Financial Statements of

# ISOENERGY LTD.

December 31, 2019 and 2018

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of IsoEnergy Ltd.

## *Opinion*

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

- the statements of financial position as at December 31, 2019 and 2018
- the statements loss and comprehensive loss for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

## *Basis for Opinion*

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

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

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

## *Other Information*

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

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

Vancouver, Canada

February 28, 2020

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

| | Note | | 2019 | | 2018 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Cash | | **$** | **6,587,075** | $ | 6,405,256 |
| Accounts receivable | | | **24,539** | | 65,492 |
| Prepaid expenses | | | **184,245** | | 89,317 |
| | | | **6,795,859** | | 6,560,065 |
| **Non-Current** | | | | | |
| Deposit | | | **9,274** | | 9,274 |
| Equipment | 5 | | **232,132** | | 28,198 |
| Exploration and evaluation assets | 6 | | **47,966,888** | | 43,473,242 |
| **TOTAL ASSETS** | | **$** | **55,004,153** | $ | 50,070,779 |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | | **$** | **355,335** | $ | 266,364 |
| Current portion of lease liability | 7 | | **66,745** | | - |
| Flow-through share premium liability | 8 | | **227,522** | | 550,392 |
| | | | **649,602** | | 816,756 |
| **Non-Current** | | | | | |
| Long-term lease liability | 7 | | **142,486** | | - |
| Deferred income tax liability | 9 | | **725,066** | | 199,366 |
| **TOTAL LIABILITIES** | | | **1,517,154** | | 1,016,122 |
| | | | | | |
| **EQUITY** | | | | | |
| Share capital | 10 | | **58,740,682** | | 52,533,694 |
| Share option reserve | 10 | | **3,412,971** | | 3,075,648 |
| Warrant reserve | 10 | | **356,233** | | 305,937 |
| Deficit | | | **(9,022,887)** | | (6,860,622) |
| **TOTAL EQUITY** | | | **53,486,999** | | 49,054,657 |
| | | | | | |
| **TOTAL LIABILITIES AND EQUITY** | | **$** | **55,004,153** | $ | 50,070,779 |

**Nature of operations (Note 2)**
**Commitments (Notes 7 and 8)**

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 28, 2020

| | |
|---|---|
| ***"Craig Parry"*** | ***"Trevor Thiele"*** |
| **Craig Parry, CEO, Director** | **Trevor Thiele, Director** |

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

| | Note | 2019 | 2018 |
|---|---|---|---|
| **General and administrative costs** | | | |
| Share-based compensation | 10, 11 | **$ 238,849** | $ 418,347 |
| Administrative salaries, contract and director fees | 11 | **698,646** | 732,123 |
| Investor relations | | **568,553** | 445,402 |
| Office and administrative | | **142,080** | 143,542 |
| Professional and consultant fees | | **180,084** | 163,154 |
| Travel | | **188,734** | 151,447 |
| Public company costs | | **80,183** | 107,312 |
| Depreciation expense | | **60,692** | 6,765 |
| **Total general and administrative costs** | | **(2,157,821)** | (2,168,092) |
| Interest income | | **56,512** | 26,513 |
| Interest on lease liability | | **(11,862)** | - |
| Rental income | | **30,305** | - |
| Impairment of exploration and evaluation asset | 6 | **(14,354)** | - |
| **Loss from operations** | | **(2,097,220)** | (2,141,579) |
| Deferred income tax recovery (expense) | 9 | **(65,045)** | 309,298 |
| **Loss and comprehensive loss** | | **$ (2,162,265)** | $ (1,832,281) |
| **Loss per common share – basic and diluted** | | **$ (0.03)** | $ (0.03) |
| **Weighted average number of common shares outstanding - basic and diluted** | | **69,540,209** | 53,017,262 |

