

Consolidated financial statements of

Fission Energy Corp.

March 31, 2009

(Unaudited - prepared by management)

Fission Energy Corp.

Unaudited Interim Consolidated Financial Statements

Notice

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended March 31, 2009.

Fission Energy Corp.

March 31, 2009

Table of contents

| | |
|--|------|
| Consolidated balance sheets | 1 |
| Consolidated statements of operations and comprehensive income (loss)..... | 2 |
| Consolidated statements of shareholders' equity | 3 |
| Consolidated statements of cash flows | 4 |
| Notes to the consolidated financial statements | 5-20 |

Fission Energy Corp.

Consolidated balance sheets
(Unaudited - prepared by management)

| | March 31, 2009 | June 30, 2008 |
|--|-------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 1,517,110 | 5,199,671 |
| Short-term investments (Note 4) | 28,000 | 190,000 |
| Amounts receivable | 262,238 | 2,318,425 |
| Prepaid expenses | 14,875 | 16,813 |
| | 1,822,223 | 7,724,909 |
| Property and equipment | 88,282 | 94,388 |
| Mineral property interests (Note 5) | 24,269,924 | 23,786,084 |
| | 26,180,429 | 31,605,381 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 523,371 | 1,907,644 |
| Future income taxes | 1,008,016 | 2,426,766 |
| | 1,531,387 | 4,334,410 |
| Shareholders' equity | | |
| Capital stock | 28,819,803 | 28,364,085 |
| Contributed surplus | 1,527,802 | 1,133,283 |
| Deficit | (5,698,563) | (2,226,397) |
| | 24,649,042 | 27,270,971 |
| | 26,180,429 | 31,605,381 |

Nature and continuance of operations (Note 1)

Contingencies (Note 11)

Fission Energy Corp.

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

| | Three Months Ended March 31, 2009 | Three Months Ended March 31, 2008 | Nine Months Ended March 31, 2009 | From Inception on July 17, 2007 to March 31, 2008 |
|---|--|--|---|---|
| | \$ | \$ | \$ | \$ |
| Expenses | | | | |
| Advertising and promotion | 8,226 | 454 | 9,596 | 10,412 |
| Amortization | 5,858 | 4,063 | 17,313 | 10,312 |
| Business development | 11,256 | 26,313 | 80,649 | 48,147 |
| Consulting fees | 138,395 | 222,970 | 550,517 | 431,710 |
| Flow through share tax | - | - | 206,505 | - |
| Insurance | 8,456 | 2,988 | 21,081 | 4,136 |
| Office and miscellaneous | 31,748 | 26,732 | 78,496 | 57,778 |
| Professional fees | 47,661 | 77,165 | 148,955 | 97,948 |
| Regulatory fees | 6,116 | 4,969 | 27,771 | 9,279 |
| Rent | 16,652 | 5,009 | 54,041 | 14,895 |
| Shareholder communications | 3,057 | 7,682 | 12,335 | 16,485 |
| Stock-based compensation (Note 6) | 225,382 | 321,736 | 394,519 | 729,506 |
| Telephone | 12,211 | 5,391 | 30,824 | 15,483 |
| Trade shows and conferences | 18,527 | 21,016 | 41,401 | 35,757 |
| Transfer agent | 1,851 | 1,859 | 9,041 | 11,345 |
| Travel | 3,107 | 56,342 | 35,905 | 73,751 |
| Wages and benefits | 30,837 | 19,015 | 91,526 | 45,938 |
| | 569,340 | 803,704 | 1,810,475 | 1,612,882 |
| Loss before other items | (569,340) | (803,704) | (1,810,475) | (1,612,882) |
| Other items | | | | |
| Exploration management fee income | 208,837 | 195,668 | 390,861 | 195,668 |
| Interest income | 17,301 | 75,921 | 97,114 | 122,665 |
| Foreign exchange income/(loss) | 598 | (627) | (11,974) | (1,086) |
| Unrealized gain (loss) on investments | 12,000 | (207,000) | (162,000) | (407,000) |
| Mineral property write-down | (2,007,405) | - | (2,007,405) | - |
| Flow through share settlement (Note 7) | - | - | (931,319) | - |
| | (1,768,669) | 63,962 | (2,624,723) | (89,753) |
| Loss before income taxes | (2,338,009) | (739,742) | (4,435,198) | (1,702,635) |
| Future income tax recovery | 593,209 | 1,051,055 | 963,032 | 1,148,648 |
| Net income (loss) and comprehensive income (loss) for the period | (1,744,800) | 311,313 | (3,472,166) | (553,987) |
| Basic and diluted income (loss) per common share | (0.04) | 0.01 | (0.08) | (0.02) |
| Weighted average number of common shares outstanding | 42,088,554 | 40,391,276 | 42,088,554 | 37,400,063 |
| Weighted average number of diluted common shares outstanding | 42,088,554 | 41,003,608 | 42,088,554 | 37,400,063 |

Fission Energy Corp.

Consolidated statements of shareholders' equity
 Nine months ended March 31, 2009
 (Unaudited - prepared by management)

| | Common shares | | Contributed surplus | (Deficit) | Total shareholders' equity |
|---|-------------------|-------------------|---------------------|--------------------|----------------------------|
| | Shares | Amount | | | |
| | | \$ | \$ | \$ | \$ |
| Plan of arrangement (Note 3) | 24,168,911 | 17,166,728 | - | - | 17,166,728 |
| Common shares and flow-through shares issued for cash (Note 6 (a)) | 16,833,143 | 13,093,000 | 254,521 | - | 13,347,521 |
| Acquisition of mineral property interests | 1,000,000 | 620,000 | - | - | 620,000 |
| Exercise of stock options | 86,500 | 116,874 | (47,174) | - | 69,700 |
| Income tax benefits renounced to shareholders of flow-through shares | - | (1,794,078) | - | - | (1,794,078) |
| Share issue costs | - | (838,439) | - | - | (838,439) |
| Stock-based compensation (Note 6 (c)) | - | - | 925,936 | - | 925,936 |
| Net loss and comprehensive loss | - | - | - | (2,226,397) | (2,226,397) |
| Balance, June 30, 2008 | 42,088,554 | 28,364,085 | 1,133,283 | (2,226,397) | 27,270,971 |
| Reduction of income tax benefits renounced to shareholders of flow-through shares | - | 455,718 | - | - | 455,718 |
| Stock-based compensation (Note 6 (c)) | - | - | 394,519 | - | 394,519 |
| Net loss and comprehensive loss | - | - | - | (3,472,166) | (3,472,166) |
| Balance, March 31, 2009 | 42,088,554 | 28,819,803 | 1,527,802 | (5,698,563) | 24,649,042 |

Fission Energy Corp.

