Audited Financial Statements of

ISOENERGY LTD.

For the years ended December 31, 2021 and 2020

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

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, 2021 and 2020
- the statements of loss and comprehensive income (loss) for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and 2020, 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 Andrew James.

Vancouver, Canada

February 17, 2022

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

	Note	2021	2020
ASSETS			
Current			
Cash		**$ 13,617,066**	$ 14,034,565
Accounts receivable		**129,079**	67,967
Prepaid expenses		**107,253**	197,419
Marketable securities	6	**9,314,985**	-
		23,168,383	14,299,951
Non-Current			
Deposit		**-**	9,274
Property and equipment	7	**66,549**	182,439
Exploration and evaluation assets	8	**60,955,590**	53,731,796
TOTAL ASSETS		**$ 84,190,522**	$ 68,223,460
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 640,971**	$ 238,650
Current portion of lease liability	9	**-**	66,745
		640,971	305,395
Non-Current			
Convertible debentures	10	**25,101,132**	14,033,992
Long-term lease liability	9	**-**	84,895
Deferred income tax liability	11	**2,534,750**	711,587
TOTAL LIABILITIES		**28,276,853**	15,135,869
EQUITY			
Share capital	12	**78,901,944**	67,491,167
Share option and warrant reserve	12	**6,469,143**	4,235,150
Accumulated deficit		**(34,346,954)**	(18,566,260)
Other comprehensive income (loss)		**4,889,536**	(72,466)
TOTAL EQUITY		**55,913,669**	53,087,591
TOTAL LIABILITIES AND EQUITY		**$ 84,190,522**	$ 68,223,460

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

The accompanying notes are an integral part of the financial statements
These financial statements were authorized for issue by the Board of Directors on February 17, 2021

"Tim Gabruch"
Tim Gabruch, CEO, Director

"Trevor Thiele"
Trevor Thiele, Director

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

	Note	2021	2020
General and administrative costs			
Share-based compensation	12, 13	$ 3,739,554	$ 469,473
Administrative salaries, contract and director fees	13	2,137,082	1,082,459
Investor relations		281,701	860,402
Office and administrative		148,240	112,491
Professional and consultant fees		264,161	266,340
Travel		8,433	40,446
Public company costs		119,232	123,550
Depreciation expense		29,398	62,112
Total general and administrative costs		(6,727,801)	(3,017,273)
Interest income		66,660	57,411
Interest on lease liability	9	(5,230)	(8,976)
Interest on convertible debentures	10	(641,836)	(248,962)
Fair value loss on convertible debentures	10	(11,036,471)	(6,331,940)
Gain on sale of assets and option agreement	5	3,595,382	-
Foreign exchange loss		(16,712)	(86,351)
Other income		29,274	34,837
Loss from operations		(14,736,734)	(9,601,254)
Deferred income tax recovery (expense)	11	(1,043,960)	57,881
Loss		$ (15,780,694)	$ (9,543,373)
Other comprehensive loss			
Change in fair value of convertible debentures attributable to the change in credit risk	10	(30,669)	(72,466)
Change in fair value of marketable securities	6	5,771,874	-
Deferred tax expense		(779,203)	-
Total comprehensive loss for the period		$ (10,818,692)	$ (9,615,839)
Loss per common share – basic and diluted		$ (0.16)	$ (0.11)
Weighted average number of common shares outstanding – basic and diluted		98,348,056	87,074,607

