

Consolidated Financial Statements

Fission Energy Corp.

September 30, 2010

(Unaudited – prepared by management)

Fission Energy Corp.

Unaudited Interim Consolidated Financial Statements

September 30, 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 September 30, 2010.

Fission Energy Corp.

Consolidated Financial Statements

September 30, 2010

(Unaudited – prepared by management)

Table of contents

Consolidated balance sheets	1
Consolidated statements of operations and comprehensive loss	2
Consolidated statements of shareholders' equity	3
Consolidated statements of cash flows	4
Notes to the consolidated financial statements	5-19

Fission Energy Corp.

Consolidated balance sheets
(Unaudited - prepared by management)

	September 30 2010	June 30 2010
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	9,004,639	11,941,329
Short-term investments (Note 3)	159,700	198,000
Amounts receivable	262,672	71,007
Prepaid expenses	15,678	22,765
	9,442,689	12,233,101
Property and equipment		
	73,908	80,860
Mineral property interests (Note 4)	19,969,661	18,086,503
	29,486,258	30,400,464
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	412,324	928,582
Shareholders' equity		
Capital stock (Note 5)	39,208,458	39,191,229
Contributed surplus (Note 5)	4,877,168	4,729,559
Deficit	(15,011,692)	(14,448,906)
	29,073,934	29,471,882
	29,486,258	30,400,464

Nature and continuance of operations (Note 1)

Contingencies (Note 9)

Commitments (Note 4(c))

Subsequent Event (Note 12)

Fission Energy Corp.

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

	Three Months Ended September 30 2010	Three Months Ended September 30 2009
	\$	\$
Expenses		
Advertising and promotion	100	1,689
Amortization	6,952	6,813
Business development	36,607	31,647
Consulting and Directors fees	153,357	140,584
Flow-through share tax	1,436	-
Insurance	9,466	8,804
Office and miscellaneous	35,712	25,786
Professional fees	78,839	50,128
Regulatory fees	-	200
Rent	17,339	19,740
Shareholder communications	4,682	2,918
Stock-based compensation (Note 5 (c))	151,638	81,975
Telephone	6,617	12,048
Trade shows and conferences	51,453	30,317
Transfer agent	1,988	2,589
Travel	-	8,602
Wages and benefits	47,998	63,168
	604,184	487,008
Loss before other items	(604,184)	(487,008)
Other items - income/(expense)		
Exploration management fee income	87,240	121,679
Interest income	22,820	8,035
Foreign exchange loss	(2,701)	(2,374)
Unrealized gain (loss) on investments (Note 3)	(38,300)	5,200
Mineral property write-down (Note 4)	(27,661)	(15,679)
	41,398	116,861
Net loss and comprehensive loss for the period	(562,786)	(370,147)
Basic loss per common share	(0.01)	(0.01)
Weighted average number of common shares outstanding	69,287,763	53,462,664

Fission Energy Corp.

Consolidated statements of shareholders' equity

Year ended June 30, 2010

(Unaudited - prepared by management)

	Common shares		Contributed surplus	(Deficit)	Total shareholders' equity
	Shares	Amount			
		\$	\$	\$	\$
Balance, June 30, 2009	49,011,094	30,118,735	2,396,412	(11,608,417)	20,906,730
Common share units and flow-through share units issued for cash (Note 5 (a))	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
Exercise of Stock Options/Warrants	33,000	17,229	(4,029)	-	13,200
Stock-based compensation (Note 5 (c))	-	-	151,638	-	151,638
Net loss and comprehensive loss	-	-	-	(562,786)	(562,786)
Balance, September 30, 2010	69,302,111	39,208,458	4,877,168	(15,011,692)	29,073,934

Fission Energy Corp.

