



**Condensed Consolidated Interim
Financial Statements**

Fission Energy Corp.

**For the Three Month Period Ended
September 30, 2011**

Fission Energy Corp.

Condensed Consolidated Interim Financial Statements

For the Three Month Period Ended September 30, 2011

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Fission Energy Corp.

Condensed consolidated interim statement of financial position

		September 30	June 30	July 1
	Note	2011	2011	2010
		\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents		17,383,209	18,451,471	11,941,329
Short-term investments	5	94,200	138,000	198,000
Amounts receivable	6	577,893	861,042	71,007
Prepaid expenses		91,740	102,359	22,765
		18,147,042	19,552,872	12,233,101
Property and equipment	7	86,459	97,304	80,860
Exploration and evaluation assets	8	32,746,520	29,693,183	18,086,503
Total Assets		50,980,021	49,343,359	30,400,464
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	9	2,237,769	1,232,431	1,481,932
Total Liabilities		2,237,769	1,232,431	1,481,932
Shareholders' equity				
Share capital	10	58,967,107	56,968,021	38,637,879
Other capital reserves	10	9,544,431	9,876,933	4,911,760
Deficit		(19,769,286)	(18,734,026)	(14,631,107)
		48,742,252	48,110,928	28,918,532
Total Liabilities and Shareholder's Equity		50,980,021	49,343,359	30,400,464

Commitments (Note 8(c))

Contingency (Note 14)

Subsequent Events (Note 17)

Approved on December 23, 2011 by the Directors:

"Dev Randhawa"

Director

"Frank Estergaard, CA"

Director

Fission Energy Corp.

Condensed consolidated interim statement of comprehensive loss

	Note	Three Months Ended September 30 2011 \$	Three Months Ended September 30 2010 \$
Expenses			
Business development		87,627	36,607
Consulting and directors fees	12	138,550	153,357
Depreciation	7	10,845	6,952
Flow-through share tax		13,826	1,436
Office and administration		101,055	71,222
Professional fees		59,200	78,839
Public relations and communications		187,828	4,682
Share-based compensation	10	267,925	119,459
Trade shows and conferences		48,405	51,453
Wages and benefits	12	102,423	47,998
		1,017,684	572,005
Loss before other items		(1,017,684)	(572,005)
Other items - income/(expense)			
Exploration management fee income		66,796	87,240
Interest and miscellaneous income		49,236	22,820
Foreign exchange gain (loss)		1,783	(2,701)
Unrealized loss on investments		(43,800)	(38,300)
Exploration and evaluation write-down	8(h)	(91,591)	(28,165)
		(17,576)	40,894
Net loss and comprehensive loss for the period		(1,035,260)	(531,111)
Basic and diluted loss per common share		(0.01)	(0.01)
Weighted average number of common shares			
outstanding		102,095,555	69,287,763

Fission Energy Corp.

Condensed consolidated interim statement of shareholders' equity

	Note	Common shares		Other capital reserve	Deficit	Total shareholders' equity
		Shares	Amount			
			\$	\$	\$	\$
Balance, July 1, 2010		69,269,111	38,637,879	4,911,760	(14,631,107)	28,918,532
Exercise of stock options/warrants		33,000	17,229	(4,029)		13,200
Share-based compensation	6(c)			144,402		144,402
Net loss and comprehensive loss					(531,111)	(531,111)
Balance, September 30, 2010		69,302,111	38,655,108	5,052,133	(15,162,218)	28,545,023
Common share units and flow-through common shares						
issued for cash	6(a)	24,958,700	18,002,186	3,292,079	-	21,294,265
Flow-through share premium	3(b)		(440,022)			(440,022)
Share issue costs		516,465	(2,039,688)	567,566	-	(1,472,122)
Exercise of stock options/warrants		4,772,674	2,790,437	(771,418)	-	2,019,019
Share-based compensation		-	-	1,736,573	-	1,736,573
Net loss and comprehensive loss		-	-	-	(3,571,808)	(3,571,808)
Balance, June 30, 2011		99,549,950	56,968,021	9,876,933	(18,734,026)	48,110,928
Exercise of stock options/warrants		3,185,855	1,999,086	(667,602)		1,331,484
Share-based compensation	6(c)			335,100		335,100
Net loss and comprehensive loss					(1,035,260)	(1,035,260)
Balance, September 30, 2011		102,735,805	58,967,107	9,544,431	(19,769,286)	48,742,252

Fission Energy Corp.

Condensed consolidated interim statement of cash flows

	Three months ended September 30 2011 \$	Three months ended September 30 2010 \$
Operating activities		
Net loss and comprehensive loss	(1,035,260)	(531,111)
Items not involving cash:		
Depreciation	10,845	6,952
Unrealized loss on investments	43,800	38,300
Share-based compensation	267,925	119,459
Exploration and evaluation write-down	91,591	28,165
	(621,099)	(338,235)
Change in non-cash working capital		
(Increase) decrease in amounts receivable	283,149	(191,665)
Decrease in prepaid expenses	10,619	7,087
Decrease in accounts payable and accrued liabilities	(145,301)	(283,275)
	(472,632)	(806,088)
Investing activities		
Exploration and evaluation additions	(1,927,114)	(2,143,802)
	(1,927,114)	(2,143,802)
Financing activities		
Proceeds from exercise of options/warrants	1,331,484	13,200
	1,331,484	13,200
Decrease in cash and cash equivalent during the period	(1,068,262)	(2,936,690)
Cash and cash equivalents, beginning of the period	18,451,471	11,941,329
Cash and cash equivalents, end of period	17,383,209	9,004,639

Supplemental disclosure with respect to cash flows (Note 11)

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

1. Nature of operations

Fission Energy Corp. (the “Company”) was formed on July 17, 2007 under the laws of the Canada Business Corporations Act as a result of a plan of arrangement undertaken to reorganize Strathmore Minerals Corp. (“Strathmore”). The Company’s principal business activity is the acquisition and exploration of exploration and evaluation interests. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage. The Company’s head office is located at 700 – 1620 Dickson Ave., Kelowna, BC, V1Y 9Y2 and it is listed on the TSX-Venture Exchange under symbol FIS and under U.S. OTCQX symbol FSSIF.