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

| | Three Months Ended March 31, 2009 | Three Months Ended March 31, 2008 | Nine Months Ended March 31, 2009 | From Inception on July 17, 2007 to March 31, 2008 |
|---|--|--|---|---|
| | \$ | \$ | \$ | \$ |
| Operating activities | | | | |
| Net loss for the period | (1,744,800) | 311,313 | (3,472,166) | (553,987) |
| Items not involving cash: | | | | |
| Amortization | 5,859 | 4,063 | 17,313 | 10,312 |
| Future income tax recovery | (593,209) | (1,051,055) | (963,032) | (1,148,648) |
| Unrealized (gain) loss on investments | (12,000) | 207,000 | 162,000 | 407,000 |
| Stock-based compensation | 225,382 | 321,736 | 394,519 | 729,506 |
| Write-down of mineral properties | 2,007,405 | - | 2,007,405 | - |
| | (111,363) | (206,943) | (1,853,961) | (555,817) |
| Change in non-cash working capital | | | | |
| Decrease (increase) in amounts receivable | (550,971) | (126,801) | 619,574 | (463,390) |
| Decrease (increase) in prepaid expenses | (10,687) | (14,875) | 1,938 | (14,875) |
| Increase (decrease) in accounts payable and accrued liabilities | (1,248,268) | (61,923) | (126,784) | 165,490 |
| | (1,921,289) | (410,542) | (1,359,233) | (868,592) |
| Investing activities | | | | |
| Mineral property additions | (1,703,310) | (2,146,464) | (7,994,327) | (5,915,822) |
| Mineral property cost recoveries | 2,480,275 | 1,447,903 | 5,682,207 | 1,472,903 |
| Property and equipment additions | - | (1,805) | (11,208) | (79,133) |
| | 776,965 | (700,366) | (2,323,328) | (4,522,052) |
| Financing activities | | | | |
| Proceeds from issuance of capital stock, net of share issuance costs | - | 926,943 | - | 12,378,923 |
| Transfer of cash per plan of arrangement | - | - | - | 500,000 |
| | - | 926,943 | - | 12,878,923 |
| Change in cash and cash equivalents during the period | (1,144,324) | (183,965) | (3,682,561) | 7,488,279 |
| Cash and cash equivalents, beginning of period | 2,661,434 | 7,672,244 | 5,199,671 | - |
| Cash and cash equivalents, end of period | 1,517,110 | 7,488,279 | 1,517,110 | 7,488,279 |

Supplemental disclosure with respect to cash flows (Note 8)

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

1. Nature and continuance of operations

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") (Note 3). The Company's principal business activity is the acquisition and exploration of mineral property interests. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties, including acquisition costs and related exploration costs, 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.

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

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

| | March 31, 2009 | June 30, 2008 |
|-----------------|-------------------|------------------|
| | \$ | \$ |
| Deficit | (5,698,563) | (2,226,397) |
| Working Capital | 1,298,852 | 5,817,265 |

2. Basis of presentation

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

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

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

2. Basis of presentation (continued)

(a) Recent accounting pronouncements

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that fiscal 2012 is the changeover date for non-calendar year end publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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

In January 2009, the AcSB issued the following Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These new Sections will be applicable to financial statements relating to the Company's interim and fiscal year end beginning on or after January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of the adoption of these new sections on its consolidated financial statements.

(iii) EIC 174 Mining Exploration Costs

On March 27, 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the period ended March 31, 2009.

3. Plan of arrangement

On June 19, 2007 the shareholders of Strathmore approved a plan of arrangement (the "Arrangement") to reorganize its Canadian and Peruvian mineral property interests. The effective date of the transaction was July 17, 2007.

Under the terms of the Arrangement, all of Strathmore's Canadian and Peruvian mineral property interests with a cost base of \$18,117,002, \$500,000 in cash and 200,000 common shares of Great Bear Uranium Corp. ("Great Bear") valued at \$50,000, were transferred to the Company. As the transaction was between companies under common control, the assets were recorded by the Company at their book value on the date of transfer. A future tax liability has been recorded in the amount of \$1,500,274 relating to the difference between the cost base of the assets and the elected values for tax purposes.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

3. Plan of arrangement (continued)

Under the terms of the Arrangement, Strathmore's shareholders as at the share distribution record date of July 13, 2007 received one new common share in the capital of Strathmore (a "Strathmore New Share") and one-third of one common share in the capital of Fission Energy (a "Fission Energy Share") for each Strathmore common share ("Strathmore Share") for a total of 24,168,911 shares issued.

In addition, all Strathmore warrant holders at the record date of the Arrangement were entitled to receive one-third of a common share of the Company for each warrant exercised. In accordance with the terms of the Arrangement, the exercise price of the warrants was allocated between Strathmore and the Company on the ratio of the fair market value of the spin-out assets to the fair market value of all assets of Strathmore prior to the Arrangement. All warrants expired unexercised.

The carrying value of the assets transferred to the Company included:

| | |
|------------------------------------|-------------------|
| | \$ |
| Cash | 500,000 |
| Investment in Great Bear | 50,000 |
| Mineral properties | 18,117,002 |
| Future tax liability | (1,500,274) |
| Net impact on share capital | 17,166,728 |

The net carrying value of \$17,166,728 was credited to share capital.

4. Short-term investments

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

| | Original cost | Unrealized loss | Fair value |
|---|------------------|--------------------|---------------|
| | \$ | \$ | \$ |
| Common shares of Great Bear | 83,000 | 79,000 | 4,000 |
| Common shares of Tribune Resources Corp. ("Tribune") | 630,000 | 606,000 | 24,000 |
| | 713,000 | 685,000 | 28,000 |

The Company has determined the fair value of its investments based on the quoted market price at March 31, 2009.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

5. Mineral property interests

| Nine month period ended March 31, 2009 | Athabasca | Fort | Caribou | Duddridge | Waterbury | Patterson | Davy | Dieter | Other | Macusani | Total |
|---|------------------|--------------------|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------------|------------------|-------------------|
| | Property | McLeod Property | Mountain and Zoo Bay Properties | Lake Property | Lake Property | Lake Property | Lake Property | Lake Property | Canadian Properties | Property | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Acquisition costs | | | | | | | | | | | |
| Balance, beginning of period | 459,702 | 724,696 | 645,625 | 382,245 | 215,498 | 149,882 | 419,091 | 619,785 | 590,036 | 69,580 | 4,276,140 |
| Additions | 720 | - | - | - | 234,948 | 12,620 | - | - | - | - | 248,288 |
| Write-down | - | (724,696) | - | - | - | - | - | - | (494,271) | - | (1,218,967) |
| Balance, end of period | 460,422 | - | 645,625 | 382,245 | 450,446 | 162,502 | 419,091 | 619,785 | 95,765 | 69,580 | 3,305,461 |
| Exploration costs | | | | | | | | | | | |
| Balance, beginning of period | 4,443,783 | 723,104 | 93,669 | 1,203,494 | 5,517,199 | 3,514,026 | 7,665,530 | 1,644,287 | 44,171 | 955,759 | 25,805,022 |
| Incurred during the period | | | | | | | | | | | |
| Geology mapping/sampling | 1,306 | 2,718 | 143,076 | 210 | 86,369 | 12,369 | 36,188 | 414,939 | 134,360 | 208,995 | 1,040,530 |
| Geophysics airborne | 3,128 | - | 158,636 | - | 6,793 | - | 756,725 | - | 108 | - | 925,390 |
| Geophysics ground | 55,326 | - | - | - | 547,572 | - | 1,614 | - | - | 2,036 | 606,548 |
| Drilling | 29,745 | 1,001 | 2,500 | 9,756 | 3,177,112 | 22,857 | 13,813 | 7,137 | 2,760 | 870 | 3,267,551 |
| Land retention and permitting | 10,698 | 424 | 1,248 | 1,266 | 23,604 | 2,488 | 1,093 | 1,920 | 3,033 | 17,301 | 63,075 |
| Reporting | 11,185 | - | 4,226 | 7,856 | 2,068 | 3,695 | 6,134 | 4,440 | 5,137 | - | 44,741 |
| Environmental | - | - | - | - | - | - | - | - | - | 18,646 | 18,646 |
| Safety | 436 | - | - | 327 | 545 | 109 | - | - | - | - | 1,417 |
| Community Relations | - | - | - | - | 2,451 | - | - | - | - | 21,417 | 23,868 |
| General | 740 | - | 234 | 2 | 52,962 | 76 | 1,652 | - | 1,806 | 170,377 | 227,849 |
| Additions | 112,564 | 4,143 | 309,920 | 19,417 | 3,899,476 | 41,594 | 817,219 | 428,436 | 147,204 | 439,642 | 6,219,615 |
| Write-down | (1,015) | (727,247) | - | - | - | - | - | - | (60,176) | - | (788,438) |
| Balance, end of period | 4,555,332 | - | 403,589 | 1,222,911 | 9,416,675 | 3,555,620 | 8,482,749 | 2,072,723 | 131,199 | 1,395,401 | 31,236,199 |
| Cumulative cost recoveries | | | | | | | | | | | |
| Balance, beginning of period | (1,534,977) | - | - | (1,038,107) | (3,620,244) | (23,643) | - | (33,215) | (44,893) | - | (6,295,079) |
| Additions | (3,150) | - | - | - | (3,798,697) | - | - | (64,849) | (109,961) | - | (3,976,657) |
| Balance, end of period | (1,538,127) | - | - | (1,038,107) | (7,418,941) | (23,643) | - | (98,064) | (154,854) | - | (10,271,736) |
| Total costs | 3,477,627 | - | 1,049,214 | 567,049 | 2,448,180 | 3,694,479 | 8,901,840 | 2,594,444 | 72,110 | 1,464,981 | 24,269,924 |