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

	Three Months Ended September 30 2010 \$	Three Months Ended September 30 2009 \$
Operating activities		
Net loss and comprehensive loss	(562,786)	(370,147)
Items not involving cash:		
Amortization	6,952	6,813
Unrealized (gain) loss on investments	38,300	(5,200)
Stock-based compensation	151,638	81,975
Write-down of mineral properties	27,661	15,679
	(338,235)	(270,880)
Change in non-cash working capital		
Increase in amounts receivable	(191,665)	(94,790)
Decrease (increase) in prepaid expenses	7,087	(146)
Decrease in accounts payable and accrued liabilities	(283,275)	(5,715)
	(806,088)	(371,531)
Investing activities		
Mineral property additions	(2,143,802)	(1,388,338)
Mineral property cost recoveries	-	782,340
Property and equipment additions	-	(15,621)
	(2,143,802)	(621,619)
Financing activities		
Proceeds from issuance of share units, net of share issuance costs	-	1,753,305
Proceeds from exercise of options/warrants	13,200	-
	13,200	1,753,305
(Decrease) increase in cash and cash equivalents during the period	(2,936,690)	760,155
Cash and cash equivalents, beginning of period	11,941,329	2,724,297
Cash and cash equivalents, end of period	9,004,639	3,484,452

Supplemental disclosure with respect to cash flows (Note 6)

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

1. Nature and continuance of operations

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

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

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

2. Basis of presentation

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

The 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.

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2010
(Unaudited – prepared by management)

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 September 30, 2011 with comparative financial information for the quarter ended September 30, 2010.

In preparation for the changeover from Canadian GAAP to IFRS, a planning process was initiated in 2008. The 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.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

3. Short-term investments

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

Common Shares	Note	Number held	Original cost	Unrealised gain (loss)	Fair value
			\$	\$	\$
Great Bear Resources Ltd.	(a)	400,000	83,000	65,000	148,000
Tribune Minerals Corp.	(a)	30,000	630,000	(618,300)	11,700
Mountain Gold Resources Ltd	(b)	133,333	-	-	-
			713,000	(553,300)	159,700

(a) The Company has determined the fair value of its investments based on the quoted market prices at September 30, 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.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

4. Mineral property interests

Period Ended	North Shore	Duddridge	Waterbury	Patterson	Davy	Dieter	Other	Peru	Total
September 30, 2010	Property	Lake	Lake	Lake	Lake	Lake	Canadian	Property	
	Property	Property	Property	Properties	Property	Property	Properties	Property	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs									
Balance, June 30 and September 30, 2010	460,422	382,245	590,550	167,502	38,350	619,785	170,054	-	2,428,908
Exploration costs									
Balance, June 30, 2010	4,643,450	1,237,890	14,521,692	3,710,421	4,103,019	2,188,694	378,433	-	30,783,599
Incurring during the period									
Geology mapping/sampling	-	-	16,848	-	-	206,179	-	1,116	224,143
Geophysics airborne	-	-	3,780	218	540	-	-	-	4,538
Geophysics ground	-	-	27,891	218	20,848	2,905	4,154	-	56,016
Drilling	-	-	1,375,607	-	397,653	60,031	-	-	1,833,291
Land retention and permitting	5,885	443	9,881	664	2,366	11,849	405	551	32,044
Reporting	495	55	5,720	165	1,474	341	553	-	8,803
Environmental	-	-	24,023	-	-	-	-	-	24,023
Safety	-	-	941	-	-	-	-	-	941
Community Relations	-	-	3,266	-	-	-	-	5,882	9,148
General	-	-	6,265	5,354	-	-	-	20,112	31,731
Additions	6,380	498	1,474,222	6,619	422,881	281,305	5,112	27,661	2,224,678
Write-down	-	-	-	-	-	-	-	(27,661)	(27,661)
Balance, September 30, 2010	4,649,830	1,238,388	15,995,914	3,717,040	4,525,900	2,469,999	383,545	-	32,980,616
Cumulative cost recoveries									
Balance, June 30, 2010	(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, September 30, 2010	(1,538,127)	(1,038,107)	(12,411,875)	(73,460)	(47,047)	(166,893)	(164,354)	-	(15,439,863)
Total costs, September 30, 2010	3,572,125	582,526	4,174,589	3,811,082	4,517,203	2,922,891	389,245	-	19,969,661

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2010
(Unaudited – prepared by management)

4. Mineral property interests (continued)

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

The Company 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 (the "Korean consortium" or the "consortium"). Under the agreement, the Company granted the consortium the exclusive right to earn up to a 50% interest in the Waterbury Lake property by funding \$14,000,000 of expenditures on or before January 30, 2011 and at which time the Company has 12 months during which it may buy back a 10% interest from the consortium for \$6,000,000. Additionally, the Company was appointed operator of the project and retained an overriding royalty interest in the property of 2% of net smelter returns.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

4. Mineral property interests (continued)

(c) *Waterbury Lake Property, Canada (continued)*

On April 29, 2010, the consortium 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. 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. The Company is appointed operator for WLULP and is entitled to a management fee equal to 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.

