318)
Rental income		**9,087**	7,577	**16,663**	15,153
Loss from operations		**(561,832)**	(438,380)	**(1,197,376)**	(913,967)
Deferred income tax recovery (expense)	9	**89,657**	(12,134)	**(209,562)**	(89,415)
Loss and comprehensive loss		**$ (472,175)**	$ (450,514)	**$ (1,406,938)**	$ (1,003,382)
Loss per common share – basic and diluted		**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted		**84,298,491**	68,363,868	**84,284,225**	68,363,868

The accompanying notes are an integral part of the condensed interim financial statements

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

	Note	Number of Common Shares	Share Capital	Option reserve	Warrant reserve	Deficit	Total
Balance as at January 1, 2019		**68,363,868**	**$52,533,694**	**$ 3,075,648**	**$ 305,937**	**$(6,860,622)**	**$49,054,657**
Share-based payments	10	**-**	**-**	**182,584**	**-**	**-**	**182,584**
Loss for the period		**-**	**-**	**-**	**-**	**(1,003,382)**	**(1,003,382)**
Balance as at June 30, 2019		**68,363,868**	**$52,533,694**	**$ 3,258,232**	**$ 305,937**	**$(7,864,004)**	**$48,233,859**
Balance as at January 1, 2020		**84,267,500**	**$58,740,682**	**$ 3,412,971**	**$ 356,233**	**$(9,022,887)**	**$53,486,999**
Shares issued on the exercise of warrants	10	**47,310**	**29,678**	**-**	**(8,815)**	**-**	**20,863**
Share-based payments	10	**-**	**-**	**283,673**	**-**	**-**	**283,673**
Loss for the period		**-**	**-**	**-**	**-**	**(1,406,938)**	**(1,406,938)**
Balance as at June 30, 2020		**84,314,810**	**$58,770,360**	**$ 3,696,644**	**$ 347,418**	**$(10,429,825)**	**$52,384,597**

The accompanying notes are an integral part of the condensed interim financial statements

ISOENERGY LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)
For the three and six months ended June 30

		2020		2019
Cash flows from (used in) operating activities				
Loss for the period	$	(1,406,938)	$	(1,003,382)
Items not involving cash:				
Share-based payments		199,256		126,385
Deferred income tax expense		209,562		89,415
Depreciation expense		31,056		30,346
Interest on lease liability		5,231		6,318
Changes in non-cash working capital				
Account receivable		(58,168)		(38,450)
Prepaid expenses		(7,261)		(149,678)
Deposits		-		-
Accounts payable and accrued liabilities		(213,385)		(174,622)
	$	(1,240,647)	$	(1,113,668)
Cash flows used in investing activities				
Additions to exploration and evaluation assets	$	(2,471,903)	$	(1,795,052)
Acquisition of exploration and evaluation assets		(136,145)		(3,767)
Additions to equipment		-		(14,336)
	$	(2,608,048)	$	(1,813,155)
Cash flows from (used) in financing activities				
Shares issued for warrants	$	20,863	$	-
Lease liability payments:				
Principal		(28,024)		(24,057)
Interest		(5,231)		(6,318)
	$	(12,392)	$	(30,375)
Change in cash	$	(3,861,087)	$	(2,957,198)
Cash, beginning of period		6,587,075		6,405,256
Cash, end of period	$	2,725,988	$	3,448,058

The accompanying notes are an integral part of the condensed interim financial statement

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 June 30, 2020, the Company did not have any subsidiaries and NexGen Energy Ltd ("**NexGen**") holds 52.00% 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 June 30, 2020, the Company had accumulated losses of $10,429,825 and working capital of $2,794,540 (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 and we anticipate this could have an adverse impact on our business, results of operations, financial position and cash flows in 2020. A program of core drilling at the Hurricane Zone on the Larocque East property is tentatively planned for the summer 2020 drilling season. The scope and timing of the program has yet to be determined, as these may be impacted by the COVID-19 pandemic.

These condensed interim 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. Changes in future business conditions or the failure to raise additional funds could require the Company to reduce its planned activities or require material write-downs of the carrying value of IsoEnergy's exploration and evaluation assets.

3. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim financial statements for the three and six months ended June 30, 2020, including comparatives, have been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting. They do not include all of the information required by International Financial Reporting Standards ("**IFRS**") for annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended and as at December 31, 2019.

