



Unaudited Condensed Interim Financial Statements of

ISOENERGY LTD.

For the three and nine months ended September 30, 2021 and 2020

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

	Note	September 30, 2021	December 31, 2020
ASSETS			
Current			
Cash		\$ 14,931,758	\$ 14,034,565
Accounts receivable		229,942	67,967
Prepaid expenses		109,815	197,419
Marketable securities	6	9,900,836	-
		25,172,351	14,299,951
Non-Current			
Deposit		-	9,274
Property and equipment	7	70,255	182,439
Exploration and evaluation assets	8	58,146,152	53,731,796
TOTAL ASSETS		\$ 83,388,758	\$ 68,223,460
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 2,613,424	\$ 238,650
Current portion of lease liability	9	-	66,745
		2,613,424	305,395
Non-Current			
Convertible debentures	10	22,366,473	14,033,992
Long-term lease liability	9	-	84,895
Deferred income tax liability	12	2,783,373	711,587
TOTAL LIABILITIES		27,763,270	15,135,869
EQUITY			
Share capital	13	74,793,819	67,491,167
Share option and warrant reserve	13	4,028,885	4,235,150
Accumulated deficit		(28,628,459)	(18,566,260)
Other comprehensive loss		5,431,243	(72,466)
TOTAL EQUITY		55,625,488	53,087,591
TOTAL LIABILITIES AND EQUITY		\$ 83,388,758	\$ 68,223,460

Nature of operations (Note 2)
Commitments (Notes 9, 10 and 11)
Subsequent event (Note 19)

The accompanying notes are an integral part of the condensed interim financial statements
These financial statements were authorized for issue by the Board of Directors on November 2, 2021

“Tim Gabruch”
Tim Gabruch, CEO, Director

“Trevor Thiele”
Trevor Thiele, Director

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

	Note	For the three months ended September 30		For the nine months ended September 30	
		2021	2020	2021	2020
General and administrative costs					
Share-based compensation	13,14	\$ 333,369	\$ 182,275	\$ 1,348,814	\$ 381,531
Administrative salaries, contract and director fees	14	295,536	228,869	1,755,938	554,124
Investor relations		57,180	138,679	210,988	519,218
Office and administrative		38,229	12,282	99,108	87,057
Professional fees		80,269	68,061	159,619	190,572
Travel		1,918	-	1,918	40,446
Public company costs		25,114	33,607	105,077	94,661
Depreciation expense		-	15,528	29,398	46,584
Total general and administrative costs		(831,615)	(679,301)	(3,710,860)	(1,914,193)
Interest income		14,859	11,582	54,114	37,666
Interest on lease liability	9	-	(2,621)	(5,230)	(7,852)
Interest on convertible debentures	10	(160,650)	(80,038)	(478,865)	(80,038)
Fair value gain(loss) on convertible debentures	10	(3,629,475)	1,119,377	(8,336,758)	1,119,377
Gain on sale of assets and option agreement	5	1,374,213	-	3,610,702	-
Foreign exchange gain (loss)		49,247	37,195	(11,083)	37,195
Rental and other income	9	11,100	9,087	29,274	25,750
Income (loss) from operations		(3,172,321)	415,281	(8,848,706)	(782,095)
Deferred income tax recovery (expense)	12	(1,018,591)	(63,947)	(1,213,493)	(273,509)
Net income (loss)		\$ (4,190,912)	\$ 351,334	\$ (10,062,199)	\$ (1,055,604)
Other comprehensive income (loss)					
Change in fair value of convertible debentures attributable to the change in credit risk	10	66,949	-	4,277	-
Change in fair value of marketable securities	6	5,424,191	-	6,357,725	-
Deferred tax expense		(732,266)	-	(858,293)	-
Total comprehensive Income (loss)		567,962	351,334	(4,558,490)	(1,055,604)
Loss per common share					
Basic		\$ (0.04)	\$ -	\$ (0.10)	\$ (0.01)
Diluted		\$ (0.04)	\$ (0.01)	\$ (0.10)	\$ (0.01)
Weighted average number of common shares outstanding					
Basic		98,901,556	88,045,008	97,421,136	85,537,741
Diluted		98,901,556	94,605,923	97,421,136	85,537,741

