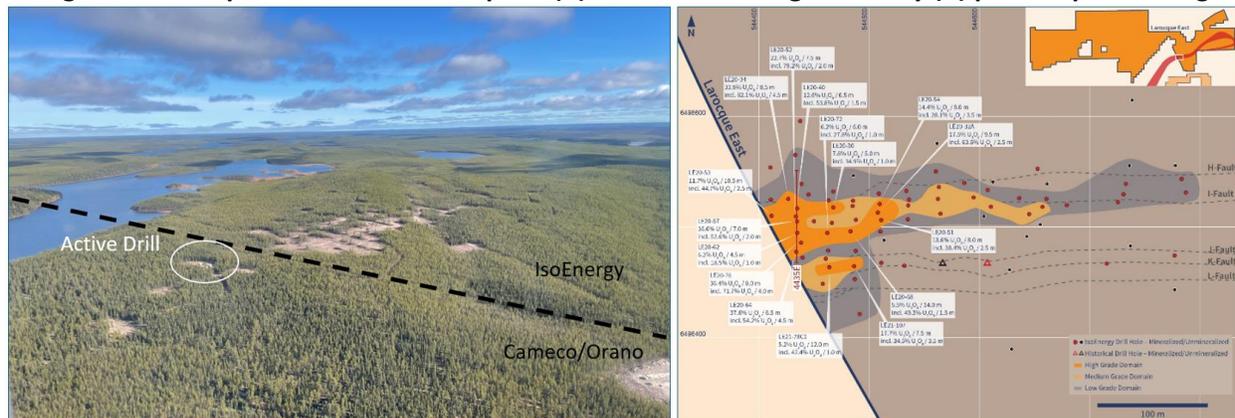


**Ticker:** ISO CN      **Cash:** C\$10.7m      **Project:** Larocque East  
**Market cap:** C\$395m      **Price:** C\$3.70/sh      **Country:** Canada (Saskatchewan)  
**REC. (unc):** BUY      **TARGET (unc):** C\$4.50/sh      **RISK RATING (unc):** HIGH

We visited Iso's Larocque East last week, home to the world's highest grade undeveloped uranium deposit, Hurricane, with 51.3Mlbs @ 19.7% including 48.6Mlbs at 34.6% indicated (1.4Moz at 685g/t AuEq at spot). Of particular interest, the current high-grade zone sees best grades towards the property boundary (adjacent license Cameco/Orano owned, Cameco operated) and could extend over the border, giving potential for scale and M&A interest. On our visit, we saw Cameco drill pads (and rig) on their side of the property, ~75m along strike from the furthest west Hurricane high-grade hit, indication that Cameco has expedited exploration here and sees the potential too. We think Iso has the best basin exploration holdings of any explorer, with the Hurricane discovery under its belt and now moving on to new targets, making it that rare Athabasca explorer pursuing step change exploration upside. Compared to peers, Iso offers exploration with prime Athabasca licenses, with valuation underpinned by Hurricane, compared to peers that are either i) Cameco; ii) developers for whom exploration has less NAV impact – i.e. NexGen, Fission, Denison; or iii) early-stage explorers mostly with licenses outside the basin margin. **We maintain our BUY rating and C\$4.50/sh price target based on US\$7/lb.** With uranium now in a bull market and a lack of credible explorers, Iso stands out as the explorer to watch. Given demand for low carbon energy and western friendly sources of supply, we are structurally the most bullish on Athabasca assets among uranium deposits due to size, grade and jurisdiction.

**Figure 1. Larocque East Hurricane Deposit (B) Aerial view along boundary (B) plan map of drilling**



Source: SCP & IsoEnergy

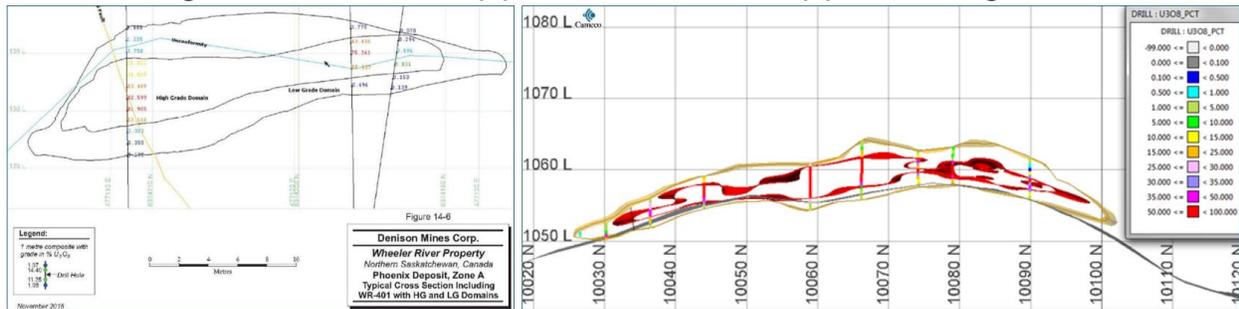
## Site visit: Cameco drills on along strike at Hurricane as Iso focuses on regional targets

