



Consolidated Financial Statements

Fission Energy Corp.

June 30, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fission Energy Corp.

We have audited the accompanying consolidated financial statements of **Fission Energy Corp.**, which comprise the consolidated balance sheets as at June 30, 2011 and 2010, and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Fission Energy Corp.** as at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada,
October 27, 2011.

Chartered Accountants

Fission Energy Corp.

Consolidated Financial Statements

June 30, 2011

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Fission Energy Corp.

Consolidated balance sheets

	June 30 2011	June 30 2010
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	18,451,471	11,941,329
Short-term investments (Note 3)	138,000	198,000
Amounts receivable	861,042	71,007
Prepaid expenses	102,359	22,765
	19,552,872	12,233,101
Property and equipment (Note 4)	97,304	80,860
Mineral property interests (Note 5)	31,252,141	18,086,503
	50,902,317	30,400,464
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,232,431	928,582
	1,232,431	928,582
Future income tax liability (Note 9)	1,966,870	-
	3,199,301	928,582
Shareholders' equity		
Capital stock (Note 6)	55,947,836	39,191,229
Contributed surplus (Note 6)	9,431,162	4,729,559
Deficit	(17,675,982)	(14,448,906)
	47,703,016	29,471,882
	50,902,317	30,400,464

Commitments (Note 5(c))
Contingency (Note 11)
Subsequent Events (Note 14)

On Behalf of the Board:

"Frank Estergaard"

Director

"Dev Randhawa"

Director

Fission Energy Corp.

Consolidated statements of operations and comprehensive loss

	Year Ended June 30 2011	Year Ended June 30 2010
	\$	\$
Expenses		
Advertising and promotion	2,491	4,760
Amortization	29,652	29,079
Business development	398,353	125,244
Consulting and directors fees	778,572	552,115
Flow-through share tax	26,057	8,630
Insurance	31,983	36,204
Office and miscellaneous	145,493	142,801
Professional fees	196,743	162,519
Regulatory fees	55,927	9,620
Rent	71,367	74,672
Public relations and communications	381,568	45,958
Stock-based compensation (Note 6 (c))	1,617,405	423,249
Telephone	38,699	42,416
Trade shows and conferences	291,187	107,074
Transfer agent	36,697	18,933
Travel	18,349	16,285
Wages and benefits	460,623	262,556
	4,581,166	2,062,115
Loss before other items	(4,581,166)	(2,062,115)
Other items - income/(expense)		
Exploration management fee income (Note 5 (c))	389,936	436,362
Interest and miscellaneous income	178,421	39,803
Foreign exchange loss	(8,918)	(5,588)
Unrealized gain (loss) on investments (note 3)	(60,000)	166,000
Mineral property write-down (Note 5)	(1,051,112)	(1,871,757)
	(551,673)	(1,235,180)
Loss before income taxes	(5,132,839)	(3,297,295)
Future income tax recovery (Note 9)	1,905,763	456,806
Net loss and comprehensive loss for the year	(3,227,076)	(2,840,489)
Basic loss per common share	(0.04)	(0.05)
Weighted average number of common shares outstanding	83,138,666	58,214,854

Fission Energy Corp.

Consolidated statements of shareholders' equity

Year ended June 30, 2011

	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 common shares issued for cash (Note 6 (a))	17,041,712	8,742,676	2,390,624	-	11,133,300
Share issue costs	-	(998,337)	89,779	-	(908,558)
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 6 (a))	24,958,700	18,002,186	3,292,079	-	21,294,265
Share issue costs	516,465	(1,777,350)	567,566	-	(1,209,784)
Income tax benefits renounced to shareholders of flow-through shares	-	(2,275,895)	-	-	(2,275,895)
Exercise of Stock Options/Warrants	4,805,674	2,807,666	(775,447)	-	2,032,219
Stock-based compensation (Note 6 (c))	-	-	1,617,405	-	1,617,405
Net loss and comprehensive loss	-	-	-	(3,227,076)	(3,227,076)
Balance, June 30, 2011	99,549,950	55,947,836	9,431,162	(17,675,982)	47,703,016

Fission Energy Corp.

Consolidated statements of cash flows

	Year Ended June 30 2011	Year Ended June 30 2010
	\$	\$
Operating activities		
Net loss and comprehensive loss	(3,227,076)	(2,840,489)
Items not involving cash:		
Amortization	29,652	29,079
Future income tax recovery	(1,905,763)	(456,806)
Unrealized (gain) loss on investments	60,000	(166,000)
Stock-based compensation	1,617,405	423,249
Write-down of mineral properties	1,051,112	1,871,757
	(2,374,670)	(1,139,210)
Change in non-cash working capital		
(Increase) decrease in amounts receivable	(790,035)	14,013
(Increase) decrease in prepaid expenses	(79,594)	355,265
Decrease in accounts payable and accrued liabilities	(10,574)	(396,989)
	(3,254,873)	(1,166,921)
Investing activities		
Property and equipment additions	(46,096)	(26,118)
Mineral property additions	(11,902,327)	(5,959,100)
Mineral property cost recoveries	-	4,929,973
	(11,948,423)	(1,055,245)
Financing activities		
Proceeds from issuance of common share units and flow-through common shares net of share issuance costs	19,681,219	10,224,742
Proceeds from exercise of options/warrants	2,032,219	1,214,456
	21,713,438	11,439,198
Increase in cash and cash equivalents during the year	6,510,142	9,217,032
Cash and cash equivalents, Beginning of year	11,941,329	2,724,297
Cash and cash equivalents, end of year	18,451,471	11,941,329

Supplemental disclosure with respect to cash flows (Note 7)

Fission Energy Corp.

Notes to the consolidated financial statements
June 30, 2011

1. Nature and continuance of operations

Fission Energy Corp. ("Fission" or 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 the 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. 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. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and cash equivalents and short-term investments (as well as no debt obligations outside of normal course accounts payable and accrued liabilities) to continue operating at current levels for the ensuing twelve months.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian GAAP and reflect the following policies:

(a) *Principles of consolidation*

These consolidated financial statements include the accounts of Fission Energy Corp., its wholly owned subsidiaries and its proportionate interests in Waterbury Lake Uranium Corporation ("WLUC") and Waterbury Lake Uranium Limited Partnership ("WLULP") as per the following table:

	Ownership Interest	Basis of Presentation
As at June 30, 2011		
Fission Energy Peru S.A.C	100%	Consolidated
Minera Peruran S.A.C	100%	Consolidated
Waterbury Lake Uranium Corporation	60.00%	Proportionately consolidated
Waterbury Lake Uranium Limited Partnership	59.99%	Proportionately consolidated

Intercompany transactions and resulting balances with the Company's wholly owned subsidiaries and WLUC and WLULP have been eliminated to the extent of the Company's interests.

Fission Energy Corp.

Notes to the consolidated financial statements
June 30, 2011

2. Significant accounting policies (continued)

(b) *Use of estimates*

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Significant accounts that require estimates relate to the possible impairment of property and equipment and mineral property interests, the useful life of property and equipment, valuation allowances for future income taxes, valuation of investments, valuation of stock-based compensation and warrants in private placements and valuation of asset retirement obligations.

(c) *Investment in joint ventures*

The Company conducts a portion of its business through joint ventures under which the joint venture participants are bound by contractual agreements establishing joint control over the joint ventures. The Company records its proportionate share of assets, liabilities, revenues and expenses of the joint ventures.

(d) *Cash and cash equivalents*

Cash and cash equivalents include cash and those short-term money market instruments that are readily convertible to cash with an original term less than 90 days. Cash and cash equivalents are recorded at fair value.

(e) *Short-term investments*

Short-term investments were designated by the Company on initial recognition as held-for-trading and are measured at fair market value. Gains and losses are recognized in the consolidated statements of operations and comprehensive loss ("statement of operations").

