



Unaudited Condensed Consolidated Interim Financial Statements of

**ISOENERGY LTD.**

March 31, 2017 and 2016

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

	Note	March 31, 2017	December 31, 2016
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 4,488,235	\$ 6,491,460
Accounts receivable		238,403	159,440
Prepaid expenses		58,290	54,700
		<b>4,784,928</b>	<b>6,705,600</b>
<b>Non-Current</b>			
Deposit	8(b)	5,452	5,452
Equipment	6	79,599	88,754
Exploration and evaluation assets	7	34,632,477	32,991,814
<b>TOTAL ASSETS</b>		<b>\$ 39,502,456</b>	<b>\$ 39,791,620</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 200,089	\$ 289,097
Flow-through share premium liability	8(a)	44,849	179,212
		<b>244,938</b>	<b>468,309</b>
<b>Non-Current</b>			
Deferred income tax liability		451,573	136,588
<b>TOTAL LIABILITIES</b>		<b>696,511</b>	<b>604,897</b>
<b>EQUITY</b>			
Share capital	9	40,645,694	40,645,694
Share option reserve	9	1,516,783	1,086,333
Deficit		(3,356,532)	(2,545,304)
<b>TOTAL EQUITY</b>		<b>38,805,945</b>	<b>39,186,723</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 39,502,456</b>	<b>\$ 39,791,620</b>

Nature of operations (Note 2)  
Commitments (Note 8)

The accompanying notes are an integral part of the condensed consolidated interim financial statements  
These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 15, 2017

“Craig Parry”  
\_\_\_\_\_  
Craig Parry, CEO, Director

“Trevor Thiele”  
\_\_\_\_\_  
Trevor Thiele, Director

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

	Note	For the three months ended March 31, 2017	For the period from February 2 to March 31, 2016
Share-based compensation	9	\$ 317,350	\$ -
Administrative salaries, contract and director fees	10(a)	169,097	-
Investor relations		52,831	-
Office and administrative		44,503	-
Professional fees		18,064	-
Travel		9,139	-
Public company costs		19,572	-
Exploration costs		50	-
<b>Loss from operations</b>		<b>(630,606)</b>	<b>-</b>
<b>Deferred income tax expense</b>	8(a)	<b>(180,622)</b>	<b>-</b>
<b>Loss and comprehensive loss</b>		<b>\$ (811,228)</b>	<b>\$ -</b>
<b>Loss per common share – basic and diluted</b>		<b>\$ (0.02)</b>	<b>\$ -</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>41,060,549</b>	<b>1</b>

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

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

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	Note	Number of Common Shares	Share Capital	Share option reserve	Deficit	Total
Balance as at February 2, 2016 and March 31, 2016	9(a)	1	\$ 1	\$ -	\$ -	\$ -
Balance as at January 1, 2017	9(a)	\$ 41,060,549	\$ 40,645,694	\$ 1,086,333	\$ (2,545,304)	\$ 39,186,723
Share-based payments		-	-	430,450	-	430,450
Loss for the period		-	-	-	(811,228)	(811,228)
Balance as at March 31, 2017		\$ 41,060,549	\$ 40,645,694	\$ 1,516,783	\$ (3,356,532)	\$ 38,805,945

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

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

	For the three months ended March 31, 2017	For the period from February 2 to March 31, 2016
<b>Cash flows from (used in) operating activities</b>		
Loss for the period	\$ (811,228)	\$ -
Items not involving cash:		
Share-based payments	317,350	-
Deferred income tax expense	180,622	-
Depreciation expense	969	-
Changes in non-cash working capital		
Account receivable	(78,963)	(1)
Prepaid expenses	(3,590)	-
Accounts payable and accrued liabilities	(89,008)	-
	<b>\$ (483,848)</b>	<b>\$ (1)</b>
<b>Cash flows used in investing activities</b>		
Additions to exploration and evaluation assets	\$ (1,519,377)	\$ -
	<b>\$ (1,519,377)</b>	<b>\$ -</b>
<b>Cash flows provided by financing activities</b>		
Share issued	\$ -	\$ 1
	<b>\$ -</b>	<b>\$ 1</b>
<b>Change in cash</b>	<b>\$ (2,003,225)</b>	<b>\$ -</b>
Cash, beginning of period	6,491,460	
<b>Cash, end of period</b>	<b>\$ 4,488,235</b>	<b>\$ -</b>

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

## ISOENERGY LTD.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE PERIODS ENDED MARCH 31, 2017 & 2016

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#### 1. REPORTING ENTITY

IsoEnergy Ltd. including its subsidiaries and predecessor companies as described below, ("Iso", 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 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, BC, V7Y 1B3.