The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for the exploration and evaluation assets, including acquisition 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 on the basis of accounting principles applicable to a going concern which assumes 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 exploration and evaluation assets, receive continued financial support, complete equity financings, or generate profitable operations in the future. The financial statements do not include any adjustments to assets and liabilities should the Company be unable to continue as a going concern.

2. Significant accounting policies

(a) *Statement of Compliance*

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the directors on December 23, 2011.

These are the Company’s first IFRS condensed consolidated interim financial statements. The accounting policies have been selected to be consistent with IFRS as it is expected to be effective on June 30, 2012, the Company’s first annual IFRS reporting date. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). The disclosures concerning the transition from Canadian GAAP to IFRS are included in Note 3.

(b) *Basis of Presentation*

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. The comparative figures presented in these condensed consolidated interim financial statements are in accordance with IFRS.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(b) Basis of Presentation (continued)

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these condensed interim financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending June 30, 2012.

The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS balance sheet at July 1, 2010 for the purposes of the transition to IFRS as required by IFRS 1 *First Time Adoption of International Financial Reporting Standards* ("IFRS 1").

(c) Basis of Consolidation

The condensed consolidated interim financial statements of the Company include the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Ownership Interest	Basis of Presentation
Fission Energy Peru S.A.C	Peru	100%	Consolidated
Minera Peruran S.A.C	Peru	100%	Consolidated
Waterbury Lake Uranium Corporation	Canada	60.00%	Proportionately consolidated
Waterbury Lake Uranium Limited Partnership	Canada	59.99%	Proportionately consolidated

The Company consolidates the wholly owned subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies. The Company also proportionally consolidates its interest in joint ventures, Waterbury Lake Uranium Corporation ("WLUC") and Waterbury Lake Uranium Limited Partnership ("WLULP"), based on its ownership interests.

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 condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(d) Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets are designated as FVTPL if the Company manages such investments and makes sure purchase and sale decisions are based on the fair value in accordance with the Company's risk management strategy. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company has classified its cash and cash equivalents and short-term investments as FVTPL. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's amounts receivable are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At September 30, 2011, June 30, 2011, and July 1, 2010, the Company has not classified any financial assets as available for sale.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in banks and guaranteed investment certifications ("GICs") that are readily convertible to cash with an original term less than 90 days. The Company's cash and cash equivalents are invested with major financial institutions and are not invested in any asset backed deposits/investments.

(f) Short-term Investments

Marketable securities are recorded at their fair market value on the date of acquisition and are classified as FVTPL. The carrying value of the securities is adjusted at each subsequent reporting period to the then fair value (based upon the market price and the Bank of Canada quoted exchange rate if applicable) with the resulting unrealized gains or losses included in profit or loss for the period. Transaction costs relating to the purchase of marketable securities are expensed directly to profit or loss.

(g) Foreign Currency Translation

The condensed consolidated interim financial statements are presented in Canadian dollars. The financial statements for each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). Each entity in the company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(g) Foreign Currency Translation (continued)

The functional currency of the Company, the Company's subsidiaries, and the Company's joint ventures is as follows:

- (i) Fission Energy Corp. – Canadian dollar
- (ii) Fission Energy Peru S.A.C. – Peruvian New Sol
- (iii) Minera Peruran S.A.C. – Peruvian New Sol
- (iv) Waterbury Lake Uranium Corporation – Canadian dollar
- (v) Waterbury Lake Uranium Limited Partnership – Canadian dollar

Transactions and Balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing at the reporting date are recognized in profit or loss.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign Operations

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statement of comprehensive loss are translated at exchange rates prevailing at the dates of transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

(h) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is calculated on a straight line basis at the following annual rates based on estimate useful lives:

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(h) *Property and Equipment (continued)*

When an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment.

(i) *Exploration and Evaluation Assets*

The Company records exploration and evaluation assets which consists of the costs of acquiring licenses for the right to explore and costs associated with exploration and evaluation activity, at cost. All direct and indirect costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property.

The exploration and evaluation assets are capitalized until the exploration and evaluation assets to which they relate are placed into production, disposed of through sale or where management has determined there to be an impairment. If an exploration and evaluation property interest is abandoned, both the acquisition costs and the exploration and evaluation cost will be written off to operations in the period of abandonment.

On an ongoing basis, exploration and evaluation assets are reviewed on a property-by-property basis to consider if there is any indicator of impairment. If any indication of impairment exists, an estimate of the exploration and evaluation assets' recoverable amount is calculated. The recoverable amount is determined as the fair value less costs to sell for the exploration and evaluation property interest and their value in use. The fair value less costs to sell and the value in use is determined for an individual exploration and evaluation property interest, unless the exploration and evaluation property interest does not generate cash inflows that are largely independent of other exploration and evaluation property interests. If this is the case, the exploration and evaluation property interests are grouped together into cash generating units ("CGUs") for impairment purposes.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

The Company's determination for impairment is also based on:

- (i) whether the exploration programs on the exploration and evaluation assets 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.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(i) *Exploration and Evaluation Assets (continued)*

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognized in the period in which that determination was made in profit or loss.