(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.

(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.

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2010
(Unaudited – prepared by management)

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.

(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. The 700,000 common shares issued for the Caribou Mountains property are subject to a three year escrow agreement that releases the shares in stages.

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.

(j) *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 \$27,661 for the 3 months ended September 30, 2010.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

5. Capital stock and contributed surplus

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

(a) *Private placements*

On 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 units 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 that entitles the holder to purchase one common share of the Company at a price of \$0.40 for a period of 2 years. A value of \$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 that entitles the holder to purchase one common share of the Company at a price of \$0.45 for a period of 2 years. A value of \$205,293 was attributed to the flow-through warrants based on the Black-Scholes pricing model and was included in contributed surplus. The Company paid agents' commissions of \$146,628 plus \$38,145 of expenses and issued 457,817 broker warrants exercisable at \$0.30 per share with an expiry date of July 21, 2011. A value of \$104,467 was attributed to the broker warrants based on the Black-Scholes pricing model and was included in contributed surplus. All warrants vested immediately on the date of grant.

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

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2010
(Unaudited – prepared by management)

5. Capital stock and contributed surplus (continued)

(b) Stock options and warrants (continued)

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
Forfeited	(152,000)	0.30	-	-
Outstanding, June 30, 2010	4,842,000	0.41	13,043,309	0.63
Exercised	-	-	(33,000)	0.40
Forfeited	(145,333)	0.36	-	-
Outstanding, September 30, 2010	4,696,667	0.41	13,010,309	0.63

As at September 30, 2010, incentive stock options and share purchase warrants were outstanding as follows:

<i>Options</i>			
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	250,000	November 28, 2013
2,161,667	0.30	1,766,665	January 13, 2014
240,000	0.31	196,250	August 6, 2014
125,000	0.30	41,668	September 28, 2014
1,315,000	0.55	328,750	February 3, 2015
150,000	0.80	37,500	March 23, 2015
4,696,667	0.41	2,895,833	

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2010
(Unaudited – prepared by management)

5. Capital stock and contributed surplus (continued)

(b) Stock options and warrants (continued)

<i>Warrants</i>			
	Number of		
Date issued	warrants	Exercise price	Expiry date
	exercisable		
		\$	
June 30, 2009	2,919,157	0.30 - 0.45	June 30, 2011
July 21, 2009	5,239,212	0.30 - 0.45	July 21, 2011
April 7, 2010	4,851,940	1.00	April 7, 2012
	13,010,309	0.63	

(c) Stock-based compensation

During the three month period ended September 30, 2010, the Company granted no 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 quarter ended September 30, 2010 was \$151,638 (2009 - \$81,975). This amount was also recorded as contributed surplus on the balance sheet. All options are recorded at fair value using the Black-Scholes option pricing model.

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

September 30	2010	2009
Risk Free interest rate	1.78%	1.80%
Expected Life - Years	2.55	2.7
Annualised Volatility	147%	144%
Dividend Rate	0%	0%

6. Supplemental disclosure with respect to cash flows

	September 30	June 30
	2010	2010
	\$	\$
Cash and cash equivalents		
Cash	404,907	2,690,291
Term deposits	8,599,732	9,251,038
	9,004,639	11,941,329

There were no cash payments for interest and income taxes during the three months ended September 30, 2010 and September 30, 2009.

Significant non-cash transactions for the three months ended September 30, 2010 included:

- (a) Incurring mineral property related expenditures of \$257,918 through accounts payable and accrued liabilities;
- (b) Reclassifying \$4,029 from contributed surplus to capital stock on exercise of warrants.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

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

Significant non-cash transactions for the three months ended September 30, 2009 included:

- (a) Incurring mineral property expenditures of \$162,013 through accounts payable and accrued liabilities;
- (b) Recognizing mineral property recoveries of \$622,078 through amounts receivable;
- (c) Reclassifying \$569,202 from capital stock to contributed surplus for warrants included in share units issued; and
- (d) Reclassifying \$136,930 from share issue costs to contributed surplus for the proportionate share of warrants included in share units issued.