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

5. Mineral property interests (continued)

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many 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.

(a) *Athabasca Property, Canada*

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

On July 24, 2007, the Company completed an option agreement with Tribune.

Under the terms of the option agreement, Tribune may earn a 60% undivided interest in the North Shore portion of the property by issuing 600,000 common shares, which may be subject to hold periods from four months to one year, and incurring expenditures of \$10,000,000 over six years. Tribune has incurred \$1,000,000 in exploration expenditures. The Company received 600,000 common shares of Tribune valued at \$630,000.

on August 18, 2008, Tribune elected not to continue with this option agreement.

(b) *Fort McLeod Property, Canada*

The Company acquired a 100% interest in certain claims located in Alberta.

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

On November 30, 2007 the Company acquired a 100% interest in the Caribou Mountain and Zoo Bay claims located in Alberta. The Company issued a total of 700,000 common shares for the Caribou Mountain Property and 300,000 common shares for the Zoo Bay Property, together valued at \$620,000. The 700,000 common shares issued are subject to a three year escrow agreement and will be released in stages over a three year period. The Company has incurred additional costs in the amount of \$25,625 to complete the acquisition.

(d) *Duddridge Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in north central Saskatchewan, as part of a plan of arrangement with Strathmore (Note 3).

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

5. Mineral property interests (continued)

(d) Duddridge Lake Property, Canada (continued)

On July 17, 2007, the Company completed an option agreement with Great Bear, whereby Great Bear may earn up to a 60% undivided interest in the Duddridge Lake Property. To earn its interest, Great Bear must fund \$6,000,000 in exploration expenditures, make payments totaling \$400,000 and issue 400,000 common shares to Fission, as follows:

| | Cash | Common shares of the optionee | Minimum exploration commitments | Percent interest earned by optionee |
|----------------------|------------------------|--|---------------------------------------|--|
| | \$ | | \$ | |
| On signing | 150,000 ⁽¹⁾ | 200,000 ⁽¹⁾ | - | |
| Staking costs | 100,000 | | | |
| By March 31, 2008 | 150,000 ⁽¹⁾ | 200,000 ⁽¹⁾ | 750,000 ⁽²⁾ | |
| By March 31, 2009 | - | - | 1,000,000 | |
| By March 31, 2010 | - | - | 1,000,000 | 35% |
| By March 31, 2011 | - | - | 1,250,000 | 51% |
| By December 31, 2013 | - | - | 2,000,000 | 60% |
| | 400,000 | 400,000 | 6,000,000 | |

⁽¹⁾ Cash was received and the common shares of Great Bear issued in accordance with the agreement terms.

⁽²⁾ As at March 31, 2009, Great Bear had incurred \$900,000 in exploration expenditures.

On January 26, 2009 the Company agreed to the extension of the Duddridge Lake option agreement as noted below:

| Minimum Exploration Commitments | On or Before (Original Agreement) | As Amended |
|---------------------------------------|--------------------------------------|-------------------|
| \$750,000 | March 31, 2008 | Completed |
| \$1,000,000 | March 31, 2009 | March 31, 2010 |
| \$1,000,000 | March 31, 2010 | March 31, 2011 |
| \$1,250,000 | March 31, 2011 | March 31, 2012 |
| \$2,000,000 | December 31, 2013 | December 31, 2014 |

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

5. Mineral property interests (continued)

(e) *Waterbury Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Saskatchewan.

On January 30, 2008 the Company completed an earn-in agreement with a group led by Korea Electric Power Corporation ("KEPCO"), under the newly created Korea Waterbury Uranium Limited Partnership (the "Waterbury Consortium"). Pursuant to the earn-in agreement, the Company has granted the Waterbury Consortium the exclusive right to earn up to a 50% interest in the Waterbury Lake Property by funding \$14,000,000 of expenditures by January 30, 2011. Pursuant to the earn-in agreement, the Waterbury Consortium may:

- earn an initial 20% interest in the Waterbury Lake Property by subscribing for, on a private placement basis, 1,000,000 common shares of the Company at a price of \$1.00 (which was completed on March 11, 2008) and by incurring, on or prior to January 30, 2009, exploration costs in the amount of \$5,500,000. The Waterbury Consortium have met the year one requirements and the Company's interest has been reduced to 80%.
- earn an additional 15% (for an aggregate 35% interest) by incurring, on or prior to January 30, 2010, additional exploration costs in the amount of \$4,000,000; and
- earn an additional 15% (for an aggregate 50% interest) by incurring, on or prior to January 30, 2011, additional exploration costs in the amount of \$4,500,000.

In addition, the Company shall be the operator of the project and the Company shall retain an overriding royalty interest in the property of 2% of net smelter returns in yellowcake.

If the Waterbury Consortium earns the 50% interest, the Company may buy back a 10% interest for \$6,000,000.

(f) *Patterson Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Saskatchewan.

On January 21, 2008, the Company entered into a joint venture exploration agreement with ESO Uranium Corporation ("ESO") to include claims jointly staked in late 2007 on the southern extension of Fission's 100% owned Patterson Lake claims and ESO's Hook Lake Property. The 50%-50% exploration project will now be known as the Patterson Lake South Joint Venture and the joint venture partners will share costs based on their joint venture interest.

(g) *Davy Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Saskatchewan.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

5. Mineral property interests (continued)

(h) *Dieter Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Quebec. An additional 66,667 shares will be issued in the event a resource of more than 60 million pounds containing U3O8 (Uranium) is confirmed at the property

(i) *Other Properties, Canada*

The Company acquired a 100% interest in the following uranium properties including Minor Bay and Torwalt Lake located in north-central Saskatchewan.

On December 17, 2007 the Company completed an option agreement with Hillcrest Resources Ltd. ("Hillcrest"), to explore and develop Fission's Torwalt Lake Property.

