Consolidated Financial Statements

Fission Energy Corp.

December 31, 2010

(Unaudited – prepared by management)

Fission Energy Corp.

Unaudited Interim Consolidated Financial Statements

December 31, 2010

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 December 31, 2010.

Fission Energy Corp.

Consolidated Financial Statements

December 31, 2010

(Unaudited – prepared by management)

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Fission Energy Corp.

Consolidated balance sheets
(Unaudited - prepared by management)

	December 31 2010	June 30 2010
	$	$
Assets		
Current assets		
Cash and cash equivalents	**20,121,256**	11,941,329
Short-term investments (Note 3)	**176,500**	198,000
Amounts receivable	**600,188**	71,007
Prepaid expenses	**17,712**	22,765
	20,915,656	12,233,101
Property and equipment	**69,047**	80,860
Mineral property interests (Note 4)	**20,303,287**	18,086,503
	41,287,990	30,400,464
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**366,382**	928,582
Shareholders' equity		
Capital stock (Note 5)	**50,270,402**	39,191,229
Contributed surplus (Note 5)	**7,413,213**	4,729,559
Deficit	**(16,762,007)**	(14,448,906)
	40,921,608	29,471,882
	41,287,990	30,400,464

Nature and continuance of operations (Note 1)
Commitments (Note 4(c))
Contingencies (Note 9)
Subsequent Event (Note 12)

See accompanying notes to the unaudited consolidated financial statements.

Fission Energy Corp.

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

	Three months ended December 31		Six months ended December 31	
	2010	2009	**2010**	2009
	$	$	**$**	$
Expenses				
Advertising and promotion	**492**	1,194	**592**	2,883
Amortization	**6,974**	7,128	**13,926**	13,941
Business development	**119,734**	24,940	**156,341**	56,587
Consulting and Directors fees	**338,671**	139,969	**492,028**	280,553
Flow-through share tax	**-**	-	**1,436**	-
Insurance	**6,587**	8,805	**16,053**	17,609
Office and miscellaneous	**40,203**	22,666	**75,915**	48,452
Professional fees	**46,413**	18,786	**125,252**	68,914
Regulatory fees	**35,412**	2,825	**35,412**	3,025
Rent	**16,368**	18,472	**33,707**	38,212
Shareholder communications	**8,956**	22,774	**13,638**	25,692
Stock-based compensation (Note 5 (c))	**875,754**	50,598	**1,027,392**	132,573
Telephone	**9,428**	8,285	**16,045**	20,333
Trade shows and conferences	**26,409**	17,891	**77,862**	48,208
Transfer agent	**4,269**	2,267	**6,257**	4,856
Travel	**586**	3,079	**586**	11,681
Wages and benefits	**212,461**	80,883	**260,459**	144,051
	1,748,717	430,562	**2,352,901**	917,570
Loss before other items	**(1,748,717)**	(430,562)	**(2,352,901)**	(917,570)
Other items - income/(expense)				
Exploration management fee income	**(20,836)**	25,582	**66,404**	147,261
Interest income	**28,046**	5,467	**50,866**	13,502
Foreign exchange loss	**(1,286)**	(1,863)	**(3,987)**	(4,237)
Unrealized gain (loss) on investments (note 3)	**16,800**	50,400	**(21,500)**	55,600
Mineral property write-down (Note 4)	**(24,322)**	(30,108)	**(51,983)**	(45,787)
	(1,598)	49,478	**39,800**	166,339
Net loss and comprehensive loss for the period	**(1,750,315)**	(381,084)	**(2,313,101)**	(751,231)
Basic loss per common share	**(0.02)**	(0.01)	**(0.03)**	(0.01)
Weighted average number of common shares outstanding	**74,972,369**	55,033,806	**72,155,570**	54,248,235

See accompanying notes to the unaudited consolidated financial statements.

Fission Energy Corp.

Consolidated statements of shareholders' equity
Six month period ended December 31, 2010
(Unaudited - prepared by management)

	Common shares		Contributed		**Total**
	Shares	Amount	surplus	(Deficit)	**shareholders' equity**
		$	$	$	**$**
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 common shares issued for cash (Note 5 (a))	17,041,712	8,742,676	2,480,403	-	**11,223,079**
Share issue costs	-	(998,337)	-	-	**(998,337)**
Income tax benefits renounced to shareholders of flow-through shares	-	(456,806)	-	-	**(456,806)**
Exercise of Stock Options/Warrants	3,216,305	1,784,961	(570,505)	-	**1,214,456**
Stock-based compensation	-	-	423,249	-	**423,249**
Net loss and comprehensive loss	-	-	-	(2,840,489)	**(2,840,489)**
Balance, June 30, 2010	69,269,111	39,191,229	4,729,559	(14,448,906)	**29,471,882**
Common share units and flow-through common shares issued for cash (Note 5 (a))	15,583,700	11,682,116	1,518,214	-	**13,200,330**
Share issue costs	-	(1,244,646)	307,076	-	**(937,570)**
Exercise of Stock Options/Warrants	1,202,834	641,703	(169,028)	-	**472,675**
Stock-based compensation (Note 5 (c))	-	-	1,027,392	-	**1,027,392**
Net loss and comprehensive loss	-	-	-	(2,313,101)	**(2,313,101)**
Balance, December 31, 2010	**86,055,645**	**50,270,402**	**7,413,213**	**(16,762,007)**	**40,921,608**

Fission Energy Corp.

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

	Three months ended December 31		Six months ended December 31	
	2010	2009	**2010**	2009
	$	$	**$**	$
Operating activities				
Net loss and comprehensive loss	**(1,750,315)**	(381,084)	**(2,313,101)**	(751,231)
Items not involving cash:				
Amortization	**6,974**	7,128	**13,926**	13,941
Unrealized (gain) loss on investments	**(16,800)**	(50,400)	**21,500**	(55,600)
Stock-based compensation	**875,754**	50,598	**1,027,392**	132,573
Write-down of mineral properties	**24,322**	30,108	**51,983**	45,787
	(860,065)	(343,650)	**(1,198,300)**	(614,530)
Change in non-cash working capital		-		
Increase (decrease) in amounts receivable	**(337,516)**	69,760	**(529,181)**	(25,030)
Decrease (increase) in prepaid expenses	**(2,034)**	359,787	**5,053**	359,641
(Increase) decrease in accounts payable		-		
and accrued liabilities	**13,055**	(425,505)	**(270,220)**	(431,220)
	(1,186,560)	(339,608)	**(1,992,648)**	(711,139)
Investing activities				
Property and equipment additions	**(2,113)**	-	**(2,113)**	(15,621)
Mineral property additions	**(416,945)**	(758,440)	**(2,560,747)**	(2,146,778)
Mineral property cost recoveries	**-**	86,927	**-**	869,267
	(419,058)	(671,513)	**(2,562,860)**	(1,293,132)
Financing activities				
Proceeds from issuance of common share units and flow-through common shares net of share issuance costs	**12,262,760**	(16,173)	**12,262,760**	1,737,132
Proceeds from exercise of options/warrants	**459,475**	-	**472,675**	-
	12,722,235	(16,173)	**12,735,435**	1,737,132
Decrease in cash and cash equivalents during the period	**11,116,617**	(1,027,294)	**8,179,927**	(267,139)
Cash and cash equivalents, Beginning of period	**9,004,639**	3,484,452	**11,941,329**	2,724,297
Cash and cash equivalents, end of period	**20,121,256**	2,457,158	**20,121,256**	2,457,158

Supplemental disclosure with respect to cash flows (Note 6)

See accompanying notes to the unaudited consolidated financial statements.

