

Consolidated financial statements of

Fission Energy Corp.

September 30, 2009

(Unaudited - prepared by management)

Fission Energy Corp.

Unaudited Interim Consolidated Financial Statements

Notice

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2009.

Fission Energy Corp.

September 30, 2009

(Unaudited - prepared by management)

Table of contents

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

Fission Energy Corp.

Consolidated balance sheets
(Unaudited - prepared by management)

	September 30 2009	June 30 2009
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,484,452	2,724,297
Short-term investments (Note 3)	37,200	32,000
Amounts receivable	801,888	231,809
Prepaid expenses	378,176	378,030
	4,701,716	3,366,136
Property and equipment		
Property and equipment	92,629	83,821
Mineral property interests (Note 4)	18,267,603	18,094,905
	23,061,948	21,544,862
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	690,085	638,132
	690,085	638,132
Shareholders' equity		
Capital stock	31,341,208	30,118,735
Contributed surplus	3,009,219	2,396,412
Deficit	(11,978,564)	(11,608,417)
	22,371,863	20,906,730
	23,061,948	21,544,862

Nature and continuance of operations (Note 1)

Contingencies (Note 10)

Fission Energy Corp.

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

	Three Months Ended September 30 2009 \$	Three Months Ended September 30 2008 \$
Expenses		
Advertising and promotion	1,689	1,370
Amortization	6,813	5,595
Business development	31,647	16,397
Consulting fees	140,584	214,711
Flow through share tax	-	20,259
Insurance	8,804	6,313
Office and miscellaneous	25,786	27,497
Professional fees	50,128	52,263
Regulatory fees	200	18,236
Rent	19,740	21,016
Shareholder communications	2,918	3,214
Stock-based compensation (Note 5)	81,975	116,763
Telephone	12,048	11,524
Trade shows and conferences	30,317	9,665
Transfer agent	2,589	1,522
Travel	8,602	18,493
Wages and benefits	63,168	27,241
	487,008	572,079
Loss before other items	(487,008)	(572,079)
Other items - income/(expense)		
Exploration management fee income	121,679	150,177
Interest income	8,035	50,026
Foreign exchange gain (loss)	(2,374)	6,314
Unrealized gain (loss) on investments	5,200	(104,000)
Mineral property write-down	(15,679)	-
	116,861	102,517
Loss before income taxes	(370,147)	(469,562)
Future income tax recovery	-	55,628
Net loss and comprehensive loss for the period	(370,147)	(413,934)
Basic and diluted loss per common share	(0.01)	(0.01)
Weighted average number of common shares outstanding	53,462,664	42,088,554

Fission Energy Corp.

Consolidated statements of shareholders' equity
 Three months ended September 30, 2009
 (Unaudited - prepared by management)

	Common shares		Contributed surplus	(Deficit)	Total shareholders' equity
	Shares	Amount			
		\$	\$	\$	\$
Balance, June 30, 2008	42,088,554	28,364,085	1,133,283	(2,226,397)	27,270,971
Reduction of income tax benefits renounced to subscribers of flow-through shares (Note 6)	-	455,718	-	-	455,718
Common shares units and flow-through share units issued for cash (Note 5 (a))	6,922,540	1,518,447	770,703	-	2,289,150
Share issue costs, net of future income tax recovery	-	(167,030)	-	-	(167,030)
Income tax benefits renounced to shareholders of flow-through shares	-	(52,485)	-	-	(52,485)
Stock-based compensation (Note 5 (c))	-	-	492,426	-	492,426
Net loss and comprehensive loss	-	-	-	(9,382,020)	(9,382,020)
Balance, June 30, 2009	49,011,094	30,118,735	2,396,412	(11,608,417)	20,906,730
Common shares units and flow-through share units issued for cash (Note 5 (a))	6,022,712	1,353,649	530,832	-	1,884,481
Share issue costs	-	(131,176)	-	-	(131,176)
Stock-based compensation (Note 5 (c))	-	-	81,975	-	81,975
Net loss and comprehensive loss	-	-	-	(370,147)	(370,147)
Balance, September 30, 2009	55,033,806	31,341,208	3,009,219	(11,978,564)	22,371,863

Fission Energy Corp.

