

Interim Consolidated Financial Statements

Fission Energy Corp.

March 31, 2010

(Unaudited - prepared by management)

Fission Energy Corp.

Unaudited Interim Consolidated Financial Statements

Notice

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended March 31, 2010.

Fission Energy Corp.

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Fission Energy Corp.

Consolidated balance sheets
(Unaudited - prepared by management)

	March 31 2010	June 30 2009
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,715,200	2,724,297
Short-term investments (Note 3)	243,600	32,000
Amounts receivable	649,273	231,809
Prepaid expenses	17,787	378,030
	4,625,860	3,366,136
Property and equipment	80,824	83,821
Mineral property interests (Note 4)	19,174,314	18,094,905
	23,880,998	21,544,862
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	652,918	638,132
Shareholders' equity		
Capital stock	32,797,687	30,118,735
Contributed surplus	2,500,674	2,396,412
Deficit	(12,070,281)	(11,608,417)
	23,228,080	20,906,730
	23,880,998	21,544,862

Nature and continuance of operations (Note 1)

Contingencies (Note 10)

Subsequent Events (Note 13)

Fission Energy Corp.

Consolidated statements of operations and comprehensive loss
(Unaudited - prepared by management)

	Three Months Ended March 31 2010	Three Months Ended March 31 2009	Nine Months Ended March 31 2010	Nine Months Ended March 31 2009
	\$	\$	\$	\$
Expenses				
Advertising and promotion	98	8,226	2,981	9,596
Amortization	7,191	5,858	21,132	17,313
Business development	17,688	11,256	74,275	80,649
Consulting fees	129,094	138,395	409,647	550,517
Flow-through share tax	5,162	-	5,162	206,505
Insurance	8,117	8,456	25,726	21,081
Office and miscellaneous	33,389	31,748	81,841	78,496
Professional fees	46,490	47,661	115,404	148,955
Regulatory fees	6,594	6,116	9,619	27,771
Rent	17,793	16,652	56,005	54,041
Shareholder communications	15,387	3,057	41,079	12,335
Stock-based compensation (Note 5)	96,251	225,382	228,824	394,519
Telephone	11,539	12,211	31,872	30,824
Trade shows and conferences	26,417	18,527	74,625	41,401
Transfer agent	7,360	1,851	12,216	9,041
Travel	4,753	3,107	16,434	35,905
Wages and benefits	63,477	30,837	207,528	91,526
	496,800	569,340	1,414,370	1,810,475
Loss before other items	(496,800)	(569,340)	(1,414,370)	(1,810,475)
Other items - income/(expense)				
Exploration management fee income	261,868	208,837	409,129	390,861
Interest income	9,332	17,301	22,834	97,114
Foreign exchange gain (loss)	(1,801)	598	(6,038)	(11,974)
Unrealized gain (loss) on investments	156,000	12,000	211,600	(162,000)
Flow-Through Share Settlement (Note 6)	-	-	-	(931,319)
Mineral property write-down	(29,665)	(2,007,405)	(75,452)	(2,007,405)
	395,734	(1,768,669)	562,073	(2,624,723)
Loss before income taxes	(101,066)	(2,338,009)	(852,297)	(4,435,198)
Future income tax recovery	390,433	593,209	390,433	963,032
Net income (loss) and comprehensive income (loss) for the period	289,367	(1,744,800)	(461,864)	(3,472,166)
Basic and diluted income (loss) per common share	0.01	(0.04)	(0.01)	(0.08)
Weighted average number of common shares outstanding	56,015,207	42,088,554	54,828,627	42,088,554

Fission Energy Corp.

Consolidated statements of shareholders' equity

Nine months ended March 31, 2010

(Unaudited - prepared by management)

	Common shares		Contributed surplus	(Deficit)	Total shareholders' equity
	Shares	Amount			
		\$	\$	\$	\$
Balance, June 30, 2008	42,088,554	28,364,085	1,133,283	(2,226,397)	27,270,971
Reduction of income tax benefits renounced to subscribers of flow-through shares (Note 6)	-	455,718	-	-	455,718
Common share units and flow-through share units issued for cash (Note 5 (a))	6,922,540	1,518,447	770,703	-	2,289,150
Share issue costs, net of future income tax recovery	-	(167,030)	-	-	(167,030)
Income tax benefits renounced to shareholders of flow-through shares	-	(52,485)	-	-	(52,485)
Stock-based compensation (Note 5 (c))	-	-	492,426	-	492,426
Net loss and comprehensive loss	-	-	-	(9,382,020)	(9,382,020)
Balance, June 30, 2009	49,011,094	30,118,735	2,396,412	(11,608,417)	20,906,730
Common share units and flow-through share units issued for cash (Note 5 (a))	6,022,712	1,353,649	530,832	-	1,884,481
Share issue costs	-	(147,154)	-	-	(147,154)
Income tax benefits renounced to shareholders of flow-through shares	-	(390,433)	-	-	(390,433)
Exercise of Stock Options/Warrants	3,186,441	1,862,890	(655,394)	-	1,207,496
Stock-based compensation (Note 5 (c))	-	-	228,824	-	228,824
Net loss and comprehensive loss	-	-	-	(461,864)	(461,864)
Balance, March 31, 2010	58,220,247	32,797,687	2,500,674	(12,070,281)	23,228,080

Fission Energy Corp.

Consolidated statements of cash flows
(Unaudited - prepared by management)

	Three Months Ended March 31 2010 \$	Three Months Ended March 31 2009 \$	Nine Months Ended March 31 2010 \$	Nine Months Ended March 31 2009 \$
Operating activities				
Net income (loss) for the period	289,367	(1,744,800)	(461,864)	(3,472,166)
Items not involving cash:				
Amortization	7,191	5,859	21,132	17,313
Future income tax recovery	(390,433)	(593,209)	(390,433)	(963,032)
Unrealized (gain) loss on investments	(156,000)	(12,000)	(211,600)	162,000
Stock-based compensation	96,251	225,382	228,824	394,519
Write-down of mineral properties	29,665	2,007,405	75,452	2,007,405
	(123,959)	(111,363)	(738,489)	(1,853,961)
Change in non-cash working capital				
(Increase) decrease in amounts receivable	(81,729)	(550,971)	(106,759)	619,574
(Increase) decrease in prepaid expenses	602	(10,687)	360,243	1,938
Increase (decrease) in accounts payable and accrued liabilities	44,373	(1,248,268)	(386,847)	(126,784)
	(160,713)	(1,921,289)	(871,852)	(1,359,233)
Investing activities				
Mineral property additions	(2,778,351)	(1,703,310)	(4,925,129)	(7,994,327)
Mineral property cost recoveries	2,991,929	2,480,275	3,861,196	5,682,207
Property and equipment additions	(2,514)	-	(18,135)	(11,208)
	211,064	776,965	(1,082,068)	(2,323,328)
Financing activities				
Proceeds from issuance of share units, net of share issuance costs	195	-	1,737,327	-
Proceeds from exercise of options/warrants	1,207,496	-	1,207,496	-
	1,207,691	-	2,944,823	-
Change in cash and cash equivalents during the period	1,258,042	(1,144,324)	990,903	(3,682,561)
Cash and cash equivalents, beginning of period	2,457,158	2,661,434	2,724,297	5,199,671
Cash and cash equivalents, end of period	3,715,200	1,517,110	3,715,200	1,517,110

Supplemental disclosure with respect to cash flows (Note 7)

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

1. Nature and continuance of operations

Fission Energy Corp. (the “Company”) was formed on July 17, 2007 under the laws of the Canada Business Corporations Act as a result of a plan of arrangement undertaken to reorganize Strathmore Minerals Corp. (“Strathmore”). The Company’s principal business activity is the acquisition and exploration of mineral property interests. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties, including acquisition costs and related exploration costs, is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on its ability to develop its mineral properties, receive continued financial support, complete equity financings, or generate profitable operations in the future. The financial statements do not include any adjustments to assets and liabilities should the Company be unable to continue as a going concern.

