



Management's Discussion & Analysis

Fission Energy Corp.

For the 3 Months Ended September 30, 2011

Fission Energy Corp.

Management's Discussion and Analysis
For the 3 Months Ended September 30, 2011



The following discussion and analysis, prepared as of December 23, 2011 should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes of Fission Energy Corp. (the "Company" or "Fission") for the three months ended September 30, 2011. The reader should also refer to the audited consolidated financial statements for the year ended June 30, 2010 as well as the Management's Discussion and Analysis for that year.

The Company's condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the Canadian Accounting Standards Board ("AcSB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC")

These are the Company's first condensed consolidated interim financial statements prepared in accordance with IAS 34 and IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on June 30, 2012, the Company's first annual IFRS reporting date. These financial statements do not include all of the information required for full annual consolidated financial statements. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and the Company's website at www.fission-energy.com, or by requesting further information from the Company's head office located in Kelowna, BC, Canada.

Forward Looking Statements

Statements in this report that are not historical based facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward looking statements.

Description of Business

Fission Energy Corp. is a junior resource issuer primarily engaged in the acquisition, exploration, and development of uranium resource properties in Canada and Peru. The Company's primary objective is to locate, evaluate and acquire uranium properties and to finance their exploration and potential development by way of equity financing, joint ventures, option agreements or other means.

Fission Energy Corp. was formed on July 17, 2007 as a result of a plan of arrangement undertaken to reorganize Strathmore Minerals Corp. ("Strathmore") into two separate operating companies. Fission began trading as a new public company on July 25, 2007 under the symbol FIS.V (TSX Venture Exchange) and FSSIF (OTCQX U.S.)

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

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

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

- *Increased long-term demand for uranium*

Increased long-term demand is expected from developing countries as they construct new nuclear power plants. Sixty-Five nuclear power plants are currently under construction worldwide, most notably in China, India, South Korea, and Russia. The most significant increase in demand is expected to come from China as a result of its planned nuclear build-out over the next two decades. China has virtually no current domestic uranium production, yet annual uranium demand is forecast to grow from 5.5 million lbs in 2009 to 63 million lbs by 2020. (RBC Capital Markets: Uranium Market Outlook: Second Quarter-2011)

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Description of Business (continued)

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

Country	Construction	Planned	Proposed	Total
China	27	51	120	198
India	6	17	40	63
Russia	10	14	30	54
USA	1	7	27	35
South Africa	2	10	5	17
Ukraine	0	2	11	13
South Korea	5	6	0	11
Canada	3	3	3	9
Total	54	110	236	400

Source: World Nuclear Association Website-www.world-nuclear.org (Updated October 21, 2011)

- *Uranium demand/supply imbalance*

A global uranium demand/supply imbalance has existed for several years, creating a potential for significantly higher uranium prices over the long-term. While a rapidly rising uranium price between 2004-2007 stimulated the development of new supply, according to RBC Capital Markets it may not be enough to meet future demand. Despite the Fukushima nuclear accident, which occurred in March 2011, RBC Capital Markets continues to forecast supply deficits for every year from 2012 onwards. (RBC Capital Markets: Uranium Market Outlook, Second Quarter-2011). Supply, to meet the current production shortfall, is derived from secondary sources, most notably the decommissioning of old Soviet nuclear weapons. Known as the "Megatons for Megawatts" treaty with Russia, secondary supply from Russia began entering the market in 1993. With the treaty not expected to be renewed after it expires in 2013, an estimated 24 million lbs of uranium will be removed from the market. Countries with existing or newly developing nuclear power plants will need to source long-life uranium assets from politically stable jurisdictions.

Since 2003, the increased uranium demand and higher prices, has stimulated new exploration and development of both new and previously explored uranium properties worldwide. This trend resulted in a strong supply response, most notably from Africa and Kazakhstan. The new production is primarily from lower grade deposits, which is not sustainable over the long-term, without higher uranium prices. Higher prices will be necessary to encourage new production to meet the forecast supply deficit expected in 2012 and beyond.

The richest and lowest cost uranium deposits in the world are located in Saskatchewan's Athabasca Basin, which is the primary exploration focus of Fission. The Company controls a substantial number of prospective exploration projects here, which were mostly staked in 2003-04. The entire Athabasca Basin and areas beyond its boundary have since been staked by many companies. It is here in the Athabasca Basin that the Company believes it is positioned to make a potential economic uranium discovery due to the high exploration potential of its properties and its experienced management and technical team.

Description of Business (continued)

The Company has prioritized its properties and began exploration work on its highest ranked exploration property in 2008; Waterbury Lake, located in the eastern part of the Athabasca Basin. Exploration began in earnest, subsequent to the execution of a 50% earn-in agreement concluded with a consortium led by Korea Electric Power Corporation (NYSE-KEP), for the joint development of the Waterbury Lake Property. In 2010, after the terms of the earn-in agreement had been satisfied, Fission and the Korean Consortium entered into a definitive 50/50 Limited Partnership Agreement. The Waterbury Lake Uranium Limited Partnership ("WLULP") agreement was signed on August 16, 2010, which supersedes the original earn-in agreement. WLULP was officially formed December 30, 2010. The Company had 12 months from the completion of the earn-in agreement during which time it could buy back a 10% interest in WLULP for \$6,000,000. On April 12, 2011 the Company exercised its back-in option by paying Korea Waterbury Uranium Limited Partnership ("KWULP") \$6,000,000. The WLULP agreement requires that the Company and its partner spend a total of \$30,000,000 for exploration and evaluation costs over the next three years. The Company was appointed operator for WLULP and is entitled to a management fee equal to 10% of expenditures for operator services.