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 | Option reserve | Warrant reserve | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2018** | | **46,060,548** | **$44,594,869** | **$ 2,421,449** | **$ -** | **$(5,028,341)** | **$41,987,977** |
| Shares issued for cash | 10 | 17,973,320 | 7,518,743 | - | 192,021 | - | 7,710,764 |
| Premium on flow-through shares | 8,10 | - | (784,892) | - | - | - | (784,892) |
| Share issue cost | 10 | - | (427,076) | - | 113,916 | - | (313,160) |
| Shares issued for exploration and evaluation assets | 10 | 4,330,000 | 1,632,050 | - | - | - | 1,632,050 |
| Share-based payments | 10 | - | - | 654,199 | - | - | 654,199 |
| Loss for the period | | - | - | - | - | (1,832,281) | (1,832,281) |
| **Balance as at December 31, 2018** | | **68,363,868** | **$52,533,694** | **$ 3,075,648** | **$ 305,937** | **$(6,860,622)** | **$49,054,657** |
| **Balance as at January 1, 2019** | | **68,363,868** | **$52,533,694** | **$ 3,075,648** | **$ 305,937** | **$(6,860,622)** | **$49,054,657** |
| Shares issued for cash | 10 | **15,834,858** | **6,722,843** | **-** | **-** | **-** | **6,722,843** |
| Premium on flow-through shares | 8,10 | **-** | **(233,340)** | **-** | **-** | **-** | **(233,340)** |
| Share issue cost | 10 | **-** | **(322,802)** | **-** | **64,449** | **-** | **(258,353)** |
| Shares issued on the exercise of warrants | 10 | **68,774** | **40,287** | **-** | **(14,153)** | **-** | **26,134** |
| Share-based payments | 10 | **-** | **-** | **337,323** | **-** | **-** | **337,323** |
| Loss for the period | | **-** | **-** | **-** | **-** | **(2,162,265)** | **(2,162,265)** |
| **Balance as at December 31, 2019** | | **84,267,500** | **$58,740,682** | **$ 3,412,971** | **$ 356,233** | **$(9,022,887)** | **$53,486,999** |

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

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **Cash flows from (used in) operating activities** | | | | |
| Loss for the period | **$** | **(2,162,265)** | $ | (1,832,281) |
| Items not involving cash: | | | | |
| Share-based compensation | | **238,849** | | 418,347 |
| Deferred income tax (recovery) expense | | **65,045** | | (309,298) |
| Depreciation expense | | **60,692** | | 6,765 |
| Impairment of exploration and evaluation assets | | **14,354** | | - |
| Interest on lease liability | | **11,862** | | - |
| Changes in non-cash working capital | | | | |
| Account receivable | | **40,953** | | (43,582) |
| Prepaid expenses | | **(94,928)** | | (43,868) |
| Deposits | | **-** | | (3,822) |
| Accounts payable and accrued liabilities | | **(89,356)** | | 128,554 |
| | **$** | **(1,914,794)** | $ | (1,679,185) |
| **Cash flows used in investing activities** | | | | |
| Additions to exploration and evaluation assets | **$** | **(4,207,899)** | $ | (253,847) |
| Acquisition of exploration and evaluation assets | | **(14,077)** | | (2,268,071) |
| Additions to equipment | | **(14,336)** | | - |
| | **$** | **(4,236,312)** | $ | (2,521,918) |
| **Cash flows from (used in) financing activities** | | | | |
| Shares issued | **$** | **6,722,843** | $ | 7,710,764 |
| Share issuance costs | | **(353,909)** | | (428,987) |
| Shares issued for warrant exercise | | **26,134** | | - |
| Lease liability payments: | | | | |
| Principal | | **(50,281)** | | - |
| Interest | | **(11,862)** | | - |
| | **$** | **6,332,925** | $ | 7,281,777 |
| **Change in cash** | **$** | **181,819** | $ | 3,080,674 |
| Cash, beginning of period | | **6,405,256** | | 3,324,582 |
| **Cash, end of period** | **$** | **6,587,075** | $ | 6,405,256 |

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, 2019, the Company did not have any subsidiaries and NexGen Energy Ltd ("**NexGen**") holds 52.03% 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, 2019, the Company had accumulated losses of $9,022,887 and working capital of $6,373,779 (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.