The following table highlights the Company’s history of losses and limited working capital:

	March 31	June 30
	2010	2009
	\$	\$
Deficit	(12,070,281)	(11,608,417)
Working Capital	3,972,942	2,728,004

2. Basis of presentation

The consolidated financial statements contained herein include the accounts of Fission Energy Corp. and its wholly owned subsidiaries, Fission Energy Peru S.A.C. and Minera Peruran S.A.C. Significant inter-company balances and transactions are eliminated on consolidation.

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian GAAP has been condensed or omitted. These interim period statements should be read together with the audited financial statements and accompanying notes included in the Company’s latest annual filing. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

2. Basis of presentation (continued)

Recent accounting pronouncements

(a) International Financial Reporting Standards (“IFRS”)

On February 13, 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed the mandatory changeover date to International Financial Reporting Standards (“IFRS”) for Canadian profit-oriented publicly accountable entities (“PAE’s”) such as the Company.

The AcSB requires that IFRS compliant financial statements are prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE’s with a June 30 year-end, the first audited annual financial statements under IFRS will be for the year ending June 30, 2012 with comparative financial information for the year ending June 30, 2011. The first unaudited interim financial statements under IFRS will be the quarter ending September 30, 2011 with comparative financial information for the quarter ended September 30, 2010.

In preparation for the changeover from Canadian GAAP to IFRS, a planning process was initiated in 2008. The Company continues to study the impact of conversion with plans for implementation on July 1, 2010. A detailed diagnostic of the conversion process was completed in the second quarter of 2009. The conversion to IFRS will impact the Company’s financial reporting systems and, as a result some changes will be required to various areas including information technology and data systems, internal controls over financial reporting, disclosure requirements, and other business activities such as compensation programs and contractual arrangements.

(b) *CICA Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests*

In January 2009, the AcSB issued the following Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These new Sections will be applicable to financial statements beginning on or after January 1, 2011. Early adoption is permitted. The Company has determined that there will be no impact on its consolidated financial statements from the adoption of these new sections.

3. Short-term investments

Short-term investments are recorded at fair value and are comprised of the following:

Common Shares	Number held	Original cost	Unrealised (gain) loss	Fair value
		\$	\$	\$
Great Bear Resources Ltd.	400,000	83,000	(145,000)	228,000
Tribune Minerals Corp.	30,000	630,000	614,400	15,600
		713,000	469,400	243,600

The Company has determined the fair value of its investments based on the quoted market prices at March 31, 2010.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

4. Mineral property interests

9 month period ended

March 31, 2010

	North Shore Property	Fort McLeod Property	Caribou Mountains and Zoo Bay Properties	Duddridge Lake Property	Waterbury Lake Properties	Patterson Lake Property	Davy Lake Property	Dieter Lake Property	Other Canadian Properties	Macusani Property	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs											
Balance, beginning of period	460,422	-	448,814	382,245	467,801	162,502	38,350	619,785	95,765	-	2,675,684
Additions	-	2,500	-	-	152,062	-	-	-	-	-	154,562
Balance, end of period	460,422	2,500	448,814	382,245	619,863	162,502	38,350	619,785	95,765	-	2,830,246
Exploration costs											
Balance, beginning of period	4,592,826	-	258,357	1,223,166	10,067,757	3,557,728	4,224,602	2,073,654	353,161	-	26,351,251
Incurred during the period											
Geology mapping/sampling	175	30	3,320	1,035	29,714	18,717	6,381	1,050	1,190	6,819	68,431
Geophysics airborne	-	-	2,665	80	382,320	60,720	341,811	45	7,124	-	794,765
Geophysics ground	-	-	-	-	537,948	3,161	3,245	-	480	-	544,834
Drilling/Assays	32,105	-	-	1,176	3,157,388	691	8,704	22,676	504	400	3,223,644
Land retention and permitting	563	3,983	6,070	3,543	31,488	50,663	18,584	28,862	3,121	34	146,911
Reporting	919	302	4,542	90	3,949	6,630	4,169	9,995	3,516	-	34,112
Environmental	-	-	-	1,095	3,140	-	-	-	-	-	4,235
Safety	-	-	-	-	11,132	-	-	-	-	-	11,132
Community Relations	-	-	-	-	7,658	-	-	-	-	10,146	17,804
General	-	-	-	-	17,484	531	-	14	-	58,053	76,082
Additions	33,762	4,315	16,597	7,019	4,182,221	141,113	382,894	62,642	15,935	75,452	4,921,950
Write-down	-	-	-	-	-	-	-	-	-	(75,452)	(75,452)
Balance, end of period	4,626,588	4,315	274,954	1,230,185	14,249,978	3,698,841	4,607,496	2,136,296	369,096	-	31,197,749
Cumulative cost recoveries											
Balance, beginning of period	(1,538,127)	-	-	(1,038,107)	(8,069,735)	(23,643)	-	(98,064)	(164,354)	-	(10,932,030)
Recoveries	-	-	-	-	(3,799,239)	(6,536)	(47,047)	(68,829)	-	-	(3,921,651)
Balance, end of period	(1,538,127)	-	-	(1,038,107)	(11,868,974)	(30,179)	(47,047)	(166,893)	(164,354)	-	(14,853,681)
Total costs	3,548,883	6,815	723,768	574,323	3,000,867	3,831,164	4,598,799	2,589,188	300,507	-	19,174,314

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

4. Mineral property interests (continued)

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of title and/or ownership of claims and mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties are in good standing.

The Company's assessment of the carrying value of mineral properties and related exploration expenditures is based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. The fair values were determined using a variety of valuation methods, the selection of which was based on which was considered most applicable to each property. The assessment of the carrying value and determination of these fair values is subject to significant measurement uncertainty and further material write-downs of these assets could occur if actual results differed from the estimates and assumptions used and/or if alternative valuation methods were applied.

(a) *North Shore Property, Canada*

The Company acquired a 100% interest in a property located in Alberta in fiscal 2008. The property is subject to a 0.75% net smelter returns royalty on certain mineral production and a 4% gross overriding royalty on any diamond production from the property.

In July 2007, Fission Energy completed an option agreement with Tribune Minerals Corp. ("Tribune") under which Tribune issued 600,000 common shares to Fission for the right to acquire an interest in the property. The shares were rolled back to 30,000 on a 20:1 basis in July 2009. On August 18, 2008, Tribune terminated its option agreement on the North Shore property.

(b) *Fort McLeod Property, Canada*

The Company acquired a 100% interest in certain claims located in Alberta in fiscal 2008 and recorded a 100% write-down during fiscal 2009.

The Company re-staked additional ground in fiscal 2010.

(c) *Caribou Mountains and Zoo Bay Properties, Canada*

On November 30, 2007 the Company acquired a 100% interest in both the Caribou Mountains property in north-central Alberta and the Zoo Bay property located in northern Saskatchewan. The Company issued a total of 700,000 common shares for the Caribou Mountains property and 300,000 common shares for the Zoo Bay property, together valued at \$620,000. The 700,000 common shares issued for the Caribou Mountains property are subject to a three year escrow agreement that releases the shares in stages. The Company recorded a \$196,811 write-down of acquisition costs and \$156,124 of exploration costs at June 30, 2009 on the Caribou Mountains property.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

4. Mineral property interests (continued)

(d) *Duddridge Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in north-central Saskatchewan in fiscal 2008.