Fission has approximately 358,220 Ha of exploration properties with uranium potential.

1. 174,261 Ha (49%) are located in Saskatchewan in and around the Athabasca Basin;
2. 132,130 Ha (37%) comprise properties that are located in Alberta;
3. 46,729 Ha (13%) comprise the Dieter Lake Property in Quebec; and
4. 5,100 Ha (1%) comprise the Macusani Property in Peru.

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

Recent Events**Fukushima Nuclear Plant Accident**

In March, 2011, a powerful 9.0 earthquake, followed by a tsunami struck northern Japan, causing extensive damage to the Fukushima nuclear power plant. The earthquake was seven times more powerful than the nuclear reactors built there were designed to withstand. Fear of radioactive contamination of the surrounding environment and a possible nuclear reactor meltdown, ensued. The negative market sentiment that immediately followed suggests that the accident may delay or discourage the current nuclear build-out, which in turn would negatively impact the demand for uranium.

Subsequent to the quarter ending September 30, 2011, Bloomberg News reported that only 10 of 54 nuclear power plants in Japan were producing electricity, and that operating rates were only 18.5% of capacity, the lowest since the reporting of monthly statistics began in 1977. In addition, a number of uranium producing companies including Cameco and Uranium One reduced their uranium demand growth forecasts by 5-10% over the next decade. Overall, analysts believe that uranium demand and supply will generally be in balance for the remainder of 2011, with deficits emerging in 2012 and continuing to 2020. Estimated reductions in both industry demand and supply have been factored into the latest forecasts. Reduced supply is expected to occur as a result of mine permitting delays going forward, and reduced production growth from Kazakhstan, currently the largest uranium producing country in the world.

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Recent Events (continued)

Fukushima Nuclear Plant Accident (continued)

In Europe, Germany and Switzerland have both made strong political statements moving away from nuclear power, with Germany stating an intention to close all seventeen nuclear reactors in that country. Switzerland subsequently suspended the approval process for three new nuclear reactors, later making the ban permanent, and its five existing reactors, which supply 40% of the country's power will not be replaced at the end of their life span, with the last plant to go off-line in 2034. (World Nuclear News. "Swiss Cabinet Goes for Nuclear Phase-Out". May 25, 2011). While the largest decline in nuclear power capacity is expected in Western Europe, those regions and countries with long-term plans for the construction of the largest number of new nuclear power plants: China, South Korea, Russia, and India, are maintaining their current nuclear reactor development plans, with a focus on increased safety. This trend suggests current and proposed reactor construction will more than offset expected and possible reactor closures in Western Europe. Adam Schatzker of RBC Capital Markets forecast that "There is not enough uranium production, either current or planned, to satisfy reactor needs, initial core requirements and inventories for new reactors. A sustainably higher price should help resolve this gap."

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

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

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

Performance and Summary Update



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Performance and Summary Update (continued)

During the first half of 2010 the uranium spot price remained weak, hovering in the low US \$40/lb. range, but increased dramatically during the second half of the year to close at US \$62.50/lb by year end. During the twelve months ending December 31, 2010, the spot and long term price traded in a range between US\$40-54/lb and US\$62-70/lb, respectively. The long-term contract price, which is not published as frequently as the weekly spot price, but accounts for almost 80% of the global uranium bought and sold, reached an all-time high of approximately US \$95 in mid-2007 before declining to a multi-year low of US \$58/lb in March 2010. During the same period, the uranium spot price reached an all-time high of US \$138/lb, before declining to a low of US \$40.50 on March 1, 2010. The gap between the spot price and long-term contract price that existed during the first half of 2010 narrowed during the second half of 2010 and into January 2011. Both the spot price and long-term price traded at US \$73/lb price at the end of January 2011. After the Fukushima nuclear accident in March, volatility increased significantly during that month with the spot price trading in an approximate range between US \$67 and US \$47/lb.

In April, the total volume of uranium transacted in the spot market was only 2 million lbs, which is the lowest monthly volume since December 2009 (Raymond James Canada: Uranium Industry Comment May 4, 2011). Volatility has lessened in recent months due to the weaker volumes and the current spot price has settled at US \$52.25 per lb (December 5, 2011). The long-term price has been much more stable and the November month-end price closed at US \$63/lb, again demonstrating a wide gap between the spot and long-term prices.