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

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

	Note	Number of common shares	Share capital	Share option and warrant reserve	Accumulated deficit	Accumulated 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	13	5,882,352	3,999,999	-	-	-	3,999,999
Share issue costs	13	-	(331,707)	-	-	-	(331,707)
Shares issued on the exercise of warrants	13	736,124	431,857	(132,949)	-	-	298,908
Shares issued on the exercise of stock options	13	100,000	83,303	(33,303)	-	-	50,000
Shares issued on convertible debt financing	10	219,689	272,414	-	-	-	272,414
Share-based payments	13	-	-	569,743	-	-	569,743
Loss for the period		-	-	-	(1,055,604)	-	(1,055,604)
Balance as at September 30, 2020		91,205,665	\$63,196,548	\$4,172,695	\$(10,078,491)	\$ -	\$57,290,752
Balance as at January 1, 2021		94,472,998	\$67,491,167	\$4,235,150	\$(18,566,260)	\$(72,466)	\$53,087,591
Shares issued on the exercise of warrants	13	2,512,732	1,650,453	(9,246)	-	-	1,641,207
Shares issued on the exercise of stock options	13	4,071,666	5,561,005	(2,248,947)	-	-	3,312,058
Shares issued to settle interest	10	31,120	91,194	-	-	-	91,194
Share-based payments	13	-	-	2,051,928	-	-	2,051,928
Loss for the period		-	-	-	(10,062,199)	-	(10,062,199)
Other comprehensive income for the period	6,10	-	-	-	-	5,503,709	5,503,709
Balance as at September 30, 2021		101,088,516	\$74,793,819	\$4,028,885	\$(28,628,459)	\$5,431,243	\$55,625,488

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

ISOENERGY LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

(Expressed in Canadian Dollars)

For the nine months ended September 30

	2021	2020
Cash flows from (used in) operating activities		
Loss for the period	\$ (10,062,199)	\$ (1,055,604)
Items not involving cash:		
Share-based compensation	1,348,814	381,531
Deferred income tax (recovery) expense	1,213,493	273,509
Depreciation expense	29,398	46,584
Other income	(11,100)	
Interest on lease liability	5,230	7,852
Interest on convertible debentures	478,865	80,038
Fair value loss (gain) on convertible debentures	8,336,758	(1,119,377)
Gain on sale of assets and option agreement	(3,610,702)	-
Changes in non-cash working capital:		
Accounts receivable	(65,875)	(69,514)
Prepaid expenses	107,604	101,815
Deposit	9,274	-
Accounts payable and accrued liabilities	1,657,407	(122,221)
	\$ (563,033)	\$ (1,475,387)
Cash flows used in investing activities		
Additions to exploration and evaluation assets	\$ (3,098,940)	\$ (4,040,150)
Acquisition of exploration and evaluation assets	(27,139)	(142,363)
Additions to equipment	(42,135)	-
Proceeds on sale of assets	96,100	-
	\$ (3,072,114)	\$ (4,182,513)
Cash flows from (used in) financing activities		
Shares issued in private placement	\$ -	\$ 3,999,999
Share issuance costs		(331,707)
Shares issued on the exercise of warrants	1,641,207	298,908
Shares issued on the exercise of stock options	3,312,058	50,000
Interest on Debentures	(387,671)	7,902,000
Lease liability payments:		
Principal	(28,024)	(42,036)
Interest	(5,230)	(7,852)
	\$ 4,532,340	\$ 11,869,312
Change in cash	\$ 897,193	\$ 6,211,412
Cash, beginning of period	14,034,565	6,587,075
Cash, end of period	\$ 14,931,758	\$ 12,798,487

Supplemental disclosure with respect to cash flows (Note 18)

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

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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 2T5. The Company’s common shares are listed on the TSX Venture Exchange (the “**TSXV**”).