On July 17, 2007, the Company completed an option agreement with Great Bear Uranium Corp., (now called Great Bear Resources Ltd.) or "Great Bear", under which the Company received \$400,000 cash and 400,000 common shares in exchange for the rights for up to a 60% undivided interest in the Duddridge Lake property. Subsequent to March 31, 2010 Great Bear terminated the option agreement. (Note 13)

(e) *Waterbury Lake Properties, Canada*

The Waterbury Lake properties comprise the Waterbury Lake Joint Venture property and the Waterbury Lake North property.

(i) *Waterbury Lake Joint Venture Property*

The Company acquired a 100% interest in certain claims located in Saskatchewan in fiscal 2008 and, on January 30, 2008, it completed an earn-in agreement on the property with the Korea Waterbury Uranium Limited Partnership (the "Korean consortium" or the "consortium"). Under the agreement, the Company granted the consortium the exclusive right to earn up to a 50% interest in the Waterbury Lake property by funding \$14,000,000 of expenditures by January 30, 2011. When the consortium has earned its 50% interest, the Company may buy back a 10% interest from the consortium for \$6,000,000. In addition, the Company is the operator of the project and retains an overriding royalty interest in the property of 2% of net smelter returns.

Subsequent to March 31, 2010 the consortium met all of the funding requirements and earned its' 50% interest. (Note 13)

(ii) *Waterbury Lake North Property*

In July 2009 the Company staked claims immediately adjacent to the Waterbury Lake Joint Venture property.

(f) *Patterson Lake Property, Canada*

The Patterson Lake Property comprises both Patterson Lake and Patterson Lake South Joint Venture properties.

(i) *Patterson Lake*

Patterson Lake was acquired by staking in 2004.

(ii) *Patterson Lake South Joint Venture*

The Company acquired a 100% interest in various claims located in Saskatchewan in fiscal 2008 and, on January 21, 2008, entered into an exploration agreement with ESO Uranium Corporation ("ESO") to include jointly staked claims on the southern extension of Fission's 100% owned Patterson Lake claims and ESO's Hook Lake Property. The joint venture participants share costs in proportion to their interest in the joint venture. This is presently a 50% - 50% basis.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

4. Mineral property interests (continued)

(g) *Davy Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Saskatchewan in fiscal 2008. On June 30, 2009 the Company recorded a \$380,741 write-down of acquisition costs and \$4,262,829 of exploration costs.

(h) *Dieter Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Quebec during fiscal 2008. In the event a uranium resource of more than 60 million pounds is confirmed at the property the Company is required to issue 66,667 shares to the vendor.

(i) *Other Properties, Canada*

The Company acquired a 100% interest in the Minor Bay and Torwalt Lake properties located in the Athabasca Basin, Saskatchewan in fiscal 2008.

On December 17, 2007 the Company completed an option agreement with Hillcrest Resources Ltd. ("Hillcrest") to explore and develop Fission's Torwalt Lake Property under which Fission granted Hillcrest the exclusive right to earn-in a 60% undivided interest in the property. Hillcrest did not meet the minimum expenditure requirement and the agreement was terminated on January 8, 2010.

(j) *Macusani Property, Peru*

In 2008 the Company acquired a 100% interest in certain properties located in Peru. The company recorded a 100% write-down in the amount of \$1,509,232 at June 30, 2009. Continuing administrative costs for this property are expensed as incurred.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

5. Capital stock and contributed surplus

The Company is authorized to issue an unlimited number of common shares, without par value.

(a) *Private placements*

On May 13, 2009, the Company completed a non-brokered private placement of 583,166 flow-through shares at \$0.36 per share for gross proceeds of \$209,940 and incurred additional costs in the amount of \$1,900.

On June 30, 2009, the Company completed the first tranche of a non-brokered private placement of common and flow-through units. The Company issued 4,198,000 common share units at a price of \$0.30 per unit, and 2,141,374 flow-through units at a price of \$0.35 per unit for aggregate gross proceeds of \$2,008,881. Each common share unit consists of one common share and one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.40 for a period of 2 years. A value of \$512,582 was attributed to the non flow-through warrants based on the Black-Scholes pricing model and was included in contributed surplus. Each flow-through share unit consists of one flow-through common share and one half of one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.45 for a period of 2 years. A value of \$187,792 was attributed to the flow-through warrants based on the Black-Scholes pricing model and was included in contributed surplus. The Company paid agents' commissions of \$101,310, plus \$25,725 of expenses and issued 311,817 broker warrants. A value of \$70,329 was attributed to the broker warrants based on the Black-Scholes pricing model and was included in contributed surplus. Each broker warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 for a period of 2 years following the closing date of the private placement. All warrants vested immediately on the date of grant.

On July 21, 2009, the Company completed the second tranche of a non-brokered private placement of common and flow-through units on identical terms to the first tranche. The Company issued 3,702,000 common share units and 2,320,712 flow-through units for aggregate gross proceeds of \$1,922,849. A value of \$396,493 has been attributed to the non flow-through warrants based on the Black-Scholes pricing model and has been included in contributed surplus. A value of \$172,709 has been attributed to the flow-through warrants based on the Black-Scholes pricing model and has been included in contributed surplus. The Company paid agents' commissions of \$146,628 plus \$38,145 of expenses and issued 457,817 broker warrants. A value of \$98,561 was attributed to the broker warrants based on the Black-Scholes pricing model and was included in contributed surplus. All warrants vested immediately on the date of grant.

On April 7, 2010 the Company completed a private placement of 8,384,000 common share units at \$0.80 and 2,635,000 flow-through common shares at \$0.95 per share for aggregate gross proceeds of \$9,210,450. (Note 13)

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

5. Capital stock and contributed surplus (continued)

(b) Stock options and warrants

The Company has a stock option plan which allows the Board of Directors to grant stock options to employees, directors and consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less any applicable discount. The options can be granted for a maximum term of five years and vesting terms are determined by the Board of Directors at the date of grant.

Stock option and share purchase warrant transactions are summarized as follows:

	Stock options		Warrants	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance July 1, 2008	3,113,500	0.82	700,600	0.70
Granted	3,351,000	0.29	5,580,502	0.40
Cancelled/Forfeited	<u>(2,763,500)</u>	0.81	<u>(700,600)</u>	0.70
Outstanding, June 30, 2009	3,701,000	0.35	5,580,502	0.40
Granted	1,875,000	0.52	5,320,172	0.40
Exercised	(487,000)	0.30	(2,699,441)	0.39
Cancelled/Forfeited	<u>(102,500)</u>	0.81	-	-
Outstanding, March 31, 2010	4,986,500	0.41	8,201,233	0.41

As at March 31, 2010, incentive stock options and share purchase warrants were outstanding as follows:

Options

Number outstanding	Exercise price	Number exercisable	Expiry date
	\$		
75,000	1.00	75,000	March 14, 2011
150,000	0.85	120,000	March 7, 2013
50,000	1.05	40,000	March 31, 2013
450,000	0.20	180,000	November 28, 2013
2,396,500	0.30	1,438,669	January 13, 2014
240,000	0.31	152,500	August 6, 2014
125,000	0.30	20,835	September 28, 2014
1,350,000	0.55	-	February 3, 2015
150,000	0.80	-	March 23, 2015
<u>4,986,500</u>		<u>2,027,004</u>	