7. Related party transactions

	Three Months Ended September 30 2010	Three Months Ended September 30 2009
	\$	\$
Amounts Paid or Accrued		
Consulting fees to officers and companies controlled by officers	82,350	64,500
Directors fees	29,500	32,000
Geological consulting fees to companies controlled by a director	-	12,106
General and administrative fees to a company controlled by a director	-	232
	111,850	108,838
Recoveries Recorded		
Shared costs from companies with common director and management	45,561	-
	45,561	-

Included in accounts payable at September 30, 2010 is \$30,072 (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.

Included in accounts receivable at September 30, 2010 is \$39,926 (June 30, 2010 - \$6,783) for shared costs from companies with common directors and management.

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

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2010
(Unaudited – prepared by management)

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 September 30, 2010 and September 30, 2009 to relate to this segment.

Long-lived assets by geographic area are as follows:

	September 30, 2010		June 30, 2010	
	Canada	Peru	Canada	Peru
	\$	\$	\$	\$
Property and equipment	46,430	27,478	51,975	28,885
Mineral property interests	19,969,661	-	18,086,503	-
	20,016,091	27,478	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.

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.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

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 September 30, 2010, the Company has no financial assets that are past due or impaired due to credit risk defaults.

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

	Class	September 30	June 30
	Level	2010	2010
		\$	\$
Cash and cash equivalents	1	9,004,639	11,941,329
Short-term investments	2	159,700	198,000
Amounts receivable	3	262,672	71,007
		9,427,011	12,210,336

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

11. Financial instruments and risk management (continued)

(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:

	September 30 2010	June 30 2010
	\$	\$
Accounts payable and accrued liabilities	412,324	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.

(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.

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2010
(Unaudited – prepared by management)

11. Financial instruments and risk management (continued)

(d) Foreign exchange risk (continued)

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:

Amounts in CAD\$	September 30, 2010		June 30, 2010	
	PEN	US\$	PEN	US\$
Cash and cash equivalents	3,500	10,932	3,868	15,738
Accounts payable and accrued liabilities	-	-	-	(1,305)
	3,500	10,932	3,868	14,433

Based on the above net exposures at September 30, 2010, a 10% change in U.S. dollars against the Canadian dollar would result in a \$1,093 (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 \$350 (June 30, 2010 - \$387) change in the Company's net income or loss.

12. Subsequent Event

Subsequent to September 30, 2010 the Company:

Entered into a letter of engagement to complete a brokered private placement consisting of common share units and flow-through common shares. The Company will issue 7,500,000 common share units at a price of \$0.80 per unit and 6,667,000 flow-through common shares at a price of \$0.90 per share for total gross proceeds of \$12,000,300. Each common share unit consists of one common share plus one-half of one transferable common share purchase warrant. Each whole warrant will be exercisable at \$1.00 per common share for 2 years. The company will be required to pay agent's commissions equal to 6% of gross proceeds raised and issue non-transferable broker warrants equal to 6% of the number of common share units and flow-through common shares issued. Each broker warrant will be exercisable at \$1.00 per unit for 2 years. The offering is subject to a number of conditions, including receipt of all regulatory approvals.

FISSION ENERGY CORP.
FORM 51-102F2
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

The following discussion and analysis, prepared as of November 17, 2010 should be read in conjunction with the interim consolidated financial statements and related notes of Fission Energy Corp. (the "Company" or "Fission") for the quarter ended September 30, 2010, which were prepared in accordance Canadian generally accepted accounting principles (GAAP). The reader should also refer to the audited consolidated financial statements for the year ended June 30, 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 venture, option agreements or other means.

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

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

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

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

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

Performance Summary and Update

During the quarter ended September 30, 2010, the Company and the Korea Waterbury Uranium Limited Partnership (the "Korean consortium" or the "consortium") headed by the Korea Electric Power Corporation ("KEPCO") (NYSE: KEP) entered into a Limited Partnership Agreement under the terms of which both entities will contribute their 50% ownership share of the Waterbury Lake project to the Waterbury Lake Uranium Limited Partnership ("WLULP"). The results of summer 2010 exploration programs are under review for the Waterbury Lake, Dieter Lake, Davy Lake and Minor Bay projects.