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.

	December 31 2010	June 30 2010
	$	$
Deficit	**(16,762,007)**	(14,448,906)
Working Capital	**20,549,274**	11,304,519

2. Basis of presentation

These consolidated financial statements include the accounts of Fission Energy Corp. and the accounts of the following entities:

	2010	2009
Fission Energy Peru S.A.C	**100%**	100%
Minera Peruran S.A.C	**100%**	100%
Waterbury Lake Uranium Corporation	**50.00%**	0%
Waterbury Lake Uranium Limited Partnership	**49.99%**	0%

The unaudited 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 for the year ended June 30, 2010. 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.

2. Basis of presentation (continued)

(a) Accounting policies implemented effective July 1, 2010

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

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations ("Section 1582"), 1601 – Consolidated Financial Statements ("Section 1601") and 1602 – Non-Controlling Interests ("Section 1602") which replace CICA Handbook Sections 1581 – Business Combinations ("Section 1581") and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Sections 1601 and 1602 establish standards for the preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Section 1582 is required for the Company's business combinations with acquisition dates on or after the beginning of the first annual reporting period after January 1, 2011. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011 although early adoption is permitted. Section 1582, which replaces section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. The Company has early adopted all three sections effective July 1, 2010. There was no impact to the Company's consolidated financial statements from adopting these standards.

(b) 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 prepared for the quarter ending December 31, 2011 with comparative financial information for the quarter ended December 31, 2010.

In preparation for the changeover from Canadian GAAP to IFRS, a planning process was initiated in 2008. The conversion to IFRS will impact the Company's financial reporting systems and 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.

3. Short-term investments

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

		Fair Market Value	
		December 31 2010	June 30 2010
		$	$
Common shares of Great Bear Resources Ltd.	(a)	**142,000**	180,000
Commn shares of Tribune Minerals Corp.	(a)	**34,500**	18,000
Common Shares of Mountain Gold Resources Ltd.	(b)	**-**	-
		176,500	198,000

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

(b) The shares of Mountain Gold Resources Ltd. ("Mountain Gold") were acquired through a plan of arrangement dated May 31, 2010 between Great Bear Resources Ltd. ("Great Bear") and Mountain Gold whereby each Great Bear shareholder received one-third of a common share of Mountain Gold while retaining the same amount of Great Bear shares. The Mountain Gold shares are currently not trading and have been given no value.

4. Mineral property interests

Fission Energy Corp.
6 months ended
Dec 31 2010

	North Shore Property	Duddridge Lake Property	Waterbury Lake Property	Patterson Lake Properties	Davy Lake Property	Dieter Lake Property	Other Canadian Properties	Peru Property	Total
	$	$	$	$	$	$	$	$	$
Acquisition costs									
Balance, beginning of period	460,422	382,245	590,550	167,502	38,350	619,785	170,054	-	2,428,908
									-
Additions	-	-	-	-	-	-	47,500	-	47,500
Write-down	-	-	-	-	-	-	(2,500)	-	(2,500)
Balance, end of period	460,422	382,245	590,550	167,502	38,350	619,785	215,054	-	2,473,908
Exploration costs									
Balance, beginning of period	4,643,450	1,237,890	14,521,692	3,710,421	4,103,019	2,188,694	378,433	-	30,783,599
Incurred during the period									
Geology mapping/sampling	-	-	16,998	172	-	256,515	223	3,007	276,915
Geophysics airborne	-	-	3,935	218	540	-	-	-	4,693
Geophysics ground	-	-	119,307	218	20,998	2,905	8,700	-	152,128
Drilling	-	-	1,463,747	8,405	399,052	75,045	-	-	1,946,249
Land retention and permitting	12,483	443	18,354	720	3,032	13,546	721	566	49,865
Reporting	495	55	13,677	165	5,035	653	664	-	20,744
Environmental	-	375	26,844	-	-	-	-	-	27,219
Safety	-	-	978	-	-	-	-	-	978
Community Relations	-	-	3,266	-	-	-	-	9,105	12,371
General	-	-	6,325	6,171	-	-	-	31,467	43,963
Additions	12,978	873	1,673,431	16,069	428,657	348,664	10,308	44,145	2,535,125
Write-down	-	-	-	-	-	-	(5,337)	(44,145)	(49,482)
Balance, end of period	4,656,428	1,238,763	16,195,123	3,726,490	4,531,676	2,537,358	383,404	-	33,269,242
Cumulative cost recoveries									
Balance, beginning of period	(1,538,127)	(1,038,107)	(12,141,297)	(30,179)	(47,047)	(166,893)	(164,354)		(15,126,004)
Additions	-	-	(270,578)	(43,281)	-	-	-	-	(313,859)
Balance, end of period	(1,538,127)	(1,038,107)	(12,411,875)	(73,460)	(47,047)	(166,893)	(164,354)	-	(15,439,863)
Total costs, December 31, 2010	3,578,723	582,901	4,373,798	3,820,532	4,522,979	2,990,250	434,104	-	20,303,287

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 assesses the carrying value of mineral properties and related exploration expenditures at least annually for 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, the Company completed an option agreement with Tribune Minerals Corp. ("Tribune") under which Tribune issued 600,000 common shares to the Company 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) 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. On April 9, 2010 Great Bear terminated the option agreement.

(c) Waterbury Lake Property, Canada

The Company acquired a 100% interest in certain claims located in Saskatchewan in fiscal 2008. On January 30, 2008, it completed an earn-in agreement on the property with the Korea Waterbury Uranium Limited Partnership ("KWULP"). Under the agreement, the Company granted KWULP the exclusive right to earn up to a 50% interest in the Waterbury Lake property by funding $14,000,000 of expenditures on or before January 30, 2011. Additionally, the Company was appointed operator of the

4. Mineral Property interests (continued)

(c) Waterbury Lake Property, Canada (continued)

Project and retained an overriding royalty interest in the property of 2% of net smelter returns. On April 29, 2010, KWULP fully funded its commitments for the 3 year term and consequently holds a 50% interest in the property.

The earn-in agreement required that, on completion of the earn-in period, the joint venture parties agree to form a Limited Partnership to hold the property and on August 16, 2010 the Waterbury Lake Uranium Limited Partnership (“WLULP”) agreement was signed, and now supersedes the original earn-in agreement. WLULP was officially formed December 30, 2010. The Company also has 12 months from the completion of the earn-in agreement during which it may buy back a 10% interest in WLULP for $6,000,000. The WLULP agreement requires that the Company and its partner each spend $5 million per year over the next three years for a total of $30 million for exploration and evaluation costs. Under the terms of the agreement the Company was solely and directly responsible for the exploration costs related to the 2010 Summer Exploration Program in the amount of $1,533,475. KWULP is solely responsible for the exploration costs related to the 2010 Winter Exploration Program up to the same amount of $1,533,475. The Company was appointed operator for WLULP and is entitled to a management fee equal to 10% of expenditures for operator services.