(j) *Financial Liabilities*

All financial liabilities are initially recorded at fair market value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and future income tax liability are classified as other financial liabilities.

The Company has no liabilities classified as FVTPL. Derivatives, including separate embedded derivatives are also classified as FVTPL and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

(k) *Flow-through Shares*

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Company separates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon expenses being incurred, the Company derecognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration within a period of two years. Failure to expend such funds as required under the Canadian income tax legislation will result in a Part XII.6 tax to the Company on flow-through proceeds renounced under the "Look-back" Rule. When applicable, this tax is accrued as a financial expense until paid.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(l) *Share-based Payments*

The Company has a stock option plan whereby it is authorized to grant stock options to directors, officers, employees and consultants. Directors, officers, employees and consultants are classified as employees who render personal services to the entity and either i) regarded as employees for legal or tax purposes, ii) work for an entity under its direction in the same way as directors, officers, employees and consultants who are regarded as employees for legal or tax purposes, or iii) the services rendered are similar to those rendered by employees.

The fair value of stock options issued to employees is measured on the grant date, using the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Company's common shares and an expected life of the options. The fair value less estimated forfeitures is charged either to profit or loss, or capitalized to the exploration and evaluation costs over the vesting period of the related options with a corresponding credit to other capital reserves in equity. Stock options granted with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

The share-based awards issued to non-employees are generally measured on the fair value of goods or services received unless that fair value cannot be reliably measured. This fair value shall be measured at the date the entity obtains the goods or the counterparty renders service. If the fair value of goods or services received cannot be reliably measured, the fair value of the share-based payments to non-employees are periodically re-measured using the Black-Scholes option pricing model until the counterparty performance is complete, and any change therein is recognized over the vesting period of the award. The cost of share-based payments to non-employees that are fully vested and non-forfeitable at the date of grant are measured and recognized at that date.

When the stock options are exercised, the proceeds are credited to share capital and the fair value of the options exercised is reclassified from other capital reserves to share capital.

The estimated forfeitures are based on historical experience and reviewed on a quarterly basis to determine the appropriate forfeiture rate based on past, present and expected forfeitures. Management uses the dynamic model to calculate the estimated forfeitures.

(m) *Interest in Joint Venture*

The Company has an interest in the Waterbury Lake property through jointly controlled entities, WLUC and WLULP, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Company recognizes its interest in the joint venture using the proportionate consolidation method. The Company combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(m) *Interest in Joint Venture (continued)*

Adjustments are made in the Company's consolidated financial statements to eliminate the Company's share of intercompany balances and transactions. The joint venture is proportionately consolidated until the date on which the Company ceases to have a joint control over the joint venture.

(n) *Income Taxes*

Current tax is the expected tax rate payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in previous years.

Deferred income taxes are recorded using the balance sheet method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) *Earnings (Loss) per Share*

The Company presents basic and diluted earnings (loss) per share for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the gain or loss attributable to common shareholders when the effect is anti-dilutive.

(p) *Related Party Transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant control over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

(q) *New Standards, Amendments and Interpretations Not Yet Effective*

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(q) *New Standards, Amendments and Interpretations Not Yet Effective (continued)*

Accounting standards anticipated to be effective July 1, 2013

Joint ventures

The IASB issued IFRS 11 *Joint Arrangements* on May 12, 2011, which will be effective for annual periods beginning on or after January 1, 2013. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and requires such entities to be accounted for using the equity method and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning July 1, 2013. The Company is currently evaluating the impact IFRS 11 is expected to have on its consolidated financial statements.

Consolidation

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation-Special Purpose Entities*, with a single standard on consolidation IFRS 10 *Consolidated Financial Statements*. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning July 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Fair-value measurement

IFRS 13, Fair Value Measurement: effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out in a single IFRS a framework for measuring fair value and new required disclosures about fair value measurements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning July 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 13.

Interests in Other Entities

The IASB has issued IFRS 12 *Disclosure of Interest in Other Entities*, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. This standard will become effective for annual periods beginning on or after July 1, 2013. Earlier adoption is permitted. The Company will adopt this new standard as of its effective date. The Company is currently analyzing the possible impact of this standard on its consolidated financial statements.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

2. Significant accounting policies (continued)

(q) *New Standards, Amendments and Interpretations Not Yet Effective (continued)*

Accounting standards anticipated to be effective July 1, 2015

Financial instruments

IFRS 9 *Financial Instruments: Classification and Measurement* will replace IAS 39 *Financial Instruments: Recognition and Measurement*. On December 16, 2011, the IASB amended the effective date of IFRS 9 to annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces new requirements for the impairment of financial assets measured at amortized cost and classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning July 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

3. First Time Adoption of IFRS

The Company has adopted IFRS with a transition date of July 1, 2010 ("Transition Date"). Under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied.

The guidance for first-time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company is applying the following exemptions on first-time adoption of IFRS:

- Cumulative currency translation differences for all foreign operations are deemed to be zero as at transition date; and
- IFRS 2 *Share-based Compensation* has been applied to equity instruments granted after November 7, 2002 which had not vested as at the Transition Date.