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

	Three Months Ended September 30 2009 \$	Three Months Ended September 30 2008 \$
Operating activities		
Net loss for the period	(370,147)	(413,934)
Items not involving cash:		
Amortization	6,813	5,595
Future income tax recovery	-	(55,628)
Unrealized (gain) loss on investments	(5,200)	104,000
Stock-based compensation	81,975	116,763
Write-down of mineral properties	15,679	-
	(270,880)	(243,204)
Change in non-cash working capital		
(Increase) decrease in amounts receivable	(94,790)	495,289
(Increase) decrease in prepaid expenses	(146)	6,313
Decrease in accounts payable and accrued liabilities	(5,715)	(12,026)
	(371,531)	246,372
Investing activities		
Mineral property additions	(1,388,338)	(2,627,761)
Mineral property cost recoveries	782,340	768,766
Property and equipment additions	(15,621)	(7,101)
	(621,619)	(1,866,096)
Financing activities		
Proceeds from issuance of share units, net of share issuance costs	1,753,305	-
	1,753,305	-
Change in cash and cash equivalents during the period	760,155	(1,619,724)
Cash and cash equivalents, beginning of period	2,724,297	5,199,671
Cash and cash equivalents, end of period	3,484,452	3,579,947

Supplemental disclosure with respect to cash flows (Note 7)

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

1. Nature and continuance of operations

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

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

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

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

	September 30	June 30
	2009	2009
	\$	\$
Deficit	(11,978,564)	(11,608,417)
Working Capital	4,011,631	2,728,004

2. Basis of presentation

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

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

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

2. Basis of presentation (continued)

Recent accounting pronouncements

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that fiscal 2012 is the changeover date for non-calendar year end publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011.

The Company has completed its IFRS diagnostic regarding the adoption of IFRS for fiscal 2012 and has determined that the key issues affecting the Company include the treatment of exploration expenditures, the presentation of future income tax, stock-based compensation and the impairment of assets. Management is confident that the presentation and financial impact of these elements will have been addressed by mid 2010.

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

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

3. Short-term investments

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

	Original cost	Unrealized loss	Fair value
	\$	\$	\$
Common shares of Great Bear	83,000	59,000	24,000
Common shares of Tribune Resources Corp. ("Tribune")	630,000	616,800	13,200
	<u>713,000</u>	<u>675,800</u>	<u>37,200</u>

The Company has determined the fair value of its investments based on the quoted market prices at September 30, 2009.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