(d) Patterson Lake Properties, Canada

The Patterson Lake Properties comprise both Patterson Lake and Patterson Lake South properties.

(i) Patterson Lake

Patterson Lake was acquired by staking in 2004

(ii) Patterson Lake South

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.

(e) 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 write of exploration costs. On June 30, 2010 the company recorded a further write-down of $1,016,863 in exploration costs.

(f) 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.

4. Mineral Property interests (continued)

(g) Other Canadian Properties

(i) Fort McLeod Property, Canada

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

The Company staked additional ground in fiscal 2010.

At December 31, 2010, due to results to date and the prioritization of other properties the Company recorded a 100% impairment of acquisition and exploration costs.

(ii) 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 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.

At June 30, 2010, due to results to date and the prioritization of other properties, the Company recorded a 100% impairment of acquisition and exploration costs for the Caribou Mountains and Zoo Bay properties.

(iii) Minor Bay Property, Canada

The Company acquired a 100% interest in the Minor Bay property located in the Athabasca Basin, Saskatchewan in fiscal 2008.

(iv) Torwalt Lake Property, Canada

The Company acquired a 100% interest in the Torwalt Lake property 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.

(v) Waterbury Lake North Property

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

(vi) Macusani Property, Peru

In 2008 the Company acquired a 100% interest in certain properties located in Peru. On-going administrative and claim maintenance costs for this property are expensed during the period in which they are incurred which resulted in a write down of $116,653 for the year ended June 30, 2010 and a write-down of $44,145 for the 6 months ended December 31, 2010.

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 July 21, 2009, the Company completed a non-brokered private placement of common and flow-through units. The Company issued 3,702,000 common share units at a price of $0.30 per unit and 2,320,712 flow-through common shares at a price of $0.35 per unit for aggregate gross proceeds of $1,922,850. Each common share unit consists of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share at $0.40 for a period of 2 years. A value of $445,311 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. Each whole warrant is exercisable into one common share at $0.45 for a period of 2 years. A value of $205,293 was attributed to the flow-through warrants based on the Black-Scholes pricing model and was included in contributed surplus. A total of $97,908 was reclassified from share issuance costs to contributed surplus for the proportionate share of warrants in share units issued. The Company paid agents' commissions of $146,628 plus $38,145 of expenses and issued 457,817 broker warrants with an attributed value of $104,467 based on the Black-Scholes pricing model which was included in contributed surplus. Each Broker Warrant is exercisable into one common share for a period of 2 years at $0.30 per share. The assumptions used in the Black-Scholes pricing model included a volatility of 151%, risk free interest rate of 1.19%, expected life of 2 years, and a dividend rate of 0%. 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 per unit 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 into one common share at $1.00 for a period of 2 years. A value of $1,740,020 was attributed to the common share warrants based on the Black-Scholes pricing model and was included in contributed surplus. $201,354 was reclassified from share issuance costs to contributed surplus for the proportionate share of warrants in share units issued. The Company paid agents' commissions of $551,667 plus $172,118 of expenses and issued 659,940 broker warrants with an attributed value of $342,145 based on the Black-Scholes pricing model which was included in contributed surplus. Each Broker Warrant is exercisable into one common share of the Corporation for a period of 2 years at a price of $1.00 per share with an expiry date of April 7, 2012. The assumptions used in the Black-Scholes pricing model included a volatility of 158%, risk free interest rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. All warrants vested immediately on the date of grant.

On December 2, 2010 the Company completed a private placement of 8,250,000 common share units at $0.80 per unit and 7,333,700 flow-through common shares at $0.90 per share for aggregate gross proceeds of $13,200,330. Each common share unit consists of one common share and one half one share purchase warrant. Each whole warrant is exercisable into one common share at $1.00 for a period of 2 years. A value of $1,518,214 was attributed to the common share warrants based on the Black-Scholes pricing model which was included in contributed surplus. $162,221 was reclassified from share issuance costs to contributed surplus for the proportionate share of warrants in share units issued. The company paid agents' commissions of $792,020 plus $149,300 of expenses and issued 935,022 broker warrants with an attributed value of $469,297 based on the Black-Scholes pricing model which was

5. Capital stock and contributed surplus (continued)

(a) Private placements (continued)

included in contributed surplus. Each Broker Warrant is exercisable into one common share of the Corporation for a period of 2 years at a price of $1.00 per share with an expiry date of December 2, 2012. The assumptions used in the Black-Scholes pricing model included a volatility of 125%, risk free interest rate of 1.68%, expected life of 2 years, and a dividend rate of 0%. All warrants vested immediately on the date of grant.

(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, officers, 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
		$		$
Outstanding, June 30, 2009	3,701,000	0.35	5,580,502	0.40
Granted	1,800,000	0.53	10,172,112	0.69
Exercised	(507,000)	0.30	(2,709,305)	0.39
Cancelled/Forfeited	(152,000)	0.30	-	-
Outstanding, June 30, 2010	4,842,000	0.41	13,043,309	0.63
Granted	3,500,000	0.80	5,060,022	1.00
Exercised	(115,834)	0.33	(1,087,000)	0.40
Cancelled/Forfeited	(141,165)	0.38	-	-
Outstanding, December 31, 2010	8,085,001	0.58	17,016,331	0.75

5. Capital stock and contributed surplus (continued)

(b) *Stock options and warrants (continued)*

As at December 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	150,000	March 7, 2013
50,000	1.05	50,000	March 31, 2013
430,000	0.20	340,000	November 28, 2013
2,200,001	0.30	1,788,332	January 13, 2014
240,000	0.31	196,250	August 6, 2014
1,290,000	0.55	322,500	February 3, 2015
150,000	0.80	37,500	March 23, 2015
3,500,000	0.80	1,166,666	March 23, 2015
8,085,001		4,126,248	

Warrants

Date issued	Number of Shares issuable upon exercise	Exercise price	Expiry date
		$	
June 30, 2009	2,441,657	0.30 - 0.45	June 30, 2011
July 21, 2009	4,662,712	0.30 - 0.45	July 21, 2011
April 7, 2010	4,851,940	1.00	April 7, 2012
December 2, 2010	5,060,022	1.00	December 2, 2012
	17,016,331		

5. Capital stock and contributed surplus (continued)

(c) *Stock-based compensation*

During the 6 month period ended December 31, 2010, the Company granted 3,500,000 options (2009 – 300,000). Pursuant to the granting and vesting of options issued, total stock-based compensation recognized in the statement of operations during the 6 month period ended December 31, 2010 was $875,754 (2009 - $50,598). 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:

	December 31 2010	December 31 2009
Risk Free interest Rate	**1.79%**	1.80%
Expected Life - Years	**2.5**	2.7
Annualised Volatility	**142.5%**	144.0%
Divided Rate	**0%**	0%

6. Supplemental disclosure with respect to cash flows

	December 31 2010	June 30 2010
	$	$
Cash and cash equivalents		
Cash	**624,787**	2,690,291
Term deposits	**19,496,469**	9,251,038
	20,121,256	11,941,329

There were no cash payments for interest and income taxes during the 6 months ended December 31, 2010 and December 31, 2009.