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 ("$") except as 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 consolidated 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 set out in Note 3 to the audited financial statements for the year ended December 31, 2019 and have been consistently followed in preparation of these condensed interim financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 4 to the audited financial statements for the year ended December 31, 2019 and have been consistently followed in preparation of these condensed interim financial statements.

(Expressed in Canadian Dollars)

5. 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 7)	259,512	-	-	-	259,512
Balance, December 31, 2019 and June 30, 2020	**$ 259,512**	**$ 64,947**	**$ 41,428**	**$ 13,103**	**$ 378,990**
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	**29,398**	**2,485**	**2,313**	**1,658**	**35,854**
Balance, June 30, 2020	**$ 88,197**	**62,460**	**20,608**	**11,447**	**182,712**
Net book value*:*					
Balance, December 31, 2019	$ 200,713	$ 4,972	$ 23,133	$ 3,314	$ 232,132
Balance, June 30, 2020	**$ 171,315**	**$ 2,487**	**$ 20,820**	**$ 1,656**	**$ 196,278**

(Expressed in Canadian Dollars)

6. 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	For the six months ended June 30, 2020	For the year ended December 31, 2019
Acquisition costs:			
Acquisition costs, opening		$ 35,298,069	$ 35,284,839
Additions	a	136,145	14,077
Impairments	b	-	(847)
Acquisition costs, closing		$ 35,434,214	$ 35,298,069
Exploration costs:			
Exploration costs, opening		$ 12,668,819	$ 8,188,403
Additions:			
Drilling		1,449,742	1,921,903
Geological and geophysical		30,500	600,253
Labour and wages		469,345	825,860
Share-based compensation		84,417	98,474
Geochemistry and assays		176,286	244,195
Camp costs		285,313	665,140
Travel and other		30,672	138,098
Impairments	b	-	(13,507)
Total exploration in the period		$ 2,526,275	$ 4,480,416
Exploration costs, closing		$ 15,195,094	$ 12,668,819
Evaluation costs		$ 31,808	$ -
Total costs, closing		$ 50,661,116	$ 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 six months ended June 30, 2020, the Company spent $136,145 to stake several property extensions and 11 news properties in the Eastern Athabasca adding 199,740 hectares of mineral tenure in the Eastern Athabasca. The new exploration properties are Cable, Clover, Evergreen, Gemini, Hawk, Horizon, Larocque West, Ranger, Spruce, Tower and Trident. .

(b) Impairment

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

(Expressed in Canadian Dollars)

7. LEASE LIABILITY

	For the six months ended June 30, 2020	For the year ended December 31, 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	**5,231**	11,862
Payments	**(33,255)**	(62,143)
Lease liability, end of period	**181,207**	209,231
Less Current portion	**(66,745)**	(66,745)
Long-term lease liability	**$ 114,462**	$ 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 5 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 from January 1, 2019

As at June 30, 2020, the minimum future lease payments relating to the leased asset are as follows:

2020	33,372
2021	66,745
2022	66,745
2023	27,810
	$ 194,672

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 six months ended June 30, 2020 were $1,256,237 (June 30, 2019 - $856,008).

(Expressed in Canadian Dollars)

8. 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 June 30, 2020, the Company is obligated to spend $1,057,000 on eligible exploration expenditures by the end of 2020 (see Note 16(b)). As the commitment is satisfied, the remaining balance of the flow-through premium liability is derecognized.

The flow-through share premium liability is comprised of:

	For the six months ended June 30, 2020	For the year ended December 31, 2019
Balance, opening	**$ 227,522**	$ 550,392
Liability incurred on flow-through shares issued	**-**	233,340
Settlement of flow-through share liability on expenditures made	**(157,069)**	(556,210)
Balance, closing	**$ 70,453**	$ 227,522

9. INCOME TAXES

Deferred income tax expense comprises:

	For the three months ended June 30		For the six months ended June 30	
	2020	**2019**	**2020**	**2019**
Deferred income taxes related to operations	**$ 136,367**	$ 101,275	**$ 269,493**	**$ 212,647**
Flow-through renunciation	**(62,026)**	(229,253)	**(636,124)**	**(610,408)**
Release of flow-through share premium liability	**15,316**	115,844	**157,069**	**308,346**
Deferred income tax recovery (expense)	**$ 89,657**	$ (12,134)	**$ (209,562)**	**$ (89,415)**

In the three and six months ended June 30, 2020, the Company incurred $229,725 and $2,356,013 respectively, (2019 - $849,531 and $2,261,215, respectively) eligible exploration expenditures in respect of its flow-through share commitments (Note 8). A deferred income tax expense is recognized due to the taxable temporary difference arising from capitalized exploration and evaluation assets with no tax basis as a result of the renunciation of the tax attributes to the investors in the flow-through shares.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

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

Issued

In the six months ended June 30, 2020 the Company issued 47,310 shares on the exercise of warrants for proceeds of $20,863, of which 41,221 were issued in the three months ended June 30, 2020 for proceeds of $18,550.