(f) *Property and equipment*

Property and equipment is recorded at cost and amortization is calculated using the straight-line method, at the following annual rates:

• Geological equipment	20%
• Office equipment	20%
• Computer equipment	30%
• Computer software	50%
• Vehicles	30%
• Building	4%

(g) *Mineral property interests*

Mineral property interests are comprised of both acquisition costs and deferred exploration costs. The Company records both acquisition costs, which consist of the right to explore for mineral deposits, and deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost.

Fission Energy Corp.

Notes to the consolidated financial statements
June 30, 2011

2. Significant accounting policies (continued)

(g) *Mineral property interests (continued)*

All direct and indirect costs relating to the acquisition and exploration of mineral property interests are capitalized on the basis of specific claim blocks until the mineral property interests to which they relate are placed into production, disposed of through sale or where management has determined there is impairment. If a mineral property interest is abandoned, both acquisition costs and deferred exploration costs will be written off to operations in the period of abandonment.

On an ongoing basis, mineral property interests are reviewed on a property-by-property basis to consider if there is any impairment. The Company's determination for impairment is based on:

- (i) whether the exploration programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued;
- (ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; and
- (iii) whether remaining claim tenure terms are insufficient to conduct necessary studies or exploration work.

As at June 30, 2011, the Company believes that sufficient impairment charges relating to acquisition costs and deferred exploration costs have been recorded. The recorded value of acquisition and deferred exploration costs are based on cash paid and share considerations issued. The recorded amount may not reflect recoverable value as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

(h) *Foreign currency translation*

The Company's wholly owned subsidiaries are integrated foreign operations. Their currencies are translated into the Canadian dollar equivalent using the temporal method. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those in effect at the time of the transaction. Exchange gains and losses arising on translation are included in the statement of operations.

(i) *Flow-through common shares*

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders.

When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

Fission Energy Corp.

Notes to the consolidated financial statements
June 30, 2011

2. Significant accounting policies (continued)

(j) *Asset retirement obligations*

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any asset retirement obligations.

(k) *Stock-based compensation*

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

(l) *Income taxes*

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(m) *Loss per share*

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Earnings per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. Diluted earnings per share is calculated using the treasury method which requires the calculation of diluted earnings per share by assuming that outstanding stock options and warrants, with the average market price that exceeds the average exercise prices of the options and warrants for the year, are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year.

(n) *Financial instruments*

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value at the date of acquisition. Subsequent measurement and accounting for changes in fair value will depend on the initial classification, as follows:

- (i) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income (loss);

Fission Energy Corp.

Notes to the consolidated financial statements
June 30, 2011

2. Significant accounting policies (continued)

(n) *Financial instruments (continued)*

- (ii) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income (loss) until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income (loss); and
- (iii) loans and receivables, held-to-maturity investments and other financial liabilities, are measured at amortized cost.

The Company designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. For the years ended June 30, 2011 and June 30, 2010, the Company had neither available-for-sale, nor held-to-maturity instruments.

Transaction costs directly attributed to the acquisition or issue of financial instruments are recognized in net income (loss) in the year incurred.

The classification of fair value measurements is based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level within which the fair value measurement is categorized is based upon the lowest level of input that is significant to the measurement. Level inputs are as follows:

- Level 1: quoted prices in active markets
- Level 2: valuation methods that use observable inputs
- Level 3: valuation methods that use unobservable inputs

(o) *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 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601 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.

Fission Energy Corp.

Notes to the consolidated financial statements
June 30, 2011

2. Significant accounting policies (continued)

(p) Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to 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 and the opening balance sheet as at July 1, 2010. The first unaudited interim financial statements under IFRS will be prepared for the quarter ended September 30, 2011 with comparative financial information for the quarter ended September 30, 2010 and comparative balance sheets as at June 30, 2011 and July 1, 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		
		Number of Shares	June 30 2011	June 30 2010
			\$	\$
Common Shares of Tribune Minerals Corp. (Note 5(a))	(a)	30,000	42,000	18,000
Common Shares of Great Bear Resources Ltd. (Note 5(b))	(a)	400,000	96,000	180,000
Common Shares of Iron Tank Resources Corp.	(b)	8,888	-	-
			138,000	198,000

- (a) The Company has determined the fair value of its investments based on the level 1 quoted market prices at June 30, 2011 and 2010. Subsequent to year end, Tribune Minerals Corp. changed its name to Stratton Resources Inc. and the Stratton shareholders approved 2:1 split of the outstanding common shares. As at October 13, 2011, the Company holds 60,000 shares of Stratton Resources Inc.
- (b) During the year ending June 30, 2011, Mountain Gold Resources Ltd. ("Mountain Gold") changed its name to Iron Tank Resources Corp. ("Iron Tank"). The Iron Tank shares are currently not trading and have been given no value. These shares 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.

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

4. Property and equipment

	June 30, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Geological equipment	63,857	48,749	15,108
Office equipment	26,480	17,140	9,340
Computer equipment	39,389	22,970	16,419
Computer software	13,723	4,869	8,854
Vehicles	30,781	770	30,011
<u>Building</u>	<u>20,190</u>	<u>2,618</u>	<u>17,572</u>
	<u>194,420</u>	<u>97,116</u>	<u>97,304</u>

	June 30, 2010		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Geological equipment	63,857	35,969	27,888
Office equipment	26,480	11,836	14,644
Computer equipment	33,313	13,361	19,952
Computer software	4,484	4,484	-
<u>Building</u>	<u>20,190</u>	<u>1,814</u>	<u>18,376</u>
	<u>148,324</u>	<u>67,464</u>	<u>80,860</u>

Fission Energy Corp.

Notes to the consolidated financial statements
June 30, 2011

5. Mineral Property Interests

Year Ended										
June 30, 2011	North Shore	Duddridge	Waterbury	Patterson	Patterson	Davy	Dieter	Other	Peru	Total
	Properties	Lake	Lake	Lake	Lake South	Lake	Lake	Canadian	Property	
		Property	Property	Property	Property	Property	Property	Properties	Property	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs										
Balance, beginning of year	460,422	382,245	590,550	149,882	17,620	38,350	619,785	170,054	-	2,428,908
Additions	-	-	6,000,000	-	4,926	-	16,526	107,248	-	6,128,700
Future income tax gross up	-	-	2,000,000	-	-	-	-	-	-	2,000,000
Write-down	-	-	-	-	(3,794)	(11,380)	-	(31,004)	-	(46,178)
Balance, end of year	460,422	382,245	8,590,550	149,882	18,752	26,970	636,311	246,298	-	10,511,430
Exploration costs										
Balance, beginning of year	4,643,450	1,237,890	14,521,690	3,600,214	110,206	4,103,019	2,188,694	378,436	-	30,783,599
Incurred during the year										
Geology mapping/sampling	-	-	12,543	172	15,555	-	292,051	344	20,003	340,668
Geophysics airborne	-	-	8,918	-	218	540	90	225	-	9,991
Geophysics ground	-	-	741,749	218	34,163	20,998	2,905	22,945	-	822,978
Drilling	-	-	3,942,632	8,405	-	399,052	301,318	-	1,881	4,653,288
Land retention and permitting	16,763	1,022	17,883	514	992	5,822	44,372	144,356	30,312	262,036
Reporting	558	55	41,291	110	124	6,932	14,512	1,069	1,297	65,948
Environmental	5	919	23,804	-	-	-	-	-	-	24,728
Safety	-	-	26,196	-	-	-	-	-	-	26,196
Community Relations	-	-	1,625	-	-	-	-	-	16,497	18,122
General	-	-	40,217	6,171	-	-	1,395	-	70,778	118,561
Additions	17,326	1,996	4,856,858	15,590	51,052	433,344	656,643	168,939	140,768	6,342,516
Write-down	-	-	-	-	(22,050)	(835,421)	-	(6,695)	(140,768)	(1,004,934)
Balance, end of year	4,660,776	1,239,886	19,378,548	3,615,804	139,208	3,700,942	2,845,337	540,680	-	36,121,181
Cumulative cost recoveries										
Balance, beginning of year	(1,538,127)	(1,038,107)	(12,141,297)	(22,384)	(7,795)	(47,047)	(166,893)	(164,354)	-	(15,126,004)
Additions	-	-	(180,530)	(43,281)	(17,600)	-	(13,055)	-	-	(254,466)
Balance, end of year	(1,538,127)	(1,038,107)	(12,321,827)	(65,665)	(25,395)	(47,047)	(179,948)	(164,354)	-	(15,380,470)
Total costs	3,583,071	584,024	15,647,271	3,700,021	132,565	3,680,865	3,301,700	622,624	-	31,252,141

Fission Energy Corp.