Significant non-cash transactions for the 6 months ended December 31, 2010 included:

(a) Incurring mineral property related expenditures of $198,921 through accounts payable and accrued liabilities;

(b) Reclassifying $169,028 from contributed surplus to capital stock on exercise of warrants;

(c) Reclassifying $1,518,214 from capital stock to contributed surplus for warrants included in share units issued; and

(d) Reclassifying $162,221 from share issue costs to contributed surplus for the proportionate share of warrants included in share units issued.

(e) Reclassifying $469,267 from contributed surplus to share issue costs for finder’s warrants.

6. Supplemental disclosure with respect to cash flows (continued)

Significant non-cash transactions for the 6 months ended December 31, 2009 included:

(a) Incurring mineral property expenditures of $233,220 through accounts payable and accrued liabilities;

(b) Recognizing mineral property recoveries of $555,778 through amounts receivable;

(c) Reclassifying $650,604 from capital stock to contributed surplus for warrants included in share units issued; and

(d) Reclassifying $97,908 from share issue costs to contributed surplus for the proportionate share of warrants included in share units issued.

(e) Reclassifying $104,467 from contributed surplus to share issue costs for finder's warrants.

7. Related party transactions

	Three months ended		**Six months ended**	
	December 31 2010	December 31 2009	**December 31 2010**	December 31 2009
	$	$	**$**	$
Amounts Paid or Accrued				
Consulting fees to officers and companies controlled by officers	**214,770**	65,750	**297,120**	130,250
Directors fees	**76,000**	32,000	**105,500**	64,000
Geological consulting fees to companies controlled by a director	**9,222**	555	**9,222**	12,661
General and administrative fees to a company controlled by a director	**-**	267	**-**	500
	299,992	98,572	**411,842**	207,411
Recoveries Recorded				
Shared costs from companies with common director and management	**36,114**	44,643	**81,675**	44,643
	36,114	44,643	**81,675**	44,643

Included in accounts payable at December 31, 2010 is $Nil (June 30, 2010 - $17,325) for consulting fees owing to officers and companies controlled by officers and $Nil (June 30, 2010 - $3,169) for consulting fees, deferred exploration and general and administrative costs owing to a company controlled by a director.

7. Related party transactions (continued)

Included in amounts receivable at December 31, 2010 is $25,808 (June 30, 2010 - $6,783) for shared costs from companies with common directors and management and $437,536 for the 2010 Winter Exploration Program expenditures incurred on behalf of WLULP for which KWULP is solely responsible.

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.

8. 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 periods ended December 31, 2010 and December 31, 2009 to relate to this segment.

Long-lived assets by geographic area are as follows:

	December 31, 2010		June 30, 2010	
	Canada	**Peru**	Canada	Peru
	$	**$**	$	$
Property and equipment	**42,967**	**26,080**	51,975	28,885
Mineral property interests	**20,303,287**	**-**	18,086,503	-
	20,346,254	**26,080**	18,138,478	28,885

9. Contingencies

In January 2008, the Company received an invoice in the amount of $182,616 from a Canadian drilling company for services allegedly performed during 2007. The plaintiff has commenced legal proceedings and the Company is defending itself against the action. No amount has been accrued in these financial statements in respect of the claim as the outcome is not determinable at this time.

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

10. 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.

10. 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.

11. 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 December 31, 2010, the Company has no financial assets that are past due or impaired due to credit risk defaults.

11. 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:

	Class Level	**December 31 2010**	June 30 2010
		$	$
Cash and cash equivalents	1	**20,121,256**	11,941,329
Short-term investments	2	**176,500**	198,000
Amounts receivable	3	**600,188**	71,007
		20,897,944	12,210,336

(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:

	December 31 2010	June 30 2010
	$	$
Accounts payable and accrued liabilities	**366,382**	928,582

(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 generally charged interest on its accounts payable balances.

11. 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:

	December 31, 2010		June 30, 2010	
	PEN	**US$**	PEN	US$
Cash and cash equivalents	**794**	**3,668**	3,868	15,738
Accounts payable and accrued liabilities	**- -**	**40**	- -	1,305
	794	**3,628**	3,868	14,433

Based on the above net exposures at December 31, 2010, a 10% change in U.S. dollars against the Canadian dollar would result in a $363 (June 30, 2010 $1,443) change in the Company’s net income or loss; similarly a 10% change in the PEN against the Canadian dollar would result in a $79 (June 30, 2010 - $387) change in the Company’s net income or loss.

12. Subsequent Events

Subsequent to December 31, 2010 the Company:

(a) Completed a non-brokered private placement financing of 9,375,000 common share units at a price of $0.80 per unit for gross proceeds of $7,500,000. Each common share unit consists of one common share plus one-half of one common share purchase warrant. Each whole warrant is exercisable at $1.00 per common share for 2 years. The company issued common share units to finders equal to 6.0% of the number of units sold. The finders were also issued broker warrants equal to 6% of the number of common share units issued. Each broker warrant is exercisable at $1.00 per common share for 2 years.

(b) Granted 450,000 stock options exercisable at $1.00 per share to Directors, officers, employees and consultants and expire on January 27, 2016.

(c) 938,385 warrants were exercised for gross proceeds of $411,208 and 237,584 options were exercised for gross proceeds of $122,025.

Management's Discussion & Analysis

Fission Energy Corp.

For the Six Month Period Ending December 31, 2010

The following discussion and analysis, prepared as of February 28, 2011 should be read in conjunction with the interim consolidated financial statements and related notes of Fission Energy Corp. (the "Company" or "Fission") for the 6 months ended December 31, 2010, which were prepared in accordance with Canadian generally accepted accounting principles (GAAP). The reader should also refer to the audited consolidated financial statements for the year ended June 30, 2010 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 ventures, 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 to increase shareholder value for the following reasons:

- *Increased long-term worldwide energy demand for nuclear energy*

  Worldwide nuclear energy demand is projected to increase significantly. According to the World Nuclear Association electricity demand is increasing much more rapidly than overall energy use and is likely to almost double during the period 2004 to 2030.

- *Increased long-term demand for uranium*

  Increased long-term demand is expected from developing countries as they construct new nuclear power plants. Fifty nuclear power plants are currently under construction in seven countries, most notably, China, South Korea, and Russia. The most significant increase in demand is expected to come from China as a result of its planned nuclear build-out over the next two decades. China's annual uranium demand is forecast to grow from 5.5 million lbs in 2009 to 67 million lbs by 2020. (RBC Capital Markets: Uranium market Outlook: First Quarter-2010)

Description of Business (continued)

Select List of Countries With Nuclear Plants Planned, Proposed, or Under Construction 2011.