Fission has granted Hillcrest the exclusive right to earn-in a total 60% undivided interest in the Torwalt Lake exploration project, pursuant to the following terms:

- Hillcrest has paid \$25,000 on signing this agreement;
- Hillcrest made a first anniversary payment of \$25,000;
- Hillcrest has funded the minimum of \$150,000 for exploration expenditures;
- Hillcrest shall earn a 15% undivided interest after incurring an additional \$250,000 in exploration expenditures on or before December 17, 2009;
- Hillcrest shall have earned a 30% total undivided interest after incurring an additional \$350,000 in exploration expenditures on or before December 17, 2010;
- Hillcrest shall have earned a 60% total undivided interest after incurring an additional \$500,000 in exploration expenditures on or before December 17, 2011; and
- The Company retains a 2% net smelter return on all future production.

(j) *Macusani Property, Peru*

The Company acquired a 100% interest in certain uranium properties located in Peru.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

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 November 15, 2007, the Company completed a brokered private placement of common and flow-through shares. The Company issued 6,572,000 common shares at a price of \$0.70 per share, and 8,415,000 flow-through shares at a price of \$0.82 per share for aggregate gross proceeds of \$11,500,700. The Company paid agent's commissions of \$537,610, plus \$52,000 of expenses and issued 700,600 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at a price of \$0.70 for a period of 1.5 years following the closing date of the private placement. The broker warrants were valued at \$254,521 using the Black-Scholes option pricing model with a volatility of 100%, risk free interest rate of 4.05%, expected life of 1.5 years, and a dividend rate of 0%. All warrants vested immediately on the date of grant.

On December 20, 2007, the Company completed a non-brokered private placement of 846,143 common shares at \$0.70 per share for total proceeds of \$592,300.

On March 11, 2008, the Company completed a non-brokered private placement of 1,000,000 common shares at \$1.00 per share for total proceeds of \$1,000,000.

(b) Stock options and warrants

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

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

6. Capital stock and contributed surplus (continued)

(b) Stock options and warrants (continued)

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

| | Stock options | | Warrants | |
|--|--------------------|---------------------------------|----------------|---------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| | | \$ | | \$ |
| Granted per plan of arrangement (Note 3) | - | - | 180,442 | 0.86 |
| Granted | 3,210,000 | 0.82 | 700,600 | 0.70 |
| Exercised | (86,500) | 0.81 | - | - |
| Expired | - | - | (180,442) | 0.86 |
| Canceled/Forfeited | <u>(10,000)</u> | 0.85 | <u>-</u> | - |
| Ousting, June 30, 2008 | 3,113,500 | 0.82 | 700,600 | 0.70 |
| Granted | 3,351,000 | 0.29 | - | - |
| Cancelled/Forfeited | <u>(2,763,500)</u> | 0.81 | <u>-</u> | - |
| Outstanding, March 31, 2009 | <u>3,701,000</u> | 0.35 | <u>700,600</u> | 0.70 |

As at March 31, 2009, incentive stock options and share purchase warrants were outstanding as follows:

Options

| Number outstanding | Exercise price | Number exercisable | Expiry date |
|--------------------|----------------|--------------------|-------------------|
| | \$ | | |
| 150,000 | 1.00 | 100,000 | March 14, 2011 |
| 150,000 | 0.85 | 60,000 | March 7, 2013 |
| 50,000 | 1.05 | 20,000 | March 31, 2013 |
| 450,000 | 0.20 | - | November 28, 2013 |
| 2,901,000 | 0.30 | 966,998 | January 13, 2014 |
| <u>3,701,000</u> | | <u>1,146,998</u> | |

Warrants

| Date issued | Number of shares issuable upon exercise | Exercise price | Expiry date |
|-------------------|---|----------------|--------------|
| | | \$ | |
| November 15, 2007 | 700,600 | 0.70 | May 14, 2009 |

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

6. Capital stock and contributed surplus (continued)

(c) Stock-based compensation

During the nine month period ended March 31, 2009, the Company granted 3,351,500 (2008 - 2,350,000) options to employees, consultants and directors. Included in options granted are 1,823,500 (2008 - Nil) re-priced options exercisable at \$0.30 per option. Concurrently, the Company cancelled 1,823,500 (2008 - Nil) options with a weighted average exercise price of \$0.81 (2008 - \$Nil). Pursuant to the granting and vesting of options issued, total stock-based compensation recognized in the statement of operations during the nine month period ended March 31, 2009 was \$394,519 (2008 - \$729,506). 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 weighted average grant date fair value was \$0.29 (2008- \$0.82) per option.

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

| Nine month period ended March 31, | 2009 | 2008 |
|-----------------------------------|------------|------------|
| Risk free interest rate | 2.73% | 2.86% |
| Expected life | 4.52 years | 4.92 years |
| Annualized volatility | 132% | 100% |
| Dividend rate | 0.00% | 0.00% |

7. Flow-through share settlement

As part of the flow-through share private placement described in Note 6(a), the Company had agreed to indemnify subscribers for income taxes incurred for any reductions in Canadian Exploration Expenses (CEE) renounced to the subscriber. The Company raised \$6,900,300 and spent \$5,147,538 on CEE. As a result, the Company has paid or accrued \$931,319 to settle the requirements of the flow-through share subscription agreements.

8. Supplemental disclosure with respect to cash flows

| | March 31, 2009 | June 30, 2008 |
|---------------------------|-------------------|------------------|
| | \$ | \$ |
| Cash and cash equivalents | | |
| Cash | (234,890) | 111,281 |
| Term Deposits | 1,752,000 | 5,088,390 |
| | 1,517,110 | 5,199,671 |

There were \$Nil cash payments for interest and income taxes during the period ending March 31, 2009.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

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

Significant non-cash transactions for the three month period ended March 31, 2009 included:

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

Significant non-cash transactions from inception to March 31, 2008 included:

- (a) Receiving marketable securities for mineral properties valued at \$663,000;
- (b) Receiving marketable securities pursuant to the plan of arrangement with Strathmore valued at \$50,000;
- (c) Issuing 24,168,911 common shares valued at \$17,166,728 pursuant to the plan of arrangement with Strathmore (Note 3);
- (d) Issuing 1,000,000 common shares valued at \$620,000 for mineral property acquisition
- (e) Recording a future tax liability from the plan of arrangement in the amount of \$1,640,443 resulting in a charge to capital stock;
- (f) Renouncing flow-through expenditures of \$6,900,300 resulting in a charge to capital stock of \$2,354,382;
- (g) Incurring mineral property expenditures of \$1,983,268 through accounts payable and accrued liabilities.

9. Related party transactions

| | Three months ended March 31, | | Nine months ended March 31, | |
|--|------------------------------|-----------|-----------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Consulting fees to officers and companies controlled by directors and officers | 52,700 | 66,000 | 232,700 | 154,000 |
| Directors fees | 26,000 | 34,500 | 102,500 | 82,166 |
| Geological consulting fees to companies controlled by a director | 6,929 | 1,264,220 | 568,692 | 1,264,220 |
| General and administrative fees to a company controlled by a director | - | 53,862 | 4,842 | 53,862 |
| | 85,629 | 1,418,582 | 908,734 | 1,554,248 |

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

9. Related party transactions (continued)

Included in accounts payable at March 31, 2009 is \$Nil (June 30, 2008 - \$22,500) for directors fees, \$3,045 (June 30, 2008 - \$18,375) for consulting fees owing to officers and companies controlled by officers, and \$Nil (June 30, 2008 - \$429,209) for consulting fees, deferred exploration and general/administrative costs owing to a company controlled by a director.

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.

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 from July 1, 2008 to March 31, 2009, to relate to this segment.