Notes to the consolidated financial statements
June 30, 2011

5. Mineral Property Interests (continued)

Year Ended June 30, 2010	North Shore Properties	Duddridge Lake Property	Waterbury Lake Property	Patterson Lake Property	Patterson Lake South Property	Davy Lake Property	Dieter Lake Property	Other Canadian Properties	Peru Property	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs										
Balance, beginning of year	460,422	382,245	467,801	149,882	12,620	38,350	619,785	544,579	-	2,675,684
Additions	-	-	122,749	-	5,000	-	-	74,289	-	202,038
Write-down	-	-	-	-	-	-	-	(448,814)	-	(448,814)
Balance, end of year	460,422	382,245	590,550	149,882	17,620	38,350	619,785	170,054	-	2,428,908
Exploration costs										
Balance, beginning of year	4,592,826	1,223,166	10,067,757	3,541,411	16,317	4,224,602	2,073,654	611,518	-	26,351,251
Incurred during the year										
Geology mapping/sampling	175	1,035	31,244	2,700	16,217	7,901	6,493	5,725	9,473	80,963
Geophysics airborne	-	80	382,780	1,263	62,322	348,358	1,965	13,319	-	810,087
Geophysics ground	-	-	558,084	4,288	900	15,942	2,630	480	-	582,324
Drilling	47,065	8,430	3,386,008	913	138	496,679	50,218	504	400	3,990,355
Land retention and permitting	1,617	3,899	39,463	48,725	5,425	19,922	40,585	26,977	21,858	208,471
Reporting	1,767	185	12,670	383	8,887	6,147	13,135	9,340	32	52,546
Environmental	-	1,095	3,140	-	-	-	-	-	-	4,235
Safety	-	-	11,494	-	-	331	-	-	-	11,825
Community Relations	-	-	7,658	-	-	-	-	-	14,318	21,976
General	-	-	21,392	531	-	-	14	-	70,572	92,509
Additions	50,624	14,724	4,453,933	58,803	93,889	895,280	115,040	56,345	116,653	5,855,291
Write-down	-	-	-	-	-	(1,016,863)	-	(289,427)	(116,653)	(1,422,943)
Balance, end of year	4,643,450	1,237,890	14,521,690	3,600,214	110,206	4,103,019	2,188,694	378,436	-	30,783,599
Cumulative cost recoveries										
Balance, beginning of year	(1,538,127)	(1,038,107)	(8,069,735)	(22,384)	(1,259)	-	(98,064)	(164,354)	-	(10,932,030)
Additions	-	-	(4,071,562)	-	(6,536)	(47,047)	(68,829)	-	-	(4,193,974)
Balance, end of year	(1,538,127)	(1,038,107)	(12,141,297)	(22,384)	(7,795)	(47,047)	(166,893)	(164,354)	-	(15,126,004)
Total costs	3,565,745	582,028	2,970,943	3,727,712	120,031	4,094,322	2,641,586	384,136	-	18,086,503

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

5. 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 course 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 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.

The Government of Alberta drafted the Lower Athabasca Regional Plan ("LARP") to conserve land, which has resulted in some of metallic and industrial mineral claims to be under temporary restricted status, which includes some claims in Fission. If the LARP is enacted, the Government of Alberta may cancel any claims within the zones and the Company will not be permitted to continue exploration on these claims. In the event the claims are cancelled, the Company will approach the Government of Alberta for compensation of all expenditures incurred plus loss of future opportunities.

(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 of Great Bear in exchange for the rights for Great Bear to earn 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 rights to earn up to a 50%

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

5. Mineral Property interests (continued)

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

interest in the Waterbury Lake property by funding \$14,000,000 of expenditures on or before January 30, 2011. Additionally, the Company retained an overriding royalty interest in the property of 2% of net smelter returns. On April 29, 2010, KWULP had fully funded its \$14 million of expenditures and consequently earned 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 joint control 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 had 12 months from the completion of the earn-in agreement during which time it could acquire an additional 10% interest in WLULP for \$6,000,000. On April 12, 2011, the Company exercised its back-in option by paying KWULP \$6,000,000 and now holds a 60% interest in WLULP. An additional \$2,000,000 was recorded as a future income tax liability related to the fair value of assets acquired that do not have an income tax basis. The WLULP agreement requires that the Company and its partners spend a total of \$30 million for exploration and evaluation costs over the next three years in proportion to their interest in WLULP, of which \$10,422,350 has been incurred by WLULP as of June 30, 2011. 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, located in Saskatchewan, 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 in fiscal 2008 and, on the 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. In fiscal 2011 4 claims were staked and 4 claims were allowed to lapse. As a result of the 4 claims lapsing the company recorded a \$3,794 impairment of acquisition costs and \$22,050 impairment of exploration costs.

(e) *Davy Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Saskatchewan in fiscal 2008. On June 30, 2010, the Company recorded a \$1,016,863 write-down of exploration costs, and on June 30, 2011 recorded an additional \$11,380 impairment of acquisition costs and \$835,421 of exploration costs. These write-downs resulted from dropping interest in certain claims.

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

5. Mineral Property interests (continued)

(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.

(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 June 30, 2011, due to results to date, 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.

As of June 30, 2011, the Company recorded a 100% impairment of acquisition and exploration costs for the Caribou Mountains property. At June 30, 2010 the Company recorded a 100% impairment of acquisition and exploration costs for the Zoo Bay property. No additional impairments were recorded for the Zoo Bay property in the year ending June 30, 2011.

(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, Canada

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

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

5. Mineral Property interests (continued)

(h) *Macusani Property, Peru*

In 2008, the Company acquired a 100% interest in certain properties located in Peru. Ongoing 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 \$140,768 for the year ended June 30, 2011.

6. 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 share 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. 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 has been 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 has been 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 has been 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.

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

6. Capital stock and contributed surplus (continued)

(a) *Private Placements (continued)*

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 and has been included in contributed surplus. \$160,955 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 \$145,500 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 includes 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.

On February 24, 2011, the Company completed a private placement of 9,375,000 common share units at \$0.80 per unit for gross proceeds of \$7,500,000. 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 \$1,773,865 was attributed to the common share warrants based on the Black-Scholes pricing model and has been included in contributed surplus. \$293,016 was reclassified from share issuance costs to contributed surplus for the proportionate share of warrants in share units issued. The company issued 516,465 common shares to finders with a fair value of \$593,935, paid \$81,541 of expenses and issued 774,696 Broker Warrants with an attributed value of \$552,240 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 February 24, 2013. The assumptions used in the Black-Scholes pricing model included a volatility of 115%, risk free interest rate of 1.79%, 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.