In addition to the volatility in the spot uranium price, the negative sentiment toward uranium equities following the Fukushima accident, has significantly affected the Company's share price, which has weakened considerably. Given that Fission is an exploration company, the selling pressure has resulted in a share price that has fallen faster than producing companies with cash flow, reversing the positive investor sentiment toward the uranium sector, prior to the Fukushima accident. However, during and subsequent to the quarter ending September 30th, an unsolicited takeover bid by Cameco for Hathor Exploration, whose uranium exploration project borders Fission's flagship Waterbury Lake Property, resulted in a bidding war with Rio Tinto. Rio Tinto appears to be emerging with the successful acquisition bid. The bidding war attracted attention to Fission common shares, which saw significantly higher than average trading volumes and an increased share price that notably outperformed its peers in what can be described as a very weak uranium sector. The apparent success of Rio Tinto's bid to acquire Hathor, brings new competition to the Athabasca Basin in the form of a leading international uranium producer.

Fission's goal is to discover an economic uranium deposit through exploration. The Company's properties are located primarily in Saskatchewan's Athabasca basin, home of the richest and lowest cost uranium deposits in the world. The Company's flagship project is the Waterbury Lake Property, located in the eastern part of the Athabasca basin. The 40,256 hectare (~ 98,000 acres) Waterbury Lake Property virtually surrounds the AREVA/Denison Midwest Uranium Deposit (41 million lbs U₃O₈ at an average grade of about 5.5% U₃O₈), and its eastern property boundary is immediately adjacent to Hathor Exploration's Roughrider high grade uranium discovery made in 2008. The same structural trend continues on to Fission's northeast claim area, and in February 2010, Fission announced a high grade unconformity style uranium discovery, subsequently named the "J Zone". Waterbury Lake is the Company's most advanced uranium exploration project. Subsequent to the quarter ending September 30th, Fission announced a \$7.3 million, 25,000m drill program utilizing three rigs, to commence in early January, 2012.

In June, Fission and its 50% Joint Venture partner ESO Uranium Corp. announced that recent field work on their Patterson Lake South Property, located in the south-west margin of Saskatchewan's Athabasca Basin, has resulted in the discovery of a significant 5 km long x 1 km wide radioactive boulder field. The Joint Venture announced twenty-five (25) high grade boulders with grades over 10% U₃O₈ are reported with highest grade assaying at 39.6 % U₃O₈. Exploration is continuing at this new discovery and a fall-winter 2011 drill program is currently underway.

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Changes and Accomplishments for the 3 months ended September 30, 2011 and Subsequent

- July 2011: Fission and its 50% Joint Venture Partner ESO Uranium ("JV") announced that field work on the Patterson Lake South ("PLS") Property in the southwest part of the Athabasca basin, led to the discovery of a significant 4km radioactive boulder train with "off-scale" radioactivity. Additional staking has increased the Joint Venture property holdings from 13,497 ha to 25,450 ha.
- July 2011: High grade boulders assaying up to 39.6% U308 were identified at the PLS Property. Planning is underway for additional field work, and establishing drill targets for a fall/winter drill program.
- July 2011: Final Waterbury Lake Winter 2010 assay results increased the J Zone strike length by over 300% from the previous summer results.
- August 2011: Summer drill program commenced at Dieter Lake property in northern Quebec. The program will test an area east of Vivian Lake. Twelve vertical drill hole locations have been identified to expand the resource.
- August 2011: Fission and its Limited Partner, the Korea Waterbury Uranium Limited Partnership, completed Waterbury Lake 2011 summer drill program and successfully expanded the J Zone east-west strike length to 578m from 370m (56% since drilling commenced in July).
- September 2011: Ross McElroy was appointed to Fission's Board of Directors. Mr. McElroy is Fission's President and COO, and is a professional geologist with over 25 years of experience in the mining industry.
- September 2011: Of the 74 boulder samples and mineralized soil samples submitted from the PLS Property, 9 samples returned anomalous gold values from 0.101 g/t gold to 2.43 g/t gold. The presence of gold is significant as it correlates with those uranium deposits found within the western part of the Athabasca Basin.
- October 2011: There is a field program underway at the PLS Property to identify bedrock source. The JV budgeted \$0.8 million for the current program, which focuses on surface trenching and geophysics.
- October 2011: The Company entered into a letter of engagement to complete a brokered private placement consisting of 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.
- November 2011: Trenching at the PLS property has yielded an additional 49 radioactive boulders with 19 boulders producing "off-scale" radioactive readings. Of the 18 trenches completed, 8 exhibited significant radioactivity.
- November 2011: The JV engaged Aggressive Drilling Ltd. to complete 10 hole, 1,000m drill program at the PLS Property, which is scheduled to begin in mid-November. The JV also engaged Patterson Geophysics Ltd. to carry out a ground geophysical survey consisting of 30.8 line-km of horizontal loop electromagnetic and DC-Resistivity.
- November 2011: Fission and its Limited Partner, the Korea Waterbury Uranium Limited Partnership ("the Waterbury Consortium"), announced that a \$7.3 million winter exploration program, including 25,000m of drilling with three drills, at its flagship 40,256 ha Waterbury Lake uranium project, will commence in early January 2012.

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Changes and Accomplishments for the 3 months ended September 30, 2011 and Subsequent (continued)

- November, 2011: The Company closed a brokered "bought deal" private placement on November 17 with a syndicate of underwriters, 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 will be required to pay agent's commission equal to 6.0% of gross proceeds raised and issue non-transferable broker warrants equal to 6% of the number of flow-through shares issued. Each broker warrant will be exercisable at \$0.85 for a period of 24 months from the closing date.

