

IsoEnergy Ltd.

(ISO-V)
SECTOR: Mining

STOCK PRICE \$2.30
RATING **BUY**
TARGET PRICE ↑ \$3.00
PREVIOUS \$2.00

CORPORATE UPDATE

Increasing Target as Winter Drilling Imminent

OUR TAKE: Following the close of the recent flow-through financing we are increasing our target on ISO energy ahead of its highly anticipated winter drill program on its flagship Larocque East property which is host to the rapidly growing Hurricane uranium deposit. We are increasing our target to \$3.00 (from \$2.00) and maintaining our 'Buy' rating ahead of commencement of ISO's planned 24-hole, ~10,000 metre winter drill program which should drive positive news flow through the winter.

KEY HIGHLIGHTS

- ◆ **Best New Uranium Discovery out there, and continuing to grow...** Last October we initiated coverage on ISO and highlighted the scarcity of high-grade uranium discoveries of scale (see report dated [October 14th, 2020](#)). Notably, ISO is one of the only companies delineating one that has been validated through multiple intersections with GTs greater than 30 (%m) and a mineralized intercept hit rate of >90% in holes drilled to date. Over the Company's upsized, 24 drill hole summer program, ISO has been successful in further supporting our thesis that the Hurricane zone will grow into a significant new high-grade discovery. Specifically, the Company succeeded in nearly doubling the width of the high-grade zone in 3 of 4 sections and increasing the mineralized envelope to 575m x 75m x up to 11m thick. Furthermore, the program ended on the Company reporting the best intercept ever drilled at Hurricane with a GT of 291, just eclipsing the prior best at the zone where its southern extension drill hole LE20-76 returned 7.5m averaging 38.8% U₃O₈, including a 3.5m subinterval averaging 74.0% U₃O₈.
- ◆ **Maiden Resource on the Horizon with Larger Potential than our Target Range:** Our valuation approach integrates conceptual resource potential based on our assessment of drilling to-date and reasonable drill-supported upside. Our target range for Hurricane's maiden resource is 45-65 Mlb U₃O₈ with our \$3.00 target price primarily driven by a US\$3.50 EV/lb U₃O₈ multiple applied to the mid-point (55 Mlb). However, in our view, ISO has already crested the lower end of that range, and each incremental hole that expands the deposit supports the Company reaching higher into that range. We are highly encouraged by results thus far and believe that ISO could easily surpass this initial target as it sets up to begin its winter exploration program.
- ◆ **Cashed-up - Attracting Top-Tier Capital:** Late last year, ISO announced the close of its upsized \$4 Million bought deal private placement of flow-through shares where it issued 2.7M flow-through common shares at \$1.48 per share. This followed the Company's August announcement of a US\$6 million strategic investment by Queen's Road Capital and concurrently closed an oversubscribed \$4 million private placement (5.9M common shares at \$0.68 per share), highlighting investor appetite for ISO shares. The Company is currently well funded with ~15.8M in the bank as it finalizes its 2021 budget and program plans for its Larocque East property.

OUTLOOK & RECOMMENDED ACTION

We recommend owning ISO for exposure to a new, high-grade uranium discovery.

- ◆ **Making a High-Grade Uranium Discovery as Fundamental Stars Align.** ISO is trading at ~US\$2.52-\$3.63 EV/lb U₃O₈ based on Haywood's conceptual initial resource target range of 45-65 Mlb. Current 'consensus target'-implied EV/lb multiples for pre-production Athabasca Basin peers range from US\$1.41 to US\$5.18. In the context of our forward uranium price expectation (+\$40 in 2021), we note that historic EV/lb multiples in a rising uranium price environment were much higher than current. A coincident uranium price move and a growing discovery set-up to drive ISO shares higher in an improving demand/supply backdrop.

CATALYSTS

1. **Drill Results from High-Grade Zone at Larocque East** – results from upcoming winter drill program.
2. **Step Out Drilling Identifying New Mineralized Zones** – ISO has intersected strong uranium mineralization on a parallel, untested structure to the south of the zone.
3. **Maiden Resource** – not expected until mid-2021, but the majority of work to be done will be in support of this major catalyst.

PROJECTED RETURN

30%

RISK FACTOR

Very High

SCENARIO ANALYSIS

Downside Scenario	Current Price	Price Target
\$1.25	\$2.30	\$3.00
↓46%		↑30%

KEY STATISTICS AND METRICS

52-Week High/Low	\$2.30/\$0.23
YTD Performance	23%
Dividend Yield	NA
Shares O/S	94.0M
Market Capitalization	\$216.3M
Cash	\$15.8M
Debt	US\$6M
Enterprise Value	\$208.1M
Daily Volume (3 mos.)	121,580
Currency	C\$ unless noted

HAYWOOD ESTIMATES (\$CAD)

	2019A	2020E	2021E
Revenue (\$M)	0	0	0
Net Income (\$M)	(2.2)	(1.6)	(2.7)

VALUATION

Our \$3.00 per share price target is based on a US\$3.50 EV/lb U₃O₈ multiple applied to the mid-point (55 Mlb) of our target maiden conceptual resource range plus a conservative longer term future resource adjustment of an additional 13.5Mlb. Undeveloped high-grade Athabasca Basin resource peers trade in a target-implied range of US\$1.41 - US\$5.18/lb U₃O₈.