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

5. Capital stock and contributed surplus (continued)

(b) Stock options and warrants (continued)

<i>Warrants</i>			
Date issued	Number of Shares issuable upon exercise	Exercise price	Expiry date
		\$	
June 30, 2009	939,257	0.45	June 30, 2011
June 30, 2009	1,950,500	0.40	June 30, 2011
June 30, 2009	62,400	0.30	June 30, 2011
July 21, 2009	1,160,355	0.45	July 21, 2011
July 21, 2009	3,632,000	0.40	July 21, 2011
July 21, 2009	456,721	0.30	July 21, 2011
	8,201,233		

(c) Stock-based compensation

During the 9 month period ended March 31, 2010 the Company granted 1,800,000 (2009 - 1,077,500) options and repriced 75,000 (2009 - 1,823,500) options to employees, directors, officers and consultants. Pursuant to the granting and vesting of options issued, total stock-based compensation recognized in the statement of operations for the 9 months ended March 31, 2010 was \$228,824 (2009 - \$394,519). This amount was also recorded as contributed surplus on the balance sheet. All options are recorded at fair value using the Black-Scholes option pricing model.

The following assumptions were used for the valuation of stock options and warrants:

	March 31 2010	March 31 2009
Risk Free interest Rate	1.79%	2.73%
Expected Life - Years	2.73	4.52
Annualised Volatility	145%	132%
Dividend Rate	0%	0%

6. Flow-through share settlement

As part of the flow-through share private placement of November 15, 2007 the Company had agreed to indemnify subscribers for income taxes incurred for any reductions in Canadian Exploration Expenses (CEE) renounced to the subscriber. The Company raised \$6,900,300 and spent \$5,147,538 on CEE. As a result, in fiscal 2009 the Company paid or accrued \$931,319 to settle the requirements of the flow-through share subscription agreements. As a result of the reduced CEE, a reduction of income tax benefits renounced to shareholders of flow-through shares was credited to share capital in the amount of \$455,718.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

7. Supplemental disclosure with respect to cash flows

	March 31	June 30
	2010	2009
	\$	\$
Cash and cash equivalents		
Cash	3,475,200	2,159,297
Term deposits	240,000	565,000
	3,715,200	2,724,297

There were no cash payments for interest and income taxes during the 9 months ended March 31, 2010 and March 31, 2009.

Significant non-cash transactions for the 9 months ended March 31, 2010 included:

- (a) Incurring mineral property expenditures of \$505,978 through accounts payable and accrued liabilities;
- (b) Recognizing mineral property recoveries of \$457,494 through receivables;
- (c) Reclassifying \$667,763 from capital stock to contributed surplus for warrants included in share units issued; and
- (d) Reclassifying \$136,930 from share issue costs to contributed surplus for the proportionate share of warrants.
- (e) Renouncing flow-through expenditures of \$1,561,731 resulting in a charge to capital stock of \$390,433.

Significant non-cash transactions for the 9 months ended March 31, 2009 included:

- (a) Incurring mineral property expenditures of \$358,706 through accounts payable and accrued liabilities; and
- (b) Recognizing mineral property recoveries of \$121,846 through amounts receivable.
- (c) Reducing income tax benefits renounced to shareholders of flow-through shares by \$1,752,762 resulting in a \$455,718 increase to capital stock.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

8. Related party transactions

	Three months ended March 31	Three months ended March 31	Nine months ended March 31	Nine months ended March 31
	2010	2009	2010	2009
	\$	\$	\$	\$
Amounts Paid or Accrued				
Consulting fees to officers and companies controlled by officers	67,500	52,700	197,750	232,700
Directors fees	28,000	26,000	92,000	102,500
Geological consulting fees to companies controlled by a director	1,736	6,929	14,397	568,692
General and administrative fees to a company controlled by a director	257	-	756	4,842
	97,493	85,629	304,903	908,734
Recoveries Recorded				
Shared costs from companies with common director and management	49,099	-	93,742	-
	49,099	-	93,742	-

Included in accounts payable at March 31, 2010 is \$17,325 (June 30, 2009 - \$14,495) for consulting fees owing to officers and companies controlled by officers and \$Nil (June 30, 2009 - \$6,276) for consulting fees, deferred exploration and general and administrative costs owing to a company controlled by a director.

Included in accounts receivable at March 31, 2010 is \$51,554 (June 30, 2009 - \$Nil) for shared costs from companies with common directors and management.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

9. Segmented information

The Company primarily operates in one reportable operating segment, being the exploration of mineral property interests and considers its loss from operations for the period ended March 31, 2010 and March 31, 2009 to relate to this segment.

Long-lived assets by geographic area are as follows:

	March 31, 2010		June 30, 2009	
	Canada	Peru	Canada	Peru
	\$	\$	\$	\$
Property and equipment	50,512	30,312	48,110	35,711
Mineral property interests	19,174,314	-	18,094,905	-
	19,224,826	30,312	18,143,015	35,711

10. Contingencies

- a) In January 2008, the Company received an invoice in the amount of \$182,616 from a Canadian drilling company. The invoice represents amounts for services allegedly performed during 2007. The Company rejects this claim. The party has commenced legal proceedings and the Company will defend itself and seek reimbursement for all costs associated with the defense from the claim or litigation. No amount has been accrued in these financial statements in respect of the claim as the outcome is not determinable.
- b) In June 2008, the Company received a statement of claim for approximately \$108,000 plus costs from the Government of Saskatchewan. The basis of the claim relates to one of Strathmore's contractors allegedly performing certain surface exploration work that resulted in a forest fire. Although the Company has not been named in the lawsuit, it assumed all liabilities attached to the property on completion of the Arrangement. The Company rejects the claim. No amount has been accrued in these financial statements in respect of the claim as the outcome is not determinable.

Any costs ultimately assessed against the Company in respect of these claims will be recorded in the period in which the actual determination of the liability, if any, is made.

11. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. Changes in the equity accounts of the Company are disclosed in the statement of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash, cash equivalents, and short-term investments. The issuance of common shares requires approval of the Board of Directors.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

11. Capital management (continued)

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets to fund continued exploration of its mineral properties and the future growth of the business.

12. Financial instruments and risk management

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities. For cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The fair value of short term investments represents their quoted market price.

Cash and cash equivalents and short-term investments are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded on the statement of operations.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity and foreign exchange risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk. Company management evaluates credit risk on an ongoing basis including counterparty credit rating and activities related to trade and other receivables and other counterparty concentrations as measured by amount and percentage.

The primary sources of credit risk for the Company arise from:

- (1) cash and cash equivalents;
- (2) short-term investments; and
- (3) amounts receivable.

The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At March 31, 2010, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

12. Financial instruments and risk management (continued)

(a) Credit risk (continued)

The Company's maximum exposure to credit risk at the reporting date is as follows:

	March 31 2010	June 30 2009
	\$	\$
Cash and cash equivalents	3,715,200	2,724,297
Short-term investments	243,600	32,000
Amounts receivable	649,273	231,809
	4,608,073	2,988,106

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts payable and accrued liabilities. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and the Company's current cash flow position to meet its obligations. The Company manages its liquidity risk by maintaining sufficient cash and cash equivalents and short-term investment balances to meet its anticipated operational needs.