For the year ended December 31, 2019:

(a) On December 3, 2019, the Company issued 7,778,000 flow-through shares (the "**FT Shares**") at a price of $0.45 per 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.

(b) 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
Granted	1,735,000	$ 0.385
Outstanding, June 30, 2020	8,155,000	$ 0.66
Number of options exercisable	6,217,490	$ 0.75

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

As at June 30, 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
3,100,000	$1.00	3,100,000	$1.00		1.3	October 25, 2021
100,000	$1.00	100,000	$1.00		1.3	October 24, 2021
250,000	$1.00	250,000	$1.00		1.5	January 4, 2022
50,000	$1.00	50,000	$1.00		1.9	May 25, 2022
400,000	$0.57	400,000	$0.57		2.5	January 8, 2023
1,080,000	$0.36	719,994	$0.36	(i)	3.0	July 30, 2023
40,000	$0.36	40,000	$0.36		3.0	July 30, 2023
1,250,000	$0.42	833,331	$0.42	(i)	3.5	December 28, 2023
50,000	$0.42	50,000	$0.42		3.5	December 28, 2023
100,000	$0.50	100,000	$0.50		3.9	June 5, 2024
1,685,000	$0.385	561,665	$0.385	(i)	4.6	January 24, 2025
50,000	$0.385	12,500	$0.385	(ii)	4.6	January 24, 2025
8,155,000	$0.66	6,217,490	$0.75			

(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 six months ended June 30, 2020:

Expected stock price volatility	75%
Expected life of options	5 years
Risk free interest rate	1.39%
Expected dividend yield	0.00%
Weighted average exercise price	$ 0.385
Weighted average fair value per option granted	$ 0.24

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:

	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Capitalized to exploration and evaluation assets	**$ 23,565**	$ 27,696	**$ 84,417**	$ 56,199
Expensed to the statement of loss and comprehensive loss	**56,770**	63,287	**199,256**	126,385
	$ 80,335	$ 90,983	**$ 283,673**	$ 182,584

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Warrants

As of June 30, 2020, the Company has the following warrants outstanding:

Expiry Date	January 1, 2020	Exercised	June 30, 2020	Weighted average exercise price per warrant
December 20, 2020	484,774	(6,089)	478,685	$0.38
April 21, 2021	2,400,260	-	2,400,260	$0.60
December 6, 2021	4,028,429	-	4,028,429	$0.60
December 3, 2021	466,680	(41,221)	425,459	$0.45
	7,380,143	(47,310)	7,332,833	$0.58

11. 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:

Six months ended June 30, 2020	Short term compensation	Share-based compensation	Total
Expensed in the statement of loss and comprehensive loss	$ 271,795	$ 150,402	$ 422,197
Capitalized to exploration and evaluation assets	205,878	45,929	251,807
	$ 477,673	$ 196,331	$ 674,004

Six months ended June 30, 2019	Short term compensation	Share-based compensation	Total
Expensed in the statement of loss and comprehensive loss	$ 249,705	$ 114,387	$ 364,092
Capitalized to exploration and evaluation assets	196,260	19,591	215,851
	$ 445,965	$ 133,978	$ 579,943

As of June 30, 2020, $nil (December 31, 2019 – $34,500) was included in accounts payable and accrued liabilities owing to directors and officers for compensation.

On December 9, 2019, NexGen acquired 7,371,858 Units of the Company (see note 10). NexGen also holds 3,685,929 warrants with an exercise price of $0.60 that expire on December 6, 2021.

On July 23, 2020 the Company announced a non-brokered private placement for gross proceeds of up to $4 million (the "Private Placement") (see note 16). Pursuant to the terms of the Private Placement, the Company will issue up to 5,882,352 common shares at a price of $0.68 per share. NexGen has agreed to subscribe for $3 million of the Private Placement.