4. Mineral property interests

3 month period ended September 30, 2009	Athabasca Property	Fort McLeod Property	Caribou Mountain and Zoo Bay Properties	Duddridge Lake Property	Waterbury Lake Property	Patterson Lake Property	Davy Lake Property	Dieter Lake Property	Other Canadian Properties	Macusani Property	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs											
Balance, beginning of period	460,422	-	448,814	382,245	467,801	162,502	38,350	619,785	95,765	-	2,675,684
Additions	-	2,500	-	-	75,090	-	-	-	-	-	77,590
Balance, end of period	460,422	2,500	448,814	382,245	542,891	162,502	38,350	619,785	95,765	-	2,753,274
Exploration costs											
Balance, beginning of period	4,592,826	-	258,357	1,223,166	10,067,757	3,557,728	4,224,602	2,073,654	353,161	-	26,351,251
Incurring during the period											
Geology mapping/sampling	146	15	3,000	15	17,325	1,850	435	390	240	741	24,157
Geophysics airborne	-	-	2,665	-	343,212	1,655	1,255	15	5,762	-	354,564
Geophysics ground	-	-	-	-	32,980	225	245	-	-	-	33,450
Drilling	8,073	-	-	-	816,314	691	69	-	504	-	825,651
Land retention and permitting	159	2,353	4,632	413	4,303	46,555	5,466	533	1,509	-	65,923
Reporting	-	-	4,278	-	1,150	-	-	34	1,342	-	6,804
Environmental	-	-	-	-	-	-	-	-	-	-	-
Safety	-	-	-	-	-	-	-	-	-	-	-
Community Relations	-	-	-	-	1,953	-	-	-	-	2,609	4,562
General	-	-	-	-	100	40	-	-	-	12,329	12,469
Additions	8,378	2,368	14,575	428	1,217,337	51,016	7,470	972	9,357	15,679	1,327,580
Write-down	-	-	-	-	-	-	-	-	-	(15,679)	(15,679)
Balance, end of period	4,601,204	2,368	272,932	1,223,594	11,285,094	3,608,744	4,232,072	2,074,626	362,518	-	27,663,152
Cumulative cost recoveries											
Balance, beginning of period	(1,538,127)	-	-	(1,038,107)	(8,069,735)	(23,643)	-	(98,064)	(164,354)	-	(10,932,030)
Recoveries	-	-	-	-	(1,216,793)	-	-	-	-	-	(1,216,793)
Balance, end of period	(1,538,127)	-	-	(1,038,107)	(9,286,528)	(23,643)	-	(98,064)	(164,354)	-	(12,148,823)
Total costs	3,523,499	4,868	721,746	567,732	2,541,457	3,747,603	4,270,422	2,596,347	293,929	-	18,267,603

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

4. Mineral property interests (continued)

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties are in good standing.

The Company's assessment of the carrying value of mineral properties and related exploration expenditures is based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. The fair values were determined using a variety of valuation methods, the selection of which was based on which was considered most applicable to each property. The assessment of the carrying value and determination of these fair values is subject to significant measurement uncertainty and further material write-downs of these assets could occur if actual results differed from the estimates and assumptions used and/or if alternative valuation methods were applied.

(a) Athabasca Property, Canada

The Company acquired a 100% interest in a uranium property located in Alberta in fiscal 2008. The property is subject to a 0.75% net smelter returns royalty on certain mineral production and a 4% gross overriding royalty on any diamond production from the property.

In July 2007, Fission Energy completed an option agreement with Tribune Minerals Corp. ("Tribune") whereby Tribune had the right to acquire a 60% interest in the Company's North Shore Athabasca Property. Tribune issued 600,000 common shares to Fission and was required to spend \$10 million in exploration over 6 years. On August 18, 2008, Tribune Minerals Corp terminated its option agreement on the North Shore Uranium Property.

(b) Fort McLeod Property, Canada

The Company acquired a 100% interest in certain claims located in Alberta in fiscal 2008. The company recorded a 100% write-down during 2009.

The Company re-staked additional ground in the 3 month period ending September 30, 2009.

(c) Caribou Mountains and Zoo Bay Properties, Canada

On November 30, 2007 the Company acquired a 100% interest in the Caribou Mountains and Zoo Bay claims located in Alberta. The Company issued a total of 700,000 common shares for the Caribou Mountains Property and 300,000 common shares for the Zoo Bay Property, together valued at \$620,000. The 700,000 common shares issued for the Caribou Mountains property are subject to a three year escrow agreement and will be released in stages over a three year period. The Company has incurred additional costs in the amount of \$25,625 to complete the acquisition. The Company recorded a \$196,811 write-down of acquisition costs and \$156,124 of exploration costs at June 30, 2009 on the Caribou Mountains property

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

4. Mineral property interests (continued)

(d) 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, whereby Great Bear may earn up to a 60% undivided interest in the Duddridge Lake Property. To earn its interest, Great Bear must fund \$6,000,000 in exploration expenditures, make payments totaling \$400,000 and issue 400,000 common shares to Fission, as follows:

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

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

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

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

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

4. Mineral property interests (continued)

(e) *Waterbury Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Saskatchewan in fiscal 2008.