As of September 30, 2021, the Company did not have any subsidiaries and NexGen Energy Ltd (“**NexGen**”) holds 49.26% 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 September 30, 2021, the Company had accumulated losses of \$28,628,459 and working capital of \$22,558,927. 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. We anticipate 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. The Company is planning a summer drilling program; this may also be impacted by the COVID-19 pandemic.

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 condensed interim financial statements for the three and nine months ended September 30, 2021, including comparatives, have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting. They do not include all of the information required by IFRS for annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended and as at December 31, 2020.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

Information about significant areas of judgement and estimation uncertainty considered by management in preparing the financial statements are set out in Note 3 to the annual financial statements for the year ended December 31, 2020 and have been consistently followed in preparation of these condensed interim financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 4 to the annual financial statements for the year ended December 31, 2020 and have been consistently followed in preparation of these condensed interim financial statements, except as noted below.

IFRS 9 – Financial Instruments establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“**FVOCI**”) and fair value through profit or loss (“**FVPL**”). The Company determines the classification of the financial assets at initial recognition. The basis of classification depends on the Company’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. A financial asset that is a debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Investments in equity instruments are required to be measured by default at FVPL. However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVOCI. 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 FVOCI.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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 share 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 \$2,236,489 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))		(22,822)
Gain on sale of assets	\$	2,236,489

(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, IsoEnergy will receive an additional \$410,000
- If the uranium spot price reaches US\$75, IsoEnergy will receive an additional \$615,000
- If the uranium spot price reaches US\$100, 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 \$1,374,213 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))		(121,787)
Gain on sale of option	\$	1,374,213

The shares are subject to a four month hold and will not be free trading until December 10, 2021.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

6. MARKETABLE SECURITIES

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.

Shares in 92 Energy acquired April 6, 2021 (Note 5(a))	\$ 2,067,111
Shares in ICU acquired August 11, 2021 (Note 5(b))	1,476,000
Change in fair value recorded in Other comprehensive income	6,357,725
Balance, September 30, 2021	\$ 9,900,836

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	-	-	42,135	-	42,135
Lease modification (Note 9)	(259,512)	-	-	(13,103)	(272,615)
Balance, September 30, 2021	\$ -	\$ 64,947	\$ 105,580	\$ -	\$ 170,527
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	-	12,403	-	41,801
Lease modification (Note 9)	(146,994)	-	-	(13,103)	(160,097)
Balance, September 30, 2021	\$ -	\$ 64,947	\$ 35,325	\$ -	\$ 100,272
Net book value:					
Balance, December 31, 2020	\$ 141,916	\$ -	\$ 40,523	\$ -	\$ 182,439
Balance, September 30, 2021	\$ -	\$ -	\$ 70,255	\$ -	\$ 70,255

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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:

	Note	September 30, 2021	December 31, 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		2,145,684	2,800,364
Geological and geophysical		567,406	30,500
Labour and wages		473,400	1,140,615
Share-based compensation	13	703,114	234,956
Geochemistry and assays		91,608	317,508
Environmental		2,311	137,083
Engineering		1,420	224,620
Camp costs		406,658	594,539
Travel and other		140,225	142,360
Total exploration and evaluation in the period		\$ 4,531,826	\$ 5,622,545
Exploration and evaluation, closing		\$ 22,823,190	\$ 18,291,364
Total costs, closing		\$ 58,146,152	\$ 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 \$22,822 was netted in the gain on sale of properties (see Note 5(a)).

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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 Company retains the rights over the Mountain Lake property, the carrying value of the Mountain Lake property of \$121,787 was derecognized and netted against the gain recognized on the Option Agreement.

9. LEASE LIABILITY

The lease liability is as follows:

	September 30, 2021	December 31, 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.

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 nine months ended September 30, 2021 were \$948,500 (September 30, 2020 - \$1,907,835).