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

The underlying value of IsoEnergy's exploration and evaluation assets is dependent upon the existence and economic recovery of mineral resources or reserves and is subject to, but not limited to, the risks and challenges identified above. 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 financial statements as at and for the years ended December 31, 2019 and 2018 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 ("$"). These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

## 3. BASIS OF PRESENTATION (continued)

### 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 estimation uncertainty considered by management in preparing the financial statements is as follows:

i. Impairment

At the end of each financial reporting period, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that an impairment loss or reversal of previous impairment should be recorded. Where such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. With respect to exploration and evaluation assets, the Company is required to make estimates and judgments about future events and circumstances and whether the carrying amount of intangible 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 expenses. Refer to Note 10 for further details.

## 3. BASIS OF PRESENTATION (continued)

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. The significant share-based payment transactions are listed in note 10, and include property acquisitions.

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

i. Going concern

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

ii. Exploration and evaluation expenditures

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company as set out below have been consistently followed in the preparation of these financial statements except for the adoption of IFRS 16 Leases effective January 1, 2019 as described below.

### (a) Functional and Presentation Currency

These consolidated 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Cash

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

### (c) Exploration and Evaluation Assets

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

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

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

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

### (d) Equipment

*(i) Recognition and measurement*

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

*(ii) Subsequent costs*

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

*(iii) Depreciation*

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

| | |
|---|---|
| - Computing equipment | 55% declining balance basis |
| - Software | 55% declining balance basis |
| - Field equipment | 20% declining balance basis |
| - Office equipment | 5 years straight-line |
| - Right-of-use asset | 5 years straight-line |

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*(iv) Disposal*

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

### (e) Impairment – Non-Financial Assets

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

An impairment loss is recognized when the carrying amount of an asset, or a cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

### (f) Decommissioning and Restoration Provisions

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Share Capital

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

### (h) Warrants

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

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Existing stock options and warrants 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.

**New standards adopted:**

The Company has applied IFRS16 *Leases* ("**IFRS 16**"), effective January 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease.*

For the purpose of applying the modified retrospective approach to its office lease, the Company elected to measure the right-of-use asset at an amount equal to the lease liability at the date of initial application. At January 1, 2019, the Company recognized a right-of-use asset (Note 5) and lease liability of $259,512 (Note 7) in respect of its office lease.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Policy applicable from January 1, 2019**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of the property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method.

The Company presents the right-of-use asset related to its office lease in property and equipment.

**Short-term leases and leases of low-value assets**

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Subleased office space**

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of the sub-lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(Expressed in Canadian Dollars)

## 5. PROPERTY AND EQUIPMENT

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

| | Right-of-use asset | Computing equipment | Software | Field equipment | Office furniture | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance, January 1, 2018 and December 31, 2018** | **$ -** | **$ 12,350** | **$ 64,947** | **$ 27,092** | **$ 13,103** | **$ 117,492** |
| Additions | **-** | **-** | **-** | **14,336** | **-** | **14,336** |
| Asset recognized on adoption of IFRS 16 (Notes 5 and 7) | **259,512** | **-** | **-** | **-** | **-** | **259,512** |
| **Balance, December 31, 2019** | **$ 259,512** | **$ 12,350** | **$ 64,947** | **$ 41,428** | **$ 13,103** | **$ 391,340** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| **Balance, January 1, 2018** | **$ -** | $ 9,514 | $ 43,849 | $ 7,586 | $ 3,963 | $ 64,912 |
| Depreciation | - | 2,836 | 11,156 | 6,458 | 3,932 | 24,382 |
| **Balance, December 31, 2018** | **-** | 12,350 | 55,005 | 14,044 | 7,895 | 89,294 |
| Depreciation | **58,799** | **-** | **4,970** | **4,251** | **1,894** | **69,914** |
| **Balance, December 31, 2019** | **$ 58,799** | **$ 12,350** | **$ 59,975** | **$ 18,295** | **$ 9,789** | **$ 159,208** |
| | | | | | | |
| **Net book value:** | | | | | | |
| **Balance, December 31, 2018** | **$ -** | **$ -** | **$ 9,942** | **$ 13,048** | **$ 5,208** | **$ 28,198** |
| **Balance, December 31, 2019** | **$ 200,713** | **$ -** | **$ 4,972** | **$ 23,133** | **$ 3,314** | **$ 232,132** |