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

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

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

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

(f) *Patterson Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Saskatchewan in fiscal 2008.

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

(g) *Davy Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Saskatchewan in fiscal 2008. The Company recorded a \$380,741 write-down of acquisition costs and \$4,262,829 of exploration costs at June 30, 2009.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

4. Mineral property interests (continued)

(h) *Dieter Lake Property, Canada*

The Company acquired a 100% interest in certain claims located in Quebec during in fiscal 2008. An additional 66,667 shares will be issued in the event a resource of more than 60 million pounds containing U3O8 (Uranium) is confirmed at the property.

(i) *Other Properties, Canada*

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

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

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

(j) *Macusani Property, Peru*

The Company has a 100% interest in certain uranium properties located in Peru. The company recorded a 100% write-down in the amount of \$1,509,232 at June 30, 2009 and an additional write-down of \$15,679 for the 3 months ended September 30, 2009.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

5. Capital stock and contributed surplus

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

(a) Private placements

On May 13, 2009, the Company completed a non-brokered private placement of 583,166 flow-through shares at \$0.36 per share for gross proceeds of \$209,940 and incurred additional costs in the amount of \$1,900.

On June 30, 2009, the Company completed the first tranche of a non-brokered private placement of common and flow-through units. The Company issued 4,198,000 common share units at a price of \$0.30 per unit, and 2,141,374 flow-through units at a price of \$0.35 per unit for aggregate gross proceeds of \$2,008,881. Each common share unit consists of one common share and one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.40 for a period of 2 years. A value of \$512,582 (\$0.12 per warrant) has been attributed to the non flow-through warrants based on the Black-Scholes pricing model and has been included in contributed surplus. Each flow-through share unit consists of one flow-through common share and one half of one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.45 for a period of 2 years. A value of \$187,792 (\$0.18 per warrant) has been attributed to the flow-through warrants based on the Black-Scholes pricing model and has been included in contributed surplus. The Company paid agents' commissions of \$101,310, plus \$25,725 of expenses and issued 311,817 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 for a period of 2 years following the closing date of the private placement. The broker warrants were valued at \$70,329 using the Black-Scholes option pricing model with a volatility of 153%, risk free interest rate of 1.20%, expected life of 2 years, and a dividend rate of 0%. All warrants vested immediately on the date of grant.

On July 21, 2009, the Company completed the second tranche of a non-brokered private placement of common and flow-through units. The Company issued 3,702,000 common share units at a price of \$0.30 per unit, and 2,320,712 flow-through units at a price of \$0.35 per unit for aggregate gross proceeds of \$1,922,849. Each common share unit consists of one common share and one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.40 for a period of 2 years. A value of \$396,493 (\$0.12 per warrant) has been attributed to the non flow-through warrants based on the Black-Scholes pricing model and has been included in contributed surplus. Each flow-through share unit consists of one flow-through common share and one half of one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.45 for a period of 2 years. A value of \$172,709 (\$0.16 per warrant) has been attributed to the flow-through warrants based on the Black-Scholes pricing model and has been included in contributed surplus. The Company paid agents' commissions of \$146,628 plus \$22,917 of expenses and issued 457,817 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 for a period of 2 years following the closing date of the private placement. The broker warrants were valued at \$98,561 using the Black-Scholes option pricing model with a volatility of 151%, risk free interest rate of 1.19%, expected life of 2 years, and a dividend rate of 0%. All warrants vested immediately on the date of grant.