Fission Energy Corp.
Management's Discussion and Analysis
Quarter ended September 30, 2010

Performance Summary and Update (continued)

Further exploration on the remaining properties has been deferred, but future funding and operational capabilities will be reviewed and evaluated on a continuing 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.

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	\$3,572,125
Duddridge Lake	Central SK	100% Fission* 1	6	12,954	C	582,526
Waterbury Lake	Athabasca Basin, SK	50% LPA Consortium	13	40,256	C	4,174,589
Patterson Lake	Athabasca Basin, SK	100% Fission	9	25,316	C	3,690,514
Patterson Lake South	South margin of Athabasca Basin, SK	50% JV – ESO	12	13,497	B	120,568
Davy Lake	Athabasca Basin, SK	100% Fission	19	74,614	C	4,517,203
Dieter Lake	North-Central Quebec	100 % Fission	643	30,864	B	2,922,891
Fort McLeod	Southwestern AB	100 % Fission	6	31,988	A	7,562
Caribou Mountains	Northern AB	100% Fission	6	27,872	A	156
Zoo Bay	Athabasca Basin, SK	100 % Fission	2	11,752	B	111
Minor Bay	East margin of Athabasca Basin, SK	100% Fission	9	21,544	B	319,477
Torwalt Lake	Athabasca Basin, SK	100% Fission* 2	1	812	B	5,609
Waterbury Lake North	Athabasca Basin, SK	100% Fission	3	966	B	56,330
Macusani	Peru, South America	100 % Fission	9	5,100	A	-
TOTALS			766	398,253		\$19,969,661

Exploration Stage:

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

Notes:

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

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

Private Placements

On July 21, 2009 the Company completed the second tranche of 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 units at a price of \$0.35 per unit for aggregate gross proceeds of \$1,922,849. Each common share unit consists of one common share and one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.40 for a period of 2 years. Each flow-through share unit consists of one flow-through common share and one half of one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.45 for a period of 2 years. The Company paid agent's commissions of \$146,628 and issued 457,817 broker warrants exercisable at \$0.30 per share with an expiry date of July 21, 2011.

**Fission Energy Corp.
Management's Discussion and Analysis
Quarter ended September 30, 2010**

Private Placements (continued)

On April 7, 2010 the Company completed a private placement of 8,384,000 units at \$0.80 and 2,635,000 flow-through common shares at \$0.95 per share for aggregate gross proceeds of \$9,210,450. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share at \$1.00 per share for 2 years. The Company paid agents' commissions of \$551,667 plus \$172,118 of expenses and issued 659,940 non-transferable broker warrants. Each broker warrant is exercisable into one common share of the Company for a period of 2 years at a price of \$1.00 per share with an expiry date of April 7, 2012.

Uranium Resources Summary by Property

Throughout this discussion and analysis, references to programs occurring from May to October are known as summer programs and those occurring from November to April are known as winter programs.

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

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

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

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.

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.

Fission Energy Corp.
Management's Discussion and Analysis
Quarter ended September 30, 2010

Uranium Resources Summary by Property (continued)

Duddridge Lake (continued)

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

Waterbury Lake

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

In January 2008, and after an earlier drill program where significant radio-activity was found, the Company signed an Earn-in agreement with the Korean consortium whereby the consortium would complete a \$1 million common share private placement at a price of \$1.00 per share and could earn up to a 50% interest in the Waterbury Lake project by spending \$14 million over a three year period. The agreement also provided an option for Fission to buy back a 10% interest from the consortium for \$6 million within 12 months of completion of the Earn-in period. Under the agreement, Fission retains a 2% of net smelter returns overriding royalty interest in the property. On April 29, 2010, the consortium fully funded its commitments for the 3 year term and consequently holds a 50% interest in the property as per the terms of the agreement. 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. The WLULP agreement requires that Fission 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. Fission is appointed operator for WLULP and is entitled to a management fee equal to 10% of expenditures for operator services.