Long-lived assets by geographic area are as follows:

| | March 31, 2009 | | June 30, 2008 | |
|----------------------------|----------------|-----------|---------------|-----------|
| | Canada | Peru | Canada | Peru |
| | \$ | \$ | \$ | \$ |
| Property and equipment | 50,862 | 37,420 | 56,205 | 38,133 |
| Mineral property interests | 22,804,943 | 1,464,981 | 22,760,745 | 1,025,339 |
| | 22,855,805 | 1,502,401 | 22,816,950 | 1,063,472 |

11. Contingencies

In January 2008, the Company received an invoice in the amount of \$182,616 from a Canadian drilling company. The invoice represents amounts for services allegedly performed during 2007. The Company rejects this claim. The party has commenced legal proceedings and the Company will defend itself and will seek reimbursement for all costs associated with the defense from the claim or litigation. No amount has been accrued in these financial statements in respect of the claim as the outcome is not determinable.

In June 2008, the Company received a statement of claim for approximately \$108,000 plus costs from the Government of Saskatchewan. The basis of the claim relates to one of Strathmore's contractors allegedly performing certain surface exploration work that resulted in a forest fire. Although the Company has not been named in the lawsuit, it assumed all liabilities attached to the property on completion of the Arrangement. The Company rejects the claim. No amount has been accrued in these financial statements in respect of the claim as the outcome is not determinable.

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

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

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.

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.

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, 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 may, or may not, establish from time to time active policies to manage these 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 evaluate credit risk on an ongoing basis, including evaluation of counterparty credit rating, monitoring activities related to trade and other receivables and counterparty concentrations measured by amount and percentage.

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

13. Financial instruments and risk management (continued)

(a) Credit risk (continued)

The primary sources of credit risk for the Company arise from the following financial assets: (1) cash and cash equivalents; (2) short-term investments; and (3) amounts receivable. The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At March 31, 2009, the Company has no financial assets that are past due or impaired due to credit risk defaults.

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

| | March 31, 2009 | June 30, 2008 |
|---------------------------|---------------------------|------------------|
| | \$ | \$ |
| Cash and cash equivalents | 1,517,110 | 5,199,671 |
| Short-term investments | 28,000 | 190,000 |
| Amounts receivable | 262,238 | 2,318,425 |
| | 1,807,348 | 7,708,096 |

(b) Liquidity risk

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

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

| | March 31, 2009 | December 31 2008 |
|--|---------------------------|---------------------|
| | \$ | \$ |
| Accounts payable and accrued liabilities | 523,371 | 1,907,644 |

(c) Market risk

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

Fission Energy Corp.

Notes to the consolidated financial statements

March 31, 2009

(Unaudited – prepared by management)

13. Financial instruments and risk management (continued)

(d) Foreign exchange risk

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

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

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

| | March 31, 2009 | | June 30, 2008 | |
|---|----------------|---------|---------------|----------|
| | PEN\$ | US\$ | PEN\$ | US\$ |
| Cash and cash equivalents | 1,003 | 12,237 | (4,391) | 43,456 |
| Amounts receivable | - | - | - | 2,212 |
| Accounts payable and accrued liabilities | - | (7,347) | - | (34,876) |
| | 1,003 | 4,890 | (4,391) | 10,792 |

Based on the above net exposures at March 31, 2009, a 10% depreciation or appreciation in U.S. dollars against the Canadian dollar would result in a \$489 increase or decrease in the Company's net loss and the PEN against the Canadian dollar would result in a \$100 increase or decrease in the Company's net loss.

14. Subsequent events

Subsequent to March 31, 2009:

- the Company completed a non-brokered flow-through private placement of 583,166 common shares at \$0.36 per share for total proceeds of \$209,940.
- 700,600 broker warrants at an exercise price of \$0.70 expired unexercised.

FISSION ENERGY CORP.
FORM 51-102F2
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2009

The following discussion and analysis, prepared as of May 21, 2009, should be read in conjunction with unaudited consolidated financial statements of Fission Energy Corp. (the "Company" or "Fission") for the nine month period ended March 31, 2009 and related notes, which are prepared in accordance Canadian generally accepted accounting principles.

The reader should also refer to the annual audited consolidated financial statements for the year ended June 30, 2008 and the Management Discussion and Analysis for that year as well as the unaudited consolidated financial statements from inception on July 17, 2007 to March 31, 2008 along with the Management Discussion and Analysis for the for that period.

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 primarily in Canada. In addition, the Company holds a uranium property in the Macusani District of Peru. Fission Energy Corp. was created as a result of a plan of arrangement undertaken to reorganize Strathmore Minerals Corp. ("Strathmore") into two separate operating companies. Fission began trading as a new public company on July 25, 2007, under the symbol FIS.V (TSX Venture Exchange). Management believes that the exploration and development of uranium properties presents an opportunity for the following reasons:

- Increased long-term worldwide energy demand
- Increased long-term demand for uranium;
- Uranium demand/supply imbalance, resulting in significantly higher uranium prices;
- Potential for increased demand from developing countries as they construct new nuclear power plants; and
- Many of Fission Energy's properties are located in Saskatchewan's Athabasca Basin, home of the richest uranium deposits in the world.

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

Performance Summary and Update

Fission Energy Corp is a mineral exploration company. The Company's primary objective is to locate, evaluate and acquire uranium properties and to finance their exploration and potential development through equity financing, by way of joint venture, option agreements or other means. At the time of writing, the long-term uranium contract price was approximately US \$65 /lb. and the spot price was US \$51/lb. The following is a summary of significant events and transactions that occurred during the period.

Performance Summary and Update (cont'd...)

The quarter ending March 31, 2009 witnessed an approximate 15% increase in the spot uranium price from the US mid-\$40s to \$51 per pound and an improvement in market sentiment from the unprecedented stock market volatility and tight credit markets experienced in the previous quarter ending December 31, 2008. Despite this improvement, management expects the capital markets, which the Company may rely upon, in addition to possible partners, to fund its exploration programs, to remain uncertain for the foreseeable future. After conducting an internal review, and revising its 2009 exploration program to prioritize its efforts on its key projects, the Waterbury Lake project will continue to have the highest priority.

At Waterbury Lake, approximately \$4 million has been budgeted for exploration in 2009, which is fully funded by the KEPCO consortium as part of their earn-in agreement. Other important projects including, Duddridge Lake, Patterson Lake, Zoo Bay, and the Alberta North Shore have had sufficient exploration expenditures to keep them in good standing beyond the 2009 calendar year. Further exploration has been deferred with future funding and operational capabilities to be reviewed and evaluated on an on-going basis.

Most of the uranium properties currently held by Fission Energy Corp were originally staked or acquired by Strathmore Minerals Corp. after 2003, with the exception of the Macusani Property in Peru, which was acquired in 1997. The majority the properties are located in Saskatchewan's Athabasca Basin. Fission continues to hold one of the largest portfolios of early stage exploration properties in the Basin. Other properties outside the Athabasca Basin include: Dieter Lake in Quebec, the Fort McLeod property in southern Alberta, and the Caribou Mountains project in Northern Alberta. While Management believes its properties have the potential for hosting an economic uranium deposit, exploration carries considerable risk and there is no guarantee that an economic mineral deposit will be discovered. A list of the Company's uranium exploration projects is shown below.

| PROJECT | LOCATION | OWNERSHIP |
|-----------------------|--------------------------------|----------------------------|
| Athabasca North Shore | Athabasca Basin, AB | *100% Fission Energy |
| Fort McLeod | Southwestern AB | 100 % Fission Energy Corp. |
| Caribou Mountains | Caribou Mountains, Northern AB | 100% Fission Energy Corp |
| Duddridge Lake | Athabasca Basin, SK | J V - Great Bear Resources |
| Waterbury Lake | Athabasca Basin, SK | J V – KEPCO |
| Patterson Lake | Athabasca Basin, SK | 100% Fission Energy Corp. |
| Patterson Lake South | Athabasca Basin, SK | J V – ESO Uranium Corp |
| Davy Lake | Athabasca Basin, SK | 100% Fission Energy Corp. |
| Torwalt Lake | Athabasca Basin, SK | J V- Hillcrest Resource |
| Minor Bay | Athabasca Basin, SK | 100% Fission Energy Corp. |
| Dieter Lake | Quebec, Canada | 100 % Fission Energy Corp. |
| Zoo Bay | Athabasca Basin, SK | 100 % Fission Energy |
| Macusani | Peru, South America | 100 % Fission Energy Corp. |

* JV with Tribune Resources was terminated on August 19th, 2008.

