

Ticker: ISO CN

Cash: C\$10.7m

Project: Larocque East

Market cap: C\$424m

Price: C\$3.97/sh

Country: Canada (Saskatchewan)

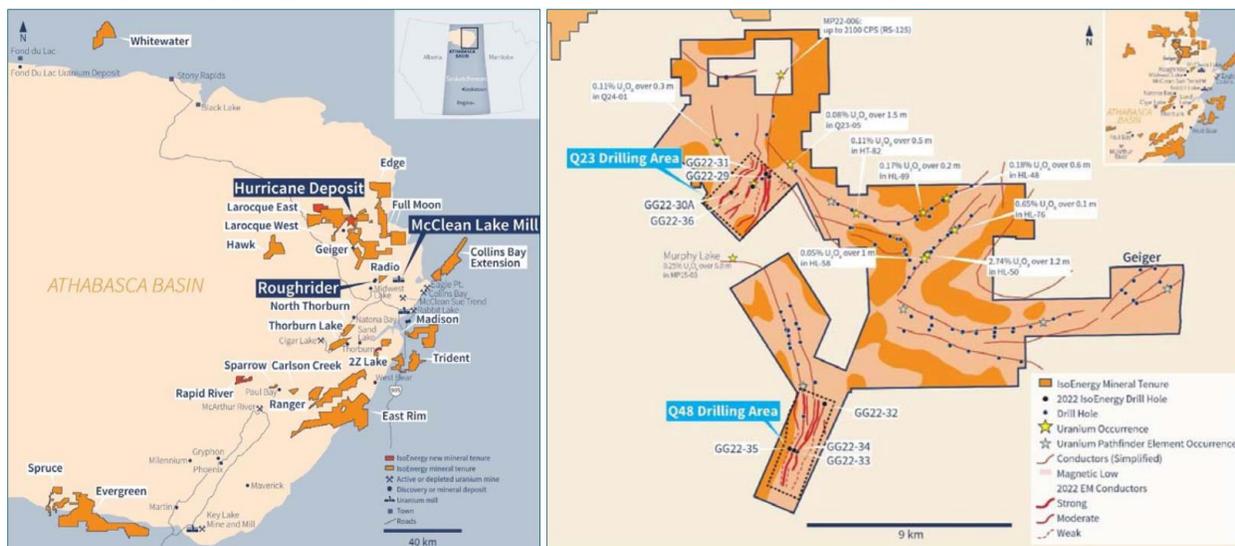
REC. (unc): BUY

TARGET (unc): C\$4.50/sh

RISK RATING (unc): HIGH

Today's summer exploration update doesn't yield a new discovery (yet) but shows us Iso has the right priority – making genuine discoveries. Hurricane is proof of concept, and from our site visit, Cameco is actively drilling across the boundary, so we are confident valuation is underpinned here. Moreover, Iso has the best belt holdings outside the majors in our view, so we are especially pleased to see the company exploring new targets rather than infilling Hurricane for another season, despite this meaning the hit rate may be lower. After all, this is a great way to make a discovery, especially given the presence of interpreted basement alteration = a key component for hosting uranium mineralization in the Basin. We love this about Iso – a company with discovery DNA (made its own Hurricane discovery since being spun out of NexGen), with good ground, that is bold enough to pursue new target exploration. We see a multi-year uranium bull market so see this as the best approach, especially for a company with bona fide prime Athabasca licenses. The other Athabasca names are either post exploration, now primarily developers - NexGen, Fission, Denison; or most explorers have either licenses off the prime basin areas or are building the team/treasury necessary to become more aggressive (SYH stands out to us). As such, **we maintain our BUY rating and C\$4.50/sh price target based on US\$7/lb.** Noting nuclear power's resurgence in the current global energy climate, we are structurally the most bullish on Athabasca uranium deposits due to size, grade and jurisdiction and we like Iso as it offers scarcity value as the flagship Athabasca exploration name.