10. CONVERTIBLE DEBENTURES

	September 30, 2021	December 31, 2020
Fair value on issuance, August 18, 2020 and January 1, 2021	\$ 14,033,992	\$ 7,629,586
Change in fair value in the period included in profit and loss	8,336,758	6,331,940
Change in fair value in the period included in OCI	(4,277)	72,466
Fair value, end of period	\$ 22,366,473	\$ 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.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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:

	September 30, 2021	June 30, 2021	December 31, 2020	August 18, 2020
Expected stock price volatility	50%	50%	46%	48%
Expected life	3.9 years	4.1 years	4.6 years	5 years
Risk free interest rate	1.40%	1.32%	0.79%	0.76%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Credit spread	22.14%	20.72%	21.70%	22.80%
Underlying share price of the Company	\$3.55	\$2.90	\$1.87	\$1.24
Conversion price	\$0.88	\$0.88	\$0.88	\$0.88
Exchange rate (C\$:US\$)	1.2680	1.2398	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 three and nine months ended September 30, 2021, the Company incurred interest expense of \$160,650 and \$478,865, (September 30, 2020 – \$80,038 in both periods). Of the amount settled on June 30, 2021, \$227,021 was settled in cash and the rest with the issue of 31,120 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.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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. COMMITMENTS

The Company has raised funds through the issuance of flow-through shares. Based on Canadian tax law, the Company is required to spend this amount on eligible exploration expenditures by December 31 of the year after the year in which the shares were issued.

The premium received for a flow-through share, which is the price received for the share in excess of the market price of the share, is recorded as a flow-through share premium liability. This liability is subsequently reduced when the required exploration expenditures are made, on a pro rata basis, and accordingly, a recovery of flow-through premium is then recorded as a reduction in the deferred tax expense to the extent that deferred income tax assets are available.

As of September 30, 2021, the Company is obligated to spend approximately \$210,000 by December 31, 2022 on eligible exploration expenditures. The 2020 FT Shares (see Note 13(d)) were issued at a price that was below market value on the date of issue and therefore no flow-through share premium liability was recorded.

12. INCOME TAXES

Deferred income tax recovery (expense) is comprised of:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Deferred income taxes related to operations	\$ (217,294)	\$ 150,935	\$ (225,955)	\$ 420,428
Flow-through renunciation	(801,297)	(285,335)	(987,538)	(921,459)
Release of flow-through share premium liability	-	70,453	-	227,522
Deferred income tax recovery (expense)	\$ (1,018,591)	\$ (63,947)	\$ (1,213,493)	\$ (273,509)

In the three and nine months ended September 30, 2021, the Company incurred \$3,097,765 and \$3,787,547, respectively (three and nine months ended September 30, 2020 – \$1,056,798 and \$3,412,807, respectively) of eligible exploration expenditures in respect of its flow-through share commitments (Note 11). A deferred income tax expense is recognized due to the taxable temporary difference arising from capitalized exploration and evaluation assets with no tax basis as a result of the renunciation of the tax attributes to the investors in the flow-through shares. The Company also incurred a deferred tax expense of \$858,293 related to the change in the fair value of the marketable securities recorded in OCI.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

13. SHARE CAPITAL

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

Issued

For the nine months ended September 30, 2021

- (a) During the nine months ended September 30, 2021, the Company issued 2,512,732 common shares on the exercise of warrants for proceeds of \$1,641,207. As a result of the exercises, \$9,246 was reclassified from reserves to share capital.
- (b) During the nine months ended September 30, 2021, the Company issued 4,071,666 common shares on the exercise of stock options for proceeds of \$3,312,058. As a result of the exercises, \$2,248,947 was reclassified from reserves to share capital.
- (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).