SCENARIO ANALYSIS

INVESTMENT THESIS

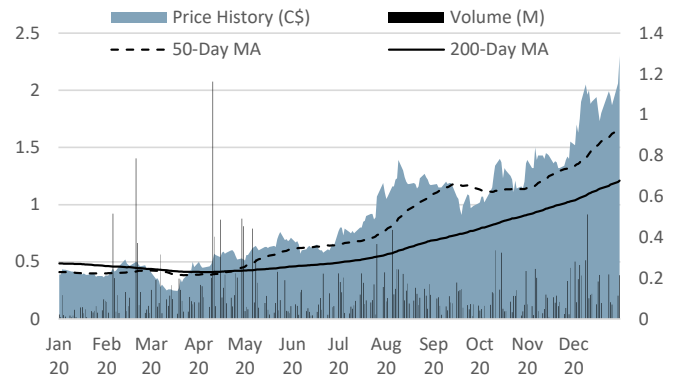
Our investment thesis for ISO is predicated on:

- ◆ **IsoEnergy Ltd.** is an early-stage pre-resource uranium exploration company focussed on its wholly owned Larocque East uranium project in the eastern Athabasca Basin where it is delineating a high-grade discovery coined the Hurricane Zone. IsoEnergy was originally spun out of NexGen Energy (NXE-T, Rating: Buy, Target: \$5.60) and NexGen remains the Company's largest shareholder at 53%. Following the spin-out in 2016 ISO drilled several priority targets within its portfolio of eastern Athabasca uranium projects before hitting a broad uranium-mineralized interval at Larocque East in July 2018 (Hurricane Zone) in the last drill hole of the summer exploration program, which immediately shifted the focus for the Company.
- ◆ **Drill Results Will Drive Stock While We Wait for Uranium:** We like ISO's positioning in the market for its scarcity (few new discoveries being delineated) and for the timing relative to the vastly improved uranium sector demand/supply fundamentals of late. We have always noted to investors that during weaker commodity price environments, the market "always rewards discovery". ISO is no exception and its shares have appreciated 155% year-to-date, ranking 1st among all uranium names with a market cap >\$10M, while uranium prices remain fairly stagnant.
- ◆ **Unique Position as the Only Company Delineating a New, High-Grade Uranium Deposit:** Hurricane is the only new deposit that has been validated through multiple intersections with GTs greater than 30 (%m) and a mineralized intercept hit rate of >90% in holes drilled to date. The Hurricane Zone has the makings of a potentially large, high-grade deposit with great potential to be economically attractive.
- ◆ **Financed Through Maiden Resource:** We expect the maiden resource estimate on the Hurricane Zone at Larocque East to be released in mid-2021. If our estimated timeline holds, ISO should be easily financed through this major milestone, at which point we expect the stock will be trading significantly higher. We note that there is significant potential for the timing of the initial resource to shift based on exploration results.

KEY RISKS

- **Exploration Success:** Our valuation of ISO is heavily reliant on the Company successfully delineating a significant uranium resource with the next year (targeting initial size of 45-65 Mlb U₃O₈). Exploration is inherently extremely risky, and while we feel early work mitigates uncertainty to some degree, failure to continue to demonstrate this resource potential would negatively impact our valuation and possibly our BUY recommendation.
- **Financial:** ISO is a pre-revenue, pre-resource exploration-stage company. As such, it will rely on external funding sources in the form of future equity dilution or debt capital at uncertain costs.
- **Commodity Price & Company Forecasts:** Our forecasts include a significant increase in future uranium price. The timing and degree of uranium price appreciation, if any, is highly uncertain.

IsoEnergy Ltd. (ISO-V)



Source: Capital IQ, and Haywood Securities

TARGET PRICE

Our **\$3.00 per share price target** is primarily based on a US\$3.50 EV/lb U₃O₈ multiple applied to the mid-point (55 Mlb) of our target maiden conceptual resource range of 45-65 Mlb U₃O₈, with a 13.5Mlb longer term future resource upside adjustment on the project. Undeveloped high-grade Athabasca Basin resource peers trade in a target-implied range of US\$1.41 - US\$5.18/lb U₃O₈.

DOWNSIDE CASE

Our **downside case** takes a US\$1.80/lb average in-situ multiple as a floor for the conceptual resource at Larocque East and implies a \$1.25/share price for ISO. This is around where the stock traded in early fall before results of the summer drill program and further sector catalysts sparked a strong rally.

Our downside scenario price is a theoretical case based on notional valuation metrics and market assumptions. The downside price is solely intended for demonstrative purposes and is not to be regarded as a reflection of all market possibilities. It is not a guarantee that this company's share price will not drop below this price level and hence should not be taken as such.

Company Website

www.isoenergy.ca

Key Management

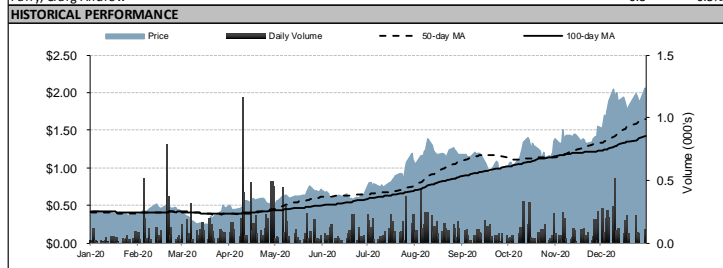
Craig Parry, President & CEO

Steve Blower, Vice President - Exploration



	IsoEnergy Ltd. (ISO-TSXV,\$2.30) Rating: Buy Risk: Very High Valuation: 1.0x NAV	Target Price (C\$) \$3.00 Return (%) 30% 52 Week High/Low (C\$) \$2.30/\$0.23 Daily Volume (3-month avg) 121,580	Mkt. Cap, C\$M \$216 CEO Craig Parry Company Website www.isoenergy.ca
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Capital Structure	Shares	
	Millions	
Shares Outstanding	94.0	
Fully Diluted Shares	118.6	
Ownership	Shares O/S (min)	% O/S
NexGen Energy Ltd.	48.3	51.3%
CQS Investment Management Limited	1.1	1.2%
Ninepoint Partners LP	0.9	1.0%
Exchange Traded Concepts, LLC	0.4	0.4%
Parry, Craig Andrew	0.3	0.3%