The accompanying notes are an integral part of the financial statements

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

	Note	Number of common shares	Share capital	Share option and warrant reserve	Accumulated deficit	Other comprehensive loss	Total
Balance as at January 1, 2020		84,267,500	$58,740,682	$3,769,204	$(9,022,887)	$ -	$53,486,999
Shares issued in private placement	12	8,585,055	8,000,000	-	-	-	8,000,000
Share issue costs	12	-	(582,261)	87,184	-	-	(495,077)
Shares issued on the exercise of warrants	12	1,000,728	593,131	(167,364)	-	-	425,767
Shares issued on the exercise of stock options	12	360,000	392,353	(158,303)	-	-	234,050
Shares issued on convertible debt financing	10	259,715	347,262	-	-	-	347,262
Share-based payments	12	-	-	704,429	-	-	704,429
Loss for the period		-	-	-	(9,543,373)	-	(9,543,373)
Other comprehensive loss for the period		-	-	-	-	(72,466)	(72,466)
Balance as at December 31, 2020		94,472,998	$67,491,167	$4,235,150	$(18,566,260)	$ (72,466)	$53,087,591
Shares issued on the exercise of stock options	12	**4,839,999**	**6,884,679**	**(2,790,305)**	**-**	**-**	**4,094,374**
Shares issued on the exercise of warrants	12	**6,541,577**	**4,341,882**	**(276,053)**	**-**	**-**	**4,065,829**
Shares issued to settle interest	10	**54,196**	**184,216**	**-**	**-**	**-**	**184,216**
Share-based payments	12	**-**	**-**	**5,300,351**	**-**	**-**	**5,300,351**
Loss for the period		**-**	**-**	**-**	**(15,780,694)**	**-**	**(15,780,694)**
Other comprehensive income for the period	10	**-**	**-**	**-**	**-**	**4,962,002**	**4,962,002**
Balance as at December 31, 2021		**105,908,770**	**$78,901,944**	**$6,469,143**	**$(34,346,954)**	**$4,889,536**	**$55,913,669**

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

		2021		2020
Cash flows from (used in) operating activities				
Loss for the period	$	**(15,780,694)**	$	(9,543,373)
Items not involving cash:				
Share-based compensation		**3,739,554**		469,473
Deferred income tax (recovery) expense		**1,043,960**		(57,881)
Depreciation expense		**29,398**		62,112
Other income		**(11,100)**		-
Interest on lease liability		**5,230**		8,976
Interest on convertible debentures		**641,836**		248,962
Fair value loss (gain) on convertible debentures		**11,036,471**		6,331,940
Gain on sale of assets and option agreement		**(3,595,382)**		-
Changes in non-cash working capital				
Accounts receivable		**(61,112)**		(43,428)
Prepaid expenses		**110,166**		(13,174)
Deposit		**9,274**		-
Accounts payable and accrued liabilities		**81,169**		4,792
	$	**(2,751,230)**	$	(2,531,601)
Cash flows from (used in) investing activities				
Additions to exploration and evaluation assets	**$**	**(5,457,400)**	$	(5,499,470)
Acquisition of exploration and evaluation assets		**(27,139)**		(142,363)
Additions to equipment		**(43,259)**		(22,017)
Proceeds on sale of assets		**192,200**		-
	$	**(5,335,598)**	$	(5,663,850)
Cash flows from (used in) financing activities				
Shares issued in private placement	**$**	**-**	$	8,000,000
Share issuance costs		**-**		(678,195)
Shares issued on the exercise of stock options		**4,094,374**		425,767
Shares issued on the exercise of warrants		**4,065,829**		234,050
Convertible debt				
Proceeds on issuance		**-**		7,902,000
Interest on Debentures		**(457,620)**		(174,114)
Lease liability payments:				
Principal		**(28,024)**		(57,591)
Interest		**(5,230)**		(8,976)
	$	**7,669,329**	$	15,642,941
Change in cash	**$**	**(417,499)**	$	7,447,490
Cash, beginning of period		**14,034,565**		6,587,075
Cash, end of period	**$**	**13,617,066**	$	14,034,565

Supplemental disclosure with respect to cash flows (Note 17)

The accompanying notes are an integral part of the financial statements

1. REPORTING ENTITY

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

As of December 31, 2021, the Company did not have any subsidiaries and NexGen Energy Ltd ("**NexGen**") holds 50.5% 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, 2021, the Company had accumulated losses of $34,346,954 and working capital of $22,527,412. The Company depends on external financing for its operational expenses.

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

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate our business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on our business, results of operations, financial position and cash flows in 2021 and 2022. A program of core drilling at the Hurricane Zone on the Larocque East property was tentatively planned for the winter 2021 drilling season, however due to COVID-19 concerns, the Company decided not to proceed with the program. A summer 2021 exploration program was conducted.

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

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

3. BASIS OF PRESENTATION

Statement of Compliance

These financial statements as at and for the years ended December 31, 2021 and 2020 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standard Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee.

3. BASIS OF PRESENTATION (continued)

Basis of Presentation

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

Critical accounting judgments, estimates and assumptions

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

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

i. Impairment

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

ii. Share-based payments

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

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

3. BASIS OF PRESENTATION (continued)

iii. Convertible debentures

The Company uses a model based on a system of two coupled Black-Scholes equations to determine the fair value of the convertible debentures. This model involves five key inputs to determine the fair value of the convertible debentures: risk-free interest rate, credit spread, market price at valuation date, expected dividend yield and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. Refer to Note 10 for further details.