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

6. Capital stock and contributed surplus (continued)

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

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

	Stock options		Warrants	
	Number of Shares issuable upon exercise	Weighted average exercise price	Number of Shares issuable upon exercise	Weighted average exercise price
		\$		\$
Balance July 1, 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
Granted	4,085,000	0.82	10,522,218	1.00
Exercised	(445,668)	0.57	(4,360,006)	0.41
Forfeited	(192,832)	0.41	(714,258)	0.45
Outstanding, June 30, 2011	8,288,500	0.61	18,491,263	0.90

As at June 30, 2011, incentive stock options and share purchase warrants were outstanding as follows:

Options			
Number outstanding	Exercise price	Number of Shares issuable upon exercise	Expiry date
	\$		
150,000	0.85	150,000	March 7, 2013
50,000	1.05	50,000	March 31, 2013
430,000	0.20	430,000	November 28, 2013
2,070,000	0.30	2,070,000	January 13, 2014
135,000	0.80	45,000	April 18, 2014
150,000	0.31	150,000	August 6, 2014
1,244,500	0.55	548,750	February 3, 2015
150,000	0.80	67,500	March 24, 2015
3,459,000	0.80	1,729,000	December 30, 2015
450,000	1.00	112,500	January 27, 2016
8,288,500		5,352,750	

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

6. Capital stock and contributed surplus (continued)

b) *Stock options and warrants (continued)*

Warrants			
Date issued	Number of Shares issuable upon exercise	Exercise price	Expiry Date
		\$	
July 21, 2009	3,235,855	0.30 - 0.45	July 21, 2011
April 7, 2010	4,733,190	1.00	April 7, 2012
December 2, 2010	5,060,022	1.00	December 2, 2012
February 24, 2011	5,462,196	1.00	February 24, 2013
	18,491,263		

(c) *Stock-based compensation*

During the year ended June 30, 2011, the Company granted 4,085,000 options (2010 – 1,800,000). Pursuant to the granting and vesting of options issued, total stock-based compensation recognized in the statement of operations during the year ended June 30, 2011 was \$1,617,405 (2010 - \$423,249). 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:

	2011	2010
Risk Free interest Rate	1.44% - 2.00%	1.78%
Expected Life - Years	1.56 - 3.50	2.55
Stock Price Volatility	108% - 143%	147%
Divided Rate	0%	0%

7. Supplemental disclosure with respect to cash flows

	2011	2010
	\$	\$
Cash and cash equivalents		
Cash	3,382,767	2,690,291
Redeemable Term deposits	15,068,704	9,251,038
	18,451,471	11,941,329

There were no cash payments for interest and income taxes during the year ended June 30, 2011 and June 30, 2010.

Significant non-cash transactions for the year ended June 30, 2011 included:

- (a) Incurring mineral property related expenditures of \$314,423 through accounts payable and accrued liabilities;
- (b) Reclassifying \$775,447 from contributed surplus to capital stock on exercise of options and warrants;

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

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

- (c) Reclassifying \$3,292,079 from capital stock to contributed surplus for warrants included in share units issued;
- (d) Reclassifying \$453,971 from share issue costs to contributed surplus for the proportionate share of warrants included in the share units issued;
- (e) Reclassifying \$1,021,537 from contributed surplus to share issue costs for finder's warrants;
- (f) Renouncing flow-through expenditures of \$9,103,580 resulting in a charge to capital stock of \$2,275,895 and a future income tax recovery of \$2,275,895; and
- (g) Recording taxable temporary difference of \$2,000,000 as a future income tax liability and associated future income tax asset is included in the cost of mineral property interests.

Significant non-cash transactions for the year ended June 30, 2010 included:

- (a) Incurring mineral property related expenditures of \$791,784 through accounts payable and accrued liabilities;
- (b) Reclassifying \$2,390,624 from capital stock to contributed surplus for warrants included in share units issued;
- (c) Reclassifying \$356,833 from share issue costs to contributed surplus for the proportionate share of warrants issued;
- (d) Reclassifying \$446,612 from capital stock to contributed surplus for the proportionate share of broker warrants issued; and
- (e) Renouncing flow-through expenditures of \$1,561,731 resulting in a charge to capital stock of \$456,806 and a future income tax recovery of \$456,806.

8. Related party transactions

	June 30 2011	June 30 2010
	\$	\$
Amounts Paid or Accrued		
Consulting fees to officers and companies controlled by officers	407,120	273,650
Directors Fees	161,000	122,000
Geological consulting fees to companies controlled by a director	24,365	17,415
	592,485	413,065
Other Income		
Exploration management fee		
Income from WLULP	389,936	-
	389,936	-

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

8. Related party transactions (continued)

Included in accounts payable at June 30, 2011 is \$20,533 (June 30, 2010 - \$17,325) for consulting fees owing to officers and companies controlled by officers.

Included in amounts receivable at June 30, 2011 is \$335,849 (June 30, 2010 - \$nil) due from WLULP for funds advanced to vendors on behalf of WLULP and \$2,238 due from WLUC for funds advanced to vendors on behalf of WLUC.

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.

9. Income Taxes

A reconciliation of current income taxes at statutory rates (27.5%) with the period income taxes as follows:

	2011	2010
	\$	\$
Loss before income taxes	(5,132,839)	(3,297,295)
Expected income tax recovery	(1,411,531)	(964,459)
Impact of reduction in tax rates on future income taxes	(86,704)	43,726
Permanent differences	454,282	101,192
Change in valuation allowance	(736,551)	577,172
Other	(125,259)	(214,437)
Future income tax recovery	(1,905,763)	(456,806)

The significant components of the Company's future income tax assets are as follows:

	2011	2010
	\$	\$
Future income tax assets (liabilities)		
Non-capital losses	1,685,439	1,195,980
Equipment	27,769	21,530
Mineral property interests	(3,954,794)	(499,499)
Investments	71,875	64,375
Share issue costs	519,469	279,960
Future income tax assets	(1,650,242)	1,062,346
Valuation allowance	(316,628)	(1,062,346)
Net future income tax liabilities	(1,966,870)	-

The Company has available approximately \$6,740,000 of non-capital losses which, if unutilized, will expire between 2028 and 2031.

During the year ended June 30, 2011, the Company renounced \$9,103,580 for Canadian exploration expenditures incurred on the Company's resource properties resulting in a future income tax liability of \$2,275,895 and a charge against capital stock.

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

9. Income Taxes (continued)

During the year ended June 30, 2010 the Company renounced \$1,561,731 for Canadian exploration expenditures incurred on the Company's resource properties resulting in a future income tax liability of \$456,806 and a charge against capital stock.

During the year ended June 30, 2010, the Company reduced the renouncement of certain deductions for Canadian exploration expenditures incurred on the Company's resource properties resulting in a reduction in the future income tax liability of \$455,718 and a credit against capital stock.

During the year ended June 30 2009, the Company renounced certain deductions for other Canadian exploration expenditures incurred on the Company's resource properties resulting in a future income tax liability of \$52,485 and a charge against capital stock.

10. 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 years ended June 30, 2011 and June 30, 2010 to relate to this segment.

Long-lived assets by geographic area are as follows:

	June 30, 2011		June 30, 2010	
	Canada	Peru	Canada	Peru
	\$	\$	\$	\$
Property and equipment	74,020	23,284	51,975	28,885
Mineral property interests	29,252,141	-	18,086,503	-
	29,326,161	23,284	18,138,478	28,885

11. Contingency

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.

12. 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.

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

12. Capital management (continued)

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.

13. 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 June 30, 2011, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

13. Financial instruments and risk management (continued)

(a) Credit risk (continued)

The Company's maximum exposure to credit risk at the June 30, 2011 and June 30, 2010 is as follows:

	Class Level	2011	2010
		\$	\$
Cash and cash equivalents	1	18,451,471	11,941,329
Short-term investments	1	138,000	198,000
Amounts receivable	N/A	861,042	71,007
		19,450,513	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:

	2011	2010
	\$	\$
Accounts payable and accrued liabilities	1,232,431	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 has foreign subsidiaries 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.

Fission Energy Corp.

Notes to the consolidated financial statements

June 30, 2011

13. Financial instruments and risk management (continued)

(d) *Foreign exchange risk (continued)*

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:

	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>PEN</u>	<u>US\$</u>	<u>PEN</u>	<u>US\$</u>
Cash and cash equivalents	4,171	16,450	3,868	15,738
Accounts payable and accrued liabilities	-	(4,983)	-	(1,305)
	<u>4,171</u>	<u>11,467</u>	<u>3,868</u>	<u>14,433</u>

Based on the above net exposures at June 30, 2011, a 10% change in U.S. dollars against the Canadian dollar would result in a \$1,147 (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 \$417 (June 30, 2010 - \$387) change in the Company's net income or loss.