Exploration Projects

A list of the Company's 13 uranium exploration projects is shown below:

Property	Location	Ownership	Claims	Hectares	Stage	Carrying Value
North Shore	Athabasca Basin, AB	100%	28	100,718	C	3,593,284
Duddridge Lake	Central SK	100% (*1)	6	12,954	C	586,025
Waterbury Lake	Athabasca Basin, SK	60% (*2)	13	40,256	C	15,030,434
Patterson Lake	Athabasca Basin, SK	100%	9	25,316	C	3,700,327
Patterson Lake South	South margin of Athabasca Basin, SK	50% JV - ESO	11	24,835	B	181,480
Davy Lake	Athabasca Basin, SK North-Central	100%	8	33,270	C	3,692,772
Dieter Lake	Quebec	100%	968	46,729	B	4,855,915
Fort McLeod	Southwestern, AB	100%	5	31,412	A	169
Zoo Bay	Athabasca Basin, SK East margin of	100%	2	11,752	B	301,765
Minor Bay	Athabasca Basin, SK	100%	10	24,100	B	735,421
Torwalt Lake	Athabasca Basin, SK	100% (*3)	1	812	B	5,665
Waterbury Lake North	Athabasca Basin, SK	100%	3	966	B	63,263
Macusani	Peru, South America	100%	9	5,100	A	-
Totals			1,073	358,220		32,746,520

Exploration Stage:

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

Notes:

- *1 - The Joint Venture with Great Bear was terminated on April 9, 2010.
- *2 - In April, 2011 Fission exercised its "back-in option" to acquire an additional 10% limited partnership interest in the WLULP for \$6,000,000. As a result the company now holds a 60% limited partnership interest in WLULP.
- *3 - The Joint Venture with Hillcrest was terminated on January 8, 2010 as Hillcrest did not meet minimum expenditure requirements.

Exploration is dependent on funding, partnering, and other operational capabilities, which are reviewed and evaluated on an ongoing basis. While management believes its properties have the potential for hosting an economic uranium deposit, exploration carries considerable risk and there is no guarantee that an economic mineral deposit will be discovered.

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Corporate Goals

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

- Continue to advance exploration and development of the "flagship" Waterbury Lake Property.
- Further exploration at the Company's Dieter Lake Property in Quebec.
- Evaluate Alternatives for the Company's Macusani Property in Peru.
- Pursue potential strategic opportunities that could enhance shareholder value.

Uranium Resources Summary by Property

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

Location	Previous Operator	Resource Classification	Tonnage	Grade % U3O8	Lbs/U3O8
Dieter Lake, PQ	Uranerz	NI 43-101: Inferred	19,312,816 tonnes	0.057	24,424,306
Dudrdridge Lake, SK	Noranda	NI 43-101: Inferred	227,880 tonnes	0.105	487,663

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

North Shore

Fission currently holds a 100% interest in the North Shore property. This property resulted from the consolidation of the North Shore and South Shore properties into one land package during the year ended June 30, 2009. "Bridge" permits connecting the properties into one contiguous land package have been staked, and the overall size has been trimmed to 28 mineral permits totaling approximately 100,718 ha. These changes will allow the Company to focus on the best targets identified by exploration completed to date.

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

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Uranium Resources Summary by Property (continued)

Duddridge Lake

The 6 claim, 12,954 ha Duddridge Lake property is situated along the eastern margins of the Wollaston Basement Domain, the same basement domain that underlies a number of significant uranium occurrences in the eastern part of the Athabasca Basin, Saskatchewan. Where it occurs beneath the Athabasca Basin, the Wollaston Basement Domain hosts some of the richest uranium deposits known worldwide, including: Key Lake, Millennium, McArthur River, Cigar Lake, Midwest Lake and Eagle Point. The McArthur River, Millennium and Eagle Point uranium deposits contain significant amounts of 'basement-hosted' uranium mineralization similar to Duddridge Lake. In 1974/75, Noranda Exploration began an exploration drill program and completed more than 30 holes.

In 2007, this project was joint-ventured with Great Bear Resources Ltd. or "Great Bear" when Fission Energy was part of Strathmore Minerals Corp. On April 9, 2010 Great Bear gave Fission written notice to terminate its option agreement and now Fission currently holds a 100% interest in the property.

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

Waterbury Lake, Athabasca Basin Saskatchewan

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

- Fission Energy (Limited Partner) 59.99%
- Korea Waterbury Uranium Limited Partnership (Limited Partner) 39.99%
- Waterbury Lake Uranium Corporation (General Partner) 0.02%.

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

In January 2008, a consortium led by Korea Electric Power Corporation (KEPCO) (NYSE-KEP), entered into an agreement for the joint development of Fission's Waterbury Lake Property, located in the eastern part of Saskatchewan's Athabasca Basin. In addition to an earn-in of up to 50% through phased exploration expenditures totaling \$14,000,000 over a three year period, KEPCO subscribed for 1,000,000 common shares of Fission at \$1.00 per share. The Company had 12 months from the completion of the earn-in agreement during which it could buy back a 10% interest in WLULP for \$6,000,000. The Company also retained a 2% NSR royalty in this project. On April 12, 2011, the Company exercised its back-in option and the Company now holds a 60% interest in WLULP.