Plan of Arrangement

On June 19, 2007 the shareholders of Strathmore approved the terms of the arrangement, (“the arrangement”) to reorganize the Canadian and Peruvian mineral property interests. The effective date of the transaction was July 17, 2007.

Under the terms of the arrangement, all of Strathmore's Canadian and Peruvian mineral property interests with a cost base of \$18,117,002 and \$500,000 in cash were transferred to the Company. A future tax liability has been recorded in the amount of \$1,500,274 relating to the difference between the cost base and the elected values for tax

Plan of Arrangement (continued)

purposes. Under the terms of the arrangement, Strathmore's shareholders as at the share distribution record date of July 13, 2007 received one new common share in the capital of Strathmore (a "Strathmore New Share") and one-third of one common share in the capital of Fission (a "Fission Energy Share") for each Strathmore common share ("Strathmore Share") for a total of 24,168,911 shares.

Private Placements

On November 15, 2007, Fission completed a brokered private placement of common and flow-through shares. The Company issued 6,572,000 common shares at a price of \$0.70 per share, and 8,415,000 flow-through shares at a price of \$0.82 per share for aggregate gross proceeds of \$11,500,700. The Company paid agent's commissions of \$537,610, plus \$52,000 of expenses and issued 700,600 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at a price of \$0.70 for a period of 18 months following the closing date of the private placement. The broker warrants were valued at \$254,521 using the Black-Scholes option pricing model.

On December 20, 2007 the Company completed a non-brokered private placement of 846,143 common shares at \$0.70 per share for total proceeds of \$592,300.

On March 11, 2008, the Company completed a non-brokered private placement of 1,000,000 common shares at \$1.00 per share for total proceeds of \$1,000,000.

Management and Board Changes

On September 8, 2008, Mr. Ross McElroy, a registered professional geologist in Saskatchewan, Alberta, and NWT/Nunavut, was promoted to President and Chief Operating Officer, replacing Mr. Jody Dahrouge. Mr. McElroy brings over 20 years professional experience on all types of mineral projects from grass roots exploration, to mine development and production. Mr. Dahrouge, P. Geol. accepted an appointment to Fission's Board of Directors.

On September 26th, David Miller, stepped down from Fission's Board of Directors to focus on his role as CEO of Strathmore Minerals Corp.

During the quarter ending December 31, 2008, Mr. Dieter Krewedl and Mr. Ray Larson resigned from the Board of Directors. They were replaced by Mr. George Sanders, who was elected at the Company's Annual General Meeting, and Mr. Frank Estergaard, who was appointed shortly thereafter. Mr. Sanders and Mr. Estergaard are independent Directors.

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. The discussion following the table provides a summary the Company's exploration activities.

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

Uranium Resources Summary by Property (continued)

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 Jody Dahrouge, P. Geol., a qualified person under National Instrument 43-10. However, a qualified person has not completed sufficient work to classify these historic mineral resources as current mineral resources; and is not treating the historic resources as current. 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

Athabasca North Shore Properties

In July 2007, Fission Energy completed an option agreement with Tribune Minerals Corp whereby Tribune has the right to acquire a 60% interest in the Company's North Shore Athabasca Property. Tribune has issued 600,000 common shares to Fission and is required to spend \$10 million in exploration over 6 years. Fission is operator, and retains an 11% buyback interest in the project. The 2007/8 exploration program began last winter with a 696 line-km, 200 m and 100 m line spacing airborne high resolution magnetic and electromagnetic (VTEM) survey in the northeast part of the property, and concluded with a seven hole spring drill program totaling 1,260 m. The drill program was successful in testing for alteration and potential mineralization at depths that exceeded previous historic drilling. Further exploration planning is underway. On August 18, 2008, Tribune Minerals Corp terminated its option agreement on the North Shore Uranium Property.

During the quarter ending March 31, 2009, the Company consolidated the North Shore and South Shore Properties into one land package, which will now be known as the North Shore Property. "Bridge" permits connecting the properties into one contiguous land package have been staked, and the overall size has been trimmed to 101,576 Ha. These changes will allow the Company to focus on the best targets identified by exploration completed to date.

Fort McLeod

The Fort McLeod property is located in Southwestern Alberta. The property totals approximately 900,000 acres (364,218 ha). The part of the western sedimentary basin covering southwestern Alberta is host to a number of uranium occurrences and showings, primarily hosted within the sandstones of the Tertiary Willow Creek formation. No work is planned for 2009.

Caribou Mountains & Zoo Bay

On December 3, 2007 the Company acquired the Caribou Mountains and Zoo Bay Uranium properties. The Caribou Mountains Property comprises 41 Metallic and industrial Mineral Permits totaling ~337,000 hectares (932,000 acres) in Northern Alberta, while the Zoo Bay claims total 12,140 hectares (~30,000 acres) along the northeast margin of the Athabasca Basin.

Duddridge Lake

The Duddridge Lake Property is situated along the eastern margins of the Wollaston Basement Domain, which underlies a number of significant uranium occurrences in the eastern part of the Athabasca Basin, Saskatchewan. These include 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 Uranium Corp., who can earn a 60% interest by spending \$6 million in exploration over 5 years. This agreement was completed when Fission Energy was part of Strathmore Minerals Corp.

Duddridge Lake (conintued)

Exploration is focusing on the area of known mineralization. A 6 hole drill program totaling 660 meters commenced in January, 2008. Fission Energy is the operator. On September 30, 2008, 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. During the quarter ending March 31, 2009, Fission and Great Bear Uranium agreed to extend all the remaining commitments on the project by one year, as shown in the accompanying table.

| Minimum Exploration Commitments | On or Before (Original Agreement) | As Amended |
|--|--|-------------------|
| \$750,000 | March 31, 2008 | Completed |
| \$1,000,000 | March 31, 2009 | March 31, 2010 |
| \$1,000,000 | March 31, 2010 | March 31, 2011 |
| \$1,250,000 | March 31, 2011 | March 31, 2012 |
| \$2,000,000 | December 31, 2013 | December 31, 2014 |

Waterbury Lake

The 40,256 hectare (99,470 acres) Waterbury Lake Property virtually surrounds the AREVA/Denison Midwest Uranium Deposit (41 million lbs U₃O₈ at an average grade of about 5.5% U₃O₈), and the Midwest "A" discovery within the east-central part of Saskatchewan's Athabasca Basin. This structural trend continues on to Fission's northeast claim area, which was staked in 2004.

On October 4, 2007, Fission Energy entered into a non-binding Memorandum of Understanding with Korea Electric Power (KEPCO) for the joint exploration and development of the Waterbury Lake project in the eastern part of the basin.

