



Unaudited Condensed Consolidated Interim Financial Statements of

ISOENERGY LTD.

For the Period Ended

September 30, 2016

ISOENERGY LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
As at

	Note	September 30, 2016
ASSETS		
Current		
Cash		\$ 7,104,066
Accounts receivable		60,978
Prepaid expenses		20,725
		7,185,769
Non-Current		
Deposit	7(b)	5,452
Equipment	5	89,559
Exploration and evaluation assets	6	31,105,185
		31,200,196
TOTAL ASSETS		\$ 38,385,965
LIABILITIES		
Current		
Accounts payable and accrued liabilities		\$ 796,923
Flow-through share premium liability	7(a)	109,621
Liability to issue shares		25,750
TOTAL LIABILITIES		932,294
EQUITY		
Share capital	8	38,109,432
Deficit		(655,761)
TOTAL EQUITY		37,453,671
TOTAL LIABILITIES AND EQUITY		\$ 38,385,965

Nature of operations (Note 2)
Commitments (Note 7)
Subsequent events (Note 15)

The accompanying notes are an integral part of the condensed consolidated interim financial statements
These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 8, 2016

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

	Note	For the three months ended September 30, 2016	For the period from February 2 to September 30, 2016
Administrative salaries, contract and director fees	9	\$ 189,651	\$ 277,895
Office and administrative		18,885	46,590
Employee relocation expense	9	8,578	72,658
Professional fees		261,211	275,117
Travel		13,370	45,700
Listing fee		10,000	10,000
Release of flow-through share premium liability		(72,199)	(72,199)
Loss from operations		(429,496)	(655,761)
Income tax expense	14	-	-
Loss and comprehensive loss for the period		\$ (429,496)	\$ (655,761)
Loss per common share – basic and diluted		\$ (0.01)	\$ (0.04)
Weighted average number of common shares outstanding – basic and diluted		35,963,392	15,397,102

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

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

	Note 8	Number of Common Shares	Share Capital	Deficit	Total
Balance as at February 2, 2016	(a)	1	\$ 1	\$ -	\$ 1
Shares issued for exploration and evaluation assets	(b)(c)	30,000,000	30,000,000	-	30,000,000
Shares issued for cash	(d)	8,049,700	8,231,520	-	8,231,520
Premium on flow-through shares	(d)	-	(181,820)	-	(181,820)
Shares issued for finder's fee	(d)	8,580	8,580	-	8,580
Shares issued to settle amounts due to NexGen	(e)	450,000	450,000	-	450,000
Share issuance costs	(d)	-	(398,849)	-	(398,849)
Loss for the period		-	-	(655,761)	(655,761)
Balance as at September 30, 2016		38,508,281	\$ 38,109,432	\$ (655,761)	\$ 37,453,671

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

ISOENERGY LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	For the period from February 2 to September 30, 2016
Cash flows from (used in) operating activities	
Loss for the period	\$ (655,761)
Items not involving cash:	
Release of flow-through share liability	(72,199)
Changes in non-cash working capital	
Account receivable	(60,978)
Prepaid expenses	(20,725)
Deposit	(5,452)
Accounts payable and accrued liabilities	283,569
	(531,546)
Cash flows used in investing activities	
Acquisition of exploration and evaluation assets	(100,000)
Additions to exploration and evaluation assets	(484,822)
Additions to equipment	(96,568)
	\$ (681,390)
Cash flows from (used in) financing activities	
Liability to issue shares	25,750
Shares issued	8,681,521
Share issuance costs	(390,269)
	\$ 8,317,002
Change in cash	\$ 7,104,066
Cash, beginning of period	-
Cash, end of period	\$ 7,104,066

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

ISOENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

1. REPORTING ENTITY

IsoEnergy Ltd. ("Iso" or the "Company") is an exploration stage entity engaged in the acquisition, exploration and evaluation of uranium properties in Canada. The Company was incorporated pursuant to the provisions of the British Columbia *Business Corporations Act* on February 2, 2016. The Company's registered and records office is located on the 25th Floor, 700 West Georgia Street, Vancouver, BC, V7Y 1B3.