(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 for the years ended December 31:

| | Note | | 2019 | | 2018 |
|---|---|---|---|---|---|
| ***Acquisition costs:*** | | | | | |
| Balance, opening | | **$** | **35,284,839** | $ | 33,398,942 |
| Additions | a,b,c | | **14,077** | | 1,885,897 |
| Impairments | d | | **(847)** | | - |
| Balance, closing | | **$** | **35,298,069** | $ | 35,284,839 |
| ***Deferred exploration costs:*** | | | | | |
| Balance, opening | | **$** | **8,188,403** | $ | 5,666,863 |
| Additions: | | | | | |
| Drilling | | | **1,921,903** | | 1,103,960 |
| Geological and geophysical | | | **600,253** | | 152,007 |
| Labour and wages | | | **825,860** | | 693,611 |
| Share-based compensation | | | **98,474** | | 235,852 |
| Geochemistry and assays | | | **244,195** | | 104,217 |
| Camp costs | | | **665,140** | | 142,069 |
| Travel and other | | | **138,098** | | 89,824 |
| Impairments | d | | **(13,507)** | | - |
| | | **$** | **4,480,416** | $ | 2,521,540 |
| Balance, closing | | **$** | **12,668,819** | $ | 8,188,403 |
| **Total costs, closing** | | **$** | **47,966,888** | $ | 43,473,242 |

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

### (a) Geiger property

On March 29, 2018, the Company expanded the Geiger property in the Eastern Athabasca Basin of Saskatchewan with the acquisition of 33 claims comprised of 6,800 hectares in the Dawn Lake North Block which is contiguous with the Company's Geiger property acquired in 2017. The combined set of claims are referred to as Geiger henceforth. The Company acquired the claims in exchange for 3,330,000 common shares of the Company (at $0.385 per common share or $1,282,050) and cash of $200,000.

### (b) Larocque East

On May 9, 2018, the Company acquired a 100% interest in 6 mineral claims constituting the 3,200-hectare Larocque East property in the Eastern Athabasca Basin of Saskatchewan, in exchange for $20,000 in cash and 1,000,000 common shares valued at $0.35 per common share or $350,000.

(Expressed in Canadian Dollars)

## 6. EXPLORATION AND EVALUATION ASSETS (continued)

### (c) New claim staking

During 2019 the Company spent $14,077 to acquire, through staking, a new 8,577-hectare uranium exploration property called Collins Bay Extension, plus a new 4,218-hectare uranium exploration property located north of Larocque East called Edge. During the first quarter of 2018, the Company spent $19,383 to acquire, through staking, a new 100% owned uranium exploration property called Whitewater in the Eastern Athabasca Basin of Saskatchewan. IsoEnergy has also staked additional claims in 2018 that have been allocated to the Geiger property. The total area of all new claims staked in 2018 was 25,966 hectares.

### (d) 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.

## 7. LEASE LIABILITY

| | |
|---|---|
| Lease liability recognized on adoption of IFRS 16 on January 1, 2019 | $ 259,512 |
| Interest on lease liability | 11,862 |
| Payments | (62,143) |
| Lease liability, December 31, 2019 | 209,231 |
| Less Current portion | (66,745) |
| Long-term lease liability | $ 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 (see Note 4).