Financial Summary (CAD\$m)					
Year-end Dec 31	2019A	2020E	2021E	2022E	2023E
Shares Outstanding, mln	84.3	94.5	104.7	107.4	110.3
FD Shares, mln	98.1	109.8	109.8	112.3	112.3
EPS	(0.03)	(0.02)	(0.03)	(0.03)	(0.03)
Op. CFPS (before WC)	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)
Income Statement (CAD\$m)					
Revenue	0.0	0.0	0.0	0.0	0.0
General & Admin	1.4	1.6	1.6	1.6	1.6
Net Income	(2.2)	(1.6)	(2.7)	(2.7)	(2.8)
Balance Sheet (CAD\$m)					
Cash & Equivalents	6.6	15.9	16.4	14.9	9.2
Debt	0.2	8.2	7.8	7.8	7.9
Cash Flow (CAD\$m)					
Operating CF (before WC)	(1.8)	(2.7)	(2.7)	(2.7)	(2.7)
Financing CF	6.3	16.2	7.3	5.3	1.2
Investing CF	(4.2)	(4.3)	(4.1)	(4.1)	(4.1)
Change in Cash	0.2	9.3	0.5	(1.5)	(5.7)

NET ASSET VALUE		
	CSM	C\$/sh
Larocque East (Estimated Maiden Resource)	246.4	2.24
Larocque East (Project Upside)	60.5	0.55
Other Project Areas Upside Adjustment	30.0	0.27
Corporate Adjustments	(7.0)	(0.05)
Total	329.8	3.01

COMPARABLES						
Company	Ticker	Price C\$	EV (US\$m)	Global R&R Mlb	EV/lb U3O8 US\$/lb	P/NAV
NexGen Energy Ltd.	TSX:NXE	\$3.51	\$1,118	348.75	\$3.20	0.68x
Denison Mines Corp.	TSX:DML	\$0.84	\$439	157.03	\$2.80	0.91x
Fission Uranium Corp.	TSX:FCU	\$0.39	\$174	135.20	\$1.28	0.81x
Boss Energy Limited	ASX:BOE	\$0.10	\$136	71.40	\$1.91	-
Azarga Uranium Corp.	TSX:AZZ	\$0.24	\$46	43.56	\$1.05	0.44x
Selected Company Average					\$2.05	0.71x
IsoEnergy Ltd.	TSXV:ISO	\$2.35	\$164	68.50*	\$2.39	0.78x*

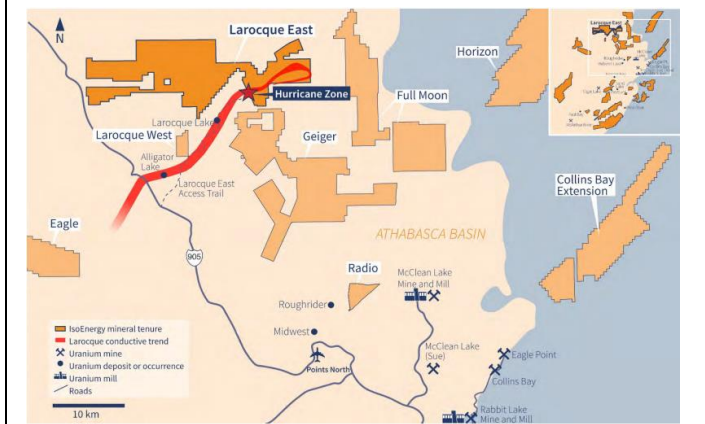
*Based on haywood estimates

Exploration Projects
Larocque East (100% Owned)
 Acquired from Cameco in May 2018, and covers a 15-kilometre-long northeast extension of the Larocque Lake conductor system, consisting of 20 mineral claims totaling 8,371 hectares.

- The Hurricane zone lies 35 km from Orano's McClean Lake mill and occurs at a relatively shallow depth of ~320m below surface. Known uranium mineralization is interpreted to occur "on a major basement tapping fault system that has caused a ridge in the sub-Athabasca unconformity".

Hurricane Zone

- The discovery hole, LE18-01A, was drilled in July 2018 and included a subinterval of 1.0m grading 6.45% U3O8 (within 8.5m grading 1.26% U3O8). Hole LE18-01A, was ISO's first ever drill hole at Larocque East and the final hole of its summer 2018 8-hole program (the other 7 drill holes tested its Geiger property).
- In winter 2019, ISO conducted follow up drilling with 11 of 12 drill holes intersecting significant uranium mineralization. Highlights include LE19-02: 3.5m @ 10.4% U3O8.
- The Company believes that there is significant potential for additional expansion of its Hurricane Zone as it remains open a long-strike to the east and on most sections.
- Its summer 2020 program consisted of ~24 drill holes for a total of ~9,400 metres, where results continued to demonstrate the potential for the Hurricane zone to evolve into a significant new deposit. Specifically, highlight results included: 7.5m at 38.8% U3O8 and 0.4% Ni, including a 3.5m subinterval averaging 74.0% U3O8 and 0.6% Ni in hole LE20-76.