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

i. Exploration and evaluation expenditures

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Functional and Presentation Currency

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

Translation of foreign currency transactions and balances

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

(b) Cash

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration and Evaluation Assets

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

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

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

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

(d) Equipment

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iv) Disposal

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

(e) Impairment – Non-Financial Assets

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

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

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

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

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

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

(f) Decommissioning and Restoration Provisions

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Share Capital

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

(h) Warrants

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

(i) Share-based payments

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

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

(j) Flow-through shares

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Loss per Share

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

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

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

(k) Income taxes

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("**FVTPL**"), at fair value through other comprehensive income ("**FVTOCI**") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as at FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. The Company has elected to designate its investment in 92 Energy Pty. Ltd ("**92 Energy**") (Note 5(a)) and International Consolidated Uranium Inc. ("**ICU**") (formerly NxGold Ltd., a company with common directors at the time the Option Agreement was entered into) (Note 5(b)) as FVTOCI. ICU has subsequently changed its name to Consolidated Uranium Inc. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL (such as the Convertible Debentures).

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

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

(ii) Measurement

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Impairment of financial assets at amortized cost

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

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

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

(iv) Derecognition

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

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

(Expressed in Canadian Dollars)

5. TRANSACTIONS

(a) Agreement with 92 Energy

On April 14, 2021 IsoEnergy closed a transaction based on a Heads of Agreement (the “**Agreement**”) with 92 Energy for 92 Energy to acquire a 100% interest in IsoEnergy’s Clover, Gemini, and Tower uranium properties in Saskatchewan, Canada (the “**Properties**”) in consideration for the issuance of common shares equivalent to 10,755,000 fully paid ordinary shares or 16.25% of the issued capital of 92 Energy following the Initial Public Offering (“**IPO**”). The shares were issued at a price of A$0.20 and are in escrow for 12 months following the completion of the IPO. Additional consideration to IsoEnergy includes milestone cash payments of A$100,000 within 60 days of 92 Energy’s IPO (which was received June 14, 2021), and an additional A$100,000 within 6 months of that date (which was received October 8, 2021). IsoEnergy will retain a 2% NSR on the Properties and will be entitled to nominate a member to 92 Energy’s Board of Directors, provided IsoEnergy maintains a minimum ownership position of 5%. 92 Energy will be required to spend an aggregate of A$1,000,000 on exploration expenditures on the Properties prior to May 1, 2022.

The Company recognized a gain of $2,225,877 on the completion of the transaction as follows.

Shares received	$	2,067,111
Cash		192,200
Proceeds		2,259,311
Properties disposed of (Note 8(b))		(33,434)
Gain on sale of assets	$	2,225,877

(b) Mountain Lake Option Agreement

On August 10, 2021, IsoEnergy completed an agreement with ICU to grant ICU the option to acquire a 100% interest in the Company’s Mountain Lake uranium property in Nunavut, Canada (“**Option Agreement**”).

Under the terms of the Option Agreement, ICU obtains the option to acquire a 100% interest in the Mountain Lake uranium property for consideration comprised of 900,000 ICU common shares and $20,000 cash. The option is exercisable at ICU’s election on or before the second anniversary of receipt of TSXV approval (August 3, 2023) for additional consideration of $1,000,000, payable in cash or shares of ICU. If ICU elects to acquire the Mountain Lake property, IsoEnergy will be entitled to receive the following contingency payments in cash or shares of ICU, at the discretion of ICU:

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

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

The Company recognized a gain of $1,369,505 on the completion of the transaction as follows.

Shares received	$	1,476,000
Cash		20,000
Proceeds		1,496,000
Carrying value of Mountain Lake (Note 8(c))		(126,495)
Gain on sale of option	$	1,369,505

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

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITES

Marketable securities consist of 10,755,000 common shares of 92 Energy and 900,000 common shares of ICU. The carrying value is based on the estimated fair value of the common shares and determined using published closing prices.