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 has a Facilities and Shared Services Agreement ("**NxGold Agreement**") with NxGold Ltd. ("**NxGold**"), a related company. IsoEnergy sub-leases approximately 50% of its office space to NxGold in exchange for $2,500 per month. The NxGold Agreement can be terminated with 30-days' notice. The Company accounts for the sublease as an operating lease with amounts received from NxGold recognized as rental income from January 1, 2019. In the comparative period, amounts received were netted against the related office and administrative expense.

Minimum future lease payments relating to the leased asset are as follows:

| | |
|---|---|
| 2020 | 66,745 |
| 2021 | 66,745 |
| 2022 | 66,745 |
| 2023 | 27,810 |
| | $ 228,045 |

(Expressed in Canadian Dollars)

## 7. LEASE LIABILITY (continued)

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

## 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 December 31, 2019, the Company is obligated to spend $3,412,807 on eligible exploration expenditures by the end of 2020. As the commitment is satisfied, the remaining balance of the flow-through premium liability is derecognized.

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

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Balance, opening | **$** | **550,392** | $ | 109,251 |
| Liability incurred on flow-through shares issued | | **233,340** | | 784,892 |
| Settlement of flow-through share liability on expenditures made | | **(556,210)** | | (343,751) |
| Balance, closing | **$** | **227,522** | $ | 550,392 |

## 9. INCOME TAXES

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

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Loss from operations | **$** | **(2,097,220)** | **$** | **(2,141,579)** |
| Statutory rate | | **27%** | | **27%** |
| Expected tax recovery | **$** | **(566,249)** | **$** | **(578,226)** |
| Permanent differences: | | | | |
| Share-based compensation | | **64,489** | | **112,954** |
| Other | | **8,862** | | **3,262** |
| Release of flow-through share premium liability | | **(556,210)** | | **(343,751)** |
| Flow-through renunciation | | **1,114,153** | | **496,463** |
| Income tax recovery | **$** | **65,045** | **$** | **(309,298)** |

(Expressed in Canadian Dollars)

## 9. INCOME TAXES (continued)

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:

| | 2019 | 2018 |
|---|---|---|
| Tax loss carry forwards | $ 1,886,988 | $ 1,323,170 |
| Financing costs | 194,576 | 177,234 |
| Exploration and evaluation assets | (2,848,502) | (1,723,879) |
| Property and equipment | 41,872 | 24,109 |
| Deferred tax liabilities | $ (725,066) | $ (199,366) |

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

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

| December 31, 2018 | Opening Balance | Recognized in Income Tax Expense | Recognized in Shareholders Equity | Closing Balance |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Tax loss carry forwards | $ 808,117 | $ 515,053 | $ - | $ 1,323,170 |
| Financing costs | 119,010 | (57,603) | 115,827 | 177,234 |
| Deferred tax liabilities: | | | | |
| Exploration and evaluation assets | (1,225,393) | (498,486) | - | (1,723,879) |
| Equipment | 17,526 | 6,583 | - | 24,109 |
| | $ (280,740) | $ (34,453) | $ 115,827 | $ (199,366) |

The Company has non-capital losses of $6,988,843 (2018 - $4,900,629) which expire in 2035-2039. 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*.

## 10. SHARE CAPITAL

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

**Issued**

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.

For the year ended December 31, 2018:

(c) On March 29, 2018, the Company issued 3,330,000 common shares valued at $1,282,050 to expand the Geiger property (see Note 6(a)).