Other Properties

- Geiger** covers numerous intersections of weak uranium and uranium pathfinder mineralization with 8 walk-up drill targets. The property was expanded in March 2018 with the Dawn North acquisition. Last drilled in summer 2018 where 7 drill holes followed up on winter 2018 program.
- Thorburn Lake** is located 7km east of the Cigar Lake Mine. ISO completed 7,100 metres of drilling in 16 drill holes in 2016 and 2017, and following a new geophysical survey completed in late 2017 on southwest half of the property, several new drill targets have been generated.
- Radio** is located 2km east of and along strike of the Roughrider deposit, which Rio Tinto acquired for \$587M in February 2012. The property has a shallow unconformity depth of ~150m and hosts what is believed to be the metasedimentary corridor and structure associated with the Roughrider deposit. The property was last drilled in 2016 and 2017 where ISO completed 23 holes totalling 8,859m.
- Collins Bay Extension** is a new acquisition located along-trend of, and within 7km of, the Eagle Point - Collins Bay - Rabbit Lake (Rabbit Lake) uranium mine and mill complex.

Contacts	
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Source: Bloomberg, Capital IQ, Company Reports, and Haywood Securities



Commentary

Hurricane Zone Expansion and Resource Delineation will Define ISO in the Near Term - Expect the Winter 2021 Exploration Program to Continue to Deliver

- ◆ **Expanding the high-grade zone at Hurricane:** We have closely followed ISO's pivotal summer 2020 exploration program as it followed up on what is growing into a sizable high-grade discovery. Summer 2020 drilling expanded high-grade mineralization to the south at Hurricane with incremental step-outs. ISO has now intersected high-grade uranium within metres of the J and K-faults on this line, expanding the high-grade area and certainly adding significant future resource pounds. The proximity to the J/K-faults increases the potential that mineralization occurs along these faults and represents significant potential upside. ISO reported some incredible assay results from the summer program and we are expecting more of the same during the upcoming winter campaign which is currently being scoped and expected to start imminently in mid-January, if the global pandemic allows.
- ◆ **Highlights of Summer 2020 Drilling at Hurricane:**
 - Hole LE20-76 intersected 7.5m averaging 38.8% U₃O₈ and 0.4% Ni from a downhole depth of 322.5m (scint results registering >500 cps), including 3.5m grading 74.0% U₃O₈ and 0.6% Ni from a depth of 324.0m (scint results: scale radioactivity >65.5k cps)
 - Hole LE20-64 intersected 5.0m grading 48.8% U₃O₈, including 4.0m grading 57.5% U₃O₈ (from 324.0m depth)
 - Hole LE20-57 intersected 10.0m grading 11.7% U₃O₈, including 2.5m grading 46.0% U₃O₈ (from 343.8m depth)
 - Hole LE20-54 intersected 9.0m grading 12.8% U₃O₈, including 4.0m grading 27.1% U₃O₈ (from 329.5m depth)
 - Hole LE20-68 intersected 11.0m grading 6.9% U₃O₈, including 1.5m grading 49.3% U₃O₈ (from 332.0m depth)
- ◆ **Big resource upside potential to the east:** Summer drilling also included drilling several hundred metres to the east of the Hurricane high-grade zone in an area ISO refers to as the "along strike gap" and saw some success, intersecting multiple mineralized intercepts of significant width and grade. Following up on step-outs drilled in 2019 (e.g. LE19-06, 4.0m at 3.8% U₃O₈ & LE19-16A, 7.0m at 5.4%), ISO is seeing mineralization scattered across the eastern extension of Hurricane along the H- and I-Faults that cut through Hurricane to the west. Assays were published on a few holes with radioactivity levels that suggested at least low grade uranium is present. Hole LE20-59 and LE20-61 are ~50m apart along strike and returned 5.0m grading 0.2% U₃O₈, including 0.5m grading 0.9% (from 342m depth) and 9.0m grading 0.3% U₃O₈, including 0.5m grading 1.4% (from 313m depth), respectively. These are widely spaced holes in sparsely drilled area that haven't been tactically followed up on yet, but they suggest the potential for a significant second deposit/future resource area close to Hurricane along the H/I-Faults. Also, to the east, there is at least one mineralized 'historic' drill hole along the same line as LE20-59 that is south of the K-Fault, with tons of untested space in between. The technical team at ISO has proven its ability to interpret drill core and geotechnical data and vector in quickly on the hot zones at Hurricane delivering a >90% hit-rate for mineralized holes in the early stages of discovery and we expect that the same expertise applied to the east will yield efficient exploration of the eastern targets, with the potential for big stock catalyzing news and significant upside to our base case valuation.
- ◆ **The 'big east' beyond the "along strike gap" represents true blue sky:** ISO has identified ~15km of conductors on the Larocque East property, with only about 2km on the western end being drill-tested to-date. Some 'historical' drill holes have confirmed the presence of elevated uranium content all the way out to the eastern boundary. Other geotechnical work, including a 2019 resistivity survey that covered the western half of the property (~4km along strike of Hurricane), indicate that basement conductors are increasing in intensity as they move east. ISO's interpretation is that the conductive channels were likely formed by faulting of "graphitic para-gneiss", a basement rock type which is often associated with Athabasca Basin uranium mineralization.
- ◆ **Hurricane high-grade zone pushing up on the Cameco-Orano JV boundary has surely gotten their attention:** The Hurricane Zone is rapidly evolving, with some very high-grade holes occurring within metres of the Larocque East property's eastern boundary (e.g. LE20-53 at 10.5m grading 11.7% U₃O₈, including 3.0m grading 40.4% U₃O₈). Discoveries like the Hurricane Zone, with its concentration of high-grade uranium, are rare and it would be hard to conceive of this natural mineralization event respecting the man-made property boundary between Larocque East (ISO) and Cameco and Orano's Larocque Lake North area. Certainly, Cameco and Orano are watching all goings-on in the Basin closely and will be taking note of the positioning and grade of the Hurricane Zone. We would not be surprised to see Cameco and Orano drill testing right near this boundary in the near future. It is quite possible that significant uranium extends onto Larocque Lake North, which could make Larocque East (and ISO) a strategic target for either Cameco or Orano. We note that the 2019 NI 43-101 technical report on Larocque East shows unmineralized historical holes west of the Larocque East border, but the closest appears >150m west of the boundary. The value of high-grade uranium can amass quickly over short distances. Other eastern Basin developers are defining new techniques (such as ISR) for extraction of unconformity hosted uranium mineralization that could be applicable to a deposit like Hurricane with lower OPEX and CAPEX hurdles than conventional mining. Hurricane could become strategic on several fronts. On the conventional mining side, Hurricane is only ~40km from the McClean Lake Mill as well.