14. Subsequent Events

Subsequent to June 30, 2011:

- (a) 3,185,855 warrants were exercised for gross proceeds of \$1,331,485;
- (b) 50,000 warrants were cancelled;
- (c) 82,500 stock options were granted at a purchase price of \$0.80 per option;
- (d) 162,750 options were cancelled and
- (e) The Company entered into a letter of engagement to complete a brokered private placement consisting of flow-through common shares. The Company will issue 11,800,000 flow-through common shares at a price of \$0.85 per flow-through common share for total gross proceeds of \$10,030,000. The Company will be required to pay agent's commission equal to 6.0% of gross proceeds raised and issue non-transferable broker warrants equal to 6% of the number of flow-through shares issued. Each broker warrant will be exercisable at \$0.85 for a period of 24 months from the closing date. The closing date is scheduled on or about November 17, 2011.



Management's Discussion & Analysis

Fission Energy Corp.

For the Year Ended June 30, 2011

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



The following discussion and analysis, prepared as of October 27, 2011 should be read in conjunction with the annual consolidated financial statements and related notes of Fission Energy Corp. (the "Company" or "Fission") for the year ended June 30, 2011, 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) and FSSIF (OTCQX U.S.)

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, India, 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)

The following is list of selected countries with planned, proposed, or under construction nuclear plants in 2011:

Country	Construction	Planned	Proposed	Total
China	23	34	120	177
India	4	20	40	64
Russia	10	14	30	54
USA	1	9	23	33
South Africa	0	3	24	27
Ukraine	0	2	20	22
South Korea	6	6	0	12
Canada	2	4	3	9
Total	46	92	260	398

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

- *Uranium demand/supply imbalance*

A global uranium demand/supply imbalance has existed for several years, 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. Despite the Fukushima accident, RBC Capital Markets continues to forecast supply deficits for every year from 2012 onwards. (RBC Capital Markets: Uranium Market Outlook, Second Quarter-2011). Supply, to meet the current production shortfall, 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 forecast supply deficit expected in 2012 and beyond.

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. 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 a 50% earn-in agreement concluded with a consortium led by Korea Electric Power Corporation (NYSE-KEP), for the joint development of the Waterbury Lake Property. In 2010, after the terms of the earn-in agreement had been satisfied, Fission and the Korean Consortium entered into a definitive 50/50 Limited Partnership Agreement. The Waterbury Lake Uranium Limited Partnership ("WLULP") agreement was signed on August 16, 2010,

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



Description of Business (continued)

which supersedes the original earn-in agreement. WLULP was officially formed December 30, 2010. The Company had 12 months from the completion of the earn-in agreement during which time it could buy back a 10% interest in WLULP for \$6,000,000. On April 12, 2011 the Company exercised its back-in option by paying Korea Waterbury Uranium Limited Partnership ("KWULP") \$6,000,000. The WLULP agreement requires that the Company and its partner spend a total of \$30,000,000 for exploration and evaluation costs over the next three years. The Company was appointed operator for WLULP and is entitled to a management fee equal to 10% of expenditures for operator services.

Fission has approximately 377,496 Ha of exploration properties with uranium potential.

1. 174,261 Ha (46%) are located in Saskatchewan in and around the Athabasca Basin;
2. 160,002 Ha (43%) comprise properties that are located in Alberta;
3. 38,133 Ha (10%) comprise the Dieter Lake Property in Quebec; and
4. 5,100 Ha (1%) comprise 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; uncertainties related to the nuclear power industry; 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.

Recent Events

Fukushima Nuclear Plant Accident

In March, 2011, a powerful 9.0 earthquake, followed by a tsunami struck northern Japan, causing extensive damage to the Fukushima nuclear power plant. The earthquake was seven times more powerful than the nuclear reactors built there were designed to withstand. Fear of radioactive contamination of the surrounding environment and a possible nuclear reactor meltdown, ensued. The negative market sentiment that immediately followed suggests that the accident may delay or discourage the current nuclear build-out, which in turn would negatively impact the demand for uranium. This event is ongoing. Several potential scenarios could evolve, and until there is clearer visibility in the sector, the near-term outlook for uranium demand is uncertain. Japan's annual uranium consumption is approximately 21.3 million lbs per year. Assuming 11 reactors are inoperable, and the others are able to generate electricity, Japan's annual uranium needs will decline by 4-5 million lbs per year (Dundee Capital Markets Uranium Sector Update-March 14, 2011). Germany and Switzerland have both made strong political statements moving away from nuclear power, with Germany stating an intention to close all seventeen nuclear reactors in that country. Switzerland subsequently suspended the approval process for three new nuclear reactors, later making the ban permanent, and its five existing reactors, which supply 40% of the country's power will not be replaced at the end of their life span, with the last plant to go off-line in 2034. (World Nuclear News. "Swiss Cabinet Goes for Nuclear Phase-Out". May 25, 2011). The countries with long-term plans for the construction of the largest number of new nuclear power plants: China, South Korea, Russia, and India, are maintaining their current nuclear reactor development plans, with a focus on increased safety. Analysts believe that uranium demand and supply will generally be in balance for the remainder of 2011, with deficits emerging in 2012 and continuing to 2020. Reductions in both industry demand and supply have been factored into the latest forecasts, as confirmed by the latest corporate demand forecasts announced by Cameco, Uranium One, and Paladin. Reduced supply is expected to occur as a result of mine permitting delays going forward, and reduced production growth from Kazakhstan. Over the long-term, it is forecast that current and planned uranium production will not satisfy the needs of existing reactors, in addition to those currently under construction and planned, suggesting that higher uranium prices will be required to resolve the forecast supply deficits.

Recent Events (continued)

Fukushima Nuclear Plant Accident (continued)

(Raymond James Canada: Uranium Industry Comment- April 4, 2011 and RBC Capital Markets: Uranium Market Outlook- Second Quarter 2011).

Post Fukushima, the UX Consulting Group forecasts long-term uranium demand to double by 2030. (UX Consulting Group, Uranium Production Cost Study. May 2011, Introduction, p. 4)

Despite the impact of the Fukushima nuclear accident, resulting from the earthquake and tsunami, management continues to believe that long-term world-wide uranium demand and the corresponding nuclear power plant build-out will require new uranium supply to meet this expanding demand. Approximately 85 new reactors are expected to be on-line by 2020, which more than offsets the expected and possible reactor closures. As such, Fission remains committed to advancing its exploration plans at its flagship Waterbury Lake project and other key exploration projects of merit.

Performance and Summary Update



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 narrowed during the second half of 2010 and into January 2011. Both the spot price and long-term price traded at US \$73/lb price at the end of January 2011. After the Fukushima nuclear accident in March, volatility increased significantly during that month with the spot price trading in an approximate range between US \$67 and US \$47/lb.

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



Performance and Summary Update (continued)

In April, the total volume of uranium transacted in the spot market was only 2 million lbs, which is the lowest monthly volume since December 2009 (Raymond James Canada: Uranium Industry Comment May 4, 2011). Volatility has lessened due to the weaker volumes and the current spot price has settled at US \$51.50 per lb (August 8, 2011). The long-term price has been much more stable and the July month-end price closed at US \$68/lb, again demonstrating a wide gap between the spot and long-term prices.

In addition to the volatility in the spot uranium price, the negative sentiment toward uranium equities following the Fukushima accident, has significantly affected the Company's share price, which has weakened considerably. Given that Fission is an exploration company, the selling pressure has resulted in a share price that has fallen faster than producing companies with cash flow, reversing the positive investor sentiment toward the uranium sector, prior to the Fukushima accident. It is uncertain how long this event will impact the uranium sector.

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. 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 its eastern property boundary is immediately adjacent to Hathor Exploration's Roughrider high grade uranium discovery made in 2008. The same structural trend continues on to Fission's northeast claim area, and in February 2010, Fission announced a high grade unconformity style uranium discovery, subsequently named the "J Zone". Waterbury Lake is the Company's most advanced uranium exploration project.