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.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

13. 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	1,850,000	\$ 2.76
Cancelled	(103,334)	\$ 0.88
Exercised	(4,071,666)	\$ 0.81
Outstanding, September 30, 2021	6,245,000	\$ 1.25
Number of options exercisable	4,499,166	\$ 0.90

As at September 30, 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)
750,000	\$1.00	750,000	\$1.00		0.1
240,000	\$0.57	240,000	\$0.57		1.0
510,000	\$0.36	510,000	\$0.36		1.8
1,020,000	\$0.42	1,020,000	\$0.42		1.9
1,300,000	\$0.39	945,833	\$0.39	(i)	2.8
575,000	\$1.19	416,667	\$1.19	(i)	3.3
250,000	\$2.44	83,333	\$2.44	(i)	4.4
1,600,000	\$2.81	533,333	\$2.81	(i)	4.7
6,245,000	\$1.25	4,499,166	\$0.90		2.8

(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 nine months ended September 30, 2021:

Expected stock price volatility	95.19%
Expected life of options	5 years
Risk free interest rate	0.87%
Expected dividend yield	0.00%
Weighted average exercise price	\$ 2.76
Weighted average fair value per option granted	\$ 1.98

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

13. SHARE CAPITAL (continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Capitalized to exploration and evaluation assets	\$ 180,155	\$ 103,795	\$ 703,114	\$ 188,212
Expensed to the statement of loss and comprehensive loss	333,369	182,275	1,348,814	381,531
	\$ 513,524	\$ 286,070	\$ 2,051,928	\$ 569,743

Warrants

As of September 30, 2021, the Company has the following warrants outstanding:

Expiry Date	January 1, 2021	Exercised	September 30, 2021	Weighted average exercise price per warrant
April 21, 2021	2,337,760	(2,337,760)	-	\$0.60
December 6, 2021	4,028,429	(5,000)	4,023,429	\$0.60
December 3, 2021	13,226	(13,226)	-	\$0.45
December 22, 2022	162,162	(156,746)	5,416	\$1.48
	6,541,577	(2,512,732)	4,028,845	\$0.60

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.

14. 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:

Nine months ended September 30, 2021	Short term compensation	Share-based compensation	Total
Expensed in the statement of loss and comprehensive loss	\$ 455,829	\$ 1,224,822	\$ 1,680,651
Capitalized to exploration and evaluation assets	149,385	206,134	355,519
	\$ 605,214	\$ 1,430,956	\$ 2,036,170

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

14. RELATED PARTY TRANSACTIONS (continued)

Nine months ended September 30, 2020	Short term compensation	Share-based compensation	Total
Expensed in the statement of loss and comprehensive loss	\$ 458,892	\$ 321,180	\$ 780,072
Capitalized to exploration and evaluation assets	308,653	68,326	376,979
	\$ 767,545	\$ 389,506	\$1,157,051

As of September 30, 2021, \$nil (December 31, 2020 – \$47,000) was included in accounts payable and accrued liabilities owing to directors and officers for compensation.

On August 10, 2020, NexGen acquired 4,411,764 common shares of the Company (see Note 13). NexGen also holds 3,685,929 warrants with an exercise price of \$0.60 that expire on December 6, 2021. In April 2021, NexGen acquired 1,536,760 common shares on the exercise of 1,536,760 warrants with an exercise price of \$0.60 that were set to expire on April 19, 2021.

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 nine months ended September 30, 2021.

15. 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.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

16. 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 income (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 income (Note 6). The marketable securities are Level 1.

Financial instrument risk exposure

As at September 30, 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 September 30, 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 September 30, 2021, the Company had a working capital balance of \$22,558,927, including cash of \$14,931,758.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

16. 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 September 30, 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.

(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.

17. 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.

ISOENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There was no cash paid for income tax in the nine months ended September 30, 2021 and 2020.

Non-cash transactions in the nine months ended September 30, 2021 and 2020 included:

- (a) A non-cash transaction of \$703,114 (2020 – \$188,212) related to share-based payments was included in exploration and evaluation assets.
- (b) The Company issued 31,120 shares valued at \$91,194 to settle a portion of the interest owing on the Debentures (see Note 10).
- (c) 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.
- (d) 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.
- (e) 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).

19. SUBSEQUENT EVENT

- (a) Subsequent to September 30, 2021, 750,000 stock options and 30,416 warrants were exercised for proceeds of \$782,650.