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2009
(Unaudited – prepared by management)

5. Capital stock and contributed surplus (continued)

(b) Stock options and warrants

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

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

	Stock options		Warrants	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance July 1, 2008	3,113,500	0.82	700,600	0.70
Granted	3,351,000	0.29	5,580,502	0.40
Cancelled/Forfeited	<u>(2,763,500)</u>	0.81	<u>(700,600)</u>	0.70
Outstanding, June 30, 2009	3,701,000	0.35	5,580,502	0.40
Granted	300,000	0.31	5,320,172	0.40
Outstanding, September 30, 2009	<u>4,001,000</u>	0.35	<u>10,900,674</u>	0.40

As at September 30, 2009, incentive stock options and share purchase warrants were outstanding as follows:

Options

Number outstanding	Exercise price	Number exercisable	Expiry date
	\$		
150,000	1.00	100,000	March 14, 2011
150,000	0.85	90,000	March 7, 2013
50,000	1.05	30,000	March 31, 2013
450,000	0.20	90,000	November 28, 2013
2,901,000	0.30	1,450,500	January 13, 2014
175,000	0.31	43,750	August 6, 2014
125,000	0.30	-	September 28, 2014
<u>4,001,000</u>		<u>1,804,250</u>	

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2009
(Unaudited – prepared by management)

5. Capital stock and contributed surplus (continued)

(b) Stock options and warrants (continued)

<i>Warrants</i>	Number of	Exercise	
Date issued	shares issuable	price	Expiry date
	upon exercise		
		\$	
June 30, 2009	1,070,685	0.45	June 30, 2011
June 30, 2009	4,198,000	0.40	June 30, 2011
June 30, 2009	311,817	0.30	June 30, 2011
July 21, 2009	1,160,355	0.45	July 21, 2011
July 21, 2010	3,702,000	0.40	July 21, 2011
July 21, 2011	457,817	0.30	July 21, 2011
	10,900,674		

(c) Stock-based compensation

During the 3 month period ended September 30, 2009, the Company granted 300,000 (2008 – Nil) options to consultants and officers. Pursuant to the granting and vesting of options issued, total stock-based compensation recognized in the statement of operations during the quarter ended September 30, 2009 was \$81,975 (2008 - \$116,763). This amount was also recorded as contributed surplus on the balance sheet. All options are recorded at fair value using the Black-Scholes option pricing model.

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

September 30	2009	2008
Risk free interest rate	1.80%	3.65%
Expected life	2.7 years	4.34 years
Annualized volatility	144%	115%
Dividend rate	0.00%	0.00%

6. Flow-through share settlement

As part of the flow-through share private placement of November 15, 2007 the Company had agreed to indemnify subscribers for income taxes incurred for any reductions in Canadian Exploration Expenses (CEE) renounced to the subscriber. The Company raised \$6,900,300 and spent \$5,147,538 on CEE. As a result, the Company has paid or accrued \$931,319 to settle the requirements of the flow-through share subscription agreements. As a result of the reduced CEE, a reduction of income tax benefits renounced to shareholders of flow-through shares was credited to share capital in the amount of \$455,718.

Fission Energy Corp.

Notes to the consolidated financial statements
September 30, 2009
(Unaudited – prepared by management)

7. Supplemental disclosure with respect to cash flows

	September 30	June 30
	2009	2009
	\$	\$
Cash and cash equivalents		
Cash (cheques issued in excess of funds on deposit)	(203,910)	2,159,297
Term deposits	3,688,362	565,000
	3,484,452	2,724,297

There were \$Nil cash payments for interest and income taxes during the 3 months ended September 30, 2009 and September 30, 2008.

Significant non-cash transactions for the 3 months ended September 30, 2009 included:

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

Significant non-cash transactions for the 3 months ended September 30, 2008 included:

- (a) Incurring mineral property expenditures of \$509,438 through accounts payable and accrued liabilities; and
- (b) Recognizing mineral property recoveries of \$1,029,278 through amounts receivable.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

8. Related party transactions

	Three Months Ended September 30 2009	Three Months Ended September 30 2008
	\$	\$
Consulting fees to officers and companies controlled by directors and officers	64,500	66,000
Directors fees	32,000	39,500
Geological consulting fees to companies controlled by a director	12,106	421,119
General and administrative fees to a company controlled by a director	232	3,340
	108,838	529,959

Included in accounts payable at September 30, 2009 is \$54,075 (June 30, 2009 - \$Nil) for consulting fees owing to officers and companies controlled by officers, \$32,000 (June 30, 2009 - \$Nil) for directors fees, and \$Nil (June 30, 2009 - \$6,276) for consulting fees, deferred exploration and general/administrative costs owing to a company controlled by a director.