In June, Fission and its 50% Joint Venture partner ESO Uranium Corp. announced that recent field work on their Patterson Lake South Property, located in the south-west margin of Saskatchewan's Athabasca Basin, has resulted in the discovery of a significant 5 km long x 1 km wide radioactive boulder field. Subsequent to the quarter and year ending June 30th, the Joint Venture announced twenty-five (25) high grade boulders with grades over 10% U_3O_8 are reported with highest grade assaying at 39.6 % U_3O_8 . Work is continuing at this new discovery to establish drill targets for a fall-winter 2011 program.

Changes and Accomplishments for the year ended June 30, 2011 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 were 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 2010: Largest drill program in the Company's history budgeted at ~\$8 million announced for Waterbury Lake. The winter 2011 program included ~25,000m of drilling using three drills.
- December 2010: Closed a bought deal \$13,200,330 financing with a syndicate of underwriters for common share units and flow-through common shares.
- February 2011: Closed a non brokered private placement of common share units totaling \$7,500,000.

Changes and Accomplishments for the year ended June 30, 2011 and Subsequent (continued)

- 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.
- March 2011: Joined the OTCQX International electronic quotation in trading system in the United States.
- April 2011: Exercised its back-in option to acquire an additional 10% limited partnership interest in the Waterbury Lake Uranium Limited Partnership.
- April 2011: Winter 2011 drill program successfully expanded the J Zone east-west strike length to ~ 370 m and discovered new basement mineralization in the western part of the J Zone. Five areas of uranium mineralization have now been identified at Waterbury Lake within the Discovery Bay Corridor over a distance of approximately 1.5 kilometers trending west from the Fission/Hathor property boundary.
- June 2011: Summer 2011 drill program budgeted at \$3.6 million to begin at Waterbury Lake. A total of 7400m of drilling with 2 drills is planned and will further delineate the J Zone uranium deposit and test the new PKB Zone, the area around Hole 153A, Oban and new regional targets at Murphy Lake.
- July 2011: Fission and its 50% Joint Venture Partner ESO Uranium announced that field work on the Patterson Lake South Property in the southwest part of the Athabasca basin, led to the discovery of a significant 4km radioactive boulder train with "off-scale" radioactivity. Additional staking has increased the Joint Venture property holdings from 13,497 ha to 25,450 ha.
- July 2011: High grade boulders assaying up to 39.6% U308 were identified at the Patterson Lake South JV. Planning is underway for additional field work, and establishing drill targets for a fall/winter drill program.
- July 2011: Final Waterbury Lake Winter 2010 assay results increased the J Zone strike length by over 300% from the previous summer results.
- August 2011: Summer drill program budgeted at \$1.2 million commenced at Dieter Lake property in northern Quebec. The program will test an area east of Vivian Lake. Twelve vertical drill hole locations have been identified to expand the resource.
- August 2011: Fission and its Limited Partner, the Korea Waterbury Uranium Limited Partnership, completed Waterbury Lake 2011 summer drill program and successfully expanded the J Zone east-west strike length to 578m from 370m (56% since drilling commenced in July).
- September 2011: Ross McElroy was appointed to Fission's Board of Directors. Mr. McElroy is Fission's President and COO, and is a professional geologist with over 25 years of experience in the mining industry.
- September 2011: Fission and its 50% Joint Venture Partner ESO Uranium announced further results from its 2011 summer programs relating to Patterson Lake South Property. Of the 74 boulder samples and mineralized soil samples submitted, 9 samples returned anomalous gold values from 0.101 g/t gold to 2.43 g/t gold. The presence of gold is significant as it correlates with those uranium deposits found within the western part of the Athabasca Basin.

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



Changes and Accomplishments for the year ended June 30, 2011 and Subsequent (continued)

- October 2011: The Company entered into a letter of engagement to complete a brokered private placement consisting of flow-through common shares. The Company will issue 11,800,000 flow-through common shares at a price of \$0.85 per flow-through common share for total gross proceeds of \$10,030,000. The Company will be required to pay agent's commission equal to 6.0% of gross proceeds raised and issue non-transferable broker warrants equal to 6% of the number of flow-through shares issued. Each broker warrant will be exercisable at \$0.85 for a period of 24 months from the closing date. The closing date is scheduled on or about November 17, 2011.

Exploration Projects

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%	28	100,718	C	3,583,071
Duddridge Lake	Central SK	100% (*1)	6	12,954	C	584,024
Waterbury Lake	Athabasca Basin, SK	60% (*2)	13	40,256	C	15,647,271
Patterson Lake	Athabasca Basin, SK	100%	9	25,316	C	3,700,021
Patterson Lake South	South margin of Athabasca Basin, SK	50% JV - ESO	11	24,835	B	132,565
Davy Lake	Athabasca Basin, SK North-Central	100%	8	33,270	C	3,680,865
Dieter Lake	Quebec	100%	790	38,133	B	3,301,700
Fort McLeod	Southwestern AB	100%	5	31,412	A	-
Caribou Mountains	Northern AB	100%	6	27,872	A	-
Zoo Bay	Athabasca Basin, SK East margin of	100%	2	11,752	B	141,659
Minor Bay	Athabasca Basin, SK	100%	10	24,100	B	415,483
Torwalt Lake	Athabasca Basin, SK	100% (*3)	1	812	B	5,665
Waterbury Lake North	Athabasca Basin, SK	100%	3	966	B	59,817
Macusani	Peru, South America	100%	9	5,100	A	-
Totals			901	377,496		31,252,141

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 - In April, 2011 Fission exercised its "back-in option" to acquire an additional 10% limited partnership interest in the WLULP for \$6,000,000. As a result the company now holds a 60% limited partnership interest in WLULP.
- *3 - The Joint Venture with Hillcrest was terminated on 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.

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



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.
- Further 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 43-101. 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.

The Government of Alberta drafted the Lower Athabasca Regional Plan ("LARP") to conserve land, which has resulted in some of metallic and industrial mineral claims to be under temporary restricted status, which includes some claims in Fission. If the LARP is enacted, Government of Alberta may cancel any claims within the zones and the Company will not be permitted to continue exploration on these claims. In the event the claims are cancelled, the Company will approach the Government of Alberta for compensation of all expenditures incurred plus loss of future opportunities.

Uranium Resources Summary by Property (continued)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.

Waterbury Lake, Athabasca Basin Saskatchewan

The Waterbury Lake Property is held by the Waterbury Lake Uranium Limited Partnership consisting of the following partners:

- Fission Energy (Limited Partner) 59.99%
- Korea Waterbury Uranium Limited Partnership (Limited Partner) 39.99%
- 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 \$14,000,000 over a three year period, KEPCO subscribed for 1,000,000 common shares of Fission at \$1.00 per share. The Company had 12 months from the completion of the earn-in agreement during which it could buy back a 10% interest in WLULP for \$6,000,000. The Company also retained a 2% NSR royalty in this project.

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".

Fission Energy Corp.

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Uranium Resources Summary by Property (continued)

Waterbury Lake, Athabasca Basin Saskatchewan (continued)

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. The Company had 12 months from the completion of the earn-in agreement to acquire an additional 10% interest in WLULP for \$6,000,000. The agreement outlines new terms to accelerate exploration and development expenditures to \$30,000,000 during the three year period from calendar year 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.