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

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Uranium Resources Summary by Property (continued)

Waterbury Lake, Athabasca Basin Saskatchewan (continued)

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

With the completion of the Waterbury Lake 2010 winter drill program, the KEPCO Waterbury Consortium satisfied its earn-in requirements. A newly formed Limited Partnership named the Waterbury Lake Uranium Limited Partnership was created with Fission Energy and the Korea Waterbury Uranium Limited Partnership each holding a 50% interest in the Waterbury Lake Property. The Company had 12 months from the completion of the earn-in agreement to acquire an additional 10% interest in WLULP for \$6,000,000. The agreement outlines new terms to accelerate exploration and development expenditures to \$30,000,000 during the three year period from calendar year 2010-2012 was signed, with Fission as the operator.

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

In January 2011, Fission embarked on an ~\$8 million winter 2011 exploration and development program with three drills to build on the success of the J-Zone unconformity high grade uranium discovery made in 2010 in addition to continued drilling in the Discovery Bay Corridor and testing a new target in the Oban Corridor, 4 km to the north of the J Zone. The program, which concluded in the fourth quarter, resulted in the successful expansion of the J Zone high grade uranium discovery to the west increasing its area to ~370m x up to 50m. In addition, new basement mineralization was identified in seven drill holes in the western part of the J Zone below the overlapping unconformity mineralization from Line 225W to Line 315W, and the strongest mineralized hole to date, Hole WAT11-131, also located in the western part of the J Zone, intersected 14.5m grading 7.84% U_3O_8 , including 2.0m of 46.15% U_3O_8 . A new discovery named "PKB" identified unconformity mineralization in the Discovery Bay Corridor, 338m to the west of the J Zone boundary, and Hole WAT11-153A identified new mineralization 1.5 km west of the Fission/Hathor property boundary. In total, five areas of uranium mineralization have now been identified at Waterbury Lake within the Discovery Bay Corridor over a distance of approximately 1.5 kilometers trending west from the Fission/Hathor property boundary. From east to west, these are: J East, J Zone, PKB, Talisker, and the new discovery made by Hole WAT11-153A in the Discovery Bay Corridor to the west of the J Zone. While the primary focus has been to expand the J Zone high grade uranium discovery, targeted regional exploration drilling resulting in the discovery of these new zones has confirmed the presence of a large mineralized system with the potential for discovering multiple mineral occurrences that warrant follow-up drilling.

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Uranium Resources Summary by Property (continued)

Waterbury Lake, Athabasca Basin Saskatchewan (continued)

In June 2011, Fission commenced a \$3.6 million, two drill, 21 hole, exploration program totalling ~7,731.4m at Waterbury Lake. Twelve (12) holes were drilled at the J Zone high grade uranium discovery and the PKB extension to the west, and three (3) holes were drilled in the vicinity of Hole WAT11-153A, the mineralized discovery farthest to the west of the J Zone. Three (3) drill holes were drilled at Oban, located 4.0 km north of the J Zone, in addition to (3) drill holes at the new Murphy Lake regional target, in the northwest part of the property. Geophysical work including Time Domain Electromagnetic (TDEM) and Induced Polarization (IP) surveys were undertaken at the Oban North and Chiva areas.

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

Subsequent to the quarter ending September 30th, Fission and its Limited Partner, the Korea Waterbury Uranium Limited Partnership announced that a \$7.3 million winter exploration program, including 25,000m of drilling with three drills, at Waterbury Lake will commence in early January 2012.

Patterson Lake

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

Patterson Lake South

In late 2007, Fission Energy staked 2 claims totaling 3,354 ha on the southern extension of its PLS Property. On January 17, 2008 Fission and ESO Uranium Corp (ESO) entered into a 50:50 immediately vested joint venture exploration agreement whereby Fission contributed its 2 claims and ESO contributed its 2 claims (totaling 1,417 ha) for a total package of 4 claims totaling 4,771 ha. Under the agreement, both companies will participate equally in exploration and management expenditures and title to the claims is held equally in the name of Fission and ESO. In December 2008, a 162 line-km MEGATEM Airborne Survey was completed over what is now defined as the Patterson Lake South project, the results of which formed the basis for developing ground targets for future exploration.

In October 2009, a 3,200 line-km high resolution airborne magnetic and radiometric survey was completed across the property. The results indicate a strong, 900 meter long train of radioactive boulders extending southwards off the original claim block. The boulder train runs south from a coincident radon soils anomaly (identified in earlier work completed by CanOxy Petroleum Ltd) that is centered over an extension of the Patterson conductor corridor that appears to have been disrupted by cross cutting structures. In April 2010, additional ground was staked to cover this area adding approximately 1004 hectares (2,480 acres) to the Joint Venture claim block. The most recent airborne survey used state of the art radiometric and high resolution aeromagnetic surveys and was flown on 50m line spacing with an average magnetometer sensor altitude of 17m, by Special Projects Inc of Calgary, Alberta. This survey targeted a corridor of conductors extending from the SSW trending Patterson Corridor on the adjacent Purepoint Uranium Inc - Cameco Joint Venture claims that had been previously identified from earlier airborne and ground surveys.