- ◆ **Uranium supply/demand balance most bullish in years.** Our bullish view on the uranium sector continues to be driven by the effect of production cuts from the world's largest suppliers designed to improve the demand-supply balance and increase uranium prices. We believe substantially higher prices will be required to incentivize new mine construction to backfill the accelerating supply shortfall we outline from 2027. In the near-term, the uranium price impact of supply shortfalls is expected to be moderated by the global inventory surplus accumulated over the last 8 years, but we expect prices to build steadily toward "new supply" incentive prices in coming years. We believe that the uranium equity universe will lead the charge higher in anticipation of higher uranium prices, as the sector offers its most compelling value proposition since pre-Fukushima. ISO is perfectly positioned to benefit from improving fundamentals.

Valuation, Target Price, & Recommended Action

ISO In-Situ Valuation with Plenty of Upside

Below we outline our key model inputs and assumptions that drive our target price. The most important overall input in our model is the in-situ valuation of our target conceptual maiden resource range of 45-65 Mlb U₃O₈ for the Hurricane Zone at the Larocque East project. As mentioned, we have applied an upwardly revised US\$3.50 EV/lb U₃O₈ multiple (previously US\$2.00 EV/lb U₃O₈) to the mid-point (55 Mlb) of this target maiden resource, with the mid-point assumptions broken out in Figure 1.

The low-end of this estimate range is based on drilling and geotechnical data published to-date and at the upper-end, we integrate anticipated success for the balance of the current seasonal program and the yet-to-be scoped winter 2021 drill program. This target resource range is not intended to suggest a cap on resource potential of the property, rather we aim to outline where we think ISO can get over the next drill campaign to support a compliant estimate. We see the property having strong potential for discovery of additional orebodies with unlimited potential. As a conservative credit for what we see as mid-term additional resource discovery potential on the property, we have factored in an additional upside adjustment of 13.5Mlb at Larocque East at the same assumed EV/lb multiple of US\$3.50 EV/lb U₃O₈. For context, undeveloped high-grade Athabasca Basin resource peers trade in a target-implied range of US\$1.41 - US\$5.18/lb.

Figure 1: Hurricane Zone - Haywood Maiden Resource Estimated Range Mid-Point

Hurricane Zone - Haywood Maiden Resource Estimated Range Mid-Point				Total
	High-Grade Area	Lower Grade Halo	Eastern Extension	
Volume (m ³)	67,500	19,000	18,750	105,250
Specific Gravity (g/cc)	3.58	2.90	3.04	3.36
Ore (tonnes)	241,710	55,019	57,048	353,778
Grade (U ₃ O ₈ %)	9.00%	2.00%	3.50%	7.02%
lb/tonne conv.				2,204.6
Pounds U₃O₈	47,959,238	2,425,938	4,401,941	54,787,117

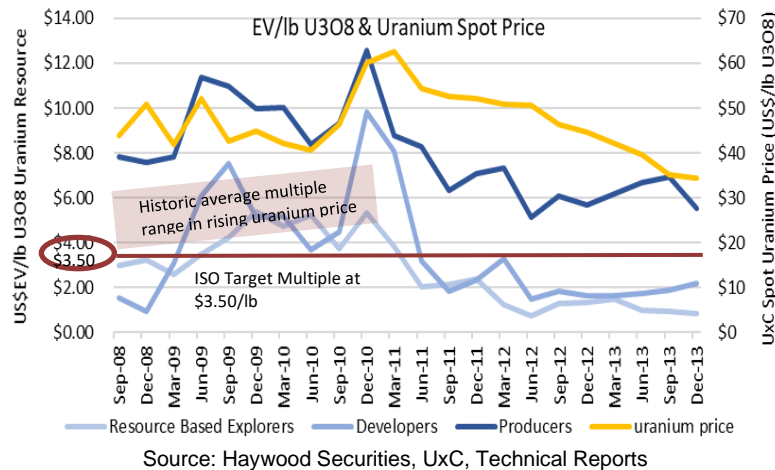
Source: Haywood Securities

Our EV/lb multiple of US\$3.50/lb is a premium to current market peers, but we have constructed this in the context of uranium peers controlling more mature resources, possibly supported by economic studies suggesting viability as well as historical EV/lb multiples in a rising uranium price environment. We have taken an average of 'consensus target-price implied' EV/lb multiples of select peers and aligned these with historic EV/lb multiples as appropriate for ISO's transition from "pre-resource" to a "resource-based explorer".