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

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

The 2010 winter program that followed-up on previous programs in the East-West trending corridor included 35 drill holes totaling an estimated 11,260m. The 2nd drill hole of the program, WAT10-063A intersected 10.5m grading 1.91% U₃O₈ from 226.0m to 236.5m downhole, including a high grade intersection of 1.0m grading 13.87% U₃O₈ from 230.0m to 231.0m. This new high grade uranium discovery has been named the "J-Zone". Selected results from the 2010 winter drilling included intersections of 17m @ 3.99% U₃O₈ (WAT10-070B), 6m @ 14.7% U₃O₈ (WAT10-071) and 12m @ 3.64% U₃O₈. A total of 24 holes were drilled at the J-Zone, with 21 of those holes intersecting significant mineralization at or near the unconformity. A 16-hole 5,171m summer 2010 drill program was completed in late September, 2010. Seven holes were drilled at the J-Zone, with 6 of the 7 holes being mineralized. The best results came back from hole WAT10-103, which returned an interval of 15.5m @ 5.55% U₃O₈. The J-Zone remains open in the horizontal dimension in all directions. Three holes were drilled at the J East area, located ~70m to the east of the J-Zone with 2 holes being mineralized. The best results came from hole WAT10-102 which returned an interval of 8.5m @ 0.38% U₃O₈ (220.0 – 228.5m) and 3.5m @ 0.67% U₃O₈ (233.0 – 236.5m). There is also some mineralization in basement rocks below the J-Zone, that require follow-up. Three holes were

Fission Energy Corp.
Management's Discussion and Analysis
Quarter ended September 30, 2010

Uranium Resources Summary by Property (continued)

Waterbury Lake (continued)

drilled at the Highland target, with results showing strong clay alteration at the basement, but no mineralization. Three holes were drilled for geologic purposes, to get a sense of the geometry of the controlling basement faults and to better define the E-W Discovery Bay Corridor.

Patterson Lake

Patterson Lake was acquired by staking in 2004. It comprises 9 claims and 25,316 ha. In 2007, the Company completed a five hole drill program totaling 1,406 m on the property located approximately 30 km south of the advanced UEX-AREVA joint venture exploration and development project in the southwestern part of the Athabasca Basin. The drilling tested two EM conductors. Assays were received during 2008 resulting in the discovery of significant alteration, geochemical anomalies, and structures commonly associated with unconformity type uranium deposits in the Athabasca Basin. The Company was encouraged by these results and plans are underway for an expanded exploration program. Fission has also completed a MEGATEM airborne geophysical survey at Paterson Lake and, in the period from February to April 2008, completed a 6 hole 2,696 m drill program. Fission holds a 100% interest in the Patterson Lake project.

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 and has added approximately 1004 hectares (2,480 acres) to the Joint Venture claim block. The most recent airborne survey used state of the art radiometric and high resolution aeromagnetic surveys and were flown on 50 meter line spacing with an average magnetometer sensor altitude of 17 meters, by Special Projects Inc of Calgary, Alberta. This survey targeted a corridor of conductors extending from the SSW trending Patterson Corridor on the adjacent Purepoint Uranium Inc - Cameco Joint Venture claims that had been previously identified from earlier airborne and ground surveys.

Davy Lake

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

Fission Energy Corp.
Management's Discussion and Analysis
Quarter ended September 30, 2010

Uranium Resources Summary by Property (continued)

Davy Lake (continued)

unconformity. The second hole was terminated at 1,236m in sandstone. 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.

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 8 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.

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 at June 30, 2010. 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. No work is planned for 2011 fiscal year and both acquisition and exploration costs have been 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% U₃O₈). 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.

Fission Energy Corp.
Management's Discussion and Analysis
Quarter ended September 30, 2010

Uranium Resources Summary by Property (continued)

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.

Waterbury North

In July 2009, 3 claims totaling 966 ha were staked. 2 claims are immediately adjacent and to the north-central border of the Waterbury Lake project, on which the company has a joint venture agreement with the Korean consortium. A 1,135 line-km high resolution magnetic survey was flown over these claims in July 2009. Fission holds a 100% interest in the Waterbury 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.