Country	Under Construction	Planned	Proposed	Total
China	27	50	110	187
India	5	18	40	63
Russia	10	14	30	54
USA	1	9	23	33
Ukraine	0	2	20	22
South-Korea	5	6	0	11
Canada	2	3	3	8
Total	50	102	226	378

Source: World Nuclear Association Website- www.world-nuclear.org (February, 2011)

- *Uranium demand/supply imbalance*

A global uranium demand/supply imbalance continues to exist, creating a potential for significantly higher uranium prices over the long-term. While a rapidly rising uranium price between 2004-2007 stimulated the development of new supply, according to RBC Capital Markets it may not be enough to meet future demand. RBC Capital Markets forecasts supply deficits for every year from 2012 onwards. (RBC Capital Markets: Uranium Market Outlook: Fourth Quarter-2010). The current production shortfall supply is derived from secondary sources, most notably the decommissioning of old Soviet nuclear weapons. Known as the "Megatons for Megawatts" treaty with Russia, secondary supply from Russia began entering the market in 1993. With the treaty not expected to be renewed after it expires in 2013, countries with existing or newly developing nuclear power plants will need to source long-life uranium assets from politically stable jurisdictions.

Since 2003, the increased uranium demand and higher prices, has stimulated new exploration and development of both new and previously explored uranium properties worldwide. This trend resulted in a strong supply response, most notably from Africa and Kazakhstan. The new production is primarily from lower grade deposits, which is not sustainable over the long-term, without higher uranium prices. Higher prices will be necessary to encourage new production to meet the World Nuclear Association forecast of a 33% increase in uranium demand during the period 2010-2020.

The richest and lowest cost uranium deposits in the world are located in Saskatchewan's Athabasca Basin, which is the primary exploration focus of Fission Energy. The Company controls a substantial number of prospective exploration projects here, which were mostly staked in 2003-04. The entire Athabasca Basin and areas beyond its boundary have since been staked by many companies. It is here in the Athabasca Basin that the Company believes it is positioned to make a potential economic uranium discovery due to the high exploration potential of its properties and its experienced management and technical team. The Company has prioritized its properties and began exploration work on its highest ranked exploration property in 2008; Waterbury Lake, located in the eastern part of the Athabasca Basin. Exploration began in earnest, subsequent to the execution of an earn-in agreement concluded with a consortium led by Korea Electric Power Corporation (NYSE-KEP), for the joint development of the Waterbury Lake Property.

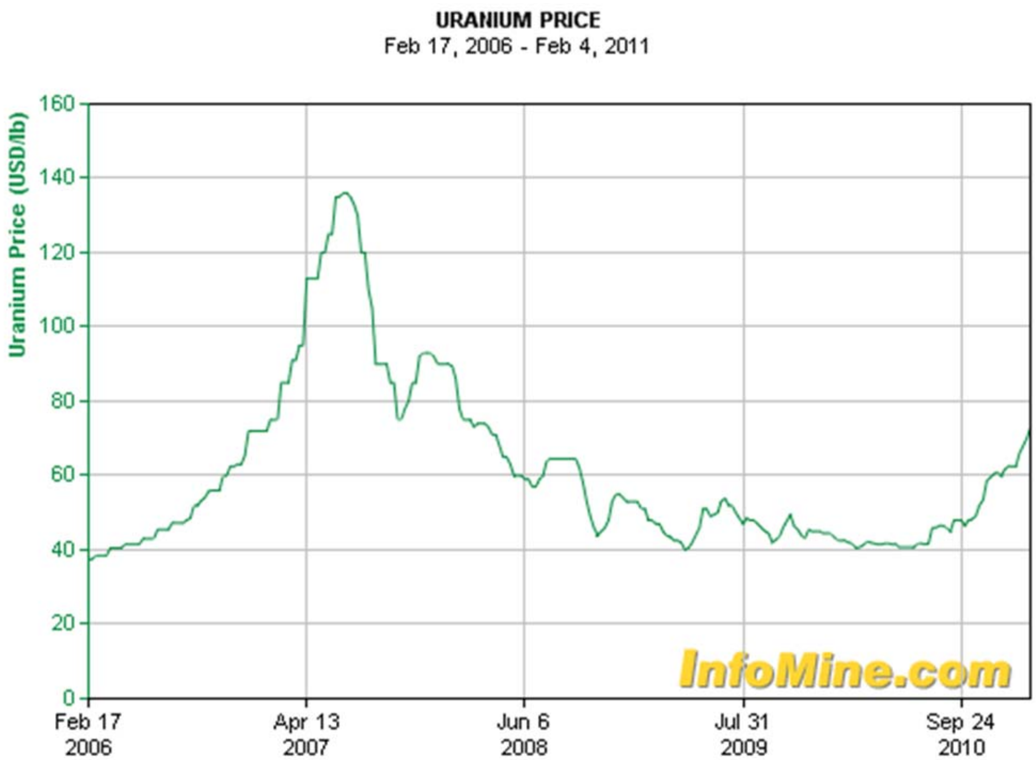
Description of Business (continued)

Fission has approximately 398,253 Ha of exploration properties with uranium potential.

1. 201,711 Ha (51%) are located in Saskatchewan in around the Athabasca Basin.
2. 160,578 Ha (40%) comprises properties that are located in Alberta
3. 30,864 Ha (8%) comprise the Dieter Lake Property in Quebec
4. 5,100 Ha or (1%) comprises the Macusani Property in Peru

Fission's Goal is to discover an economic uranium deposit through exploration. Exploration is subject to a number of risks and uncertainties, including: uncertainties related to exploration and development; the ability to raise sufficient capital to fund exploration and development; changes in economic conditions or financial markets; increases in input costs; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological or operational difficulties or inability to obtain permits encountered in connection with exploration activities, labour relations matters, and economic issues that could materially affect uranium exploration and mining.

Performance and Summary Update:



Performance and Summary Update (continued)

During the first half of 2010 the uranium spot price remained weak, hovering in the low US $40/lb. range, but increased dramatically during the second half of the year to close at US $62.50/lb by year end. During the twelve months ending December 31, 2010, the spot and long term price traded in a range between US$40-54/lb and US$62-70/lb, respectively. The long-term contract price, which is not published as frequently as the weekly spot price, but accounts for almost 80% of the global uranium bought and sold, reached an all-time high of approximately US $95 in mid-2007 before declining to a multi-year low of US $58/lb in March 2010. During the same period, the uranium spot price reached an all-time high of US $138/lb, before declining to a low of US $40.50 on March 1, 2010. The gap between the spot price and long-term contract price that existed during the first half of 2010 has narrowed, and subsequent to December 31, 2010, both currently traded at US $73/lb price. (UX Consulting price as at January month end, 2011).

Fission's goal is to discover an economic uranium deposit through exploration. The Company's properties are located primarily in Saskatchewan's Athabasca basin, home of the richest and lowest cost uranium deposits in the world. The Company's flagship project is the Waterbury Lake Property, located in the eastern part of the Athabasca basin. It is the Company's most advanced uranium exploration project, resulting from a high grade uranium discovery, subsequently named the "J-Zone", made in February, 2010.

Changes and Accomplishments for the six months ending December 31, 2010 and Subsequent

- August 2010: Completed a definitive Limited Partnership Agreement with the Korea Waterbury Uranium Limited Partnership to further the joint exploration and development of the Waterbury Lake Property. Fission Energy and the Korea Waterbury Uranium Limited Partnership are both 50% limited partners under the Waterbury Lake Uranium Limited Partnership.