The IFRS 1 elections, identified above, and the significant accounting policies, set out in note 2, have been applied in preparing these condensed consolidated interim financial statements and selected unaudited comparative information presented below. The following tables reconcile the Company's unaudited statement of financial position, statement of comprehensive loss and statement of cash flows with those prepared in accordance with Canadian GAAP and as previously reported to those prepared and reported in these condensed consolidated interim financial statements in accordance with IFRS.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

Consolidated Statement of Financial Position As at July 1, 2010

	Note	Canadian GAAP \$	Adoption Adjustments \$	IFRS \$
Assets				
Current assets				
Cash and cash equivalents		11,941,329	-	11,941,329
Short-term investments		198,000	-	198,000
Amounts receivable		71,007	-	71,007
Prepaid expenses		22,765	-	22,765
		12,233,101	-	12,233,101
Property and equipment		80,860	-	80,860
Exploration and evaluation assets		18,086,503	-	18,086,503
Total Assets		30,400,464	-	30,400,464
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	3(b)	928,582	553,350	1,481,932
Total Liabilities		928,582	553,350	1,481,932
Shareholders' equity				
Share capital	3(b)	39,191,229	(553,350)	38,637,879
Other capital reserves	3(a)	4,729,559	182,201	4,911,760
Accumulated other comprehensive income		-	-	-
Deficit	3(a)	(14,448,906)	(182,201)	(14,631,107)
		29,471,882	(553,350)	28,918,532
Total Liabilities and Shareholder's Equity		30,400,464	-	30,400,464

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

Consolidated Statement of Financial Position As at September 30, 2010

	Note	Canadian GAAP \$	Adoption Adjustments \$	IFRS \$
Assets				
Current assets				
Cash and cash equivalents		9,004,639	-	9,004,639
Short-term investments		159,700	-	159,700
Amounts receivable		262,672	-	262,672
Prepaid expenses		15,678	-	15,678
		9,442,689	-	9,442,689
Property and equipment		73,908	-	73,908
Exploration and evaluation assets	3(a)	19,969,661	24,439	19,994,100
Total Assets		29,486,258	24,439	29,510,697
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	3(b)	412,324	553,350	965,674
Total Liabilities		412,324	553,350	965,674
Shareholders' equity				
Share capital	3(b)	39,208,458	(553,350)	38,655,108
Other capital reserves	3(a)	4,877,168	174,965	5,052,133
Accumulated other comprehensive income				
Deficit	3(a)	(15,011,692)	(150,526)	(15,162,218)
		29,073,934	(528,911)	28,545,023
Total Liabilities and Shareholder's Equity		29,486,258	24,439	29,510,697

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

Consolidated statement of financial position

As at June 30, 2011

	Note	Canadian GAAP \$	Adoption Adjustments \$	IFRS \$
Assets				
Current assets				
Cash and cash equivalents		18,451,471	-	18,451,471
Short-term investments		138,000	-	138,000
Amounts receivable		861,042	-	861,042
Prepaid expenses		102,359	-	102,359
		19,552,872	-	19,552,872
Property and equipment		97,304	-	97,304
Exploration and evaluation assets	3(a), 3(c)	31,252,141	(1,558,958)	29,693,183
Total Assets		50,902,317	(1,558,958)	49,343,359
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		1,232,431	-	1,232,431
		1,232,431	-	1,232,431
Deferred tax liability	3(c)	1,966,870	(1,966,870)	-
Total Liabilities		3,199,301	(1,966,870)	1,232,431
Shareholders' equity				
Share capital	3(b), 3(c)	55,947,836	1,020,185	56,968,021
Other capital reserves	3(a)	9,431,162	445,771	9,876,933
Accumulated other comprehensive income		-	-	-
Deficit	3(a)-3(c)	(17,675,982)	(1,058,044)	(18,734,026)
		47,703,016	407,912	48,110,928
Total Liabilities and Shareholder's Equity		50,902,317	(1,558,958)	49,343,359

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

Consolidated statement of comprehensive loss Three months ended September 30, 2010

	Note	Canadian GAAP \$	Adoption Adjustments \$	IFRS \$
Expenses				
Business development		36,607	-	36,607
Consulting and directors fees		153,357	-	153,357
Depreciation		6,952	-	6,952
Flow-through share tax		1,436	-	1,436
Office and administration		71,222	-	71,222
Professional fees		78,839	-	78,839
Public relations and communications		4,682	-	4,682
Share-based compensation	3(a)	151,638	(32,179)	119,459
Trade shows and conferences		51,453	-	51,453
Wages and benefits		47,998	-	47,998
		604,184	(32,179)	572,005
<hr/>				
Loss before other items		(604,184)	32,179	(572,005)
<hr/>				
Other items - income/(expense)				
Exploration management fee income		87,240	-	87,240
Interest and miscellaneous income		22,820	-	22,820
Foreign exchange loss		(2,701)	-	(2,701)
Unrealized gain (loss) on investments		(38,300)	-	(38,300)
Exploration and evaluation write-down	3(a)	(27,661)	(504)	(28,165)
		41,398	(504)	40,894
<hr/>				
Net loss and comprehensive loss		(562,786)	31,675	(531,111)

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

Consolidated statement of comprehensive loss Year Ended June 30, 2011

	Note	Canadian GAAP \$	Adoption Adjustments \$	IFRS \$
Expenses				
Business development		398,353	-	398,353
Consulting and directors fees		778,572	-	778,572
Depreciation		29,652	-	29,652
Flow-through share tax		26,057	-	26,057
Office and administration		401,006	-	401,006
Professional fees		196,743	-	196,743
Public relations and communications		381,568	-	381,568
Share-based compensation	3(a)	1,617,405	(184,649)	1,432,756
Trade shows and conferences		291,187	-	291,187
Wages and benefits		460,623	-	460,623
		4,581,166	(184,649)	4,396,517
Loss before other items				
		(4,581,166)	184,649	(4,396,517)
Other items - income/(expense)				
Exploration management fee income		389,936	-	389,936
Interest and miscellaneous income		178,421	-	178,421
Foreign exchange loss		(8,918)	-	(8,918)
Unrealized gain (loss) on investments		(60,000)	-	(60,000)
Flow-through tax recovery	3(b)	-	993,372	993,372
Exploration and evaluation write-down	3(a)	(1,051,112)	(7,177)	(1,058,289)
		(551,673)	986,195	434,522
Loss before income taxes				
		(5,132,839)	1,170,844	(3,961,995)
Future income tax recovery	3(b), 3(c)	1,905,763	(2,046,687)	(140,924)
Net loss and comprehensive loss				
		(3,227,076)	(875,843)	(4,102,919)