In January 2011, Fission embarked on an ~\$8 million winter 2011 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 in the Discovery Bay Corridor and testing a new target in the Oban Corridor, 4 km to the north of the J Zone. The program, which concluded in the fourth quarter, resulted in the successful expansion of the J Zone high grade uranium discovery to the west increasing its area to ~370m x up to 50m. In addition, new basement mineralization was identified in seven drill holes in the western part of the J Zone below the overlapping unconformity mineralization from Line 225W to Line 315W, and the strongest mineralized hole to date, Hole WAT11-131, also located in the western part of the J Zone, intersected 14.5m grading 7.84% U_3O_8 , including 2.0m of 46.15% U_3O_8 . A new discovery named "PKB" identified unconformity mineralization in the Discovery Bay Corridor, 338m to the west of the J Zone boundary, and Hole WAT11-153A identified new mineralization 1.5 km west of the Fission/Hathor property boundary. In total, five areas of uranium mineralization have now been identified at Waterbury Lake within the Discovery Bay Corridor over a distance of approximately 1.5 kilometers trending west from the Fission/Hathor property boundary. From east to west, these are: J East, J Zone, PKB, Talisker, and the new discovery made by Hole WAT11-153A in the Discovery Bay Corridor to the west of the J Zone. While the primary focus has been to expand the J Zone high grade uranium discovery, targeted regional exploration drilling resulting in the discovery of these new zones has confirmed the presence of a large mineralized system with the potential for discovering multiple mineral occurrences that warrant follow-up drilling.

During the fourth quarter ending June 30, 2011, Fission exercised its back-in option to acquire an additional 10% limited partnership interest in the WLULP for \$6,000,000 and now holds a 60% interest in WLULP.

Uranium Resources Summary by Property (continued)Waterbury Lake, Athabasca Basin Saskatchewan (continued)

During the quarter and year ending June 30, Fission commenced a \$3.6 million, two drill, 21 hole, exploration program totalling ~7,400 m at Waterbury Lake. Twelve (12) holes were drilled at the J Zone high grade uranium discovery and the PKB extension to the west, and three (3) holes were drilled in the vicinity of Hole WAT11-153A, the mineralized discovery farthest to the west of the J Zone. Three (3) drill holes were drilled at Oban, located 4.0 km north of the J Zone, in addition to (3) drill holes at the new Murphy Lake regional target, in the northwest part of the property. Geophysical work including Time Domain Electromagnetic (TDEM) and Induced Polarization (IP) surveys were undertaken at the Oban North and Chiva areas.

Subsequent to the quarter and year ending June 30, Fission announced that final Waterbury Lake Winter 2010 and Summer 2011 assay results, have increased the J Zone strike length by over 300% from the previous summer and expanded the J Zone east-west strike length to 578m from 370m respectively.

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.

Patterson Lake South

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.

Uranium Resources Summary by Property (continued)Patterson Lake South (continued)

In June 2011, the Joint Venture announced that fieldwork on the Patterson Lake South Property, resulted in the discovery of a significant 5 km long x 1 km wide radioactive boulder field. A total of 74 radioactive boulders and hot spots were identified. Forty-two or 57% produced "off-scale" (>9,999 counts per second [cps]) radioactive readings, as measured by hand held Exploranium GR-110G total count gamma-ray scintillometers. Of the 74 boulder samples and mineralized soil samples submitted, 9 samples returned anomalous gold values from 0.101 g/t gold to 2.43 g/t gold. The presence of gold is significant as it correlates with those uranium deposits found within the western part of the Athabasca Basin.

4 claims were dropped and 4 claims were subsequently acquired by staking, bringing the combined land holdings to twelve claims totalling 25,835 ha. Subsequent to the quarter and year ending June 30th, the Joint Venture announced 25 high grade boulders with grades over 10% U₃O₈ are reported with highest grade assaying at 39.6 % U₃O₈. An additional 23 boulders assayed between 1.0% U₃O₈ to 10% U₃O₈. The uranium boulder field has now been traced for a north-south length of approximately 5km and is up to 0.9 km wide. The Joint Venture's technical team is retracing the ice direction to locate the source of the anomalous boulders. In addition, the current data sets are under review in order to plan the next phase of work, which will include ground geophysics focusing on the east-northeast trending conductors as a possible source, trenching within the boulder field, and establishing drill targets for a fall-winter 2011 program.

Davy Lake

Davy Lake comprises 8 mineral claims totaling 33,270 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. Although favorable geology, structure and alteration are present in both holes, no anomalous uranium mineralization was intersected.

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 as a result of dropping several claims to further focus on key areas and reduce holding 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). With additional staking completed in March 2011, the property now comprises 790 claims 38,133 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.

Uranium Resources Summary by Property (continued)Dieter Lake (continued)

The summer 2010 program was completed and included mapping-prospecting, re-logging and re-sampling historic drill holes and collection and evaluation of soil sediment drainage samples.

In 2012, a 2,000m drill program is planned, which will consist of 12 holes and commenced subsequent to year end. The holes to be drilled will be vertical, with spacing at 25-50m collars to expand the resource along strike. In addition to the planned drilling, relogging and resampling of significant historic drill holes, and detailed ground magnetic surveys over the deposit area will be carried out. The overall aim of the drill program is to establish continuity and expand mineralization where higher grades and thickness were reported, gain a greater understanding of the deposit with the intent of building a more predictive geological model, and determining the dominant mineral deposit type.

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. Fission currently holds a 100% interest in the Zoo Bay project.

During 2012, a property scale high resolution magnetic and radiometric airborne survey will be conducted.

Minor Bay

Fission currently holds a 100% interest in the Minor Bay property which comprises 8 claims and 24,100 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.

During 2012, a property scale high resolution magnetic and radiometric airborne survey will be conducted.

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 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.

Fission Energy Corp.

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Uranium Resources Summary by Property (continued)

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 share 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. 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. \$160,955 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 \$145,500 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

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



Financings: Private Placements (continued)

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.

On February 24, 2011 the Company completed a private placement of 9,375,000 common share units at \$0.80 per unit for gross proceeds of \$7,500,000. 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 \$1,773,865 was attributed to the common share warrants based on the Black-Scholes pricing model which was included in contributed surplus. \$293,016 was reclassified from share issuance costs to contributed surplus for the proportionate share of warrants in share units issued. The company issued 516,465 common share units to finders with a fair value of \$593,935, paid \$81,541 of expenses and issued 774,696 Broker Warrants with an attributed value of \$552,240 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 February 24, 2013. The assumptions used in the Black-Scholes pricing model included a volatility of 115%, risk free interest rate of 1.79%, 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, 2011	June 30, 2010	June 30, 2009
	\$	\$	\$
Net loss and comprehensive loss	(3,227,076)	(2,840,489)	(9,382,020)
Total assets	50,902,317	30,400,464	21,544,862
Total liabilities	3,199,301	928,582	638,132
Shareholders' equity	47,703,016	29,471,882	20,906,730
Basic and diluted loss per common share	(0.04)	(0.05)	(0.22)

Summary of Quarterly Results

Quarter Ended	June 30 2011	March 31 2011	December 31 2010	September 30 2010
	\$	\$	\$	\$
Mineral property interests	31,252,141	22,673,257	20,303,287	19,969,661
Working capital	18,320,441	25,922,148	20,549,274	9,030,365
Net and comprehensive earnings (loss)	(2,343,780)	1,429,805	(1,750,315)	(562,786)
Net earnings (loss) per share				
Basic	(0.03)	0.02	(0.02)	(0.01)
Diluted	(0.03)	0.01	(0.02)	(0.01)

Quarter Ended	June 30 2010	March 31 2010	December 31 2009	September 30 2009
	\$	\$	\$	\$
Mineral property interests	18,086,503	19,174,314	19,046,515	18,267,603
Working capital	11,304,519	3,972,942	2,893,188	4,011,631
Net and comprehensive earnings (loss)	(2,378,625)	289,367	(381,084)	(370,147)
Net earnings (loss) per share				
Basic	(0.04)	0.01	(0.01)	(0.01)
Diluted	(0.04)	0.01	(0.01)	(0.01)

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



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 year ended June 30, 2011 the Company recorded a net loss and comprehensive loss of \$3,227,076 (\$0.04 per share) compared to a net loss and comprehensive loss of \$2,840,489 (\$0.05 per share) for the year ended June 30, 2010.