Iso was incorporated on February 2, 2016 as a wholly-owned subsidiary of NexGen Energy Ltd, ("NexGen") to hold certain exploration assets of NexGen. On June 17, 2016, certain exploration and evaluation assets were transferred from NexGen to Iso in consideration for 29 million common shares of Iso. Subsequent to the transfer, Iso issued additional common shares to third parties pursuant to several non-brokered and one brokered private placements, with NexGen retaining 76.5% of Iso's outstanding common shares as of September 30, 2016.

2. NATURE OF OPERATIONS

As an exploration stage company, the Company does not have revenues and historically has recurring operating losses. As at September 30, 2016, the Company had accumulated losses of \$655,761 and working capital of \$6,253,475. The Company depends on external financing for its operational expenses and has raised funds subsequent to September 30, 2016 (refer to Note 15)). Under the Radio Option Agreement (refer to Note 6), the Company is required to spend \$10 million prior to May 31, 2017 in order to earn a 70% interest in the Radio property. Therefore, in order to meet this requirement, the Company will need to raise additional funds or seek an amendment to the agreement. There is no guarantee the Company will be successful in doing so.

The business of mining for minerals involves a high degree of risk. As an exploration company, Iso 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; potential forfeiture of the Radio Option Agreement; the limited operating history of Iso; 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.

The underlying value of Iso's exploration and evaluation assets is dependent upon the existence and economic recovery of mineral 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 material write-downs of the carrying value of Iso's exploration and evaluation assets.

3. BASIS OF PRESENTATION

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. They do not include all of the information required for annual financial statements and should be read in conjunction with the audited financial statements for the period ended and as at June 30, 2016, which are available at www.sedar.com in the *Form 2B - Application for the Listing of Common Shares of IsoEnergy Ltd* dated October 16, 2016 ("Form 2B"). The accounting policies used for the preparation of these condensed interim consolidated financial statements are the same as those used to prepare the audited financial statements for the period ended June 30, 2016. The Company's year-end is December 31. These condensed consolidated interim financial statements have been prepared on a historical cost basis and using the accrual basis of accounting, except for cash flow information. All monetary references expressed in these notes are references to Canadian dollar amounts. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company. The Board of Directors approved these condensed interim consolidated financial statements on November 8, 2016.

During the three months ended September 30, the Company incorporated a subsidiary, 2532314 Ontario Ltd, which is consolidated at September 30, 2016.

3. BASIS OF PRESENTATION (continued)

Critical accounting judgments, estimates and assumptions

The preparation of the condensed consolidated interim 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 condensed consolidated interim financial statements and the reported amounts of 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 could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Functional and Presentation Currency

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

Translation of transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions or the date of valuation (where 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 are available on demand.

(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 costs are recognized in profit or loss immediately.

Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

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.

Management regularly assesses the carrying value of non-producing properties and properties for which events and circumstances 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Computing equipment	55% declining balance basis
- 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

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. 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.

The recoverable amount of an asset is the greater of an asset's fair value less the cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to its 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.

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 estimates 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Decommissioning and Restoration Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate.

Over time the discounted liability is increased for the changes in the present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

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 period presented.

(f) 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 valued based on their market value at the date the shares are issued.

(g) Share-based payments

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 specifically identified, 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.

(h) 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 and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax deduction renounced to shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. To the extent that eligible deferred income tax assets are available, the Company will reduce the deferred income tax liability and record 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 a financial expense.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. Cash is included in this category of financial assets.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Account receivable is included in this category of financial assets.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities are included in this category of financial liabilities.

(j) Loss per Share

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

(k) Income taxes

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

ISOENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

Future accounting pronouncements:

The following standards have not been adopted by the Company and are being evaluated to determine their impact:

- (a) IFRS 9 - *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement of financial instruments, effective for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.
- (b) IFRS 16 – *Leases*: In January 2016, the IASB issued IFRS 16 – Leases which brings most leases on-balance sheet for lessees by eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17's operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less and on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17 – Leases and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. The Company is currently evaluating the impact of the adoption of IFRS 16 on the Company's financial statements along with the timing of adoption.