During the quarter ending March 31, 2008, an agreement with a Korean consortium led by KEPCO was signed whereby the consortium can earn up to a 50% interest in the Waterbury Lake project by expending \$14 million over a three year period. In addition, a \$1 million common share private placement with the consortium was completed at a price of \$1.00 per share (see Private Placements). Fission retains a 2% of Net Smelter Returns overriding royalty interest in the property.

Prior to the closing of this agreement, Fission completed an 8 hole first phase winter exploration drill program totaling 2,219m on its eastern claim. Significant radioactivity was encountered in three of the eight holes. Samples were systematically collected from the drill core to evaluate clay alteration minerals utilizing spectral analysis and XRD analysis. In addition, separate drill core samples were forwarded for assay by SRC Analytical Laboratories based in Saskatoon.

In February 2008, Hathor Exploration announced a significant uranium discovery near its northern Waterbury Lake claim boundary with Fission Energy. On March 3, 2008, Hathor announced its discovery hole intersected 5.29% U₃O₈ over 11.9m. The favorable geologic system, known as the "Roughrider Zone", may extend onto Fission's Waterbury Lake northern claim.

Waterbury Lake (continued))

During the quarter ended June 30, 2008, it was learned that Hathor Exploration attempted to stake additional ground in the vicinity of the "Roughrider Zone" that overlapped onto Fission's northern Waterbury Lake claim. Fission filed an objection with the Saskatchewan Ministry of Energy and Resources. This provincial government agency upheld Fission's filing, and the Company retained its key ground near the "Roughrider Zone". However, the Ministry denied the Company a small fractional claim located to the southwest of the discovery. This fractional claim was granted to Hathor Exploration, subject to corrected deficiencies.

By September 30, 2008, Fission completed an approximate \$5.5 million exploration program in the Discovery Bay area near the Roughrider Zone. The program included soil sampling, airborne and ground geophysical surveys and a 19 hole drill program. Fourteen holes focused primarily in the Discovery Bay area, adjacent, and to the west of Hathor's Roughrider Zone uranium discovery, while 5 holes tested regional geophysical targets. The program was successful in identifying a significant basement hosted anomaly, which has been named the "**Discovery Bay Zone**". The Discovery Bay Zone remains open to the west and southwest. Fission believes the Discovery Bay Zone may be associated with the Roughrider Zone, or a new system that runs approximately parallel to it. The intense hydrothermal alteration, in addition to coincident anomalous geochemistry and radioactivity indicates that the potential for significant uranium mineralization on the Fission property is high.

During the quarter ending March 31 2009, follow-up exploration began and was completed. Exploration focused on further testing of the Discovery Bay Zone from winter drilling on the lake, in addition to testing numerous additional targets. An exploration budget of approximately \$2.4 million was approved by the Joint Venture partners for the first calendar quarter of 2009. The program included ground based gravity and IP-Resistivity surveys and 7,000m of drilling. The most encouraging new areas tested are known as Talisker and Disco Bay. They are located approximately 1000m and 500m west of Discovery Bay, respectively, and exhibit excellent potential for unconformity style uranium mineralization.

Subsequent to the quarter ending March 31, 2009, Hathor Exploration announced that drill hole MWNE-09-116 "intersected the highest levels of radioactivity (as determined by down-hole gamma-ray probe data) on the property to date". This drill hole was collared approximately 10m from Fission's property boundary, in the vicinity of the Discovery Bay Zone, with the mineralized interval intersected 50m from the same property boundary. Based on Fission's exploration program completed during the quarter and Hathor's recently announced results, the Joint Venture began planning for continued exploration at Waterbury Lake. Details of the newly proposed program have not yet been finalized. However, the proposed program is expected to be completed by August 31, 2009.

Patterson Lake

Patterson Lake was acquired by staking in 2004. It comprises approximately 25,000 Ha. In 2007, the Company completed a five hole drill program totaling 1406m at its Patterson Lake property located approximately 30km south of the advanced UEX-AREVA joint venture exploration and development project in the southwestern part of the Athabasca Basin. The drilling tested two 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 is very encouraged by these results and plans are underway for an expanded exploration program. Fission has also completed a MEGATEM airborne geophysical survey at Paterson Lake. From February to April 2008, a 2,696m drill program resulted in the completion of 6 drill holes.

Patterson Lake South

In late 2007, Fission Energy and ESO Uranium Corp jointly staked 4 claims totaling 4,770 Ha on the southern extension of Fission's Patterson Lake property. After staking the claims, Fission and ESO Energy Corp entered into a joint venture exploration agreement. The companies have jointly staked additional ground and the project now consists of 11 mineral claims totaling 12,493 ha. Title to the claims is held equally in the name of Fission and ESO Energy Corp. In December, a 162 line-km MEGATEM Magnetic-EM Airborne Survey was completed over what is now defined as the Patterson Lake South project. The results of this MEGATEM survey have formed the basis for developing ground targets for future exploration.

Davy Lake

Davy Lake comprises 64 mineral claims totaling 257,442 ha. The number of claims was recently reduced to only the most prospective areas. In 2005-06 a two stage MegaTEM II survey identified a 51 km contiguous conductor. Subsequent summer geophysical programs were carried out to further identify and prioritize drill targets. An \$800,000 airborne gravity survey was completed in the fall of 2008. The results of this survey have provided a good picture of the basement structures, which are an important component for hosting unconformity uranium mineralization. Further exploration has been deferred, subject to additional financing.

Minor Bay

The Minor Bay property comprises approximately 15,886 Ha, and is located along the southeast margin of the Athabasca Basin. It is on trend with the West Bear deposit. It is an early stage exploration property with great potential based on the continuation of basement geology and magnetic trends. An airborne survey is planned for the spring of 2009.

Torwalt Lake

The Torwalt Lake property comprises 812 ha, and was acquired by staking in early 2004. It is located approximately 10km east of the Waterbury Lake project in the eastern part of the Athabasca Basin. 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. Hillcrest can earn up to a 60% interest in the project, pursuant to the terms of the agreement. Torwalt Lake is an early stage uranium exploration project. A first year exploration program was fully funded by Hillcrest and consisted of an airborne VTEM magnetic and electromagnetic survey in May, 2008 and a follow-up program of property scale soil gas mobile metal ions (MMI) sampling was conducted during the summer and fall of 2008.

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 U_3O_8 at an average grade of 0.057% U_3O_8 (Davis and Guo, 2006). The property comprises 30,864 ha, and is located approximately 150 km north of Hydro Quebec Reservoir LG-4.

An all weather camp was established by Strathmore Minerals at Dieter Lake in 2006 and is available to Fission for future exploration. A \$400,000 work program was conducted during 2008, which primarily entailed mapping, prospecting, and radon surveys. Data collected from the work program will assist future exploration programs with an aim to expand the resource beyond the known uranium mineralization.

The claims are in good standing until 2010 and beyond.

Peru

The Macusani, property is located within southeastern Peru. Fission holds the rights to 9 mineral concession blocks encompassing 51 km², and surface rights over some of the areas with known uranium mineralization.

Management is reviewing alternatives for this property. In October 2008, Fission retained the services of Intercapital Canada Inc. to assist in obtaining a listing of its common shares on the Lima Stock Exchange in Peru. As a result of the current economic crisis, this contract has been deferred indefinitely.

Results of Operations

For the quarter ended March 31, 2009, the Company incurred a net loss of \$1,744,800 or \$0.04 per share compared with a net income of \$311,313 or \$0.01 per share for the quarter ended March 31, 2008. The increased loss in the current quarter is primarily attributable to \$2,007,405 of mineral property write-downs and a reduction in future income tax recoveries. Certain non-core properties were allowed to lapse as the Company reduces its mineral property expenditure requirements to conserve cash.