Although there was no significant change in net loss and comprehensive loss for the year ended June 30, 2011 compared to the prior year, one significant difference was increased stock based compensation charges resulting from options issued (2011 - \$1,617,405; 2010 - \$423,249). Other significant differences included an increase to consulting and directors fees (2011 - \$778,572; 2010 - \$552,115) and an increase in wages and benefits (2011 - \$460,623; 2010 - \$262,556) as a result of bonuses paid out to directors, officers, employees and consultants. There are also increased costs for public relations, business development, and trade shows and conferences as the Company publicizes its recent successful exploration discoveries. The increased expenses were offset by recording a future income tax recovery of \$1,905,763.

Fourth Quarter Analysis

For the three months ended June 30, 2011, the Company reported a net loss and comprehensive loss of \$2,343,780 (\$0.03 per share) compared with a net loss and comprehensive loss of \$2,378,625 (\$0.04 per share) for the same period in 2010.

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 June 30, 2011 the Company had \$18,320,441 in working capital, and \$18,451,471 cash and cash equivalents. The Company does not have significant concerns about the liquidity of its current assets. The redeemable term deposits included in cash and cash equivalent are redeemable before maturity, and are readily available to the Company.

The increase in working capital from June 30, 2010 was supplied by \$13,200,330 and \$7,500,000 private placement financings that closed on December 2, 2010 and February 24, 2011 respectively. This was offset with the exercise of the Company's back-in option and paying KWULP \$6,000,000.

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 required to spend \$30,000,000 over the next three years. 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 but will receive credit for this in 2012 expenditures.

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.

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



Related Party Transactions

For the year ended June 30, 2011 the Company entered into the following related party transactions:

	June 30 2011	June 30 2010
	\$	\$
Amounts Paid or Accrued		
Consulting fees to officers and companies controlled by officers	407,120	273,650
Directors Fees	161,000	122,000
Geological consulting fees to companies controlled by a director	24,365	17,415
	592,485	413,065
Other Income		
Exploration management fee		
Income from WLULP	389,936	-
	389,936	-

Included in accounts payable at June 30, 2011 is \$20,533 (June 30, 2010 - \$17,325) for consulting fees owing to officers and companies controlled by officers.

Included in amounts receivable at June 30, 2011 is \$335,849 due from WLULP for funds advanced to vendors on behalf of WLULP, and \$2,238 due from WLUC for funds advanced to vendors on behalf of WLUC.

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 October 27, 2011 the Company has 102,735,805 common shares issued and outstanding, 8,208,250 incentive stock options outstanding with exercise prices ranging from \$0.20 to \$1.05 per share and 15,255,408 share purchase warrants outstanding with an exercise price of \$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”).

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



Accounting Policies Implemented Effective July 1, 2010 (continued)

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

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, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, 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 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 and the opening balance sheet as at July 1, 2010. 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 and comparative balance sheets as at June 30, 2011 and July 1, 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 transition process consists of three primary phases:

1. Scoping and diagnostic phase – The Company completed a preliminary diagnostic review, which included the determination, at a high level, the financial reporting differences under IFRS and the key areas that may be impacted.
2. Analysis, evaluation, and design phase – In this phase, each area identified during the scoping and diagnostic phase is addressed to determine more specific changes required to existing accounting policies and identifying new policies under IFRS. This phase includes preparing an analysis and conclusions on the accounting choices under IFRS, obtaining necessary IFRS training for members of management involved in financial reporting, and reviewing accounting system to ensure that it can facilitate reporting under IFRS. The Company anticipates that there will be changes to accounting policies and that these changes may have a material impact on the Company's financial statements. These are discussed in more detail in this section of the Management, Discussion & Analysis.

Recent Accounting Pronouncements (continued)International Financial Reporting Standards ("IFRS") (continued)

3. Implementation and review phase – This phase will include execution of any change to business processes, completion of formal documents analyzing the transition to IFRS, and completion of required adjustments commencing July 1, 2010 opening balances. The phase will also include completion of IFRS financial statements for the quarter ending September 30, 2011 for review and approval by the Audit Committee.

The initial scoping and diagnostic phase was completed during the first quarter of fiscal 2010. The analysis, evaluation, and design phase was initiated in fiscal 2010 and has continued during fiscal 2011 fiscal year. The implementation phase has substantially been completed in fiscal 2011.

Elected IFRS 1 Exemptions

The Company is still evaluating the various elections available under IFRS 1; however the expectation is that Company will apply the following optional exemptions:

- There is an allowance for first time adopters to not comply with IAS 21, The Effects of Change in Foreign Exchange Rates. The Company will elect to reset the cumulative translation balance to zero and adjust the retained earnings at the date of transition.
- There is an option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the transition date. The retrospective basis would require restatement of all business combinations have occurred prior to the transition period. The Company will not elect to retrospectively apply IFRS 3 to business combinations that have occurred prior to its transition date.

Impact of Adopting IFRS and Key IFRS Accounting Policies

The Company has identified significant accounting differences between Canadian GAAP and IFRS that will have an impact on the consolidated financial statements. This should not be regarded as a complete list of changes that would result from the Company's transition. The list is intended to highlight certain areas that management believes may be the most significant.

Exploration and evaluation

IFRS 6 does not prescribe accounting treatment to capitalize or expense exploration and evaluation expenses. Therefore, the Company expects to continue its current policy of capitalizing exploration and evaluation expenses.

Impairment of long-lived assets

Both accounting standards require an assessment at each reporting date as to whether there are indicators of impairment for exploration and evaluation costs. However, IFRS impairment test requires the carrying value of the assets to be compared to the higher of the fair value or the discounted cash flows projected to be generated by the asset. IFRS also allows for the impairment charges to be reversed, which cannot exceed the aggregate of previously recorded impairments.

Stock-based compensation

The methodology to calculation share-based payments under IFRS 6 differs from Canadian GAAP. IFRS 6 requires a separate fair value calculation for each tranche of stock options being vested. This will likely result in accelerated amortization charges and changes to the Company's calculation of stock-based compensation previously recorded.

Fission Energy Corp.

Management's Discussion and Analysis
For the Year Ended June 30, 2011



Recent Accounting Pronouncements (continued)

Impact of Adopting IFRS and Key IFRS Accounting Policies (continued)

Income taxes

Unlike Canadian GAAP, IFRS prohibits the recognition of deferred taxes at the time of an acquisition where the transaction is not a business combination. Accordingly, in its opening balance sheet, the Company may reverse the deferred income tax liabilities recognized on the acquisition of the mineral property interests.

Functional currency

Under Canadian GAAP, financial statements of foreign operations are translated into functional currency using temporal method for integrated operations or current rate method for self-sustaining operations. Under IFRS, each foreign entity determines its own functional currency and the financial statements are translated into the presentation currency. IFRS has a greater emphasis on the currency of revenues and costs rather than financing in the determination of functional currency.

Property and equipment

IFRS requires a different approach to the recognition and measurement of property and equipment that is different to Canadian GAAP. Depreciable assets are required to be reviewed and broken down into their component parts for depreciation purposes. Where significant components of the asset have component parts with different useful lives, a separate depreciation calculation is performed. The Company does not expect this policy to result in a significant change to its depreciation expenses.

Presentation and disclosure

IFRS requires significantly more disclosures than Canadian GAAP for certain standards. The additional disclosures will enhance the financial reporting processes to ensure all appropriate data is collected.

Subsequent Events

Subsequent to June 30, 2011:

- (a) 3,185,855 warrants were exercised for gross proceeds \$1,331,485;
- (b) 50,000 warrants were cancelled;
- (c) 82,500 stock options were granted at a purchase price of \$0.80 per option;
- (d) 162,750 stock options were cancelled; and
- (e) The Company entered into a letter of engagement to complete a brokered private placement consisting of flow-through common shares. The Company will issue 11,800,000 flow-through common shares at a price of \$0.85 per flow-through common share for total gross proceeds of \$10,030,000. The Company will be required to pay agent's commission equal to 6.0% of gross proceeds raised and issue non-transferable broker warrants equal to 6% of the number of flow-through shares issued. Each broker warrant will be exercisable at \$0.85 for a period of 24 months from the closing date. The closing date is scheduled on or about November 17, 2011.