5. EQUIPMENT

The following is a summary of the equipment:

	Computing equipment	Software	Field equipment	Office furniture	Total
Cost					
Balance, February 2, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	6,550	61,045	27,092	1,881	96,568
Balance, September 30, 2016	\$ 6,550	\$ 61,045	\$ 27,092	\$ 1,881	\$ 96,568
Accumulated depreciation					
Balance, February 2, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	493	5,976	540	-	7,009
Balance, September 30, 2016	\$ 493	\$ 5,976	\$ 540	\$ -	\$ 7,009
Net book value:					
Balance, September 30, 2016	\$ 6,057	\$ 55,069	\$ 26,552	\$ 1,881	\$ 89,559

ISOENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

6. EXPLORATION AND EVALUATION ASSETS

The following is a summary of the acquisition costs and expenditures on the exploration and evaluation assets:

	<u>Note</u>	<u>\$</u>
Acquisition costs:		
Balance, February 2, 2016		-
Additions	a, b	30,100,000
<hr/>		
Balance, September 30, 2016		30,100,000
Deferred exploration costs:		
Balance, February 2, 2016		-
Additions:		
Drilling		431,348
Geological and geophysical		316,199
Labour and wages		202,854
Camp costs		25,188
Geochemistry and assays		8,560
Travel and other		21,036
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Balance, September 30, 2016		1,005,185
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Total costs, September 30, 2016		31,105,185

All licenses are subject to minimum expenditure commitments and annual reviews. Annual review dates for each license are staggered over the year. The Company expects to maintain the minimum expenditures to maintain the licences.

- (a) On June 17, 2016, Iso entered into a transfer agreement with NexGen to have certain of its exploration assets transferred to Iso. These assets include the following mineral properties: Radio property, Thorburn Lake property, 2Z Lake property, Madison Lake property and the Carlson Creek property (collectively, the "Transferred Property Interests"). The Company issued 29,000,000 common shares, valued at \$29,000,000, in exchange for the Transferred Property Interests.

Radio property

The Radio property is located in Northern Saskatchewan and was acquired from NexGen on June 17, 2016. Pursuant to an option agreement, most recently amended February 21, 2014, the Company has the right to earn a 70% right, title and interest in the Radio property (the "Radio Option Agreement"). The Company is required to spend \$10,000,000 between January 1, 2014 and May 31, 2017. As of September 30, 2016, \$566,563 has been incurred towards the Company's expenditure obligation under the Radio Option Agreement.

The Radio property is subject to a 2% net smelter royalty (excluding diamonds) and a 2% gross overriding royalty (diamonds only), as applicable, with respect to the production from the property. In addition, upon Iso exercising its option to acquire a 70% interest in the Radio property, a joint venture agreement will be entered into between Iso and the optionors containing those terms prescribed by the Radio Option Agreement.

ISOENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

6. EXPLORATION AND EVALUATION ASSETS (continued)

Thorburn Lake property

Iso holds a 100% interest in the Thorburn Lake property, subject to a 1% net smelter return royalty (NSR) and a 10% carried interest. The carried interest can be converted to an additional 1% NSR at the holder's option upon completion of a bankable feasibility study.

(b) Thorburn North property

On June 30, 2016, Iso acquired a 100% interest in the Thorburn North property, mineral claim S-111628, in exchange for a cash payment of \$100,000 and \$1,000,000 worth of common shares. Pursuant to that agreement to acquire Thorburn North, in the event that Iso completes a financing at a price that is less than \$1 per share (the "Reduced Price") prior to the earlier of: a) an initial public offering or reverse takeover; and b) December 31, 2017, additional common shares are issuable to the vendors until the vendors have been issued (in the aggregate) \$1,000,000 worth of common shares at the Reduced Price. No shares have been issued for less than \$1 per share and on October 19, 2016, Iso's common shares commenced trading on the TSXV.

7. COMMITMENTS

(a) Flow-through expenditures

The Company issued flow-through shares with any resulting flow-through share premium recorded as a flow-through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow-through premium is recorded as income.

During the period ended September 30, 2016, the Company raised \$2,000,020 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, 2017. A \$181,820 flow-through share premium liability was recorded during the period ended September 30, 2016.

As of September 30, 2016, the Company fulfilled \$793,487 of the commitment to spend the required eligible exploration expenditures and as such the commitment has been reduced to \$1,206,533. As the commitment is met, the remaining balance of the flow-through premium liability will be recognised as income.