Fission Energy Corp.

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Uranium Resources Summary by Property (continued)

Patterson Lake South (continued)

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

5 claims were dropped and 4 claims were subsequently acquired by staking, bringing the combined land holdings to 11 claims totalling 24,835 ha. During the quarter ending September 30th, the JV announced 25 high grade boulders with grades over 10% U₃O₈ are reported with highest grade assaying at 39.6 % U₃O₈. An additional 23 boulders assayed between 1.0% U₃O₈ to 10% U₃O₈. The uranium boulder field has now been traced for a north-south length of approximately 5km and is up to 0.9 km wide. Subsequent to the first quarter ending September 30th, a trenching program yielded an additional 49 radioactive boulders with 19 boulders producing "off-scale" radioactive readings. The boulder field has now been traced for a north-south length of approximately 5km X up to 0.9km wide. The successful completion of this trenching program represents a significant step towards locating the bedrock source of this large uranium boulder field. Additional ground geophysical programs are underway, and initial drill locations have been selected that target shallow basement mineralization along the down-ice flanks of resistivity targets that may reflect hydrothermal alteration. A planned 10 hole, 1,000m drill program is scheduled to be completed before the December 31st calendar year.

Davy Lake

Davy Lake comprises 8 mineral claims totaling 33,270 ha following a recent reduction in the number of claims to only the most promising areas. In 2005/06 a two stage MEGATEM airborne geophysical survey identified a 51 km contiguous conductor. Subsequent summer geophysical programs were carried out to further identify and prioritize drill targets. An airborne gravity survey in the fall of 2008 provided a good picture of the basement structures which are an important component for hosting unconformity uranium mineralization. In October 2009 a further 1,509 line-km airborne magnetic and electromagnetic survey flown by Geotech Ltd. helped isolate and provide good resolution to the magnetic and conductive nature of the sub-surface geology. In June and July 2010 a 2-hole drill program (2,388m) was completed. The first hole intersected the unconformity at 1045m. Although favorable geology, structure and alteration are present in both holes, no anomalous uranium mineralization was intersected.

Basement rocks consisted of graphitic pelitic gneiss with quartz veining and hydrothermal alteration immediately below the unconformity. The second hole was terminated at 1,236m in sandstone. To date, the Company has recorded a \$380,841 write-down of acquisition costs and a \$5,279,692 write-down of exploration costs as a result of dropping several claims to further focus on key areas and reduce holding costs. Fission holds a 100% interest in the Davy Lake project.

Dieter Lake

Fission holds a 100% interest in the Dieter Lake property, which has a NI 43-101 inferred resource totaling 24.4 million lbs U₃O₈ at an average grade of 0.057% U₃O₈ (Davis and Guo, 2006). With additional staking completed in March 2011 and in August 2011, the property now comprises 968 claims 46,729 ha and is located approximately 150 km north of Hydro Quebec Reservoir LG-4.

A \$408,000 work program was conducted during 2008, which primarily entailed mapping, prospecting, and radon surveys. Data collected from that work program will help to develop future programs that will expand the resource beyond the known uranium mineralization. All claims are presently in good standing.

Fission Energy Corp.

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Uranium Resources Summary by Property (continued)

Dieter Lake (continued)

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

In 2011, a 10 hole, 1,781m drill program was completed. Nine holes were drilled vertically and one hole (DT11-010) was drilled at a -45° angle within an area of the known deposit. The holes were spaced at 25-50m collars with the intent to better constrain the understanding of controls of mineralization. In addition to the completed drilling, relogging and resampling of significant historic drill holes, and detailed ground magnetic surveys over the deposit area were carried out. The overall aim of the drill program was to establish continuity and expand mineralization where higher grades and thickness were reported, gain a greater understanding of the deposit with the intent of building a more predictive geological model, and determining the dominant mineral deposit type.

Zoo Bay

On November 30, 2007 the Company acquired the Zoo Bay property comprising 2 claims totaling 11,752 ha along the northeast margin of the Athabasca Basin, in northern Saskatchewan. Fission currently holds a 100% interest in the Zoo Bay project.

During 2011, a 3,243 line-km property scale high resolution magnetic and radiometric airborne survey was conducted by Special Projects Inc.

Minor Bay

Fission currently holds a 100% interest in the Minor Bay property which comprises 10 claims and 24,100 ha and is located along the southeast margin of the Athabasca Basin on a trend with the West Bear deposit (1.266 M lbs @ 0.44% U3O8). It is an early stage exploration property with great potential based on the continuation of basement geology and magnetic trends.

A 1,248 line-km airborne magnetic and electromagnetic survey was conducted in May 2009. A number of interesting structures across the property were identified in both EM and magnetic data. The conductive anomalies can be attributed to faulted graphitic metapelite units in the basement rocks or to clay rich alteration zones.

During 2011, a 6,322.6 line-km property scale high resolution magnetic and radiometric airborne survey was conducted by Special Projects Inc.