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

Consolidated statement of cash flows Three months ended September 30, 2010

	Note	Canadian GAAP \$	Adoption Adjustments \$	IFRS \$
Operating activities				
Net loss and comprehensive loss	3(a)	(562,786)	31,675	(531,111)
Items not involving cash:				
Depreciation		6,952	-	6,952
Unrealized loss on investments		38,300	-	38,300
Share-based compensation	3(a)	151,638	(32,179)	119,459
Exploration and evaluation write-down	3(a)	27,661	504	28,165
		(338,235)	-	(338,235)
Change in non-cash working capital				
Increase in amounts receivable		(191,665)	-	(191,665)
Decrease in prepaid expenses		7,087	-	7,087
Decrease in accounts payable and accrued liabilities		(283,275)	-	(283,275)
		(806,088)	-	(806,088)
Investing activities				
Property and equipment additions		-	-	-
Exploration and evaluation additions		(2,143,802)	-	(2,143,802)
Exploration and evaluation cost recoveries		-	-	-
		(2,143,802)	-	(2,143,802)
Financing activities				
Proceeds from issuance of common share units and flow-through common shares net of share issuance costs		-	-	-
Proceeds from exercise of options / warrants		13,200	-	13,200
		13,200	-	13,200
Increase in cash and cash equivalents		(2,936,690)	-	(2,936,690)
Cash and cash equivalents, beginning of period		11,941,329	-	11,941,329
Cash and cash equivalents, end of period		9,004,639	-	9,004,639

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

Consolidated statement of cash flows Year Ended June 30, 2011

	Note	Canadian GAAP \$	Adoption Adjustments \$	IFRS \$
Operating activities				
Net loss and comprehensive loss	3(a)-3(c)	(3,227,076)	(875,843)	(4,102,919)
Items not involving cash:				
Depreciation		29,652	-	29,652
Deferred income tax recovery	3(c)	(1,905,763)	2,046,687	140,924
Flow-through tax recovery	3(b)	-	(993,372)	(993,372)
Unrealized loss on investments		60,000	-	60,000
Share-based compensation	3(a)	1,617,405	(184,649)	1,432,756
Exploration and evaluation write-down	3(a)	1,051,112	7,177	1,058,289
		(2,374,670)	-	(2,374,670)
Change in non-cash working capital				
Increase in amounts receivable		(790,035)	-	(790,035)
Increase in prepaid expenses		(79,594)	-	(79,594)
Decrease in accounts payable and accrued liabilities		(10,574)	-	(10,574)
		(3,254,873)	-	(3,254,873)
Investing activities				
Property and equipment additions		(46,096)	-	(46,096)
Exploration and evaluation additions		(11,902,327)	-	(11,902,327)
		(11,948,423)	-	(11,948,423)
Financing activities				
Proceeds from issuance of common share units and flow-through common shares net of share issuance costs		19,681,219	-	19,681,219
Proceeds from exercise of options / warrants		2,032,219	-	2,032,219
		21,713,438	-	21,713,438
Increase in cash and cash equivalents		6,510,142	-	6,510,142
Cash and cash equivalents, beginning of the year		11,941,329	-	11,941,329
Cash and cash equivalents, end of year		18,451,471	-	18,451,471

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

Notes to the IFRS reconciliation are as follows:

(a) *Share-based compensation*

Under Canadian GAAP, the Company measured share-based compensation related to share purchase options as the fair value of the options granted using Black-Scholes option pricing model and recognized this expense over the vesting period of the options. IFRS 2 *Share-based Compensation*, which is similar to Canadian GAAP, requires the Company to measure share-based compensation related to share purchase options granted at the fair value of the options on the date of the grant and recognize such expense over the vesting period of the options. IFRS 2 also requires each tranche in an award with graded vesting be considered as a separate grant with different vesting date and fair value whereas the total fair value of the award was recognized on a straight-line basis over the vesting period under Canadian GAAP.

IFRS 2 also has a broader definition of an employee allowing the Company to group employees and others providing similar services together. This has resulted in certain consultants to be classified as employees.

Adjustments were calculated only for unvested options issued and outstanding after the Transition Date. As a result of these differences, the Company has adjusted its share-based payments. The amounts recorded in other capital reserves for share-based compensation increased by \$182,201 as at July 1, 2010, decreased by \$7,236 for the three month period ended September 30, 2010 and increased by \$445,771 for the year ended June 30, 2011. In addition, exploration and evaluation assets have increased by \$441,042, net of \$7,177 write-down, as at June 30, 2011 and by \$64,736, net of \$2,439 write-down, for the three month period ended September 30, 2011 (2010 - \$24,439, net of \$504 write-down).

(b) *Flow-through shares*

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors, which are securities issued to investors, whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the Company. Under Canadian GAAP, in accordance with EIC-146 *Flow-through Shares*, a deferred tax liability is recognized on the date that the Company files renouncement documents with the Canadian tax authorities assuming there is reasonable assurance the expenditures will be made.

In accordance with IFRS, the issue of flow-through share is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position to recognize the obligation to incur and renounce eligible exploration and evaluation expenditures. Accordingly, the Company recognized a flow-through share premium of \$553,350 and of \$440,022 for the flow-through share issuances on April 2, 2010 and December 2, 2010 respectively.