A continuity of the flow-through share premium liability is as follows:

Balance, February 2, 2016	\$	-
Liability incurred on flow-through shares issued		181,820
Settlement of flow-through share liability on expenditures made		(72,199)
Balance, September 30, 2016	\$	109,621

(b) Office leases

The Company has total office lease commitments at its Vancouver office as follows:

2016	\$ 10,904
2017	\$ 65,424
2018	\$ 65,424
2019	\$ 43,616

In connection with the Company's Vancouver office lease, the Company paid a deposit of \$5,452 which will be applied to the final month's rent at the end of the term.

ISOENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

8. SHARE CAPITAL

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

Issued

For the period ended September 30, 2016:

- (a) Upon incorporation of the Company on February 2, 2016, one common share at a value of \$1 was issued to NexGen.
- (b) On June 16, 2016, the Company issued 29,000,000 common shares to NexGen for the Transferred Property Interests (Note 6(a)).
- (c) On June 30, 2016, the Company issued 1,000,000 common shares as consideration for the acquisition of Thorburn North property (Note 6(b)).
- (d) In the period ended September 30, 2016, the following private placements were completed:

Date issued by:	Shares issued	Proceeds per share	Gross proceed	Cash finders' fee	Other cash share issuance costs	Net proceeds
June 30, 2016	2,033,000	\$ 1.00	\$2,033,000	\$ (3,300)	\$ -	\$2,029,700
August 5, 2016	2,092,500	\$ 1.00	2,092,500	(95,550)	(64,185)	1,932,765
August 5, 2016	1,818,200	\$ 1.10	2,000,020	(120,001)	(61,348)	1,818,671
August 4, 2016	<u>2,106,000</u>	\$ 1.00	<u>2,106,000</u>	-	(45,885)	<u>2,060,115</u>
	<u>8,049,700</u>		<u>\$8,231,520</u>	<u>\$ (218,851)</u>	<u>\$ (171,418)</u>	<u>\$7,841,251</u>

In addition to the cash finders' fees of \$218,851 and other cash share issuance costs of \$171,418, 8,580 common shares were issued as a finders' fee thereby increasing the total share issuance costs to \$398,849.

- (e) On August 16, 2016, Iso issued 450,000 shares to NexGen to settle \$450,000 due to NexGen for operational expenses paid by NexGen on Iso's behalf.

9. RELATED PARTY TRANSACTIONS

- (a) 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 can be summarized as follows:

	For the period from February 2 to September 30, 2016
Short-term compensation ⁽¹⁾	<u>\$ 316,377</u>

⁽¹⁾ Short-term compensation to key management personnel for the period from February 2, 2016 to September 30, 2016 amounted to \$316,377, \$213,509 of which was expensed and included in administrative salaries, contracts and directors fee on the statement of loss and comprehensive loss, and \$102,868 was capitalized to exploration and evaluation assets.

In addition, in the period from incorporation to September 30, 2016, \$72,658, was paid by the Company to relocate its President and Chief Executive Officer to Vancouver, where the corporate office is based. These were included in relocation expenses on the statement of loss and comprehensive loss.

9. RELATED PARTY TRANSACTIONS (continued)

As of September 30, 2016 no stock options were issued.

As of September 30, 2016 there was \$57,500 included in accounts payable and accrued liabilities owing to directors for compensation.

- (b) During the period ended September 30, 2016, the Company issued 29,000,000 common shares to NexGen as consideration for the Transferred Property Interests (Note 6).
- (c) On August 16, 2016, Iso issued 450,000 shares to NexGen to settle \$450,000 due to NexGen for costs paid by NexGen on Iso's behalf (Note 8(e)).

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to 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 components 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.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and a liability to issue shares.

The fair values of the Company's financial instruments approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and accounts receivable are classified as loans and receivables and are initially recorded at fair value and subsequently at amortized cost with accrued interest recorded in accounts receivable.

Financial instrument risk exposure

As at September 30, 2016, the Company's risk exposures and the impact 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 September 30, 2016 the Company holds cash with a large Canadian bank. Credit risk is concentrated as a significant amount of the Company's cash and cash equivalents on hand is held at one financial institution. Management believes the risk of loss to be remote. The Company's amounts 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.

11. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage 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 September 30, 2016 the Company had a working capital balance of \$6,253,475, including cash of \$7,104,066.

(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 of 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 estimated fair values of the Company's cash and cash equivalent balances as of September 30, 2016.

(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 may impact the fair value of financial assets, liabilities and operating results. As of September 30, 2016, the Company had no financial assets and 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 earnings. Commodity price risk is defined as the potential adverse impact of commodity price movements and volatilities on earnings 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.

12. 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.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There was no cash paid for income taxes or interest in the period ended September 30, 2016. The significant non-cash transactions during the period from inception to September 30, 2016 included:

- (a) Iso issued 30,000,000 common shares for the acquisition of mineral properties recorded at the estimated fair value of the common shares of \$30,000,000 (Note 6).
- (b) Iso issued 8,580 common shares as a finder's fee recorded at the estimated fair value of the common shares of \$8,580 (Note 8(d)).

ISOENERGY LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

14. INCOME TAXES

As at September 30, 2016, the Company incurred resource expenditures of \$793,487 related to the flow through shares issued in the period resulting in a deferred tax liability (note 7(a)). The Company's tax losses at September 30, 2016 approximate the reported loss for the period of \$655,761 and the share issuance costs of \$398,849. These losses can be carried forward for a period of 20 years. These tax losses more than offset the deferred tax liability arising from the flow through expenditure. The net losses have not been recognized as a tax asset at September 30, 2016.

The transferred tax base of the exploration and evaluation assets relating to the Transferred Property Interests at the time of acquisition from NexGen was \$22,774,115, being the net book value of the Transferred Property Interests as recorded in NexGen's financial statements immediately prior to the transfer, compared to the consideration paid by the Company of \$29,000,000 (refer the Note 6). The difference has not been recognized as a deferred tax liability pursuant to the "initial recognition exemption" under IFRS 12: Income Taxes.

15. SUBSEQUENT EVENTS

- (a) On October 11, 2016, the Company issued 132,950 common shares at a price of \$1.00 per share for gross proceeds of \$132,950. On November 2, 2016, the Company issued 2,116,436 flow-through shares at a price of \$1.10 per share for net proceeds of \$2,178,395.
- (b) On October 12, 2016, in connection with its application to list on the TSXV, the Company amalgamated with 1089338 B.C. Ltd. (a wholly-owned subsidiary of NexGen), pursuant to section 269 of the British Columbia *Business Corporations Act*. Pursuant to that amalgamation each outstanding common share of Iso was exchanged for one common share of the amalgamated entity (also named "IsoEnergy Ltd." and having the same business and capital structure) and NexGen was issued one common share of the amalgamated entity in exchange for its one common share of 1089338 B.C. Ltd.
- (c) On October 13, 2016, Airesurf Network Holdings Inc. ("Airesurf") and 2532314 Ontario Ltd, a wholly-owned subsidiary of Iso, amalgamated under the Ontario *Business Corporations Act* to form IsoOre Ltd., a wholly-owned subsidiary of Iso (the "Transaction"). Pursuant to the Transaction, each issued and outstanding Airesurf common share is exchanged for 0.020833 Iso common shares. Iso issued (or holds in trust for) 302,881 common shares to former shareholders of Airesurf, representing approximately 1% of the issued and outstanding common shares of Iso. The Transaction did not have any effect on the business or financial condition of Iso. With the completion of the Transaction and the shares issued subsequent to September 30, 2016 (note (a) above), the Company has 41,060,549 common shares issued and outstanding and no convertible securities, of which 29,450,002 common shares, or 71.7% are held by NexGen. For a further description of the Transaction see the Form 2B on www.sedar.com, under Iso's profile.
- (d) On October 19, 2016, IsoEnergy was listed on the TSXV as a Tier 2 Mining Issuer.
- (e) Subsequent to September 30, 2016 the Company granted stock options as follows:

Number of options	Exercise price per option	Number of options exercisable as of November 8, 2016	Exercise price per option	Expiry date
3,675,000	\$ 1.00	1,225,000	\$ 1.00	October 25, 2021
100,000	\$ 1.00	-	\$ 1.00	October 24, 2021
<u>3,775,000</u>	<u>\$ 1.00</u>	<u>1,225,000</u>	<u>\$ 1.00</u>	