The Company's financial liabilities, consisting of accounts payable and accrued liabilities, arose as a result of exploration of its mineral property interests and other corporate expenses. Payment terms on these liabilities are typically 30 to 60 days from receipt of invoice and do not generally bear interest. The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

	March 31 2010	June 30 2009
	\$	\$
Accounts payable and accrued liabilities	652,918	638,132

(c) Market risk

Market risk is the risk that the fair value for assets classified as held-for-trading and available-for-sale or future cash flows for assets or liabilities considered to be held-to-maturity, other financial liabilities and loans or receivables of a financial instrument will fluctuate because of changes in market conditions. The Company evaluates market risk on an ongoing basis and has established policies and procedures for mitigating its exposure to foreign exchange fluctuations. The Company is not exposed to interest rate risk, as it does not hold debt balances and is not charged interest on its accounts payable balances.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2010

(Unaudited – prepared by management)

12. Financial instruments and risk management (continued)

(d) Foreign exchange risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Although the functional currency of the Company is Canadian dollars, the Company also conducts business in US Dollars (“US”) and Peruvian New Soles (“PEN”). The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. However, although the Company's costs are incurred primarily in Canadian dollars, any change in the value of PEN and US against the Canadian dollar can affect the costs of operations and capital expenditures. The Company maintains its cash balances in Canadian dollars and exchanges currency to meet its PEN and US obligations on an as needed basis, thereby reducing the exchange risk on cash balances.

The Company is exposed to currency risk through the following Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars:

	March 31, 2010		June 30, 2009	
	PEN	US\$	PEN	US\$
Cash and cash equivalents	5,083	6,789	1,652	22,940
Accounts payable and accrued liabilities	-	-	-	-
	5,083	6,789	1,652	22,940

Based on the above net exposures at March 31, 2010, a 10% change in U.S. dollars against the Canadian dollar would result in a \$679 (June 30, 2009 \$2,294) change in the Company's net income or loss; similarly a 10% change in the PEN against the Canadian dollar would result in a \$508 (June 30, 2009 - \$165) change in the Company's net income or loss.

13. Subsequent Events

- (a) On April 7, 2010 the Company completed a private placement of 8,384,000 common share units at \$0.80 and 2,635,000 flow-through common shares at \$0.95 per share for aggregate gross proceeds of \$9,210,450. Each common share unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at \$1.00 per share for 2 years. The Company paid agent's commissions of 6% plus expenses and issued 659,940 non-transferable broker warrants. Each broker warrant will be exercisable into one common share of the Corporation for a period of 24 months from the Closing Date at a price of \$1.00 per share.
- (b) On April 9, 2010 the Company received written notice that Great Bear was terminating its option agreement on the Duddridge Lake property.
- (c) On April 29, 2010 the Korean consortium earned their 50% interest in the Waterbury Lake Joint Venture property. As per the original earn-in agreement, discussions are now underway to confirm the details of the Limited Partnership agreement that will govern subsequent exploration of the property.

FISSION ENERGY CORP.
FORM 51-102F2
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2010

The following discussion and analysis, prepared as of May 25, 2010 should be read in conjunction with the unaudited consolidated financial statements and related notes of Fission Energy Corp. (the "Company" or "Fission") for the nine months ended March 31, 2010, which were prepared in accordance Canadian generally accepted accounting principles (GAAP). The reader should also refer to the audited consolidated financial statements for the year ended June 30, 2009 as well as the Management Discussion and Analysis for that year. Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and the Company's website at www.fission-energy.com, or by requesting further information from the Company's head office located in Kelowna, BC, Canada.

Forward Looking Statements

Statements in this report that are not historical based facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward looking statements.

Description of Business

Fission Energy Corp. is a junior resource issuer primarily engaged in the acquisition, exploration, and development of uranium resource properties in Canada and Peru. The Company's primary objective is to locate, evaluate and acquire uranium properties and to finance their exploration and potential development by way of equity financing, joint venture, option agreements or other means.

Fission Energy Corp. was formed on July 17, 2007 as a result of a plan of arrangement undertaken to reorganize Strathmore Minerals Corp. ("Strathmore") into two separate operating companies.

Fission began trading as a new public company on July 25, 2007 under the symbol FIS.V (TSX Venture Exchange).

Management believes that the exploration and development of uranium properties presents an opportunity for the following reasons:

- Increased long-term worldwide energy demand
- Increased long-term demand for uranium
- Uranium demand/supply imbalance

This potential increase in demand has stimulated new exploration and development of both new and previously explored uranium properties. In Saskatchewan, the entire Athabasca Basin and areas beyond have been staked by mining exploration companies, including Fission, which controls a substantial number of prospective exploration projects.

Performance Summary and Update

During the quarter ended March 31, 2010, the Company continued to receive support from the Korea Waterbury Uranium Limited Partnership (the "Korean consortium" or the "consortium") on its Waterbury Lake program. The consortium is headed by the Korea Electric Power Corporation ("KEPCO") (NYSE: KEP). Full funding was reached in April 2010 entitling the consortium to a 50% participating interest as part of their earn-in agreement. In addition to Waterbury Lake, active summer 2010 exploration programs are being planned for Dieter Lake, Davy Lake and Minor Bay. Other important properties including Duddridge Lake, Patterson Lake, and North Shore have had sufficient exploration expenditures to keep them in current good standing while a deficiency deposit was paid on the Zoo Bay property to maintain that project in good standing. Further exploration on these properties has been deferred, but future funding and operational capabilities will be reviewed and evaluated on a continuing basis.

Fission Energy Corp.
Management's Discussion and Analysis
Nine months ended March 31, 2010

Performance Summary and Update (continued)

Most of the uranium properties currently held by Fission Energy Corp. were originally staked or acquired by Strathmore after 2003, with the exception of the Macusani property in Peru, which was acquired in 1997. The majority of the Canadian properties are located in Saskatchewan's Athabasca Basin. Canadian properties outside the Athabasca Basin include the Caribou Mountains property in northern Alberta, Dieter Lake in Quebec, the Duddridge Lake property to the south of the Athabasca Basin and the Fort McLeod property in southwestern Alberta. While management believes its properties have the potential for hosting an economic uranium deposit, exploration carries considerable risk and there is no guarantee that an economic mineral deposit will be discovered.

A list of the Company's uranium exploration projects is shown below.

Property	Location	Ownership	Claims	Hectares	Stage	Carrying Value
North Shore	Athabasca Basin, AB	100% Fission	28	100,718	C	\$3,548,883
Fort McLeod	Southwestern AB	100 % Fission	8	48,275	A	6,815
Caribou Mountains	Northern AB	100% Fission	6	27,872	A	41,770
Zoo Bay	Athabasca Basin, SK	100 % Fission	2	11,752	B	681,998
Duddridge Lake	Central SK	100% Fission*1	6	12,954	C	574,323
Waterbury Lake	Athabasca Basin, SK	JV – Consortium	13	40,256	C	2,944,724
Waterbury Lake North	Athabasca Basin, SK	100% Fission	3	966	B	56,143
Patterson Lake	Athabasca Basin, SK	100% Fission	9	25,316	C	3,724,736
Patterson Lake South	South margin of Athabasca Basin, SK	JV – ESO	12	13,499	B	106,428
Davy Lake	Athabasca Basin, SK	100% Fission	19	74,614	B	4,598,799
Minor Bay	East margin of Athabasca Basin, SK	100% Fission	9	21,544	B	295,033
Torwalt Lake	Athabasca Basin, SK	100% Fission*2	1	812	B	5,474
Dieter Lake	North-Central Quebec	100 % Fission	643	30,864	B	2,589,188
Macusani	Peru, South America	100 % Fission	9	5,100	A	0
TOTALS				223,757		\$19,174,314

Exploration Stage:

- A- Prospecting
- B- Geophysical Exploration, Sampling, Line Cutting, IP Surveys
- C- Drilling

Notes:

*1- The Joint Venture with Great Bear was terminated on April 9, 2010.