(d) On April 19, 2018, the Company closed a flow through and non-flow through non-brokered private placement. The Company issued 1,675,000 flow-through units (the "**FT Units**") at $0.54 per FT Unit and 3,125,520 non flow-through units (the **"2018 Units**") at $0.40 per 2018 Unit raising aggregate gross proceeds of $2,154,708. Each FT Unit consisted of one flow-through common share and one-half of a share purchase warrant (each whole warrant, a "**2018 Warrant**"), with each 2018 Warrant entitling the holder to purchase an additional common share for a period of three years at an exercise price of $0.60. Each 2018 Unit consisted of one non-flow through common share and one-half of a 2018 Warrant. Share issuance costs were $30,304, net of $11,209 of tax. The 2018 Warrants were valued using the residual method, whereby the proceeds received (net of the flow-through premium) in excess of the fair value of the share amounting to $192,021 was allocated to the warrant and included in the Warrant reserve account in Equity.

(e) On May 3, 2018, the Company issued 1,000,000 common shares valued at $350,000 to acquire the Larocque East exploration property (see Note 6(b))

(f) On December 20, 2018, the Company issued 9,173,200 flow-through shares (the "**2018 FT Shares**") at a price of $0.44 per 2018 FT Share for aggregate gross proceeds of $4,036,208 and 3,999,600 non flow-through common shares (the "**2018 Common Shares**") at a price of $0.38 per 2018 Common Share for gross proceeds of $1,519,848. Share issuance costs were $396,772, net of $104,618 of tax. Share issuance costs included $113,916 related to 553,548 brokers' warrants which were valued using the Black-Scholes model with a corresponding amount added to the Warrant reserve account in Equity.

(Expressed in Canadian Dollars)

## 10. SHARE CAPITAL (continued)

### 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, 2018 | 4,075,000 | $ 1.00 |
| Granted | 2,860,000 | $ 0.42 |
| Forfeited or cancelled | (615,000) | $ 0.97 |
| Outstanding December 31, 2018 | 6,320,000 | $ 0.74 |
| Granted | 100,000 | $ 0.50 |
| Outstanding, December 31, 2019 | 6,420,000 | $ 0.74 |
| Number of options exercisable | 5,459,988 | $ 0.79 |

As at December 31, 2019, 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 | | 1.8 | October 25, 2021 |
| 100,000 | $1.00 | 100,000 | $1.00 | | 1.8 | October 24, 2021 |
| 250,000 | $1.00 | 250,000 | $1.00 | | 2.0 | January 4, 2022 |
| 50,000 | $1.00 | 50,000 | $1.00 | | 2.4 | May 25, 2022 |
| 400,000 | $0.57 | 266,663 | $0.57 | (i) | 3.0 | January 8, 2023 |
| 1,080,000 | $0.36 | 719,994 | $0.36 | (i) | 3.6 | July 30, 2023 |
| 40,000 | $0.36 | 40,000 | $0.36 | | 3.6 | July 30, 2023 |
| 1,250,000 | $0.42 | 833,331 | $0.42 | (i) | 4.0 | December 28, 2023 |
| 50,000 | $0.42 | 50,000 | $0.42 | | 4.0 | December 28, 2023 |
| 100,000 | $0.50 | 50,000 | $0.50 | (ii) | 4.4 | June 5, 2024 |
| 6,420,000 | $0.74 | 5,459,988 | $0.79 | | | |

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

The Company uses the Black-Scholes option pricing model to calculate the fair value of granted stock options. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect fair value estimates. The following weighted average assumptions were used to estimate the grant date fair values for the year ended December 31, 2019:

| | |
|---|---|
| Expected stock price volatility | 84% |
| Expected life of options | 5 years |
| Risk free interest rate | 1.30% |
| Expected dividend yield | 0.00% |
| Weighted average exercise price | $ 0.50 |
| Weighted average fair value per option granted | $ 0.33 |

(Expressed in Canadian Dollars)

## 10. SHARE CAPITAL (continued)

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:

| | **2019** | **2018** |
|---|---|---|
| Capitalized to explorations and evaluation assets | **$ 98,474** | $235,852 |
| Expensed to the statement of loss and comprehensive loss | **238,849** | 514,549 |
| Recovered in the statement of loss and comprehensive loss - forfeitures | **-** | (96,202) |
| | **$ 337,323** | $654,199 |