Figure 1. (A) Regional plan map of Iso's current claims and (B) Geiger drill hole locations



Source: IsoEnergy

Summer exploration sees increased land holdings as team hones in on regional targets; results pending

Iso announced an update on summer uranium exploration activities at its Larocque East, Trident and Geiger projects in the eastern Athabasca basin, Saskatchewan.

Drilling: A total of 6,648m (20 drill holes) were completed. Larocque East (1,998m; six holes) regional targets on Larocque Lake conductive trend saw one hole intersecting moderate alteration and structure to the east, while one hole testing local structure between two historical drill holes on the Kernaghan Lake trend hit broad zones of pervasive basement alteration. Follow-up planning is ongoing with geochemical results pending. Trident (1,293m; six holes) drilling tested historic EM targets, hitting basement structures in three target areas, upgrading 10km of conductive strike length. Follow-up geophys planned for 2023. Geiger (3,357m; eight holes) drilling on geophys targets hit high-strain alteration 4.5km south of Fission's Murphy Lake radioactive drill hole in 'Q23 target area' and clay alteration in 'Q48 target area', upgrading

central conductive trends. Follow-up planning is ongoing with geochemical results pending. **Airborne Geophys:** More than 5,000 line-km of high-resolution gravity gradient, magnetic and radiometric (spectrometry) geophysics were completed from June-July. Interpretation and follow-up of results are ongoing. **Claim Staking:** Nine claims (4,349ha) were staked including six at Larocque East linking Larocque E/W projects along Kernaghan Lake conductive trend, two claim 16km NW at new Rapid River Project 16km NW of McArthur River Mine and one claim to link Madison and 2Z projects.

Why we like IsoEnergy

- Well-funded East Athabasca explorer building on high-grade, world class discovery
- Large 2,771km² land package in the prolific Athabasca basin
- 40km distance to mills and shallower mineralisation than typical unconformity hosted deposit

Catalysts

- **2H22:** Commencement of winter exploration programme
- **2023:** Hurricane mine development conceptual studies to inform PFS

Research

Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Konstantinos Korpmpis (Toronto) M: +1 778-957-3623 kkorpmpis@sprott.com

Ticker: ISO CN	Price / mkt cap: C\$3.97/sh, C\$424m	Project PNAV today: 0.88x	Asset: Hurricane							
Author: J Chan / E Magdzinski	Rec / 1xNAV PT: BUY, C\$4.50/sh	1xNAV_{1Q21} FF FD: C\$4.50/sh	Country: Saskatchewan, Canada							
SOTP project valuation										
	C\$m	O/ship	NAVx	C\$/sh	Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
51Mlbs at US\$7/lb @ Hurricane	455	100%	1.00x	3.77	LT uranium price (US\$/lb)	60.00	60.00	60.00	60.00	60.00
Cash (2Q21)	7.2	100%	1.00x	0.06	USD/CAD	0.77	0.77	0.77	0.77	0.77
Interest payable on converts (C\$m)	(1.9)	100%	1.00x	(0.02)	Measured, ind. & inf. - Hurricane	kt	% U3O8	Mlbs	EV/lb U3O8	
Cash from options	6.3	100%	1.00x	0.05	Reserves (2P)	nmf	nmf	nmf	nmf	
C\$25m for licences, C\$50m for Larocque East	75	100%	1.00x	0.62	Measured, ind. & inf. - Hurricane	118	19.70%	51.3	7.02	
Asset NAV8% US\$60/lb	541			PT: 4.50	TOTAL	nmf	nmf	nmf	nmf	
				Market P/NAV	0.88x	Capital structure	Basic	FD		
						Shares (m)	106.8	120.7		

Source: SCP estimates

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TENDER: The analyst recommends tendering shares to a formal tender offering

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NOT RATED ((N/R): The stock is not currently rated

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SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	52

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