*2 The Joint Venture with Hillcrest was terminated in January 8, 2010 as Hillcrest did not meet minimum expenditure requirements.

Private Placements

On May 13, 2009, the Company completed a non-brokered private placement of 583,166 flow-through shares at \$0.36 per share for gross proceeds of \$209,940 and incurred additional costs in the amount of \$1,900.

**Fission Energy Corp.
Management's Discussion and Analysis
Nine months ended March 31, 2010**

Private Placements (continued)

On June 30, 2009, and as more completely described in the interim financial statements, the Company completed the first tranche of a non-brokered private placement of common and flow-through units. The Company issued 4,198,000 common share units at a price of \$0.30 per unit, and 2,141,374 flow-through units at a price of \$0.35 per unit for gross proceeds of \$2,008,881. The Company paid agent's commissions of \$101,310 and issued 311,817 broker warrants entitling the holder to purchase one common share of the Company at a price of \$0.30 for a period of 2 years following the closing date of the private placement.

On July 21, 2009 the Company completed the second tranche of the non-brokered private placement of common and flow-through units on the same terms as the first tranche. The Company issued 3,702,000 common share units at a price of \$0.30 per unit, and 2,320,712 flow-through units at a price of \$0.35 per unit for aggregate gross proceeds of \$1,922,849. The Company paid agent's commissions of \$146,628 and issued 457,817 broker warrants on identical terms to the first tranche.

On April 7, 2010 the Company completed a private placement of 8,384,000 common share units at \$0.80 and 2,635,000 flow-through common shares at \$0.95 per share for aggregate gross proceeds of \$9,210,450. Each unit consists of one common share and one half of one share purchase warrant. Each whole warrant is exercisable at \$1.00 per share for a twenty-four month period expiring April 7, 2012. Refer to the subsequent events note for further details.

Stock Options

During the nine month period, ended March 31, 2010 the company granted options as follows:

- August 6, 2009 - the company granted 175,000 options exercisable at \$0.31 and repriced 75,000 options previously priced at \$1.00 to \$0.31 to various consultants of the company.
- September 28, 2009 - the company granted 125,000 options exercisable at \$0.30 to the new CFO.
- February 4, 2010 The Company granted 1,350,000 stock options exercisable at \$0.55 to Directors, Officers, employees and consultants.
- March 24, 2010 - the Company granted 150,000 stock options exercisable at \$0.80 per share to a consultant.

Management Changes

On September 21, 2009 Mr. Andrew Adamson replaced Mr. Pat Groening as CFO of the Company.

Uranium Resources Summary by Property

The following table displays the Company's current uranium resources. Additions and changes are dependent on future successful exploration results. The table includes NI 43-101 compliant (Measured and Indicated, and Inferred), and historical resources as defined by the results of exploration completed by previous mining companies.

Location	Previous Operator	Resource Classification	Tonnage	Grade% U ₃ O ₈	Lbs/U ₃ O ₈
Dieter Lake, PQ	Uranerz	NI 43-101: Inferred	19,312,816 tonnes	0.057	24,424,306
Duddridge Lake, SK	Noranda	NI 43-101: Inferred	227,880 tonnes	0.105	487,663

The technical information in the above table has been prepared in accordance with the Canadian regulatory requirements set out in National Instrument 43-101 and reviewed by Mr. Ross McElroy, P. Geol., a qualified person under National Instrument 43-10. A qualified person has not completed sufficient work to classify these historic mineral resources as current mineral resources and hence they should not be relied upon. It should be noted that mineral resources, which are not mineral reserves, do not have demonstrated economic viability.

Fission Energy Corp.
Management's Discussion and Analysis
Nine months ended March 31, 2010

Uranium Resources Summary by Property (continued)

North Shore

During the year ended June 30, 2009, the Company consolidated the North Shore and South Shore properties into one land package, which will now be known as the North Shore property. "Bridge" permits connecting the properties into one contiguous land package have been staked, and the overall size has been trimmed to 28 mineral permits totaling approximately 100,718 ha. These changes will allow the Company to focus on the best targets identified by exploration completed to date.

Fort McLeod

The Fort McLeod property is located in Southwestern Alberta. The Company re-staked additional ground in the period ended September 30, 2009. The property currently consists of 8 mineral permits totaling approximately 48,275 ha. The part of the western sedimentary basin covering southwestern Alberta is host to a number of uranium occurrences and showings, primarily hosted within the sandstones of the Tertiary Willow Creek formation. No work is planned for 2010 fiscal year.

Caribou Mountains

On November 30, 2007 the Company acquired the Caribou Mountains property comprising 6 Metallic and Industrial Mineral Permits totaling 27,872 ha in north-central Alberta.

Zoo Bay

On November 30, 2007 the Company acquired the Zoo Bay property comprising 2 claims totaling 11,752 ha along the northeast margin of the Athabasca Basin, in northern Saskatchewan.

Duddridge Lake

The 6 claim, 12,954 ha Duddridge Lake property is situated along the eastern margins of the Wollaston Basement Domain, the same basement domain that underlies a number of significant uranium occurrences in the eastern part of the Athabasca Basin, Saskatchewan. Where it occurs beneath the Athabasca Basin, the Wollaston Basement Domain hosts some of the richest uranium deposits known worldwide, including: Key Lake, Millennium, McArthur River, Cigar Lake, Midwest Lake and Eagle Point. The McArthur River, Millennium and Eagle Point uranium deposits contain significant amounts of 'basement-hosted' uranium mineralization similar to Duddridge Lake. In 1974/75, Noranda Exploration began an exploration drill program and completed more than 30 holes.

In 2007, this project was joint ventured with Great Bear Resources Ltd. or "Great Bear" when Fission Energy was part of Strathmore Minerals Corp. On April 9, 2010 Great Bear gave Fission written notice to terminate its option agreement.

Exploration is focused on the area of known mineralization. A 6 hole drill program totaling 660 m commenced in January, 2008 with Fission as the operator. Results from this program confirmed the previous data collected from historic drilling. Further infill drilling will be required to expand the current resource, as well as test the deposit extensions to the north and at depth.

Fission Energy Corp.
Management's Discussion and Analysis
Nine months ended March 31, 2010

Uranium Resources Summary by Property (continued)

Waterbury Lake

The 13 claim, 40,256 ha Waterbury Lake property virtually surrounds the AREVA/Denison Midwest Uranium Deposit (41 million lbs U₃O₈ at an average grade of about 5.5% U₃O₈), and the Midwest "A" discovery within the east-central part of Saskatchewan's Athabasca Basin. This structural trend continues on to Fission's northeast claim area, which was originally staked in 2004 and partially re-staked in 2009.

In January 2008 and after an earlier drill program where significant radio-activity was found, the Company signed an agreement with the Korean consortium whereby the consortium would complete a \$1 million common share private placement at a price of \$1.00 per share and could earn up to a 50% interest in the Waterbury Lake project by spending \$14 million over a three year period. Under the agreement, Fission retains a 2% of net smelter returns overriding royalty interest in the property. In April 2010, the consortium fully funded its commitments for the 3 year term and consequently holds a 50% interest in the property as per the terms of the agreement.