	92 Energy	ICU	Total
Shares acquired April 6, 2021 (Note 5(a))	$2,067,111		$2,067,111
Shares acquired August 11, 2021 (Note 5(b))		1,476,000	1,476,000
Change in fair value recorded in Other comprehensive income	4,664,874	1,107,000	5,771,874
Balance, December 31, 2021	$6,731,985	$2,583,000	$9,314,985

7. PROPERTY AND EQUIPMENT

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

	Right-of-use asset	Software	Field equipment	Office furniture	Total
Cost					
Balance, January 1, 2020	$ 259,512	$ 64,947	$ 41,428	$ 13,103	$ 378,990
Additions	-	-	22,017	-	22,017
Balance, December 31, 2020	$ 259,512	$ 64,947	$ 63,445	$ 13,103	$ 401,007
Additions	**-**	**-**	**43,259**	**-**	**43,259**
Lease modification (Note 9)	**(259,512)**	**-**	**-**	**(13,103)**	**(272,615)**
Balance, December 31, 2021	**$ -**	**$ 64,947**	**$ 106,704**	**$ -**	**$ 171,651**
Accumulated depreciation					
Balance, January 1, 2020	$ 58,799	$ 59,975	$ 18,295	$ 9,789	$ 146,858
Depreciation	58,797	4,972	4,627	3,314	71,710
Balance, December 31, 2020	**$ 117,596**	**$ 64,947**	**$ 22,922**	**$13,103**	**$ 218,568**
Depreciation	**29,398**	**-**	**17,233**	**-**	**46,631**
Lease modification (Note 9)	**(146,994)**	**-**	**-**	**(13,103)**	**(160,097)**
Balance, December 31, 2021	**$ -**	**$ 64,947**	**$ 40,155**	**$ -**	**$ 105,102**
Net book value:					
Balance, December 31, 2020	**$ 141,916**	**$ -**	**$ 40,523**	**$ -**	**$ 182,439**
Balance, December 31, 2021	**$ -**	**$ -**	**$ 66,549**	**$ -**	**$ 66,549**

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

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

	Note		2021		2020
Acquisition costs:					
Acquisition costs, opening		**$**	**35,440,432**	$	35,298,069
Additions	a		**27,139**		142,363
Dispositions and derecognition	b,c		**(144,609)**		-
Acquisition costs, closing		**$**	**35,322,962**	$	35,440,432
Exploration and evaluation costs:					
Exploration costs, opening		**$**	**18,291,364**	$	12,668,819
Additions:					
Drilling			**3,075,366**		2,800,364
Geological and geophysical			**775,241**		30,500
Labour and wages			**829,848**		1,140,615
Share-based compensation	13		**1,560,797**		234,956
Geochemistry and assays			**332,850**		317,508
Environmental			**2,311**		137,083
Engineering			**1,420**		224,620
Camp costs			**540,141**		594,539
Travel and other			**238,610**		142,360
Disposal of assets			**(15,320)**		-
Total exploration and evaluation in the period		**$**	**7,341,264**	$	5,622,545
Exploration and evaluation, closing		**$**	**25,632,628**	$	18,291,364
Total costs, closing		**$**	**60,955,590**	$	53,731,796

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

(a) New claim staking and acquisitions

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

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

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

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

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

9. LEASE LIABILITY

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

	2021	2020
Opening balance, January 1	**$ 151,640**	$ 209,231
Interest on lease liability	**5,230**	8,976
Payments	**(33,254)**	(66,567)
Derecognition of lease	**(123,616)**	-
Lease liability, end of period	**-**	151,640
Less Current portion	**-**	(66,745)
Long-term lease liability	**$ -**	$ 84,895

The lease was for an office space lease that extended to May 31, 2023. The discount rate applied to the lease was 5%. See Note 7 for information related to the leased asset. In addition to the lease payments the Company paid approximately $47,000 annually related to operating costs and realty taxes of the leased office space. This amount was reassessed annually based on actual costs incurred.

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

On July 1, 2021 the Company assigned the lease to a third party and therefore derecognized the lease liability and related right-of-use asset resulting in a gain of $11,100 which is included in Other Income.

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, 2021 were $1,975,000 (December 31, 2020 - $2,304,575).