### Warrants

As of December 31, 2019, the Company has the following warrants outstanding:

| Expiry Date | January 1, 2019 | Issued | Exercised | December 31, 2019 | Weighted average exercise price per warrant |
|---|---|---|---|---|---|
| December 20, 2020 | 553,548 | - | (68,774) | 484,774 | $0.38 |
| April 21, 2020 | 2,400,260 | - | - | 2,400,260 | $0.60 |
| December 3, 2021 | - | 4,028,429 | - | 4,028,429 | $0.60 |
| December 3, 2021 | - | 466,680 | - | 466,680 | $0.45 |
| | 2,953,808 | 4,495,109 | (68,774) | 7,380,143 | $0.58 |

On December 3, 2019, the Company issued 466,680 warrants for services which were valued at $64,449. The Company uses the Black-Scholes option pricing model to calculate the fair value of warrants issued for services. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect fair value estimates. The following assumptions were used to estimate the fair value of the warrants issued for services for the year ended December 31, 2019:

| | |
|---|---|
| Expected stock price volatility | 75% |
| Expected life of warrants | 2 years |
| Risk free interest rate | 1.55% |
| Expected dividend yield | 0.00% |
| Exercise price | $ 0.44 |
| Fair value per warrant | $ 0.14 |

## 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.

(Expressed in Canadian Dollars)

## 11. RELATED PARTY TRANSACTIONS (continued)

Remuneration attributed to key management personnel is summarized as follows:

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

| Year ended December 31, 2018 | Short term compensation | Share-based compensation | Total |
|---|---|---|---|
| Expensed in the statement of loss and comprehensive loss | $ 653,306 | $ 452,725 | $ 1,106,031 |
| Capitalized to exploration and evaluation assets | 482,347 | 166,384 | 648,731 |
| | $ 1,135,653 | $ 619,109 | $ 1,754,762 |

As of December 31, 2019, $34,500 (December 31, 2018 – nil) was included in accounts payable and accrued liabilities owing to directors and officers for compensation.

During the year ended December 31, 2019, the Company leased equipment from NexGen for nil (2018 – $6,267).

On December 9, 2019, NexGen acquired 7,371,858 Units of the Company. On April 19, 2018 NexGen acquired 3,075,520 2018 Units. On December 20, 2018, NexGen acquired 3,947,000 2018 Common Shares (see Note 10 (a), (d) and (f)).

The Company charges office lease and administrative expenditures to NxGold, a company with officers and directors in common. During the year ended December 31, 2019, office lease and administrative expenditures charged to NxGold amounted to $106,644 (2018 – $60,623). At December 31, 2019, NxGold owes IsoEnergy $8,844 (December 31, 2018 – nil).

## 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.

## 12. 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.

## 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 December 31, 2019, 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, 2019, 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, 2019, the Company had a working capital balance of $6,373,779, including cash of $6,587,075.

#### (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, 2019.

##### (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 December 31, 2019, 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.

## 13. FINANCIAL INSTRUMENTS (continued)

### (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 years ended December 31, 2019 and 2018.

Non-cash transactions in the year ended December 31, 2019 and 2018 included:

**(a)** A non-cash transaction of $98,474 (2018 – $235,852) related to share-based payments was included in exploration and evaluation assets.

**(b)** In the year ended December 31, 2018 the Company issued 3,330,000 common shares valued at $1,282,050 to expand its interest in the Geiger property, and 1,000,000 common shares valued at $350,000 to acquire Larocque East property (see Notes 6(a) and (b)).

**(c)** The lease liability of $259,512 and related lease asset recorded in the year ended December 31, 2019 were non-cash (see Note 5 and 7).

## 16. SUBSEQUENT EVENT

Subsequent to December 31, 2019, the Company granted 1,735,000 options at an exercise price of $0.385 per share.