It is worth noting that our 2021 uranium price forecast for an average of +US\$40/lb implies near-term appreciation in uranium price that currently hovers around the US\$30/lb mark. For context, in Figure 2 we provide historic average EV/lb multiples for various stages of development. As can be observed in the figure, as uranium prices surpassed US\$40/lb on a positive trajectory, EV/lb multiples averaged just under US\$3-6/lb U₃O₈. In a rising uranium price environment, as we forecast, uranium stocks often trade multiples significantly higher than our US\$3.50/lb multiple for ISO. As such, if uranium prices move more quickly and/or higher than anticipated, ISO could easily exceed our target. This coupled with the strong potential for discovery upside beyond that embedded in our valuation, could mean a strong premium.



Figure 2: Historic EV/lb Multiples vs Uranium Price



Source: Haywood Securities, UxC, Technical Reports

Below is a breakdown of our implied enterprise value based on our targeted resource and weighted average implied US\$ EV/lb U₃O₈ levels.

Figure 3. Summary of In-Situ Credits Applied to ISO’s Targeted Resource for Valuation

Summary Totals	Mrk Implied EV/lb based on Haywood Resource Estimate	Base Estimates	Low Estimates	High Estimates
Implied EV (CAD\$000's)				
Larocque East (Estimated Maiden Resource)	167,126	246,400	101,376	380,160
Larocque East (Project Upside)	41,022	60,480	24,883	93,312
Total Implied EV (CAD)	208,148	306,880	126,259	473,472
U3O8 Contained (000's lbs)				
Larocque East (Estimated Maiden Resource)	55,000	55,000	44,000	66,000
Larocque East (Project Upside)	13,500	13,500	10,800	16,200
Total (000 lbs)	68,500	68,500	54,800	82,200
Total Tonnes (000's)	443	443	354	531
Assumed Grade	7.02%	7.02%	7.02%	7.02%
Weighted Average Implied EV/lb (US\$)	2.39	3.50	1.80	4.50

Source: Haywood Securities

We are increasing our target price to \$3.00 per share (from \$2.00) and maintain our BUY rating, and a ‘Very High’ risk rating.

Our \$3.00 target price is based on a Corporate NAV sum-of-parts valuation that is primarily supported by the in-situ valuation of the mid-point (55 Mlb) of our target conceptual maiden resource range of 45-65 Mlb U₃O₈ for the Hurricane Zone at the Larocque East project plus a 13.5Mlb additional upside adjustment for the longer term resource growth potential on the property. We have applied an overall US\$3.50 EV/lb U₃O₈ multiple to our estimated resource. Additionally, to account for the Company’s portfolio of other prospective uranium properties within the eastern Athabasca Basin, including the Geiger, Thorburn Lake and Radio projects, we have applied a conservative additional regional upside adjustment of \$30M in arriving at our corporate NAV of 329.8M, or \$3.01 NAV per share after factoring in corporate adjustments. Figure 4 is a summary of our valuation on a per-share basis

Figure 4: ISO’s Valuation Summary – per share basis

	CSM	C\$/sh
Larocque East (Estimated Maiden Resource)	246.4	2.24
Larocque East (Project Upside)	60.5	0.55
Other Project Areas Upside Adjustment	30.0	0.27
Corporate Adjustments	(7.0)	(0.05)
Total	329.8	3.01

Source: Haywood Securities



Our downside case takes a US\$1.80/lb average in-situ multiple as a floor for the conceptual resource at Larocque East and implies a \$1.25/share price for ISO. This is aligned with where the stock traded in early fall, prior to some of the strong assay results from the summer drill program.

Recommended Action

Figure 3 shows ISO is currently trading at an EV/lb of US\$2.39 at our current resource estimates, a substantial discount undeveloped high-grade Athabasca Basin resource peers trade in a target-implied range of US\$1.41 - US\$5.18/lb U₃O₈.

We believe that, **even in a stagnant commodity price environment, ISO has the ability to delivery returns on the back of expected stock moving catalysts as it commences its winter drill program and we approach the release of the Company's maiden resource estimate.** High-grade uranium discoveries of scale are scarce, and at the moment, ISO is one of the only companies delineating one that has been validated through multiple intersections with GTs greater than 30 and a mineralized intercept hit rate of >90% in holes drilled to date. We have always noted to investors that during weaker commodity price environments, the market "always rewards discovery". ISO is no exception and its shares have appreciated 345% in 2020, ranking 1st among all uranium names with a market cap >\$10M,

We recommend buying IsoEnergy Ltd. as we like ISO's positioning in the market for its scarcity (few new discoveries being delineated) and for the timing relative to the vastly improved uranium sector demand/supply fundamentals of late.