As the renouncement documents have been filed with the tax authorities, the tax benefit passed to the shareholder and the liability has recognized in profit or loss as a flow-through tax recovery as at June 30, 2011.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

3. First time adoption of IFRS (continued)

(c) Income taxes

Unlike Canadian GAAP, IAS 12 prohibits the recognition of deferred taxes at the time of an acquisition where the transaction is not a business combination. Accordingly, as at June 30, 2011, the Company has reversed the deferred income tax liability \$2,000,000 and the related deferred income tax valuation allowance of \$33,130 that was recognized on the acquisition of the additional 10% interest in WLULP as described in Note 8(c). In addition, IFRS requires an application of backwards tracing of the prior year share issuance costs, which resulted in an increase in deferred income tax recovery of \$262,338 as at June 30, 2011.

(d) Foreign currency translation

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, each entity determines its functional currency. The wholly owned subsidiaries changed their functional currency from Canadian dollar to Peruvian New Sol. The carrying value of the Peruvian exploration and evaluation assets is written off at the end of each reporting period, and therefore there is no impact on the consolidated financial statements at the date of transition.

4. Key Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Exploration and evaluation expenditure

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recovered by future exploitation or sale where the activities have not reached a stage which permits a reasonable assessment of existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstance, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that the recovery of the expenditure is unlikely, the relevant capitalized amount will be written off in the statement of comprehensive loss in the period when the new information becomes available.

(b) Share-based compensation

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

4. Key Estimates and Assumptions

(b) *Share-based compensation (continued)*

This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating share-based compensation transactions are disclosed in Note 10.

5. Short-term Investments

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

		Fair Market Value			
		Number	September 30	June 30	June 30
		of Shares	2011	2011	2010
			\$	\$	\$
Stratton Resources Inc.	(a)	60,000	46,200	42,000	18,000
Great Bear Resources Ltd.	(b)	400,000	48,000	96,000	180,000
Iron Tank Resources Corp.	(b)	8,888	-	-	-
			94,200	138,000	198,000

(a) The Company has determined the fair value of its investments based on the level 1 quoted market prices at September 30, 2011. During the period ended September 30, 2011, Tribune Minerals Corp. changed its name to Stratton Resources Inc. and the Stratton shareholders approved 2:1 split of the outstanding common shares.

(b) In the prior year, 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.

6. Amounts Receivable

	September 30	June 30	July 1
	2011	2011	2010
HST receivable	\$ 204,630	\$ 369,865	\$ 58,345
Due from joint venture participant	104,051	357,798	-
Other receivables	269,212	133,379	12,662
	\$ 577,893	\$ 861,042	\$ 71,007

The Company does not have any significant balances that are past due. Significant accounts receivable are current, and the Company does not have any allowance for doubtful accounts. Due to their short-term maturities, the fair value of accounts receivable approximates their carrying value.

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

7. Property and Equipment

Property and equipment consists of the following:

Cost	Geological Equipment	Office Equipment	Computer Hardware	Computer Software	Vehicles	Building	Total
As at July 1, 2010	\$ 63,857	\$ 26,480	\$ 33,313	\$ 4,484	\$ -	\$ 20,190	\$ 148,324
Additions	-	-	6,076	9,239	30,781	-	46,096
Disposals	-	-	-	-	-	-	-
As at June 30, 2011	\$ 63,857	\$ 26,480	\$ 39,389	\$ 13,723	\$ 30,781	\$ 20,190	\$ 194,420
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
As at September 30, 2011	\$ 63,857	\$ 26,480	\$ 39,389	\$ 13,723	\$ 30,781	\$ 20,190	\$ 194,420

Accumulated Depreciation	Geological Equipment	Office Equipment	Computer Hardware	Computer Software	Vehicles	Building	Total
As at July 1, 2010	\$ 35,969	\$ 11,836	\$ 13,361	\$ 4,484	\$ -	\$ 1,814	\$ 67,464
Depreciation	12,780	5,304	9,609	385	770	804	29,652
As at June 30, 2011	\$ 48,749	\$ 17,140	\$ 22,970	\$ 4,869	\$ 770	\$ 2,618	\$ 97,116
Depreciation	3,195	1,326	2,658	1,155	2,310	201	10,845
As at September 30, 2011	\$ 51,944	\$ 18,466	\$ 25,628	\$ 6,024	\$ 3,080	\$ 2,819	\$ 107,961

Net Book Value	Geological Equipment	Office Equipment	Computer Hardware	Computer Software	Vehicles	Building	Total
As at July 1, 2010	\$ 27,888	\$ 14,644	\$ 19,952	\$ -	\$ -	\$ 18,376	\$ 80,860
As at June 30, 2011	15,108	9,340	16,419	8,854	30,011	17,572	97,304
As at September 30, 2011	\$ 11,913	\$ 8,014	\$ 13,761	\$ 7,699	\$ 27,701	\$ 17,371	\$ 86,459