Torwalt Lake

Fission owns a 100% interest in the Torwalt Lake property which comprises 1 claim and 812 ha and was acquired by staking in early 2004. It is located approximately 10 km east of the Waterbury Lake project in the eastern part of the Athabasca Basin and is an early stage uranium exploration project. The major uranium deposits are found in the general vicinity, including the nearby Dawn Lake mine.

On December 17, 2007, Fission completed an option agreement with Hillcrest Resources Ltd. to explore for uranium at the Company's Torwalt Lake property. The agreement allowed Hillcrest to earn up to a 60% interest in the project. Hillcrest did not meet the minimum expenditure requirement at December 17, 2009 and the agreement was terminated on January 8, 2010.

Waterbury Lake North

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

Fission Energy Corp.

Management's Discussion and Analysis
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Uranium Resources Summary by Property (continued)

Peru

The Macusani property is located within southeastern Peru. Fission holds the rights to 9 mineral concession blocks encompassing 5,100 ha and two surface rights over some of the areas with known uranium mineralization. Legal title of the surface rights has been challenged by the community of Corani and is being adjudicated in the Peruvian courts. Continuing discussions are in place which the Company believes will be settled in its favour due to its senior title on the properties.

Financings: Private Placements

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 income when the renunciation documents were filed.

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.

Fission Energy Corp.

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Summary of Quarterly Results (Unaudited)

Quarter Ended	September 30 2011	June 30 2011 ⁽¹⁾	March 31 2011 ⁽¹⁾	December 31 2010 ⁽¹⁾
	\$	\$	\$	\$
Exploration and evaluation assets	32,746,520	31,252,141	22,673,257	20,303,287
Working capital	15,909,273	18,320,441	25,922,148	20,549,274
Net loss and comprehensive loss	(1,035,260)	(2,343,780)	1,429,805	(1,750,315)
Net earnings (loss) per share				
Basic	(0.01)	(0.03)	0.02	(0.02)
Diluted	(0.01)	(0.03)	0.01	(0.02)

Quarter Ended	September 30 2010	June 30 2010 ⁽¹⁾	March 31 2010 ⁽¹⁾	December 31 2009 ⁽¹⁾
	\$	\$	\$	\$
Exploration and evaluation assets	19,994,100	18,086,503	19,174,314	19,046,515
Working capital	8,477,015	11,304,519	3,972,942	2,893,188
Net loss and comprehensive loss	(531,111)	(2,378,625)	289,367	(381,084)
Net earnings (loss) per share				
Basic	(0.01)	(0.04)	0.01	(0.01)
Diluted	(0.01)	(0.04)	0.01	(0.01)

⁽¹⁾ Prepared in accordance with Canadian GAAP

Results of Operations

The expenses incurred by the Company are typical of junior exploration and development companies that do not have established cash flows from mining operations. Changes in these expenditures from quarter to quarter are impacted directly by non-recurring activities or events.

For the three months ended September 30, 2011, the Company reported a net loss and comprehensive loss of \$1,035,260 (\$0.01 per share) compared to a net loss and comprehensive loss of \$531,111 (\$0.01 per share) for the three months ended September 30, 2010.

Net loss and comprehensive loss for the three months period September 30, 2011 has increased in comparison to the prior year comparative period, which resulted from two significant increases. The increase of net loss and comprehensive loss was primarily attributed to the increase of share-based compensation and an increase of public relations and communications. The share-based compensation expense increased resulted of granting 82,500 options and an increase in the number of vesting options (2011 - \$267,925; 2010 - \$119,459). The increase of public relations and communications resulted of the Company enhancing its public relations program to publicize its recent successful exploration discoveries (2011 - \$187,828; 2010 - \$4,682).

Other differences included an increase in wages and benefits (2011 - \$102,423; 2010 - \$47,998) as a result of increase of employees and an increase of business development (2011 - \$87,627; 2010 - \$36,607) as a result of the Company's focus on publicizing its recent successful exploration discoveries.

The Company does not have any significant revenues other than exploration management fee income and interest and related investment income. The exploration management fee income for the three months ended September 30, 2011 was \$66,796 versus \$87,240 for the comparative period. The decrease is attributed to acquiring 10% interest in WLULP and holding 60% interest in WLULP versus holding 50% interest in the comparative period. Investment income for the three months ended September 30, 2011 was \$49,236 versus \$22,820 for the comparative period. The increase is attributed to the overall increase in the amounts available for investment during the three months period ended September 30, 2011 versus the comparative period.

Fission Energy Corp.

Management's Discussion and Analysis
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Liquidity and Capital Resources

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

At September 30, 2011, the Company had cash and cash equivalents of \$17,383,209 and short-term investments of \$94,200 for a total of \$17,477,409. The Company also had a positive working capital balance of \$15,909,273. At June 30, 2011, the Company had cash and cash equivalents of \$18,451,471, short-term investments of \$138,000, and a positive working capital balance of \$18,320,441. The Company's accounts payable and accrued liabilities at September 30, 2011 were \$2,237,769 compared to \$1,232,431 as at June 30, 2011. The Company does not have significant concerns about the liquidity of its current assets. The redeemable term deposits included in cash and cash equivalent are redeemable before maturity, and are readily available to the Company.