Iso is the product of an amalgamation completed on October 12, 2016 between a company also called "IsoEnergy Ltd." ("Old Iso") and 1089338 B.C. Ltd. (a wholly owned subsidiary of NexGen Energy Ltd.), pursuant to section 269 of the British Columbia *Business Corporations Act* (the "Old Iso Merger"). Old Iso was incorporated on February 2, 2016 as a wholly owned subsidiary of NexGen Energy Ltd., ("NexGen") to hold certain exploration assets of NexGen. On June 17, 2016, certain exploration and evaluation assets were transferred from NexGen to Old Iso in consideration for 29 million common shares of Old Iso.

Pursuant to the Old Iso Merger, each outstanding common share of Old Iso was exchanged for one common share of Iso, which has the same business and capital structure as Old Iso. Pursuant to the Old Iso Merger, NexGen was issued one common share of the amalgamated entity in exchange for its one common share of 1089338 B.C. Ltd.

On October 13, 2016, Airesurf Network Holdings Inc. ("Airesurf") and 2532314 Ontario Ltd., a wholly owned subsidiary of Iso created for this purpose, amalgamated under the Ontario *Business Corporations Act* to form IsoOre Ltd., a wholly owned subsidiary of Iso (the "Airesurf Transaction"). See Note 5.

Both the Airesurf Transaction and the Old Iso Merger were part of a series of transactions completed in connection with the Company's application to list its common shares on the TSX-Venture Exchange (the "TSXV").

On October 19, 2016, Iso was listed on the TSXV as a Tier 2 Mining Issuer.

As of March 31, 2017 and after giving effect to a series of financings completed by way of private placement, NexGen holds 71.72% of Iso'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 March 31, 2017, the Company had accumulated losses of \$3,356,532 and working capital of \$4,584,839. The Company depends on external financing for its operational expenses. Under the Radio Option Agreement (refer to Note 7), the Company is required to spend \$10 million prior to May 31, 2017 in order to earn a 70% interest in the Radio property. Therefore, in order to meet this requirement, the Company will need to raise additional funds or seek an amendment to the agreement. There is no guarantee the Company will be successful in doing so.

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

The underlying value of Iso's exploration and evaluation assets is dependent upon the existence and economic recovery of mineral reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future business conditions or the failure to raise additional funds could require material write-downs of the carrying value of Iso's exploration and evaluation assets.

**ISOENERGY LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

**FOR THE PERIODS ENDED MARCH 31, 2017 & 2016**

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**3. BASIS OF PRESENTATION**

**Statement of Compliance**

These condensed interim consolidated financial statements for the period ended March 31, 2017, including comparatives, have prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. They do not include all of the information required by International Reporting Standards (“IFRS”) for annual financial statements and should be read in conjunction with the audited financial statements for the period ended and as at December 31, 2016.

**Basis of Presentation**

These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. All monetary references expressed in these notes are references to Canadian dollar amounts (“\$”). These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

**Critical accounting judgments, estimates and assumptions**

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the 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 could 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 are set out in Note 3 to the audited financial statements for the period ended December 31, 2016 and have been consistently followed in preparation of these condensed consolidated interim financial statements.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Company are set out in Note 4 to the audited financial statements for the period ended December 31, 2016 and have been consistently followed in preparation of these condensed consolidated interim financial statements except for the following policies:

**Release of flow-through share premium**

In the prior year, the proceeds allocated to the flow-through premium was recognized as “release of flow-through premium liability” in the consolidated statement of loss and comprehensive loss over the period that the flow-through proceeds were spent on eligible exploration expenditures. In the current period, this premium is measured on the same basis, however, it is recorded as a deferred tax benefit. The Company voluntarily changed this classification with a view to better present the results of the Company. There is no impact on the statement of loss and comprehensive loss or on the statement of cash flows for the period ended March 31, 2016 nor on the balance sheet as at December 31, 2016 as flow-through shares were not issued until the third quarter of 2016.