In 2008, Fission completed an exploration program in the Discovery Bay area near the Roughrider Zone. The program included soil sampling, airborne and ground geophysical surveys and a 19 hole drill program, and was successful in identifying a significant basement hosted anomaly which has been named the "Discovery Bay Zone" that remains open to the west and southwest.

During the first half of 2009, a follow-up exploration tested areas are known as Talisker and Disco Bay both of which showed excellent potential for unconformity style uranium mineralization. On completion of its summer exploration program, the Company had learned considerably more about the geometry of the Discovery Bay Zone and Roughrider Zone mineralization, and extended the continuity of the Discovery Bay Zone further to the west.

The 2010 winter program that followed-up on previous programs in the East-West trending corridor included 35 drill holes totaling an estimated 11,260m. The 2nd drill hole of the program, WAT10-063A intersected 10.5m grading 1.91% U₃O₈ from 226.0m to 236.5m downhole, including a high grade intersection of 1.0m grading 13.87% U₃O₈ from 230.0m to 231.0m. This new high grade uranium discovery has been named the "J-Zone". At the time of writing, assay results from 10 holes have been returned. Intersections include 17m @ 3.99% U₃O₈ (WAT10-070B), 6m @ 14.7% U₃O₈ (WAT10-071) and 12m @ 3.64% U₃O₈. A total of 26 holes were drilled at the J-Zone, with 21 of those holes intersecting significant mineralization at or near the unconformity. The J-Zone remains open at depth and along strike. A summer 2010 drilling program is planned.

Waterbury North

In July 2009, 3 claims totaling 966 ha were staked. 2 claims are immediately adjacent and to the north-central border of the Waterbury Lake project, on which the company has a joint venture agreement with the Korean consortium. A 1,135 line-km high resolution magnetic survey was flown over these claims in July 2009.

Patterson Lake

Patterson Lake was acquired by staking in 2004. It comprises 9 claims and 25,316 ha. In 2007, the Company completed a five hole drill program totaling 1,406 m on the property located approximately 30 km south of the advanced UEX-AREVA joint venture exploration and development project in the southwestern part of the Athabasca Basin. The drilling tested two EM conductors. Assays were received during 2008 resulting in the discovery of significant alteration, geochemical anomalies, and structures commonly associated with unconformity type uranium deposits in the Athabasca Basin. The Company was encouraged by these results and plans are underway for an expanded exploration program. Fission has also completed a MEGATEM airborne geophysical survey at Paterson Lake and in the period from February to April 2008, completed a 6 hole 2,696 m drill program.

**Fission Energy Corp.
Management's Discussion and Analysis
Nine months ended March 31, 2010**

Uranium Resources Summary by Property (continued)

Patterson Lake South

The Patterson Lake South property currently consists of 12 claims and 13,499 ha. In late 2007, Fission Energy staked 2 claims totaling 3,354 ha on the southern extension of its Patterson Lake property. On January 17, 2008 Fission and ESO Uranium Corp (ESO) entered into a 50:50 immediately vested joint venture exploration agreement whereby Fission contributed its 2 claims and ESO contributed its 2 claims (totaling 1,417 ha) for a total package of 4 claims totaling 4,771 ha. Under the agreement, both companies will participate equally in exploration and management expenditures and title to the claims is held equally in the name of Fission and ESO. In December 2008, a 162 line-km MEGATEM Airborne Survey was completed over what is now defined as the Patterson Lake South project, the results of which formed the basis for developing ground targets for future exploration.

In October 2009, a 3,200 line-km high resolution airborne magnetic and radiometric survey was completed across the property. The results indicate a strong, 900 meter long train of radioactive boulders extending southwards off the original claim block. The boulder train runs south from a coincident radon soils anomaly (identified in earlier work completed by CanOxy Petroleum Ltd) that is centered over an extension of the Patterson conductor corridor that appears to have been disrupted by cross cutting structures. In April 2010, additional ground was staked to cover this area and has added approximately 1004 hectares (2,480 acres) to the Joint Venture claim block. The most recent airborne survey used state of the art radiometric and high resolution aeromagnetic surveys and were flown on 50 meter line spacing with an average magnetometer sensor altitude of 17 meters, by Special Projects Inc of Calgary, Alberta. This survey targeted a corridor of conductors extending from the SSW trending Patterson Corridor on the adjacent Purepoint Uranium Inc - Cameco Joint Venture claims that had been previously identified from earlier airborne and ground surveys.

Davy Lake

Davy Lake comprises 19 mineral claims totaling 74,614 ha following a recent reduction in the number of claims to only the most promising areas. In 2005/06 a two stage MEGATEM airborne geophysical survey identified a 51 km contiguous conductor. Subsequent summer geophysical programs were carried out to further identify and prioritize drill targets. An airborne gravity survey in the fall of 2008 provided a good picture of the basement structures which are an important component for hosting unconformity uranium mineralization. In October 2009 a further 1,509 line-km airborne magnetic and electromagnetic survey flown by Geotech Ltd. helped isolate and provide good resolution to the magnetic and conductive nature of the sub-surface geology in advance of a 2 or 3 hole drill program, scheduled for the summer of 2010.

Minor Bay

The Minor Bay property comprises 9 claims and 21,544 ha and is located along the southeast margin of the Athabasca Basin on a trend with the West Bear deposit. It is an early stage exploration property with great potential based on the continuation of basement geology and magnetic trends.

A 1,248 line-km airborne magnetic and electromagnetic survey was conducted in May 2009. A number of interesting structures across the property were identified in both EM and magnetic data. The conductive anomalies can be attributed to faulted graphitic metapelite units in the basement rocks or to clay rich alteration zones.

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Uranium Resources Summary by Property (continued)

Torwalt Lake

The Torwalt Lake property comprises 1 claim and 812 ha and was acquired by staking in early 2004. It is located approximately 10 km east of the Waterbury Lake project in the eastern part of the Athabasca Basin and is an early stage uranium exploration project. The major uranium deposits are found in the general vicinity, including the nearby Dawn Lake mine.

On December 17, 2007, Fission completed an option agreement with Hillcrest Resources Ltd. to explore for uranium at the Company's Torwalt Lake property. The agreement allowed Hillcrest to earn up to a 60% interest in the project Hillcrest did not meet the minimum expenditure requirement at December 17, 2009 and the agreement was terminated on January 8, 2010.

Dieter Lake

Fission holds a 100% interest in the Dieter Lake property, which has a NI 43-101 inferred resource totaling 24.4 million lbs U3O8 at an average grade of 0.057% U3O8 (Davis and Guo, 2006). The property comprises 643 claims over 30,864 ha and is located approximately 150 km north of Hydro Quebec Reservoir LG-4. An all weather camp was established by Strathmore at Dieter Lake in 2006 and is available to Fission for future exploration. A \$408,000 work program was conducted during 2008, which primarily entailed mapping, prospecting, and radon surveys. Data collected from that work program will help to develop future programs that will expand the resource beyond the known uranium mineralization. All claims are presently in good standing with some renewal dates occurring in May 2010 and the balance in 2011 and later years. A 10 hole (1,500m) drill program is planned for the summer of 2010.

Peru

The Macusani property is located within southeastern Peru. Fission holds the rights to 9 mineral concession blocks encompassing 5,100 ha and two surface rights over some of the areas with known uranium mineralization. The ownership of the surface rights is in question and is in process of being resolved.