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

9. Segmented information

The Company primarily operates in one reportable operating segment, being the exploration of mineral property interests and considers its loss from operations for the period ended September 30, 2009 and September 30, 2008 to relate to this segment.

Long-lived assets by geographic area are as follows:

	September 30, 2009		June 30, 2009	
	Canada	Peru	Canada	Peru
	\$	\$	\$	\$
Property and equipment	58,620	34,009	48,110	35,711
Mineral property interests	18,267,603	-	18,094,905	-
	18,326,223	34,009	18,143,015	35,711

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

10. Contingencies

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

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

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

11. Capital management

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

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

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets to fund continued exploration of its mineral properties and the future growth of the business.

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

12. Financial instruments and risk management

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities. For cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The fair value of short term investments represents their quoted market price.

Cash and cash equivalents and short-term investments are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded on the statement of operations.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity and foreign exchange risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk. Company management evaluate credit risk on an ongoing basis, including evaluation of counterparty credit rating, monitoring activities related to trade and other receivables and counterparty concentrations measured by amount and percentage.

The primary sources of credit risk for the Company arise from the following financial assets: (1) cash and cash equivalents; (2) short-term investments; and (3) amounts receivable. The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At September 30, 2009, the Company has no financial assets that are past due or impaired due to credit risk defaults.

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

	September 30	June 30
	2009	2009
	\$	\$
Cash and cash equivalents	3,484,452	2,724,297
Short-term investments	37,200	32,000
Amounts receivable	801,888	231,809
	4,323,540	2,988,106

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

12. Financial instruments and risk management (continued)

(b) Liquidity risk

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

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

	September 30 2009	June 30 2009
	\$	\$
Accounts payable and accrued liabilities	690,085	638,132

(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.

(d) Foreign exchange risk

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

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

Fission Energy Corp.

Notes to the consolidated financial statements

September 30, 2009

(Unaudited – prepared by management)

12. Financial instruments and risk management (continued)

(d) Foreign exchange risk (continued)

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

	September 30, 2009		June 30, 2009	
	PEN S/.	US\$	PEN S/.	US\$
Cash and cash equivalents	891	16,795	1,652	22,940

Based on the above net exposures at September 30, 2009, a 10% change in U.S. dollars against the Canadian dollar would result in a \$1,680 (June 30, 2009 \$2,294) increase or decrease in the Company's net loss; similarly a 10% change in the PEN against the Canadian dollar would result in a \$89 (June 30, 2009 - \$165) increase or decrease in the Company's net loss.

FISSION ENERGY CORP.
FORM 51-102F2
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2009

The following discussion and analysis, prepared as of November 23, 2009, should be read in conjunction with the unaudited consolidated financial statements of Fission Energy Corp. (the "Company" or "Fission") for the quarter ended September 30, 2009 and related notes, which are prepared in accordance Canadian generally accepted accounting principles (GAAP).

The reader should also refer to the audited consolidated financial statements for the year ended June 30, 2009 as well as the Management Discussion and Analysis for that year.

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

Forward Looking Statements

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

Description of Business

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

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

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

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

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

Performance Summary and Update

During the quarter to September 30, 2009, the Company continued to receive support from both capital markets and partners to fund its exploration programs for the foreseeable future. As described below in more detail, the Company successfully closed the second tranche of a private placement and received continued support from the Kepco consortium on its Waterbury Lake program which is fully funded by the KEPCO consortium as part of their earn-in agreement. This project will continue to have the highest priority. Other important projects including Duddridge Lake, Patterson Lake, Zoo Bay, and the Alberta North Shore have had sufficient exploration expenditures to keep them in good standing beyond the 2009 calendar year. Further exploration has been deferred with future funding and operational capabilities to be reviewed and evaluated on an on-going basis.