**ISOENERGY LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
(Unaudited)  
**FOR THE PERIODS ENDED MARCH 31, 2017 & 2016**

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Future accounting pronouncements:**

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

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

**5. AIRESURF TRANSACTION**

On October 13, 2016, pursuant to the Airesurf Transaction, each issued and outstanding Airesurf common share was exchanged for 0.020833 Iso common shares. Pursuant to the Airesurf Transaction, Iso issued 302,881 common shares to former shareholders of Airesurf, representing approximately 1% of the then issued and outstanding common shares of Iso. The Airesurf Transaction did not have any effect on the business or financial condition of Iso. For a further description of the Airesurf Transaction see the Form 2B on [www.sedar.com](http://www.sedar.com), under Iso's profile.

The purchase price has been allocated to the assets acquired and the liabilities assumed as a result of the transaction based on their fair values on the closing date of the Airesurf Transaction. The excess of the purchase price over the fair value of the identifiable net assets acquired was included in the statement of loss and comprehensive loss for the period ended December 31, 2016 as a TSXV listing cost:

Purchase price:	
Fair value of shares issued	\$ 302,881
Transaction costs	210,141
	<u>\$ 513,022</u>
Purchase price allocation:	
Cash	1,057
Accounts payable	(53,114)
	<u>\$ (52,057)</u>
Net purchase price expensed	<u>\$ 565,079</u>

**ISOENERGY LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
(Unaudited)  
**FOR THE PERIODS ENDED MARCH 31, 2017 & 2016**

**6. EQUIPMENT**

The following is a summary of the equipment:

	Computing equipment	Software	Field equipment	Office furniture and leasehold improvements	Total
<b>Cost</b>					
Balance, February 2, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	8,439	64,947	27,092	11,776	112,254
Balance, December 31, 2016 and March 31, 2017	\$ 8,439	\$ 64,947	\$ 27,092	\$ 11,776	\$ 112,254
<b>Accumulated depreciation</b>					
Balance, February 2, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	2,320	17,860	2,710	610	23,500
Balance, December 31, 2016	2,320	17,860	2,710	610	23,500
Depreciation	841	6,474	1,219	621	9,155
Balance, March 31, 2017	\$ 3,161	\$ 24,334	\$ 3,929	\$ 1,231	\$ 32,655
<b>Net book value:</b>					
Balance, December 31, 2016	\$ 6,119	\$ 47,087	\$ 24,382	\$ 11,166	\$ 88,754
Balance, March 31, 2017	\$ 5,278	\$ 40,613	\$ 23,163	\$ 10,545	\$ 79,599

**ISOENERGY LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

**FOR THE PERIODS ENDED MARCH 31, 2017 & 2016****7. EXPLORATION AND EVALUATION ASSETS**

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

	Note	For the three months ended March 31, 2017	For the period from February 2, to December 31, 2016
<b>Acquisition costs:</b>			
Balance, opening		\$ 30,100,000	\$ -
Additions	a, b	-	30,100,000
Balance, closing		\$ 30,100,000	\$ 30,100,000
<b>Deferred exploration costs:</b>			
Balance, opening		\$ 2,891,814	\$ -
Additions:			
Drilling		1,139,058	1,197,163
Geological and geophysical		2,715	719,176
Labour and wages		123,448	375,920
Share-based compensation		113,100	256,420
Geochemistry and assays		117,904	151,190
Camp costs		103,030	119,460
Travel and other		41,408	72,485
Balance, closing		\$ 4,532,477	\$ 2,891,814
<b>Total costs, closing</b>		<b>\$ 34,632,477</b>	<b>\$ 32,991,814</b>

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

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

**Radio property**

The Radio property is located in Northern Saskatchewan and was acquired from NexGen on June 17, 2016. Pursuant to an option agreement, most recently amended February 21, 2014, upon incurring \$10,000,000 of expenditures on the Radio Project by May 31, 2017, the Company has the right to earn a 70% right, title and interest in the Radio property (the "Radio Option Agreement"). As of March 31, 2017, the Company has incurred \$2,110,061 of expenditures on the Radio project.