Summary of Quarterly Results

Quarter Ended	March 31 2010	December 31 2009	September 30 2009	June 30 2009
	\$	\$	\$	\$
Mineral property interests	19,174,314	19,046,515	18,267,603	18,094,905
Working Capital	3,972,942	2,893,188	4,011,631	2,728,004
Comprehensive income (loss)	289,367	(381,084)	(370,147)	(5,909,854)
Net income (loss) per share	0.01	(0.01)	(0.01)	(0.14)
Quarter Ended	March 31 2009	December 31 2008	September 30 2008	June 30 2008
	\$	\$	\$	\$
Mineral property interests	24,269,924	26,131,397	25,037,866	23,786,084
Working Capital	1,298,852	1,544,147	4,211,178	5,817,265
Comprehensive loss	(1,744,800)	(1,313,432)	(413,934)	(1,672,410)
Net loss per share	(0.04)	(0.03)	(0.01)	(0.04)

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Results of Operations

The expenses incurred by the Company are typical of junior exploration and development companies that do not have established cash flows from mining operations. Changes in these expenditures from quarter to quarter are impacted directly by non-recurring activities or events.

In the third quarter of fiscal 2010 ended March 31, 2010 the Company recorded a net income of \$289,367 (\$0.01 per share) compared to a net loss of \$1,744,800 (\$(0.04) per share) for the quarter ended March 31, 2009. The income in the current period is attributable to a significant improvement in investment values, higher exploration management fee income arising from the recovery of fees related to expenditures in prior periods and the recovery of future income taxes. The fiscal 2009 loss was adversely impacted by higher stock compensation charges arising from the repricing of options in January 2009 combined with significant mineral property write downs of the Fort McLeod property and other Canadian properties.

Liquidity and Capital Resources

Fission Energy Corp. is a mineral exploration company. The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties, including acquisition costs and related exploration costs, are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. The Company expects to rely upon equity financing and/or joint venturing project development with a partner as primary sources of funding.

At March 31, 2010 the Company had \$3,972,942 in working capital. The Company does not have significant concerns about the liquidity of its current assets. Cash and cash equivalents include cash in bank and bank issued term deposits, which are liquid assets, and are readily available to the Company.

The increase in working capital from December 31, 2009 is largely due to the exercise of stock options and warrants during the quarter combined with a mineral property expenditure recovery from our Waterbury Lake joint venture partner relating to prior periods.

Subsequent to March 31, 2010, the Company's working capital and cash position was favourably impacted when the Company closed a \$9.2mm private placement financing as described in the subsequent events note.

Other than the consortium agreement on Waterbury Lake and a joint venture agreement with ESO Uranium on Patterson Lake South where expenses are shared equally, the Company has no mineral property agreements that require it to meet certain expenditures. The agreement with the Waterbury Lake consortium allows the Company to charge a fee as project operator. During the nine months ended March 31, 2010 the Company earned \$409,129 (2009 - \$390,861) in exploration management fee income.

The financial statements have been prepared on a going concern basis 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 continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

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Related Party Transactions

For the nine months ended March 31, 2010 the Company entered into the following related party transactions:

- a) Paid or accrued management consulting fees in the amount of \$148,500 to a company controlled by Devinder Randhawa, the Chairman and Chief Executive Officer for services provided to the Company and Directors fees of \$20,000.
- b) Paid or accrued Directors fees of \$18,500 to Jody Dahrouge.
- c) Paid or accrued Directors fees of \$12,000 to Mike Halvorson.
- d) Paid or accrued Directors fees of \$21,500 to Frank Estergaard.
- e) Paid or accrued Directors fees of \$20,000 to George Sanders.
- f) Paid or accrued management consulting fees of \$36,750 to a company controlled by Andrew Adamson and \$12,500 to Pat Groening, for services provided as Chief Financial Officer to the Company.
- g) Paid or accrued general and administrative costs of \$756 and deferred exploration costs of \$14,397 to a company controlled by Jody Dahrouge.
- h) The company recovered administrative costs of \$76,196 from a company controlled by Devinder Randhawa and \$17,546 from companies with common directors.

At March 31, 2010 accounts payable includes \$17,325 due to a company controlled by Devinder Randhawa, the Chairman and Chief Executive Officer, for services provided to the Company.

Amounts receivable include \$47,608 for administrative costs recoverable from a company controlled by Devinder Randhawa, the Chairman and Chief Executive Officer, and \$3,946 from companies with common directors.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to and due from related parties are unsecured, non-interest bearing and have no specific repayment terms.

Outstanding Share Data

As at May 25, 2010 the Company has 69,269,111 common shares issued and outstanding, 4,849,833 incentive stock options outstanding with exercise prices ranging from \$0.20 to \$1.05 per share and 13,043,309 share purchase warrants outstanding with exercise prices of between \$0.30 and \$1.00 per share.

Financial Instruments

The Company has classified its cash equivalents and short-term investments as held-for-trading. Amounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost.

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Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company.

The AcSB requires that IFRS compliant financial statements are prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with a June 30 year-end, the first audited annual financial statements under IFRS will be for the year ending June 30, 2012 with comparative financial information for the year ending June 30, 2011. The first unaudited interim financial statements under IFRS will be the quarter ending September 30, 2011 with comparative financial information for the quarter ended September 30, 2010.

In preparation for the changeover from Canadian GAAP to IFRS, a planning process was initiated in 2008. The Company continues to study the impact of conversion with plans for implementation on July 1, 2010. A detailed diagnostic of the conversion process was completed in the second quarter of 2009. The conversion to IFRS will impact the Company's financial reporting systems and, as a result some changes will be required to various areas including information technology and data systems, internal controls over financial reporting, disclosure requirements and other business activities such as compensation programs and contractual arrangements.

Progress to date:

- Established a project team to assist with the conversion process.
- Provide training to key members of the IFRS project team.
- Completed a detailed IFRS diagnostic in the second quarter of 2009.
- Review the vendor's plans to assist the conversion of Company's accounting software from Canadian GAAP to IFRS.
- Reviewed options to provide IFRS compliant information systems for the stock based compensation programs.
- Study the first time adoption choices under IFRS 1 and begin the selection of accounting policies under IFRS.
- Upgrade accounting software to track and report foreign exchange gains and losses as required by IFRS.

The following areas are likely to be impacted under IFRS: Share-based-payments, property, plant, and equipment, related party disclosures, business combinations and consolidation of minority interests, impairment of assets, provisions, contingent assets and liabilities, exploration and evaluation of mineral properties, employee benefits and income taxes. Additional financial statement disclosures will also be required.

CICA Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests

In January 2009, the AcSB issued the following Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These new Sections will be applicable to financial statements beginning on or after January 1, 2011. Early adoption is permitted. The Company has determined that there will be no impact from the adoption of these new sections on its consolidated financial statements.

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Subsequent Events

- a) On April 7, 2010 the Company completed a private placement of 8,384,000 common share units at \$0.80 and 2,635,000 flow-through common shares at \$0.95 per share for aggregate gross proceeds of \$9,210,450. Each common share unit consists of one common share and one half of one share purchase warrant. Each whole warrant is exercisable at \$1.00 per share for 2 years. The Company paid agent's commissions of 6% plus expenses and issued 659,940 non-transferable broker warrants. Each Broker Warrant is exercisable into one common share of the Corporation for a period of 24 months from the Closing Date at a price of \$1.00 per share.
- b) On April 9, 2010 the Company received written confirmation that Great Bear was terminating its option agreement on the Duddridge Lake property.
- c) On April 29, 2010 the Korean consortium earned their 50% interest in the Waterbury Lake property. As per the original earn-in agreement, discussions are now underway to confirm the details of the Limited Partnership agreement that will govern subsequent exploration of the Waterbury Lake property.