We visited Iso's Larocque East property, host of the current high-grade Hurricane Deposit. Key takeaways were:

**1. Still upside for Hurricane as Cameco is exploring across the border:** Given other known unconformity-type deposits (Cigar Lake 152.4Mlbs @ 15.4% U<sub>3</sub>O<sub>8</sub> reserves or 126.7Mlbs @ 10.9% resources; Phoenix 59.7Mt @ 19.1% reserves or 71.3Mt @ 18.4% resources) tend to see lower grade smears on the edges of high-grade zones, and the current western extents left off in high grade, there is reason to suspect this system continues across the border. With Orano mill only 40km away, understanding how much of this deposit extends onto their property is certainly something of interest here. What we saw: There were clear signs of exploration activities across the border with clearings for drill pads and an active drill set up a mere 75m~ from Iso's furthest west hole LE-20-53 - drill spacing close enough to string together an inferred resource if mineralization is intercepted. Big picture, while Iso is rightly moving on to new targets, Cameco's drilling could (or in our view is likely to) grow the deposit further, which reduces capital

efficiency for both parties. If there is enough mineralisation and grade, we believe a win-win co-development agreement, or outright M&A, are both possibilities.

**Figure 2. Section views of (A) Denison’s Phoenix and (B) Cameco’s Cigar Lake**

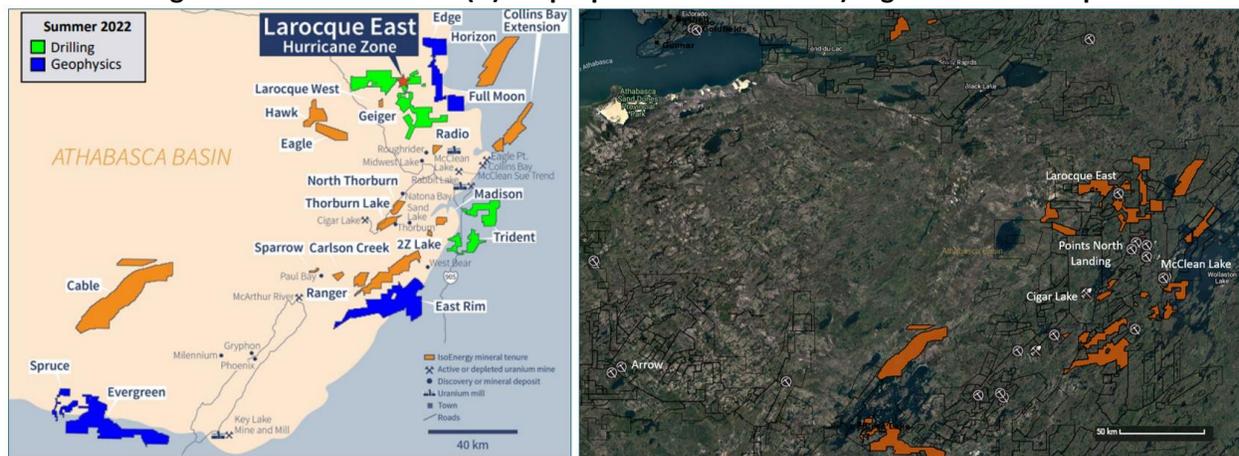


Source: Denison & Cameco

**2. Iso has the best ground of any explorer in our view:** Location is everything in the Athabasca, and the mines, mills and discoveries are located where they are for a reason. Namely, exploration is focused on the west and eastern margins of the basin, coinciding with road access and shallower depth to the unconformity as well as favourable geology. This is why we think Iso’s exploration cannot be recreated with most “cheaper” exploration juniors. In terms of infrastructure, the furthest west extent of Larocque East is <math><5\text{km}</math> east (Hurricane Deposit  $\sim 20\text{k}$  east) of highway 905, one of two major highways servicing the Athabasca Basin. The majority of Iso’s properties running proximal to the eastern highway and are well positioned for future road access and infrastructure, with plenty of space for facilities and stockpiles. Moreover, the key processing facilities are located nearby – Cameco’s Rabbit Lake and Orano’s McClean Lake are accessible by road in the NE and Cameco’s Key Lake is located in the SE Athabasca.