10. CONVERTIBLE DEBENTURES

	2021	**2020**
Fair value, Balance January 1	**$ 14,033,992**	$ -
Fair value on issuance, August 18, 2020	**-**	7,629,586
Change in fair value in the period included in profit and loss	**11,036,471**	6,331,940
Change in fair value in the period included in OCI	**30,669**	72,466
Fair value, Balance December 31	**$ 25,101,132**	$ 14,033,992

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

(Expressed in Canadian Dollars)

10. CONVERTIBLE DEBENTURES (continued)

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

The Company received gross proceeds of $7,902,000 (US$6,000,000). A 3% establishment fee of $272,414 (US$180,000) was also paid to the Debentureholder through the issuance of 219,689 common shares. The fair value of the Debentures on issuance date was determined to be $7,629,586. The Company revalues the Debentures at the end of each reporting period with the change in the period related to credit risk recorded in Other Comprehensive Income or Loss ("**OCI**") and other changes in fair value in the period recorded in the loss for the period. The following assumptions were used to estimate the fair value of the Debentures:

	December 31, 2021	December 31, 2020	August 18, 2020
Expected stock price volatility	50%	46%	48%
Expected life	3.6 years	4.6 years	5 years
Risk free interest rate	1.78%	0.79%	0.76%
Expected dividend yield	0.00%	0.00%	0.00%
Credit spread	21.86%	21.70%	22.80%
Underlying share price of the Company	$3.74	$1.87	$1.24
Conversion price	$0.88	$0.88	$0.88
Exchange rate (C$:US$)	1.2637	1.2725	1.3168

The Debentures carry an 8.5% coupon (the "**Interest**") over a 5-year term. The Interest is payable semi-annually with 6% payable in cash and 2.5% payable in common shares of the Company, subject to TSXV approval, at a price equal to the 20-day VWAP of the Company's common shares on the TSXV on the twenty days prior to the date such Interest is due. The Interest can be reduced to 7.5% per annum on the public dissemination by the Company of an economically positive preliminary economic assessment study, at which point the cash component of the Interest will be reduced to 5% per annum. In the year ended December 31, 2021, the Company incurred interest expense of $641,836. Of the interest settled in 2021, $457,620 was settled in cash and the rest with the issue of 54,196 common shares of the Company. In the year ended December 31, 2020, the Company incurred interest expense of $248,962, of which $174,114 was settled in cash and the rest with the issue of 40,026 common shares of the Company.

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

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

(Expressed in Canadian Dollars)

10. CONVERTIBLE DEBENTURES (continued)

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

11. INCOME TAXES

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

		2021		2020
Loss from operations	$	(14,736,734)	$	(9,601,254)
Statutory rate		27%		27%
Expected tax recovery	$	(3,978,918)	$	(2,592,339)
Permanent differences:				
Share-based compensation		1,009,680		126,758
Convertible debt		2,979,847		1,709,624
Other		(46,649)		3,721
Release of flow-through share premium liability		-		(227,522)
Flow-through renunciation		1,080,000		921,877
Income tax (recovery) expense	$	1,043,960	$	(57,881)

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:

		2021		2020
Tax loss carry forwards	$	3,857,193	$	2,766,808
Financing costs		168,318		248,892
Exploration and evaluation assets		(5,855,183)		(3,785,462)
Marketable securities		(779,203)		-
Property and equipment		74,125		58,175
Deferred tax liabilities	$	(2,534,750)	$	(711,587)

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

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

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

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

The Company has non-capital losses and other of $14,106,180 (2020 - $10,247,410) which expire in 2035-2041. Tax attributes are subject to review, and potential adjustment, by tax authorities.

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

12. SHARE CAPITAL

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

Issued

For the year ended December 31, 2021

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

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

12. SHARE CAPITAL (continued)

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

For the year ended December 31, 2020:

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

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

(f) On August 18, 2020, the Company issued 219,689 shares to the Debentureholder in connection with the issuance of the Debentures which were valued at $272,414 (see Note 10).

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

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

(i) On December 31, 2020, the Company issued 40,026 common shares to the Debentureholder to settle $74,848 which is 2.5% of the interest owing on the Debentures (see Note 10).

Stock Options

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

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

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, 2020	6,420,000	$ 0.74
Granted	2,510,000	$ 0.63
Exercised	(360,000)	$ 0.65
Outstanding December 31, 2020	8,570,000	$ 0.71
Granted	4,540,000	$ 3.49
Cancelled	(103,334)	$ 0.88
Exercised	(4,839,999)	$ 0.85
Outstanding, December 31, 2021	8,166,667	$ 2.17
Number of options exercisable	4,627,500	$ 1.48

As at December 31, 2021, the Company has stock options outstanding and exercisable as follows:

Number of options	Exercise price per option	Number of options exercisable	Exercise price per option	Vesting	Weighted average remaining contractual life (years)
240,000	$0.57	240,000	$0.57		0.7
510,000	$0.36	510,000	$0.36		1.6
1,020,000	$0.42	1,020,000	$0.42		1.6
1,300,000	$0.39	945,833	$0.39	(i)	2.6
565,000	$1.19	406,667	$1.19	(i)	3.0
250,000	$2.44	83,333	$2.44	(i)	4.1
1,591,667	$2.81	525,000	$2.81	(i)	4.5
2,690,000	$3.99	896,667	$3.99	(i)	5.0
8,166,667	$2.17	4,627,500	$1.48		3.6

(j) Vest 1/3 on grant and 1/3 each year thereafter

The Company uses the Black-Scholes option pricing model to calculate the fair value of granted stock options. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect fair value estimates. The following weighted average assumptions were used to estimate the grant date fair values for the year ended December 31, 2021:

Expected stock price volatility	96.26%
Expected life of options	5 years
Risk free interest rate	1.10%
Expected dividend yield	0.00%
Weighted average exercise price	$ 3.49
Weighted average fair value per option granted	$ 2.54

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

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

	2021	2020
Capitalized to explorations and evaluation assets	**$ 1,560,797**	$ 234,956
Expensed to the statement of loss and comprehensive loss	**3,739,554**	469,473
	$ 5,300,351	$ 704,429

Warrants

As of December 31, 2021, the Company has the following warrants outstanding:

Expiry Date	January 1, 2021	Exercised	December 31, 2021
April 21, 2021	2,337,760	(2,337,760)	-
December 6, 2021	4,028,429	(4,028,429)	-
December 3, 2021	13,226	(13,226)	-
December 22, 2022	162,162	(162,162)	-
	6,541,577	(6,541,577)	-

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.

13. RELATED PARTY TRANSACTIONS

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

Remuneration attributed to key management personnel is summarized as follows:

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

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (continued)

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

As of December 31, 2021, $nil (December 31, 2020 – $47,000) was included in accounts payable and accrued liabilities owing to directors and officers for compensation.

On December 6, 2021, NexGen exercised 3,685,929 warrants with an exercise price of $0.60. In April 2021, NexGen acquired 1,537,760 common shares on the exercise of 1,537,760 warrants with an exercise price of $0.60. On August 10, 2020, NexGen acquired 4,411,764 common shares of the Company (see Note 12).

During the year ended December 31, 2021, the Company paid NexGen, $16,601 for use of their office space on a short-term lease.

Up until June 30, 2020, the Company charged office lease and administrative expenditures to ICU, a company with common directors at that time. During the six months ended June 30, 2020, office lease and administrative expenditures charged to ICU amounted to $26,533.

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

14. CAPITAL MANAGEMENT

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

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

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

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

15. FINANCIAL INSTRUMENTS

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

Fair Value Measurement

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

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

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

The Debentures are re-measured at fair value at each reporting date with any change in fair value recognized in profit or loss, except the change in fair value that is attributable to change in credit risk is presented in other comprehensive loss (Note 10). The Debentures are classified as Level 2.

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

Financial instrument risk exposure

As at December 31, 2021, 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, 2021, 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, 2021, the Company had a working capital balance of $22,527,412, including cash of $13,617,066.

15. FINANCIAL INSTRUMENTS (continued)

(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, 2021. The interest on the Debentures is fixed and not subject to market fluctuations.

(ii) Foreign Currency Risk

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

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

A 5% change is the US dollar can increase or decrease the Company's US dollar based cash and debt by $1,166,961 that would flow through the statement of loss.

(iii) Price risk

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

16. SEGMENT INFORMATION

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

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There was no cash paid for income tax in the years ended December 31, 2021 and 2020.

Non-cash transactions in the years ended December 31, 2021 and 2020 included:

(a) A non-cash transaction of $1,560,797 (2020 – $234,956) related to share-based payments was included in exploration and evaluation assets.

(b) The Company issued 54,196 (2020 – 40,026) shares valued at $184,216 (2020 - $74,848) to settle a portion of the interest owing on the Debentures (see Note 10).

(c) In August 2020, the Company issued 219,689 shares valued at $272,414 to settle the establishment fee related to the Debentures (see Note 10).

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

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

(f) In the year ended December 31, 2021, the Company transferred its lease obligation to another Company. This resulted in the derecognition of a right-of-use asset of $112,518 and a lease obligation of $123,616 (see Note 7 and 9).

18. SUBSEQUENT EVENT

(a) Subsequent to December 31, 2021, 592,500 stock options were exercised for proceeds of $330,413.