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

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

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

Plan of Arrangement

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

Under the terms of the arrangement, all of Strathmore's Canadian and Peruvian mineral property interests with a cost base of \$18,117,002 and \$500,000 in cash were transferred to the Company. A future tax liability has been recorded in the amount of \$1,500,274 relating to the difference between the cost base and the elected values for tax purposes. Under the terms of the arrangement, Strathmore's shareholders as at the share distribution record date of July 13, 2007 received one new common share in the capital of Strathmore (a “Strathmore New Share”) and one-third of one common share in the capital of Fission (a “Fission Energy Share”) for each Strathmore common share (“Strathmore Share”) for a total of 24,168,911 Fission common shares.

Private Placements

On May 13, 2009, the Company completed a non-brokered private placement of 583,166 flow-through shares at \$0.36 per share for gross proceeds of \$209,940 and incurred additional costs in the amount of \$1,900.

On June 30, 2009, the Company completed the first tranche of a non-brokered private placement of common and flow-through units. The Company issued 4,198,000 common share units at a price of \$0.30 per unit, and 2,141,374 flow-through units at a price of \$0.35 per unit for aggregate gross proceeds of \$2,008,881. Each common share unit consists of one common share and one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.40 for a period of 2 years. Each flow-through share unit consists of one flow-through common share and one half of one common share purchase warrant that entitles the holder to purchase one common share of the Company at a price of \$0.45 for a period of 2 years. The Company paid agent's commissions of \$101,310 plus \$25,725 of expenses and issued 311,817 broker warrants entitling the holder to purchase one common share of the Company at a price of \$0.30 for a period of 2 years following the closing date of the private placement. The broker warrants were valued at \$70,329 using the Black-Scholes pricing method.

On July 21, 2009 the Company completed the second tranche of the non-brokered private placement of common and flow-through units on identical terms as the first tranche. The Company issued 3,702,000 common share units at a price of \$0.30 per unit, and 2,320,712 flow-through units at a price of \$0.35 per unit for aggregate gross proceeds of \$1,922,850. The Company paid agent's commissions of \$146,628 plus \$22,917 of expenses and issued 457,817 broker warrants on identical terms to the first tranche. The warrants were valued at \$98,561 using the Black-Scholes pricing method.

Stock Options

On August 6, 2009 the company granted 175,000 options at \$0.31 to various consultants of the company. On September 28, 2009 the company granted 125,000 options at \$0.30 to the new CFO.

Management Changes

On September 21, 2009 Mr. Andrew Adamson replaced Mr. Pat Groening as CFO of the Company.

Uranium Resources Summary by Property

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

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

Location	Previous Operator	Resource Classification	Tonnage	Grade % U ₃ O ₈	Lbs/U ₃ O ₈
Dieter Lake, PQ	Uranerz	NI 43-101: Inferred	19,312,816 tonnes @ 200 ppm cut-off	0.057	24,424,306
Duddridge Lake, SK	Noranda	NI 43-101: Inferred	227,880 tonnes	0.105	487,663

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

Uranium Resources Summary by Property (cont'd)

Athabasca North Shore Properties

In July 2007, Fission Energy completed an option agreement with Tribune Minerals Corp. ("Tribune") whereby Tribune has the right to acquire a 60% interest in the Company's North Shore Athabasca Property. Tribune issued 600,000 common shares to Fission and was required to spend \$10 million in exploration over 6 years. On August 18, 2008, Tribune Minerals Corp terminated its option agreement on the North Shore Uranium Property.