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

8. Exploration and Evaluation Assets

3 Months Period Ended

September 30, 2011

	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 period	460,422	382,245	6,590,550	149,882	18,752	26,970	636,311	246,298	-	8,511,430
Additions	-	-	-	-	34,850	-	28,449	-	-	63,299
Balance, end of period	460,422	382,245	6,590,550	149,882	53,602	26,970	664,760	246,298	-	8,574,729
Exploration costs										
Balance, beginning of period	4,668,183	1,240,806	19,717,613	3,616,110	140,780	3,711,496	2,903,266	563,969	-	36,562,223
Incurred during the period										
Geology mapping/sampling	-	-	11,561	-	5,748	-	33,623	-	40,342	91,274
Geophysics airborne	-	-	270	-	-	-	-	449,024	150	449,444
Geophysics ground	-	-	187,587	-	650	-	26,021	4,729	-	218,987
Drilling	-	-	779,935	-	-	-	1,376,284	562	4,533	2,161,314
Land retention and permitting	2,390	122	4,538	-	3,659	937	3,965	516	18	16,145
Reporting	-	-	6,448	-	156	-	7,988	2,389	-	16,981
Environmental	-	731	-	-	-	-	-	-	-	731
Safety	-	-	5,164	-	-	-	3,481	-	-	8,645
Community Relations	-	-	-	-	-	-	-	-	15,108	15,108
General	-	-	6,436	-	7	-	381	-	29,001	35,825
Share-based compensation	416	228	42,159	-	2,273	416	16,094	3,150	2,439	67,175
Additions	2,806	1,081	1,044,098	-	12,493	1,353	1,467,837	460,370	91,591	3,081,629
Write-down	-	-	-	-	-	-	-	-	(91,591)	(91,591)
Balance, end of period	4,670,989	1,241,887	20,761,711	3,616,110	153,273	3,712,849	4,371,103	1,024,339	-	39,552,261
Cumulative cost recoveries										
Balance, beginning of period	(1,538,127)	(1,038,107)	(12,321,827)	(65,665)	(25,395)	(47,047)	(179,948)	(164,354)	-	(15,380,470)
Balance, end of period	(1,538,127)	(1,038,107)	(12,321,827)	(65,665)	(25,395)	(47,047)	(179,948)	(164,354)	-	(15,380,470)
Total costs	3,593,284	586,025	15,030,434	3,700,327	181,480	3,692,772	4,855,915	1,106,283	-	32,746,520

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

8. Exploration and Evaluation Assets (continued)

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	
	Properties	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
Write-down	-	-	-	-	(3,794)	(11,380)	-	(31,004)	-	(46,178)
Balance, end of year	460,422	382,245	6,590,550	149,882	18,752	26,970	636,311	246,298	-	8,511,430
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
Share-based compensation	7,407	920	339,065	306	1,572	10,554	57,929	23,289	7,177	448,219
Additions	24,733	2,916	5,195,923	15,896	52,624	443,898	714,572	192,228	147,945	6,790,735
Write-down	-	-	-	-	(22,050)	(835,421)	-	(6,695)	(147,945)	(1,012,111)
Balance, end of year	4,668,183	1,240,806	19,717,613	3,616,110	140,780	3,711,496	2,903,266	563,969	-	36,562,223
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	3,590,478	584,944	13,986,336	3,700,327	134,137	3,691,419	3,359,629	645,913	-	29,693,183

Fission Energy Corp.

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For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

8. Exploration and Evaluation Assets (continued)

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

(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 held by 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% 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.

Fission Energy Corp.

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For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

8. Exploration and Evaluation Assets (continued)

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

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. The WLULP agreement also 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 \$12,259,238 has been incurred by WLULP as of September 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 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, four claims were staked and four claims were allowed to lapse. As a result of the four 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.

(f) *Dieter Lake Property, Canada*

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

Fission Energy Corp.

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8. Exploration and Evaluation Assets (continued)

(g) Other Canadian Properties

(i) Fort McLeod Property, Canada

The Company acquired a 100% interest in certain claims located in Alberta in fiscal 2008 and recorded a 100% impairment during fiscal 2009. The Company staked additional ground in fiscal 2010.

At 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.

(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 \$147,945 for the year ended June 30, 2011 (June 30, 2010 - \$116,653) and a write-down of \$91,591 for the period ended September 30, 2011 (September 30, 2010 - \$28,165).

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

9. Accounts payable and accrued liabilities

Due within the year	September 30 2011	June 30 2011	July 1 2010
Trade payables	\$ 2,139,970	\$ 1,130,318	\$ 590,104
Accrued liabilities	42,494	88,321	36,881
Flow-through share liability	-	-	553,350
Payroll and other payables	55,305	13,792	301,597
	<u>\$ 2,237,769</u>	<u>\$ 1,232,431</u>	<u>\$ 1,481,932</u>

10. Stock capital and reserves

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

(a) Private placements

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 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 \$1,518,214 was attributed to the common share warrants based on the Black-Scholes pricing model and has been included in other capital reserves. \$160,955 was reclassified from share issuance costs to other capital reserves 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 other capital reserves. 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. A flow-through liability of \$440,022 was recognized, which reduced share capital and was taken into profit or loss when the renunciation documents were filed.

Fission Energy Corp.

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For the three months ended September 30, 2011
Unaudited – All amounts in Canadian dollars unless otherwise noted

10. Stock capital and reserves (continued)

(a) Private placements (continued)

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 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 \$1,773,865 was attributed to the common share warrants based on the Black-Scholes pricing model and has been included in reserve. \$293,016 was reclassified from share issuance costs to reserve 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 other capital reserves. 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.

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

	Stock options		Warrants	
	Number of	Weighted	Number of	Weighted
	Shares issuable	average	Shares issuable	average
	upon exercise	exercise	upon exercise	exercise
		price		price
		\$		\$
Balance July 1, 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
Granted	82,500	0.80	-	-
Exercised	-	-	(3,185,855)	0.42
Expired	-	-	(50,000)	0.40
Outstanding, September 30, 2011	8,371,000	0.61	15,255,408	1.00

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

Unaudited – All amounts in Canadian dollars unless otherwise noted

10. Stock capital and reserves (continued)

(b) Stock options and warrants (continued)

As at September 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
82,500	0.80	27,500	August 6, 2014
1,244,500	0.55	801,750	February 3, 2015
150,000	0.80	97,500	March 24, 2015
3,459,000	0.80	1,729,000	December 30, 2015
450,000	1.00	225,000	January 27, 2016
8,371,000		5,775,750	

Warrants			
Date issued	Number of shares issuable upon exercise	Exercise price	Expiry date
		\$	
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
	15,255,408		

(c) Share-based compensation

During the period ended September 30, 2011, the Company granted 82,500 options (2010 – nil). Pursuant to the granting and vesting of options issued, share-based compensation of \$267,925 during the period ended September 30, 2011 (2010 - \$119,459) was recognized in profit or loss and share-based compensation of \$67,175 (2010 - \$24,943) was recognized in exploration and evaluation assets. The total amount was also recorded as other capital reserves on the statement of financial position. 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:

	September 30 2011
Risk Free Interest Rate	1.10% - 1.30%
Expected Life - Years	2.09 - 3.00
Annualised Volatility	107% - 133%
Divided Rate	0%

Fission Energy Corp.