Figure 5: Select U₃O₈ Company EV/lb Comparables

Company	Symbol	Share Price (CAD)	Share Price (USD)	Shares Out	Market Capitalization (US\$M)	Working Cap (US\$M)	Enterprise Value (US\$M)	Global Reserves and Resources Uranium (Mlb)	Global USD EV/lb U ₃ O ₈
IsoEnergy Ltd.	TSXV:ISO	C\$ 2.30	\$1.85	94.0	\$170	\$12	\$164	68.50*	US \$2.39
NexGen Energy Ltd.	TSX:NXE	C\$ 3.73	\$2.93	376.9	\$1,105	\$55	\$1,183	348.75	US \$3.39
Denison Mines Corp.	TSX:DML	C\$ 0.93	\$0.73	677.7	\$495	\$8	\$487	157.03	US \$3.10
Fission Uranium Corp.	TSX:FCU	C\$ 0.46	\$0.36	577.6	\$209	\$9	\$208	135.20	US \$1.54
Berkeley Energia Limited	ASX:BKY	C\$ 0.64	\$0.51	258.6	\$131	\$10	\$121	89.40	US \$1.35
Boss Energy Limited	ASX:BOE	C\$ 0.10	\$0.08	1831.1	\$149	\$2	\$147	71.40	US \$2.05
Global Atomic Corporation	TSX:GLO	C\$ 1.63	\$1.28	151.8	\$194	\$3	\$192	292.49	US \$0.66
GoviEx Uranium Inc.	TSXV:GXU	C\$ 0.24	\$0.19	475.8	\$90	\$3	\$87	0.00	
UEX Corporation	TSX:UEX	C\$ 0.29	\$0.23	452.2	\$103	\$2	\$101	99.50	US \$1.02
Laramide Resources Ltd.	TSX:LAM	C\$ 0.36	\$0.28	166.5	\$47	\$2	\$54	122.73	US \$0.44
Toro Energy Limited	ASX:TOE	C\$ 0.02	\$0.01	2953.9	\$41	\$5	\$50	90.90	US \$0.54
Deep Yellow Limited	ASX:DYL	C\$ 0.49	\$0.39	256.4	\$99	\$8	\$91	159.30	US \$0.57
Azarga Uranium Corp.	TSX:AZZ	C\$ 0.24	\$0.18	231.4	\$43	\$2	\$45	43.56	US \$1.02
Bannerman Resources Limited	ASX:BMN	C\$ 0.11	\$0.09	1074.9	\$96	\$3	\$93	257.17	US \$0.36
Plateau Energy Metals Inc.	TSXV:PLU	C\$ 0.43	\$0.33	105.0	\$35	\$0	\$35	0.00	
A-Cap Energy Limited	ASX:ACB	C\$ 0.03	\$0.03	871.9	\$24	\$1	\$29	190.56	US \$0.15
Forsys Metals Corp.	TSX:FSY	C\$ 0.33	\$0.26	166.9	\$43	\$1	\$42	127.00	US \$0.33
Western Uranium & Vanadium Corp.	IQ2781131	C\$ 0.87	\$0.68	30.1	\$21	\$0	\$20	0.00	
Vimy Resources Limited	ASX:VMY	C\$ 0.08	\$0.06	778.7	\$46	\$4	\$44	117.01	US \$0.38
Energy Metals Limited	ASX:EME	C\$ 0.13	\$0.10	209.7	\$21	\$12	\$9	61.11	US \$0.16
Overall Average									US \$1.07

* Based on haywood estimates

Source: S&P Capital IQ, SNL Financial, Bloomberg, Haywood Securities, Company Reports



Figure 6. Select U₃O₈ Company Price/NAV comparables

Company	Ticker	Price	MCAP	EV	Cash	NAVPS	P/NAV
		05-Jan-21	\$ million	\$ million	\$ million	Consensus	
IsoEnergy Ltd.	TSXV:ISO	\$2.30	\$216	\$208	\$16	\$3.01 *	0.76x
NexGen Energy Ltd.	TSX:NXE	\$3.80	\$1,432	\$1,561	\$79	\$5.48	0.69x
Denison Mines Corp.	TSX:DML	\$0.94	\$638	\$622	\$7	\$1.03	0.92x
Fission Uranium Corp.	TSX:FCU	\$0.44	\$254	\$252	\$12	\$0.57	0.78x
Berkeley Energia Limited	ASX:BKY	\$0.64	\$167	\$151	\$86	\$0.00	-
Boss Energy Limited	ASX:BOE	\$0.10	\$189	\$186	\$4	\$0.00	-
Global Atomic Corporation	TSX:GLO	\$1.59	\$241	\$238	\$4	\$0.00	-
GoviEx Uranium Inc.	TSXV:GXU	\$0.24	\$112	\$124	\$5	\$0.55	0.43x
UEX Corporation	TSX:UEX	\$0.28	\$127	\$124	\$2	\$0.49	0.57x
Laramide Resources Ltd.	TSX:LAM	\$0.37	\$62	\$68	\$0	\$0.00	-
Toro Energy Limited	ASX:TOE	\$0.02	\$52	\$64	\$3	\$0.00	-
Deep Yellow Limited	ASX:DYL	\$0.49	\$126	\$115	\$11	\$0.00	-
Azarga Uranium Corp.	TSX:AZZ	\$0.25	\$57	\$59	\$0	\$0.53	0.46x
Bannerman Resources Limited	ASX:BMN	\$0.11	\$122	\$118	\$4	\$0.00	-
Plateau Energy Metals Inc.	TSXV:PLU	\$0.44	\$46	\$45	\$2	\$0.98	0.45x
A-Cap Energy Limited	ASX:ACB	\$0.03	\$30	\$38	\$0	\$0.00	-
Forsys Metals Corp.	TSX:FSY	\$0.31	\$52	\$51	\$1	\$0.00	-
Western Uranium & Vanadium Corp.	IQ278113163	\$1.01	\$30	\$29	\$1	\$0.00	-
Vimy Resources Limited	ASX:VMY	\$0.08	\$59	\$54	\$7	\$0.27	0.29x
* Based on haywood estimates						Average	0.57x