- September 2010: Summer drill program at Waterbury Lake successfully expanded the flat lying J-Zone high grade uranium discovery to 120m east-west x 50m north-south, while remaining open in all directions. An overall drilling success rate of 87% was achieved.

- November/December 2010: Closed a bought deal $12.3 million financing with a syndicate of underwriters for common share units and flow-through common shares.

- November 2010: Largest drill program in the Company's history budgeted at ~$8 Million scheduled to begin in January 2011 announced for Waterbury Lake. Program will include 22,000m of drilling with three drills.

- January 2011: Closed a non brokered Private placement of common share units totaling $7.5 million.

- February 2011: Drilling expanded the J-Zone to 203m east-west x 50m north-south extending the unconformity mineralization to the west over exceptional widths. A new zone of unconformity mineralization "PKB Zone" was discovered 338m to the west of the J-Zone.

Performance and Summary Update (continued)

A list of the Company's 14 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	3,578,723
Duddridge Lake	Central SK	100% Fission*1	6	12,954	C	582,901
Waterbury Lake	Athabasca Basin, SK	WLULP	13	40,256	C	4,373,798
Patterson Lake	Athabasca Basin, SK	100% Fission	9	25,316	C	3,699,908
Patterson Lake South	South margin of Athabasca Basin, SK	50% JV - ESO	12	13,497	B	120,624
Davy Lake	Athabasca Basin, SK	100% Fission	19	74,614	C	4,522,979
Dieter Lake	North-Central Quebec	100% Fission	643	30,864	B	2,990,250
Fort McLeod	Southwestern AB	100% Fission	6	31,988	A	0
Caribou Mountains	Northern AB	100% Fission	6	27,872	A	0
Zoo Bay	Athabasca Basin, SK	100% Fission	2	11,752	B	149
Minor Bay	East margin of Athabasca Basin, SK	100% Fission	9	21,544	B	324,367
Torwalt Lake	Athabasca Basin, SK	100% Fission*2	1	812	B	5,608
Waterbury Lake North	Athabasca Basin, SK	100% Fission	3	966	B	103,980
Macusani	Peru, South America	100% Fission	9	5,100	A	-
Totals			**766**	**398,253**		**20,303,287**

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.

Exploration is dependent on funding, partnering, and other operational capabilities, which are reviewed and evaluated on an ongoing basis. 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.

Corporate Goals

The Corporate goals for the Company will continue to focus on advancing the exploration and development of the Waterbury Lake Property, in addition to evaluating plans for other properties in the Company's portfolio, strengthening the Company's financial position, and reviewing other opportunities.

- Continue to advance exploration and development of the "flagship" Waterbury Lake Property.
- Strengthen the Company's financial position to fulfill corporate obligations under the terms of the Waterbury Lake Uranium Limited Partnership Agreement.
- Initiate exploration at the Company's Dieter Lake Property in Quebec.
- Evaluate Alternatives for the Company's Macusani Property in Peru.
- Pursue potential strategic opportunities that could enhance shareholder value.

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 % U3O8	Lbs/U3O8
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.

<u>Waterbury Lake, Athabasca Basin Saskatchewan</u>

Waterbury Lake Uranium Limited Partnership: Fission Energy (Limited Partner) 49.99% /Korea Waterbury Uranium Limited Partnership (Limited Partner) 49.99%/Waterbury Lake Uranium Corporation (General Partner) 0.02%.

Waterbury Lake is Fission's "flagship" uranium exploration property. The 40,256 hectare (~ 98,000 acres) Waterbury Lake Property virtually surrounds the AREVA/Denison Midwest Uranium Deposit (41 million lbs U_3O_8 at an average grade of about 5.5% U_3O_8), and the nearby Midwest "A" discovery. This structural trend continues on to Fission's northeast claim area and exhibits excellent potential for unconformity style uranium mineralization.

In January 2008, a consortium led by Korea Electric Power Corporation (KEPCO) (NYSE-KEP), entered into an agreement for the joint development of Fission's Waterbury Lake Property, located in the eastern part of Saskatchewan's Athabasca Basin. In addition to an earn-in of up to 50% through phased exploration expenditures totaling $14 million over a three year period, KEPCO subscribed for 1 million common shares of Fission at $1.00 per share. Fission retained an exclusive and irrevocable

Uranium Resources Summary by Property (continued)

Waterbury Lake, Athabasca Basin Saskatchewan (continued)

"back-in option" to reacquire a 10% interest in the Property for $6 million, and holds a 2% NSR royalty.

In early 2008, Hathor Exploration announced its Midwest NE uranium discovery (Hole MWNE-08-12 with 5.29% U_3O_8 over 11.9m), now known as the "Roughrider Zone". Hathor's property is "sandwiched" between two of Fission's claims, immediately northeast of the AREVA/Denison Midwest Property. Shortly thereafter, Fission completed a first phase 8,237m drill program, which tested a structural trend that straddles the Roughrider Zone and extends for another 3 km to the west and southwest on the Waterbury Lake property. The structural trend was later named the "Discovery Bay East-West Corridor". The drill program was successful in identifying a significant basement hosted anomaly, within this structural trend, that warranted follow-up exploration. It was named the "Discovery Bay Zone".

In 2009 and 2010 Fission continued testing for the high grade mineralization in the Discovery Bay Zone, in addition, to several new high priority targets along the Discovery Bay East-West Corridor. On January 25, 2010, the Company announced significant radioactivity in drill hole WAT10-063A, located in the Discovery Bay Zone, approximately 140m west of the Roughrider uranium discovery. Hole WAT10-63A intersected 10.5m grading 1.91% U_3O_8 at the unconformity from 226.0m to 236.5m downhole. Included in this interval is a high grade intersection of 1.0m grading 13.87% U_3O_8 from 230.0m to 231.0m. On February 8th, Fission announced it had completed three additional vertical step-out holes in close proximity to WAT-063A to further define the extent and geometric shape of this new discovery, which was named the "J-Zone". Further drilling to the end of March 2010, confirmed the continuity of high grade uranium mineralization over exceptional widths, trending laterally to the west of discovery hole WAT10-063A. By the end of the winter 2010 program, 21 drill holes defined the J-Zone over an area of 90m x 50m. It remained open along strike and to the west, north and south. Mineralization was also identified at the newly discovered "J-East" and "Highland" Zones, located on strike 70m East and 130m west of the J-Zone respectively.

With the completion of the Waterbury Lake 2010 winter drill program, the KEPCO Waterbury Consortium satisfied its earn-in requirements. A newly formed Limited Partnership named the Waterbury Lake Uranium Limited Partnership was created, with Fission Energy and the Korea Waterbury Uranium Limited Partnership each holding a 50% interest in the Waterbury Lake Property. Fission retained its "back-in option" to reacquire a 10% interest in the Property, and its 2% NSR royalty. In addition, a Definitive Agreement outlining new terms to accelerate exploration and development expenditures to $30 Million during the three year period from 2010-2012 was signed, with Fission as the Operator.

A $2.07 million exploration program completed during the summer of 2010 successfully expanded the J-Zone to ~120m X 50m. High grade uranium mineralization at the unconformity has now been identified in 28 out of 32 (87% success rate) closely spaced drill holes, most of which were vertically drilled. The J-Zone remains open along strike and in all directions.