11. RELATED PARTY TRANSACTIONS (continued)

Up until March 31, 2020, the Company charged office lease and administrative expenditures to NxGold Ltd. ("NxGold"), a company with officers and directors in common. During the six months ended June 30, 2020, office lease and administrative expenditures charged to NxGold amounted to $26,533 (2019 – $53,066). At June 30, 2020, NxGold owes IsoEnergy nil (December 31, 2019 – $8,844).

12. 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.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The fair values of the Company's financial instruments approximate their carrying value, due to their short-term maturities or liquidity. The Company's cash and accounts receivable are classified at their amortized costs.

Financial instrument risk exposure

As at June 30, 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 June 30, 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

13. FINANCIAL INSTRUMENTS (continued)

to meet short-term obligations. As at June 30, 2020, the Company had a working capital balance of $2,794,540, including cash of $2,725,988.

(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 June 30, 2020.

(ii) Foreign Currency Risk

The functional currency of the Company is the Canadian dollar. Currency transaction risk and currency translation risk is the risk that fluctuations of the Canadian dollar in relation to other currencies may impact the fair value of financial assets, liabilities and operating results. As of June 30, 2020, the Company had no financial assets or liabilities that were subject to currency translation risk. The Company maintains a Canadian dollar bank account in Canada.

(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.

14. 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.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There was no cash paid for income tax or interest in the six months ended June 30, 2020 and 2019.

Non-cash transactions in the six months ended June 30, 2020 and 2019 included:

(a) A non-cash transaction of $84,417 (2019 – $56,199) 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 six months ended June 30, 2019 were non-cash (see Notes 5 and 7).

16. SUBSEQUENT EVENTS

(a) Mountain Lake Option Agreement

On July 15, 2020, IsoEnergy has entered into an agreement with NxGold to grant NxGold the option to acquire a 100% interest in IsoEnergy's Mountain Lake uranium property in Nunavut, Canada ("Option Agreement").

Under the terms of the Option Agreement, NxGold has the option to acquire a 100% interest in the Mountain Lake uranium property in consideration for the issuance of 900,000 common shares of NxGold and payment of $20,000 cash to IsoEnergy. The option is exercisable at NxGold's election on or before the second anniversary of the effective date, for additional consideration of $1,000,000, payable in cash or shares of NxGold. If NxGold elects to acquire the Mountain Lake property, IsoEnergy will be entitled to receive the following contingency payments in cash or shares of NxGold:

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

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

The transaction contemplated by the Option Agreement is subject to NxGold obtaining the requisite TSXV approval.

(b) Flow through funding

In July 2020, the Federal Government announced relief on the timing of spending of flow through funds including a one-year deferral on spending flow through funds raised in 2019 and 2020. In addition, the requirement to calculate and pay the Part XII.6 tax will also be deferred one year.

(c) Financing

On July 23, 2020, IsoEnergy announced that it has agreed to terms with Queen's Road Capital Investment Ltd. 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 approximately 9.1 million common shares of the Company (the approximate number of common shares to be issued is based on current exchange rates, with the actual number of common shares to be issued dependent on the exchange rate at the time of conversion).

Concurrent with the proposed Debenture offering, the Company also announced a non-brokered private placement for gross proceeds of up to $4 million (the "Private Placement"). Pursuant to the terms of the Private Placement, the Company will issue up to 5,882,352 common shares at a price of C$0.68 per share (the "Private Placement Price"). NexGen has agreed to subscribe for $3 million of the Private Placement.

Terms of the Debentures

The Debentures will carry an 8.5% coupon (the "Interest") over a 5-year term and will be convertible at the holder's option into common shares of the Company at a conversion price of $0.88, equal to a 30% premium to the Private Placement Price.

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 volume-weighted average trading price on the TSXV exceeds 130% of the Conversion Price, to redeem the Debentures at par plus accrued and unpaid Interest.

16. SUBSEQUENT EVENTS (continued)

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 market price of the Company's common shares on the TSXV on the day 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.

The gross proceeds of the Debentures and the Private Placement will be used for exploration of the Company's Athabasca Basin projects and general corporate purposes. All securities issued under the Private Placement will be subject to a statutory hold period in Canada expiring four months and one day from the date of issuance.

The closing of the Private Placement and Debentures is expected to occur on or around August 17, 2020 and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals, including the acceptance of the TSXV.