Cash inflows from financing activities totaled \$1,331,484 for the three months ended September 30, 2011 versus \$13,200 for the comparative period. This is primarily attributed to the exercise of warrants.

On November 17, 2011, the Company closed a brokered "bought deal" 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.

Other than the WLULP and a joint venture agreement with ESO Uranium on Patterson Lake South where expenses are shared equally, the Company has no mineral property agreements that require it to meet certain expenditures.

As noted previously, under the WLULP agreement, Fission and its partner are required to spend \$30,000,000 over the next three years. The agreement also appointed Fission as operator and allows the Company to charge a management fee of 10% of expenditures for operator services.

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

Fission Energy Corp.

Management's Discussion and Analysis
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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

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) due from WLULP and \$1,995 (June 30, 2011 - \$2,238) 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.

Outstanding Share Data

As at December 23, 2011 the Company has 114,561,805 common shares issued and outstanding, 8,182,250 incentive stock options outstanding with exercise prices ranging from \$0.20 to \$1.05 per share and 15,879,709 share purchase warrants outstanding with an exercise price from \$0.85 to \$1.00 per share.

Financial Instruments

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

Critical Accounting Estimates

The preparation of condensed consolidated interim financial statements in conformity with IAS 3 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.

Accounts that require significant estimates as the basis for determining the stated amounts include exploration and evaluation expenditure, and share-based compensation. The assessment of any impairment of exploration and evaluation assets is the recovery of future exploitation or sale where the activities have not reached a stage which permits a reasonable assessment of existence of reserves. Share-based compensation expense is calculated using Black-Scholes valuation model which requires significant judgment as to considerations such as stock option lives and stock volatility.

Fission Energy Corp.

Management's Discussion and Analysis
For the 3 Months Ended September 30, 2011



Critical Accounting Estimates (continued)

A summary of the Company's significant account policies is included in Note 2 of the financial statements for the three month ended September 30, 2011.

Recent Accounting Pronouncements

International Financial Reporting Standards

The Canadian Accounting Standards Board declared that International Financial Reporting Standards are to replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

As previously discussed in the Company's MD&A for the year ended June 30, 2011, the Company implemented its conversion from Canadian GAAP to IFRS through a transition plan that involves the following three primary phases:

1. Scoping and diagnostic phase;
2. Analysis, evaluation, and design phase; and,
3. Implementation and review phase.

The initial scoping and diagnostic phase was completed during the first quarter of fiscal 2010. The analysis, evaluation, and design phase was initiated in fiscal 2010 and has continued during fiscal 2011 fiscal year. The implementation phase has substantially been completed in fiscal 2011. Management does not anticipate any significant issues post implementation of the transition plan.

The condensed consolidated interim financial statements for the three months ended September 30, 2011 are the Company's first condensed consolidated interim financial statements prepared in accordance with IAS 34. The accounting policies have been selected to be consistent with IFRS which are 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 interim and annual financial statements in accordance with Canadian GAAP.

The adoption of IFRS 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 in the Company's financial statements have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at July 1, 2010 (the "Transition Date") as required by IFRS 1 First Time adoption of International Financial Reporting Standards ("IFRS 1").

IFRS Conversion

In preparation for the changeover from Canadian GAAP to IFRS, a planning process was initiated in 2008. The conversion to IFRS impacted the Company's financial reporting systems and changes were required to various areas including information technology and data systems, internal controls over financial reporting, disclosure requirements, and other business activities such as compensation programs and contractual arrangements. To facilitate this process and to ensure the full impact of the conversion was understood and managed reasonably, the Company provided time for the management team to attend externally provided IFRS training sessions. Through training and preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, primarily in the form of "white papers", which include an analysis and discussion on key differences between Canadian GAAP versus IFRS, and documentation of expected disclosures and optional exemptions, the Company's accounting personnel have obtained a thorough understanding of IFRS for Canadian reporting purposes.

The Company also reviewed its internal and disclosure control processes and concluded no significant modifications are required as a result of conversion to IFRS.

Fission Energy Corp.

Management's Discussion and Analysis
For the 3 Months Ended September 30, 2011



Recent Accounting Pronouncements (continued)

Initial Adoption of IFRS

The Company has adopted IFRS on July 1, 2011 with a Transition Date of July 1, 2010. Under IFRS 1, the IFRS are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings 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.

Impact of Adopting IFRS and Key IFRS Accounting Policies

The Company has identified significant accounting differences between Canadian GAAP and IFRS that have an impact on the consolidated financial statements. The list is intended to highlight certain areas that management believes are the most significant.

Stock-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).

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.

Fission Energy Corp.

Management's Discussion and Analysis
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Recent Accounting Pronouncements (continued)

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

Flow-through shares (continued)

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.

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 of \$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. 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.

Functional currency

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 Soles. 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.

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.

Fission Energy Corp.

Management's Discussion and Analysis
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Accounting standards anticipated to be effective July 1, 2013 (continued)

Fair-value measurement

IFRS 13 *Fair Value Measurement* is 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.

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.

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.