Subsequent to the period ending December 31 2010, Fission embarked on an ~$8 million exploration and development program with three drills to build on the success of the J-Zone unconformity high grade uranium discovery made in 2010, in addition to continued drilling at the nearby J-East , Highland, and other prospective targets. To date, new drilling has expanded the J Zone high grade uranium discovery to the west, increasing its area to ~203m x up to 50m. In addition a new mineralization named the “PKB Zone” at the unconformity has been identified within the Discovery Bay Corridor, 338m to the west of the currently defined J-Zone boundary. The program is ongoing at the time of writing and is expected to be completed in April, 2011.

Uranium Resources Summary by Property (continued)

North Shore

Fission currently holds a 100% interest in the North Shore property. This property resulted from the consolidation of the North Shore and South Shore properties into one land package during the year ended June 30, 2009. "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.

The North Shore property is located within the Lower Athabasca Region. The Lower Athabasca Region lands have recently been the subject of review with new land use designations proposed as per the Lower Athabasca Regional Plan (LARP). Twenty-four of the 28 North Shore metallic and industrial mineral (MAIM) permits are under temporary restricted status and are overlapped by proposed conservation lands, optional conservation lands, recreation/tourism areas and river corridor routes under the LARP. Due to the uncertainty surrounding the majority of the North Shore MAIM permits, on December 6, 2010 Fission requested in a letter to the Alberta Department of Energy, a "holiday" on exploration work requirements to hold the land in good standing. This request was granted on December 14, 2010 and is effective for a 2 year period. It is expected that the Alberta Department of Energy will adopt its Lower Athabasca Region land plan during 2011. Fission does not intend to advance exploration on its North Shore property until the Lower Athabasca Regional Land policy is adopted.

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 and now Fission currently holds a 100% interest in the property.

Exploration is focused on the area of known mineralization. A 6 hole drill program totaling 660m 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.

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 Patterson Lake and, in the period from February to April 2008, completed a 6 hole 2,696 m drill program. Fission holds a 100% interest in the Patterson Lake project.

Uranium Resources Summary by Property (continued)

Patterson Lake South

The Patterson Lake South property currently consists of 12 claims and 13,497 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 adding 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 was flown on 50m line spacing with an average magnetometer sensor altitude of 17m, 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 June and July 2010 a 2-hole drill program (2,388m) was completed. The first hole intersected the unconformity at 1045m. Basement rocks consisted of graphitic pelitic gneiss with quartz veining and hydrothermal alteration immediately below the unconformity. The second hole was terminated at 1,236m in sandstone. To date the Company has recorded a $380,841 write-down of acquisition costs and a $5,279,692 write-down of exploration costs. Fission holds a 100% interest in the Davy Lake project.

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. 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 renewal dates occurring in 2011 and later years. The summer 2010 program was recently completed and included mapping-prospecting, re-logging and re-sampling historic drill holes and collection and evaluation of soil sediment drainage samples.

Uranium Resources Summary by Property (continued)

Fort McLeod

Fission currently holds a 100% interest in the Fort McLeod property which is located in Southwestern Alberta. The Company re-staked additional ground in the period ended September 30, 2009. The property currently consists of 6 mineral permits totaling approximately 31,988 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 2011 fiscal year and both acquisition and exploration costs have been fully written down for accounting purposes.

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. No work is planned for 2011 fiscal year and both acquisition and exploration costs have been fully written down for accounting purposes. Fission currently holds a 100% interest in the Caribou Mountains project.

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. A high-resolution airborne magnetics and radiometric survey is contemplated for 2011. Both acquisition and exploration costs were fully written down for accounting purposes at June 30, 2010. Fission currently holds a 100% interest in the Zoo Bay project.

Minor Bay

Fission currently holds a 100% interest in the Minor Bay property which 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 (1.266 M lbs @ 0.44% U_3O_8). 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.

Torwalt Lake

Fission owns a 100% interest in the Torwalt Lake property which 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.

Uranium Resources Summary by Property (continued)

Waterbury Lake 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 limited partnership with KWULP. A 1,135 line-km high resolution magnetic survey was flown over these claims in July 2009. Fission holds a 100% interest in the Waterbury Lake North project.

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. Legal title of the surface rights has been challenged by the community of Corani and is being adjudicated in the Peruvian courts. Continuing discussions are in place which the Company believes will be settled in its favour due to its senior title on the properties.

Financings: Private Placements

On July 21, 2009, the Company completed a non-brokered private placement of common and flow-through units. The Company issued 3,702,000 common share units at a price of $0.30 per unit and 2,320,712 flow-through common shares at a price of $0.35 per unit for aggregate gross proceeds of $1,922,850. Each common share unit consists of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share at $0.40 for a period of 2 years. A value of $445,311 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. Each whole warrant is exercisable into one common share at $0.45 for a period of 2 years. A value of $205,293 was attributed to the flow-through warrants based on the Black-Scholes pricing model and was included in contributed surplus. A total of $97,908 was reclassified from share issuance costs to contributed surplus for the proportionate share of warrants in share units issued. The Company paid agents' commissions of $146,628 plus $38,145 of expenses and issued 457,817 broker warrants with an attributed value of $104,467 based on the Black-Scholes pricing model which was included in contributed surplus. Each Broker Warrant is exercisable into one common share for a period of 2 years at $0.30 per share. The assumptions used in the Black-Scholes pricing model included a volatility of 151%, risk free interest rate of 1.19%, expected life of 2 years, and a dividend rate of 0%. 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 per unit 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 into one common share at $1.00 for a period of 2 years. A value of $1,740,020 was attributed to the common share warrants based on the Black-Scholes pricing model and was included in contributed surplus. $201,354 was reclassified from share issuance costs to contributed surplus for the proportionate share of warrants in share units issued. The Company paid agents' commissions of $551,667 plus $172,118 of expenses and issued 659,940 broker warrants with an attributed value of $342,145 based on the Black-Scholes pricing model which was included in contributed surplus. Each Broker Warrant is exercisable into one common share of the Corporation for a period of 2 years at a price of $1.00 per share with an expiry date of April 7, 2012. The assumptions used in the Black-Scholes pricing model included a volatility of 158%, risk free interest rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. All warrants vested immediately on the date of grant.

On December 2, 2010 the Company completed a private placement of 8,250,000 common share units at $0.80 per unit and 7,333,700 flow-through common shares at $0.90 per share for aggregate gross proceeds of $13,200,330. Each common share unit consists of one common share and one half one share purchase warrant. Each whole warrant is exercisable into one common share at $1.00 for a period of 2 years. A value of $1,518,214 was attributed to the common share warrants based on the

Financings: Private Placements (continued)

Black-Scholes pricing model which was included in contributed surplus. $162,221 was reclassified from share issuance costs to contributed surplus for the proportionate share of warrants in share units issued. The company paid agents' commissions of $792,020 plus $149,300 of expenses and issued 935,022 broker warrants with an attributed value of $469,297 based on the Black-Scholes pricing model which was included in contributed surplus. Each Broker Warrant is exercisable into one common share of the Corporation for a period of 2 years at a price of $1.00 per share with an expiry date of December 2, 2012. The assumptions used in the Black-Scholes pricing model included a volatility of 125%, risk free interest rate of 1.68%, expected life of 2 years, and a dividend rate of 0%. All warrants vested immediately on the date of grant.