Source: Company Reports, Haywood Securities



Risks

Significant Investment Risks

Overall Risk – Very High: We rank ISO as Very High Risk in all sub-categories except Political Risk, given ISO is early, pre-resource exploration stage, with no certainty of: future exploration success, meeting or exceeding our assumptions regarding future resource definition, eventual project development, or cash-flow generation. Significant risk considerations include the following:

- ◆ **Commodity Price – Very High:** Our forecasts include a significant increase in future uranium price. The timing and degree of uranium price appreciation, if any, is highly uncertain. Our investment thesis for ISO is underpinned by the eventual future establishment of uranium resources of economic scale. Our valuation is based on higher future trading multiples assigned to in-situ resources. Failure to reach these higher commodity prices would negatively impact our valuation.
- ◆ **Continued Exploration Success – Very High:** ISO is focused on uranium exploration, with key assets within Canada’s Athabasca Basin. A significant component of our valuation includes continued success in exploring for, and defining, additional uranium resources at core projects. Exploration success is a fundamental risk, where failure to identify and define uranium resources could materially impact our valuation.
- ◆ **Valuation Risk – Very High:** Given ISO is early exploration stage (pre-resource definition), coupled with the use of an in-situ resource valuation methodology based on our estimated resource potential (rather than estimated project economics), there is a high degree of uncertainty in the valuation, and as such we assign a ‘Very High Valuation Risk’ rating. ISO’s current market valuation is speculative, likely based on the market’s evaluation of the sector and the Company’s historical and anticipated press releases, further exploration success, evidence of economic viability, analyst opinion, and corporate communications could all impact valuation.
- ◆ **Financial Risk – Very High:** ISO does not generate any cash flow from the operations of its core business and is not forecast to do so over the next few years. The Company will be reliant on external sources of support, including future equity financings to fund ongoing operations.
- ◆ **Forecast Risk – Very High:** Every component of our formal valuation involves assumptions that will very likely differ from any eventual outcome to some degree, with each potentially impacting our valuation of ISO shares. These assumptions include definition of a resource base meeting or exceeding our assumptions as well as commodity and foreign exchange rate forecasts.
- ◆ **Political Risk – Moderate:** ISO’s core uranium project assets are located in Saskatchewan, in and around the Athabasca Basin. The region has a long and stable history of uranium mining and exploration, with well-established regulatory authorities and governing procedures, where complex larger scale uranium mining operations have been brought into commercial operation in the recent past.



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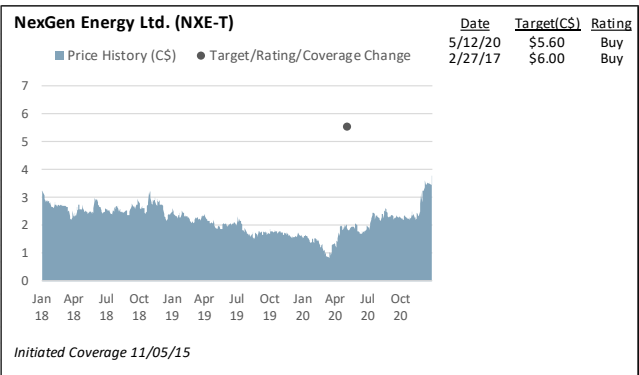
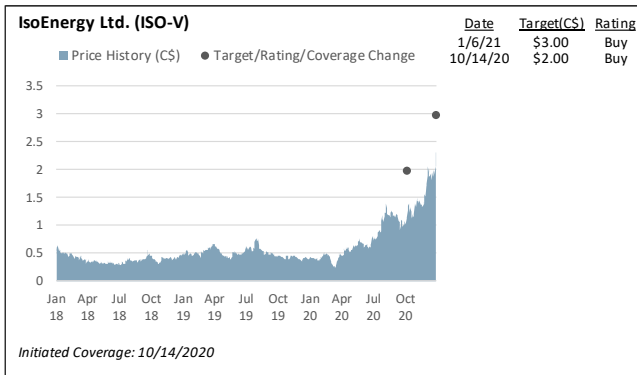
Ticker	Company	1	2	3	4	5	6	7	8	9
TSX:AZZ	Azarga Uranium Corp.	X	X	X	X	X				
TSX:DML	Denison Mines Corp.			X	X					
TSXV:ISO	IsoEnergy Ltd.			X	X	X	X			
TSX:NXE	NexGen Energy Ltd.			X						
TSXV:PLU	Plateau Energy Metals Inc.		X	X		X	X			
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	%	#	IB Clients (TTM)
Buy	73.1%	76	86.7%
Hold	6.7%	7	3.3%
Sell	0.0%	0	0.0%
Tender	1.0%	1	0.0%
UR (Buy)	1.0%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	18.3%	19	10.0%



Price Chart, Rating and Target Price History (as of January 6, 2021)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
 Source: Capital IQ and Haywood Securities

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