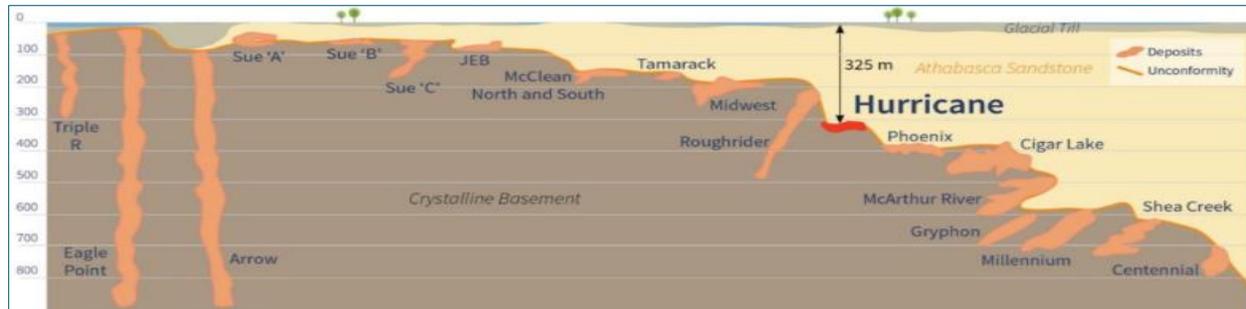
What we saw: The benefit of location was apparent. Hurricane is readily accessible to nearby Points North airstrip which services the eastern Athabasca. Flight time was  $\sim 2\text{hrs}$  from Saskatoon and a further 15-20-minute float plane ride - overall good access for Canadian exploration. Iso currently operates one field camp on neighboring Cameco/Orano’s property for carrying out exploration activities, with no permanent infrastructure on site. The flat terrain and easy-to-disturb surface overburden comprised largely of glacial till, should translate to lower build capex (i.e. road, earth works) requirements relative to similarly isolated hard rock, swampy or mountainous properties. The camp currently runs on generators but there is a power switching station located at Points North.

**Figure 3. Athabasca Basin (A) Iso properties to East and B) regional claims map**



Source: IsoEnergy & SCP

**Figure 4. Schematic of deposit depths across the basin**



Source: IsoEnergy & SCP

**Mining methods:** Hurricane is situated 325m below surface on top of the crystalline basement margin. This is shallow enough that depth of the unconformity is not cost prohibitive for exploration or mine development. While traditional freezing/jet bore methods (currently used at Cigar Lake) have proven to be useful for large deposits, innovation in the basin (E.g. Denison commissioning lixiviant injection system for high-grade Phoenix in-situ recovery feasibility field test and Orano/Denison advancing non-entry vertically selective SABRE hydraulic borehole mining for potential execution at McClean Lake and Midwest) are potential lower cost/capex alternatives.

**3. Discovery takes courage and the right people, Iso has both:** With one major discovery in the bag, Iso is moving on from infill at Hurricane to regional exploration. Iso has 25 high quality properties in the Athabasca Basin (including yesterday's newly added Rapid River) and is actively advancing exploration efforts on Larocque East regional targets and the historically undrilled Geiger, Ranger, Hawk and Trident properties. This is what we like about Iso: most Athabasca exploration peers are either drilling new projects that are near but outside the basin, or infilling old targets. Iso took a risk drilling Larocque East, a license with sparse historical work, during a bear market and were richly rewarded with a discovery, and they are continuing to develop and test new targets now.

Moreover, a learning from our visit was Iso's credibility in the Athabasca, which we judge from its ability to recruit experienced and respected senior personnel with experience at the majors. The technical team is guided by Athabasca Basin expert David Thomas (>40 years geo and 24 years with Cameco) and VPX Andy Carmichael (15 years uranium with focus in Sask). We see this as a product of both CEO Tim Gabruch's deep roots in the Saskatchewan uranium sector, having held senior roles at Cameco (20 years), Denison, and Uranium Participation Corporation, and Iso's history as a NexGen spinout; combined the group have made the last two major discoveries in the basin, during a bear market no less. In short, Iso has standing in the province, far more than small cap new explorers.

## Why we like IsoEnergy

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

## Catalysts

- **2H22:** Hurricane MRE
- **3Q22:** Commencement of summer 2022 drilling program

## Research

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<b>Ticker:</b> ISO CN	<b>Price / mkt cap:</b> C\$3.7/sh, C\$395m	<b>Project PNAV today:</b> 0.82x	<b>Asset:</b> Hurricane
<b>Author:</b> J Chan / E Magdzinski	<b>Rec / 1xNAV PT:</b> BUY, C\$4.50/sh	<b>1xNAV<sub>1Q21</sub> FF FD:</b> C\$4.50/sh	<b>Country:</b> Saskatchewan, Canada

SOTP project valuation					Commodity price					
	C\$m	O/ship	NAVx	C\$/sh		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)	<b>Measured, ind. &amp; inf. - Hurrigan</b>	kt	% U308	Mlbs	EV/lb U308	
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	6.53	
Asset NAV@ US\$60/lb	541		PT:	4.50	TOTAL	nmf	nmf	nmf	nmf	
			Market P/NAV	0.82x	<b>Capital structure</b>	Basic	FD			
					Shares (m)	106.8	120.7			

Source: SCP estimates

## Appendix: Additional Site Photos

Figure 5. Aerial views of (A) Larocque East Camp and (B) area enroute to site



Source: SCP

Figure 6. Larocque East (A) camp and (B) accommodations



Source: SCP

Figure 7. (A) Core lay down area and (B) drill core



Source: SCP

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TENDER:	0
NOT RATED:	0
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