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11. Supplemental disclosure with respect to cash flows

	September 30 2011	June 30 2011	July 1 2011
	\$	\$	\$
Cash and cash equivalents			
Cash	2,314,505	3,382,767	2,690,291
Redeemable Term Deposits	15,068,704	15,068,704	9,251,038
	17,383,209	18,451,471	11,941,329

There were no cash payments for interest and income taxes during the three month period ended September 30, 2011 and September 30, 2010.

Significant non-cash transactions for the 3-month period ended September 30, 2011 included:

- (a) Incurring exploration and evaluation related expenditures of \$1,150,639 through accounts payable and accrued liabilities;
- (b) Reclassifying \$667,602 from other capital reserves to share capital on exercise of warrants;

Significant non-cash transactions for the 3-month period ended September 30, 2010 included:

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

12. Related party transactions

The Company identified its directors and certain senior management as its key management personnel. The compensation costs for key management personnel for the three months ended September 30, 2011 and 2010 are as follows:

	September 30 2011	September 30 2010
	\$	\$
Amounts Paid or Accrued		
Wages and consulting fees paid to key management personnel	160,000	156,850
Share-based payments for options granted to key management personnel	138,404	80,046
	298,404	236,896
Other Income		
Exploration management fee income from WLULP	66,796	87,240
	66,796	87,240

Fission Energy Corp.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2011

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12. Related party transactions (continued)

Share-based payments represent the fair value calculations of options in accordance with IFRS 2 *Share-based Payments* granted to key management personnel.

Included in accounts payable at September 30, 2011 is \$26,781 (June 30, 2011 - \$20,533) for consulting and directors fees owing to officers, and companies controlled by officers.

Included in amounts receivable at September 30, 2011 is \$44,730 (June 30, 2011 - \$335,849, July 1, 2010 - \$nil) due from WLULP and \$1,995 (June 30, 2011 - \$2,238, July 1, 2010 - \$nil) due from WLUC for funds advanced to vendors on behalf of WLULP and WLUC respectively.

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.

13. Segmented Information

The Company primarily operates in one reportable operating segment, being the exploration of exploration and evaluation assets. Long-lived assets by geographic area are as follows:

	September 30, 2011		June 30, 2011		July 1, 2010	
	Canada	Peru	Canada	Peru	Canada	Peru
	\$	\$	\$	\$	\$	\$
Property and equipment	63,641	22,818	74,020	23,284	51,975	28,885
Exploration & evaluation	32,746,520	-	29,693,183	-	18,086,503	-
	32,810,161	22,818	29,767,203	23,284	18,138,478	28,885

14. 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.

15. Capital management

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

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

Fission Energy Corp.

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15. Capital management (continued)

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions. The Company anticipates continuing to access equity markets to fund continued exploration of its mineral properties and the future growth of the business.

16. Financial instruments and risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 comprehensive loss.

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.

Fission Energy Corp.

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16. Financial instruments and risk management (continued)

(a) Credit risk (continued)

The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At September 30, 2011, 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 September 30, June 30, 2011 and July 1, 2010 is as follows:

		September 30	June 30	July 1
	Class Level	2011	2011	2010
		\$	\$	\$
Cash and cash equivalents	1	17,383,209	18,451,471	11,941,329
Short-term investments	1	94,200	138,000	198,000
Amounts receivable	N/A	577,893	861,042	71,007
		18,055,302	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 exploration and evaluation 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:

	Maturity	September 30	June 30	July 1
	Dates	2011	2011	2010
		\$	\$	\$
Accounts payable and accrued liabilities	< 6 months	2,237,769	1,232,431	1,481,932

(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.

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16. Financial instruments and risk management (continued)

(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.

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:

	September 30, 2011		June 30, 2011		June 30, 2010	
	PEN	US\$	PEN	US\$	PEN	US\$
Cash and cash equivalents	4,788	21,701	4,171	16,450	3,868	15,738
Accounts payable and accrued liabilities	-	(12,575)	-	(4,983)	-	(1,305)
	4,788	9,126	4,171	11,467	3,868	14,433

Based on the above net exposures at September 30, 2011, a 10% change in U.S. dollars against the Canadian dollar would result in a \$913 (June 30, 2011 - \$1,147) change in the Company's net income or loss; similarly a 10% change in the PEN against the Canadian dollar would result in a \$479 (June 30, 2011 - \$417) change in the Company's net income or loss.

17. Subsequent Events

Subsequent to September 30, 2011:

- (a) 162,750 stock options were cancelled;
- (b) 26,000 stock options were exercised for gross proceeds of \$9,300; and
- (c) The Company completed a brokered private placement consisting of flow-through common shares. The Company issued 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 paid agent's commission of \$637,915 and issued 623,701 non-transferable broker warrants. Each broker warrant is exercisable at \$0.85 for a period of 24 months from the closing date of November 17, 2011.