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)

Fission Energy Corp.
Management's Discussion and Analysis
Quarter ended September 30, 2010

Summary of Quarterly Results

Quarter Ended	September 30 2010	June 30 2010	March 31 2010	December 31 2009
	\$	\$	\$	\$
Mineral property interests	19,969,661	18,086,503	19,174,314	19,046,515
Working Capital	9,030,365	11,304,519	3,972,942	2,893,188
Net and comprehensive income (loss)	(562,786)	(2,378,625)	289,367	(381,084)
Net income (loss) per share	(0.01)	(0.04)	0.01	(0.01)
Quarter Ended	September 30 2009	June 30 2009	March 31 2009	December 31 2008
	\$	\$	\$	\$
Mineral property interests	18,267,603	18,094,905	24,269,924	26,131,397
Working Capital	4,011,631	2,728,004	1,298,852	1,544,147
Net and comprehensive loss	(370,147)	(5,909,854)	(1,744,800)	(1,313,432)
Net loss per share	(0.01)	(0.14)	(0.04)	(0.03)

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 first quarter of fiscal 2011 ended September 30, 2010 the Company recorded a net loss of \$562,786 (\$0.01 per share) compared to a net loss of \$370,147 (\$0.01 per share) for the quarter ended September 30, 2009. The increased loss in the quarter September 30, 2010 is attributable to higher stock based compensation charges and reduced exploration management fee income. Otherwise operating expenses for the two periods were largely comparable although there are increased costs for trade shows and conference 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 September 30, 2010 the Company had \$8.7 million in working capital and \$9 million cash. The Company does not have significant concerns about the liquidity of its current assets. Cash and cash equivalents include cash in bank and bank issued term deposits, which are liquid assets, and are readily available to the Company.

The increase in working capital from September 30, 2009 is primarily due to the \$9.2 million private placement that closed on April 7, 2010 as discussed above.

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.

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Liquidity and Capital Resources (continued)

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.

During the quarter ended September 30, 2010 the Company recorded \$87,240 (2010 - \$121,679) in exploration management fee income.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

Related Party Transactions

For the quarter ended September 30, 2010 the Company entered into the following related party transactions:

- a) Paid or accrued management consulting fees in the amount of \$49,500 to a company controlled by Devinder Randhawa, the Chairman and Chief Executive Officer for services provided to the Company and Directors fees of \$7,500.
- b) Paid or accrued Directors fees of \$6,500 to Jody Dahrouge.
- c) Paid or accrued Directors fees of \$8,000 to Frank Estergaard.
- d) Paid or accrued Directors fees of \$7,500 to George Sanders.
- e) Paid or accrued management consulting fees of \$32,850 to a company controlled by Andrew Adamson for services provided as Chief Financial Officer to the Company.
- f) The company recovered administrative costs of \$23,425 from a company controlled by Devinder Randhawa and \$22,760 from companies with common directors.

At September 30, 2010 accounts payable includes \$18,480 due to a company controlled by Devinder Randhawa, the Chairman and Chief Executive Officer, and \$11,592 due to a company controlled by Andrew Adamson, the Chief Financial Officer, for services provided to the Company.

Amounts receivable include \$15,529 for administrative costs recoverable from a company controlled by Devinder Randhawa, the Chairman and Chief Executive Officer, and \$24,397 from companies with common directors.

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

Outstanding Share Data

As at November 17, 2010 the Company has 70,298,445 common shares issued and outstanding, 4,620,833 incentive stock options outstanding with exercise prices ranging from \$0.20 to \$1.05 per share and 12,089,809 share purchase warrants outstanding with exercise prices of between \$0.30 and \$1.00 per share.

Financial Instruments

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

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Quarter ended September 30, 2010

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 September 30, 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.

The conversion to IFRS will impact the Company's financial reporting systems and, as a result some changes will be required to various areas including information technology and data systems, internal controls over financial reporting, disclosure requirements and other business activities such as compensation programs and contractual arrangements.

Progress to date:

- Established a project team to assist with the conversion process.
- 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.

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Quarter ended September 30, 2010

Recent Accounting Pronouncements (continued)

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

- 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 September 30, 2010 the Company:

Entered into a letter of engagement to complete a brokered private placement consisting of common share units and flow-through common shares. The Company will issue 7,500,000 common share units at a price of \$0.80 per unit and 6,667,000 flow-through common shares at a price of \$0.90 per share for total gross proceeds of \$12,000,300. Each common share unit consists of one common share plus one-half of one transferable common share purchase warrant. Each whole warrant will be exercisable at \$1.00 per common share for 2 years. The company will be required to pay agent's commissions equal to 6% of gross proceeds raised and issue non-transferable broker warrants equal to 6% of the number of common share units and flow-through common shares issued. Each broker warrant will be exercisable at \$1.00 per unit for 2 years. The offering is subject to a number of conditions, including receipt of all regulatory approvals.