**ISOENERGY LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
(Unaudited)  
**FOR THE PERIODS ENDED MARCH 31, 2017 & 2016**

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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

Upon Iso earning a 70% interest in the Radio Project, Iso and the Radio optionors will be deemed to have formed a joint venture with Iso having an initial 70% interest therein and the Radio optionors having an initial 30% interest and the parties shall proceed in good faith to negotiate the terms of a joint venture agreement. The Radio optionors' 30% interest shall be free carried until the commencement of commercial production after which all costs and expenses (other than those incurred in connection with an expansion in respect of which the Radio optionors shall be free carried) shall be pro rata to the parties' respective interest in the joint venture.

The Radio Option Agreement provides that the Radio optionors shall retain a 2% net smelter royalty and a 2% gross overriding royalty on production from the property, calculated in accordance with the Radio Option Agreement. The gross overriding royalty applies only to gems and gemstones.

**Thorburn Lake property**

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

**(b) Thorburn North property**

On June 30, 2016, Old Iso acquired a 100% interest in the Thorburn North property in exchange for a cash payment of \$100,000 and \$1,000,000 worth of Iso common shares.

**8. COMMITMENTS**

**(a) Flow-through expenditures**

The Company issued flow-through shares and any resulting flow-through share premium was recorded as a flow-through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow-through premium is then recorded as a reduction of the deferred tax expense.

During the period ended December 31, 2016, the Company raised \$4,328,100 through the issuance of flow-through shares. Based on Canadian tax law, the Company is required to spend this amount on eligible exploration expenditures by December 31, 2017. A \$393,464 flow-through share premium liability was recorded during the period ended December 31, 2016.

As of March 31, 2017, the Company fulfilled \$3,834,774 of the required eligible exploration expenditures and as such the commitment has been reduced to \$493,326. As the commitment is met, the remaining balance of the flow-through premium liability will be recognised as income.

The flow-through share premium liability is comprised of:

	<b>For the three months ended March 31, 2017</b>	<b>For the period from February 2 to December 31, 2016</b>
Balance, opening	\$ 179,212	\$ -
Liability incurred on flow-through shares issued	-	393,464
Settlement of flow-through share liability on expenditures made	<b>(134,363)</b>	<b>(214,252)</b>
Balance, closing	<b>\$ 44,849</b>	<b>\$ 179,212</b>

**ISOENERGY LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
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**8. COMMITMENTS (continued)**

**(b) Office leases**

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

2017	\$ 49,068
2018	\$ 65,424
2019	\$ 43,616

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

**9. SHARE CAPITAL**

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

**Issued**

There were no shares issued in the three months ended March 31, 2017.

For the period ended December 31, 2016:

- (a) Upon incorporation on February 2, 2016, one common share of Old Iso at a value of \$1 was issued to NexGen.
- (b) On June 16, 2016, Old Iso issued 29,000,000 common shares to NexGen for the Transferred Property Interests (Note 7(a)).
- (c) On June 30, 2016, Old Iso issued 1,000,000 common shares as consideration for the acquisition of Thorburn North property (Note 7(b)).
- (d) On August 16, 2016, Old Iso issued 450,000 common shares to NexGen to settle \$450,000 due to NexGen for operational expenses paid by NexGen on Old Iso's behalf.
- (e) On October 12, 2016, Old Iso issued 1 common share to NexGen as part of the Old Iso Merger and each of the Old iso shareholders exchanged their common shares of Old Iso for common shares of the Company on a one-for-one basis (see note 1).
- (f) On October 13, 2016, Iso issued 302,881 common shares to former Airesurf shareholders pursuant to the Airesurf Transaction (see note 5).
- (g) In the period ended December 31, 2016, the following private placements were completed by Old Iso and Iso:

<b>Date issued by:</b>	<b>Shares issued</b>	<b>Proceeds per share</b>	<b>Gross proceed</b>	<b>Cash finders' fee</b>	<b>Other cash share issuance costs</b>	<b>Net proceeds</b>
June 30, 2016	2,033,000	\$ 1.00	\$ 2,033,000	\$ (3,300)	\$ -	\$ 2,029,700
August 4, 2016	2,106,000	\$ 1.00	2,106,000	-	(45,885)	2,060,115
August 5, 2016	2,092,500	\$ 1.00	2,092,500	(95,550)	(64,185)	1,932,765
August 5, 2016	1,818,200	\$ 1.10	2,000,020	(120,001)	(61,348)	1,818,671
October 11, 2016	132,950	\$ 1.00	132,950	(7,356)	-	125,594
November 2, 2016	2,116,436	\$ 1.10	2,328,080	(139,685)	(22,405)	2,165,990
	<u>10,299,086</u>		<u>\$10,692,550</u>	<u>\$ (365,892)</u>	<u>\$ (193,823)</u>	<u>\$ 10,132,835</u>

**ISOENERGY LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**9. SHARE CAPITAL (continued)**

In addition to the cash finders' fees of \$365,892 and other cash share issuance costs of \$193,823, 8,580 common shares were issued as a finders' fee thereby increasing the total share issuance costs to \$568,295 (\$414,855, net of tax).

**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 February 2, 2016	-	
Granted	3,775,000	\$ 1.00
Outstanding December 31, 2016	3,775,000	\$ 1.00
Granted	250,000	\$ 1.00
Outstanding March 31, 2017	4,025,000	\$ 1.00
Number of options exercisable	1,333,333	\$ 1.00

As at March 31, 2017, 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
250,000	\$ 1.00	83,333	\$ 1.00	(i)	4.77	January 4, 2022
3,675,000	\$ 1.00	1,225,000	\$ 1.00	(i)	4.57	October 25, 2021
100,000	\$ 1.00	25,000	\$ 1.00	(ii)	4.57	October 24, 2021
4,025,000	\$ 1.00	1,333,333	\$ 1.00			

- (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 period ended March 31, 2017:

Expected stock price volatility	88.59%
Expected life of options	5.00
Risk free interest rates	1.11%
Expected dividend yield	0.00%
Weighted average share price	\$ 1.00
Weighted average fair value per option granted	\$ 0.69

Share-based payments for options vested in the current period amounted to \$430,450 of which \$317,350 was expensed to the statement of loss and comprehensive loss, and \$113,100 was capitalized to exploration and

**ISOENERGY LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

**FOR THE PERIODS ENDED MARCH 31, 2017 & 2016**

evaluation assets (Note 7).

**10. RELATED PARTY TRANSACTIONS**

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

Remuneration attributed to key management personnel for the three months ended March 31, 2017 is summarized as follows:

	<b>Short term compensation</b>	<b>Share-based compensation</b>	<b>Total</b>
Expensed in the statement of loss and comprehensive loss	\$ 132,215	\$ 246,956	\$ 379,171
Capitalized to exploration and evaluation assets	91,434	106,725	198,159
	\$ 223,649	\$ 353,681	\$ 577,330

As of March 31, 2017, there was \$26,385 included in accounts payable and accrued liabilities owing to directors and officers for compensation.

**11. CAPITAL MANAGEMENT**

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

In the management of capital, the Company considers all types 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.

**12. 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 as loans and receivables and are initially recorded at fair value and subsequently at amortized cost with accrued interest recorded in accounts receivable.

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**12. FINANCIAL INSTRUMENTS (continued)**

**Financial instrument risk exposure**

As at March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, the Company had a working capital balance of \$4,584,839, including cash of \$4,488,235.

**(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 March 31, 2017.

**(ii) Foreign Currency Risk**

The functional currency of the Company is the Canadian dollar. The Company is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the Canadian dollar in relation to other currencies may impact the fair value of financial assets, liabilities and operating results. As of March 31, 2017, the Company had no financial assets or liabilities that were subject to currency translation risk. The Company maintains a Canadian dollar bank account in Canada.

**(iii) Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact of movements in individual equity prices or general movements in the level of the stock market on the Company's earnings. Commodity price risk is defined as the potential adverse impact of commodity price movements and volatilities on earnings and economic value.

Future declines in commodity prices may impact the valuation of long-lived assets. The Company

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closely monitors the commodity prices of uranium, individual equity movements, and the stock market.

**13. 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.

**14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There was no cash paid for income tax or interest in the period ended March 31, 2016 and 2017. In the three months ended March 31, 2017 a non-cash transaction of \$113,100 related to share-based payments was included in exploration and evaluation assets. There were no significant non-cash transactions during the period ended March 31, 2016.