The net loss for the nine months ended March 31, 2009 totaled \$3,472,166 or \$0.08 per share compared to a net loss of \$553,987 or \$0.02 per share recorded in nine month period ended March 31, 2008. The increased loss in the current period is primarily attributable to the flow through share liabilities incurred in the second quarter totaling \$931,319 and \$2,007,405 of mineral properties written down in the current quarter.

More information about exploration costs can be found in the Company's unaudited consolidated financial statements for the period ended March 31, 2009.

During the prior quarter the Company completed an internal review in response to the current financial credit crisis and stock market correction. The following planned policy changes were approved and became effective January 1, 2009. Senior management and directors have enacted a 20% compensation cut and discretionary expenditures have been reduced or eliminated. Most exploration programs, with the exception of Waterbury Lake, will be deferred.

Selected Annual Information

| | June 30, 2008 |
|----------------------------------|------------------|
| Loss for the year | \$ (2,226,397) |
| Total assets | 31,605,381 |
| Total liabilities | 4,334,410 |
| Shareholders' equity | 27,270,971 |
| Basic and diluted loss per share | \$ (0.06) |

Summary of Quarterly Results

| | | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|------------------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| 2008/2009 | Net Income (loss) | \$(413,934) | \$(1,313,432) | \$(1,744,800) | |
| | Net Income (loss) per share | \$(0.01) | \$(0.03) | \$(0.04) | |
| | | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| 2007/2008 | Net Income (loss) | \$(536,996) | \$(328,304) | \$311,313 | \$(1,672,410) |
| | Net Income (loss) per share | \$(0.02) | \$(0.01) | \$0.01 | \$(0.04) |

From the date of spin-out from Strathmore on July 17, 2007 to the end of first quarter in fiscal 2008, the Company incurred a loss of \$536,996. The new Company had limited operations during the 1st quarter of 2008 with the single largest expense of \$398,492 coming from stock based compensation. Two property option agreements were signed during the quarter.

The Company continued to expand during the 2nd quarter of 2008 and reported a net loss of \$328,304 or \$0.01 per share. Operational expenses increased in most areas but a significant decline in stock based compensation expense decreased the net loss.

The third quarter of 2008 resulted in net income of \$311,313 or \$0.01 per share. Normally the company would have expected continued losses but a future income tax recovery of \$1,056,155 created positive earnings for the quarter. The operational expenses continued to increase during the quarter amounting to \$803,704 before other items and future income tax recovery. Other items included exploration management fee income from the Company's newly signed option agreement with KEPCO and other agreements totaling \$195,668. Losses were also increased by an unrealized loss on investments of \$207,000.

In the fourth quarter of 2008, the Company incurred in a net loss of \$1,672,410 or \$0.04 per share. The increased quarterly loss was primarily attributable to the write off of Hall Lake claims and additional unrealized losses on investments.

The first quarter of fiscal 2009 resulted in a net loss of \$413,934 or \$0.01 per share. Increased losses continued from declines in value of the Company's investments in Great Bear Uranium Corp. and Tribune Resources Corp. Investment losses were offset by interest income of \$50,028 and exploration management fee income of \$150,177.

For the second quarter of fiscal 2009, the Company incurred a net loss of \$1,313,432 or \$0.03 per share compared with a net loss of \$328,304 or \$0.01 per share for the quarter ended December 31, 2007. The increased loss in the second quarter is primarily attributable to the settlement of liabilities arising from flow through share taxes and agreements. Flow through share taxes (Section 12.6 income tax expense) of \$186,246 and a tax indemnity settlement of \$931,319 substantially increased the second quarter's expenses. See Note 7 to the Company's unaudited consolidated financial statements for the period ended December 31, 2008 for more details.

Liquidity and Capital Resources

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

Liquidity and Capital Resources (continued)

At March 31, 2009 the Company had \$1,298,852 in working capital. The Company does not have significant concerns about the liquidity of its current assets. Amounts receivable totaling \$262,238 were received subsequent to the quarter end. Short term investments in equities of \$28,000 are insignificant to the Company's current assets. Cash and cash equivalents include cash in bank and bank issued term deposits, which are liquid assets, and are readily available to the Company.

The Company does not have any mineral property agreements that require it to meet certain expenditures other than a joint venture agreement with ESO Uranium where expenses are shared equally. Minimal expenses are budgeted under this agreement. The remaining mineral property agreements require the contracted party to fund exploration expenses to earn their interest. These agreements also allow the Company to charge a fee as project operator. During the nine months ended March 31, 2009 the Company earned \$390,861 (2009 - \$195,668) in exploration management fee income.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The current economic downturn will likely have a negative effect on the Company's short term financing efforts. If the Company is not able to raise additional equity financing over the next 12 months it will become necessary to significantly curtail mineral property exploration expenditures and reduce operating costs.

Related Party Transactions

For the nine months ended March 31, 2009, the Company entered into the following transactions involving related parties:

- a) Paid or accrued management consulting fees in the amount of \$129,000 to a company controlled by Devinder Randhawa, the Chairman and Chief Executive Officer for services provided to the Company and Directors fees of \$20,457.
- b) Paid or accrued management consulting fees in the amount of \$35,900 to a company controlled by an officer, Steven Khan, for services provided to the Company.
- c) Paid or accrued Directors fees of \$7,500 to David Miller, a former Director of the Company.
- d) Paid or accrued Directors fees of \$11,891 to Dieter Krewedl, a former Director of the Company.
- e) Paid or accrued Directors fees of \$11,891 to Ray Larson, a former Director of the Company.
- f) Paid or accrued Directors fees of \$20,195 to Mike Halvorson.
- g) Paid or accrued Directors fees of \$9,609 to Frank Estergaard.
- h) Paid or accrued Directors fees of \$8,957 to George Sanders.
- i) Paid or accrued management consulting fees of \$37,800 to Patrick Groening, the Chief Financial, Officer for services provided to the Company.
- j) Paid or accrued consulting fees of \$30,000, general and administrative costs in the amount of \$4,842, deferred exploration costs of \$568,692 to a company controlled by Jody Dahrouge and Directors fees of \$12,000.

Included in accounts payable at March 31, 2009 is \$Nil (June 30, 2008 - \$22,500) for directors fees, \$3,045 (June 30, 2008 - \$18,375) for consulting fees owing to officers and companies controlled by officers, and \$Nil (June 30, 2008 - \$429,209) for consulting fees, deferred exploration and general/administrative costs owing to a company controlled by a director.

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

Amounts due to related parties are due to directors and companies controlled by directors and are unsecured, non-interest bearing and have no specific repayment terms.

Outstanding Share Data

As at May 21, 2009, the Company has 42,671,720 common shares issued and outstanding. The Company also has 3,701,000 incentive stock options with exercise prices ranging from \$0.20 to \$1.05 per share and no share purchase warrants outstanding.

Financial Instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

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

Recent Accounting Pronouncements

Recent accounting pronouncement - International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that fiscal 2012 is the changeover date for non-calendar year end publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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

In January 2009, the AcSB issued the following Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These new Sections will be applicable to financial statements relating to the Company's interim and fiscal year end beginning on or after January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of the adoption of these new sections on its consolidated financial statements.

EIC 174 Mining Exploration Costs

On March 27, 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the period ended March 31, 2009.

Subsequent Event

Subsequent to March 31, 2009:

- a) the Company completed a non-brokered private placement of 583,166 flow-through common shares at \$0.36 per share for total proceeds of \$209,940
- b) 700,600 broker warrants exercisable at \$0.70 per share expired