Selected Annual Information

	June 30, 2010	June 30, 2009	June 30, 2008
	$	$	$
Loss for the year	(2,840,489)	(9,382,020)	(2,226,397)
Total assets	30,400,464	21,544,862	31,605,381
Total liabilities	928,582	638,132	4,334,410
Shareholders' equity	29,471,882	20,906,730	27,270,971
Basic and diluted loss per share	(0.05)	(0.22)	(0.06)

Summary of Quarterly Results

Quarter Ended	December 31 2010	September 30 2010	June 30 2010	March 31 2010
	$	$	$	$
Mineral property interests	20,303,287	19,969,661	18,086,503	19,174,314
Working Capital	20,549,274	9,030,365	11,304,519	3,972,942
Net and comprehensive income (loss)	(1,750,315)	(562,786)	(2,378,625)	289,367
Net income (loss) per share	(0.02)	(0.01)	(0.04)	0.01

Quarter Ended	December 31 2009	September 30 2009	June 30 2009	March 31 2009
	$	$	$	$
Mineral property interests	19,046,515	18,267,603	18,094,905	24,269,924
Working Capital	2,893,188	4,011,631	2,728,004	1,298,852
Net and comprehensive income (loss)	(381,084)	(370,147)	(5,909,854)	(1,744,800)
Net loss per share	(0.01)	(0.01)	(0.14)	(0.04)

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 six months ended December 31, 2010 the Company recorded a net loss of $2,313,101 ($(0.03) per share) compared to a net loss of $751,231 ($(0.01) per share) for the six months ended December 31, 2009.

The increased loss in the six months ended December 31, 2010 was primarily due to higher stock based compensation charges (2010 - $1,027,392; 2009 - $132,573). Other significant factors included an increase to consulting and directors fees (2010 - $492,068; 2009 - $280,553) and an increase in wages and benefits (2010 - $260,459; 2009 - $144,051) as a result of bonuses paid out to directors, officers, employees and consultants. There are also increased costs for business development, trade shows and conferences which are expected to continue throughout the year as the Company publicizes its recent successful exploration discoveries.

Liquidity and Capital Resources

Fission is a mineral exploration company and has not yet determined whether its properties contain mineral resources 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 December 31, 2010 the Company had $20.5 million in working capital, 20.1 million cash and cash equivalents. The Company does not have significant concerns about the liquidity of its current assets. The guaranteed investment certificates are redeemable before maturity, and are readily available to the Company.

The increase in working capital from December 31, 2010 is primarily due to the $13.2 million private placement that closed on December 2, 2010.

Other than the WLULP 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.

As noted previously, under the WLULP agreement, Fission and its partner are each required to spend $5 million per year over the next three years for a total of $30 million. The agreement also appointed Fission as operator and allows the Company to charge a management fee of 10% of expenditures for operator services. Under agreement with its partner, the Company also agreed to fund exploration costs for the 2010 Summer Exploration Program.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize it 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.

Related Party Transactions

For the three and six month periods ended December 31, 2010 the Company entered into the following related party transactions:

	Three months ended		Six months ended	
	December 31	December 31	**December 31**	December 31
	2010	2009	**2010**	2009
	$	$	**$**	$
Amounts Paid or Accrued				
Consulting fees to officers and companies controlled by officers	**214,770**	65,750	**297,120**	130,250
Directors fees	**76,000**	32,000	**105,500**	64,000
Geological consulting fees to companies controlled by a director	**9,222**	555	**9,222**	12,661
General and administrative fees to a company controlled by a director	**-**	267	**-**	500
	299,992	98,572	**411,842**	207,411
Recoveries Recorded				
Shared costs from companies with common director and management	**36,114**	44,643	**81,675**	44,643
	36,114	44,643	**81,675**	44,643

Included in accounts payable at December 31, 2010 is $Nil (June 30, 2010 - $17,325) for consulting fees owing to officers and companies controlled by officers and $Nil (June 30, 2010 - $3,169) for deferred exploration and general and administrative costs owing to a company controlled by a director, for services provided to the company.

Included in amounts receivable at December 31, 2010 is $25,808 (June 30, 2010 - $6,783) for shared costs from companies with common directors and management $437,536 for the 2010 Winter Exploration Program expenditures incurred on behalf of WLULP for which KWULP is solely responsible.

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.

Outstanding Share Data

As at February 28, 2011 the Company has 97,123,079 common shares issued and outstanding, 8,297,417 incentive stock options outstanding with exercise prices ranging from $0.20 to $1.05 per share and 21,540,144 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.

Accounting Policies Implemented Effective July 1, 2010

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

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations ("Section 1582"), 1601 – Consolidated Financial Statements ("Section 1601") and 1602 – Non-Controlling Interests ("Section 1602") which replace CICA Handbook Sections 1581 – Business Combinations ("Section 1581") and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Sections 1601 and 1602 establish standards for the preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Section 1582 is required for the Company's business combinations with acquisition dates on or after the beginning of the first annual reporting period after January 1, 2011. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011 although early adoption is permitted. Section 1582, which replaces section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. The Company has early adopted all three sections effective July 1, 2010. There was no impact to the Company's consolidated financial statements from adopting these standards.

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 prepared for the quarter ending September 30, 2011 with comparative financial information for the quarter ended December 31, 2010.

In preparation for the changeover from Canadian GAAP to IFRS, a planning process was initiated in 2008. The conversion to IFRS will impact the Company's financial reporting systems and 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.

Recent Accounting Pronouncements (continued)

International Financial Reporting Standards ("IFRS") (continued)

Progress to date:

- Established a project team to assist with the conversion process.
- Trained key members of the IFRS project team.
- Completed a detailed IFRS diagnostic in the second quarter of 2009.
- Reviewed 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.
- Drafted white papers concerning the first time adoption choices and accounting options under IFRS and submitted them for review and discussion.
- Drafted skeleton financial statements reflecting the changes anticipated with the transition to IFRS.

The following areas have been determined 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, contingent assets and liabilities, exploration and evaluation of mineral properties and income tax provisions. Additional financial statement disclosures will also be required.

Subsequent Event

Subsequent to December 31, 2010 the Company:

(a) Completed a non-brokered private placement financing of 9,375,000 common share units at a price of $0.80 per unit for gross proceeds of $7,500,000. Each common share unit consists of one common share plus one-half of one common share purchase warrant. Each whole warrant is exercisable at $1.00 per common share for 2 years. The company issued common share units to finders equal to 6.0% of the number of units sold. The finders were also issued broker warrants equal to 6% of the number of common share units issued. Each broker warrant is exercisable at $1.00 per common share for 2 years.

(b) Granted 450,000 stock options exercisable at $1.00 per share to Directors, officers, employees and consultants and expire on January 27, 2016.

(c) 938,385 warrants were exercised for gross proceeds of $411,208 and 237,584 options were exercised for gross proceeds of $122,025.