During the year ended June 30, 2009, the Company consolidated the North Shore and South Shore Properties into one land package, which will now be known as the North Shore Property. "Bridge" permits connecting the properties into one contiguous land package have been staked, and the overall size has been trimmed to 48,192 ha. These changes will allow the Company to focus on the best targets identified by exploration completed to date.

Fort McLeod

The Fort McLeod property is located in Southwestern Alberta. The property totals approximately 19,423 ha. The part of the western sedimentary basin covering southwestern Alberta is host to a number of uranium occurrences and showings, primarily hosted within the sandstones of the Tertiary Willow Creek formation. The Company re-staked additional ground in the period ended September 30, 2009. No work is planned for 2010 fiscal year.

Caribou Mountains & Zoo Bay

On December 3, 2007 the Company acquired the Caribou Mountains and Zoo Bay Uranium properties. The Caribou Mountains Property comprises 6 Metallic and industrial Mineral Permits totaling 27,872 ha in Northern Alberta, while the Zoo Bay claims total 11,752 ha along the northeast margin of the Athabasca Basin, in northern Saskatchewan.

Duddridge Lake

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

In 2007, this project was joint ventured with Great Bear Uranium Corp., who can earn a 60% interest by spending \$6 million in exploration over 5 years. This agreement was completed when Fission Energy was part of Strathmore Minerals Corp.

Exploration is focusing on the area of known mineralization. A 6 hole drill program totaling 660 m commenced in January, 2008. Fission Energy is the operator. On September 30, 2008, results from this program confirmed the previous data collected from historic drilling. Further infill drilling will be required to expand the current resource, as well as test the deposit extensions to the north and at depth. During the year ended June 30, 2009, Fission and Great Bear

Uranium Resources Summary by Property (cont'd)

Dudridge Lake (cont'd)

Uranium agreed to extend all the remaining commitments on the project by one year, as shown in the accompanying table.

Minimum Exploration Commitments	Original Agreement	As Amended
\$750,000	March 31, 2008	Completed
\$1,000,000	March 31, 2009	March 31, 2010
\$1,000,000	March 31, 2010	March 31, 2011
\$1,250,000	March 31, 2011	March 31, 2012
\$2,000,000	December 31, 2013	December 31, 2014

Waterbury Lake

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

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

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

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

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

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

Uranium Resources Summary by Property (cont'd)

Waterbury Lake (cont'd)

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

During the year ended June 30, 2009, follow-up exploration began and was completed. Exploration focused on further testing of the Discovery Bay Zone from winter drilling on the lake, in addition to testing numerous additional targets. The program included ground based gravity and IP-Resistivity surveys and 7,000 m of drilling. The most encouraging new areas tested are known as Talisker and Disco Bay. They are located approximately 1000 m and 500 m west of Discovery Bay, respectively, and exhibit excellent potential for unconformity style uranium mineralization.

On June 4, 2009 Hathor Exploration announced by news release that drill hole MWNE-09-116 "intersected the highest levels of radioactivity (as determined by down-hole gamma-ray probe data) on the property to date". This drill hole was collared approximately 10 m from Fission's property boundary, in the vicinity of the Discovery Bay Zone, with the mineralized interval intersected 50 m from the same property boundary.

In September 2009, the Company completed a summer exploration program. As a result, it learned considerably more about the geometry of the Discovery Bay Zone and Roughrider Zone mineralization, a greater understanding of a 2nd "lower" zone identified by previous drilling and extended the continuity of the Discovery Bay Zone further to the west. This zone has undergone limited drill testing, but exhibits a high potential for significant uranium mineralization within the Discovery Bay area.

In their September 9, 2009 press release, Hathor Exploration, announced the discovery of high grade uranium mineralization in hole MWNE-09-170, located approximately 200 m to the east of the Roughrider Zone. This discovery hole appears to lie within an eastern extension of the east-west trending corridor that hosts Fission's Discovery Bay Zone. More importantly, it demonstrates the potential for multiple occurrences of high grade uranium concentrations along this corridor. Fission's winter 2009-2010 program is expected to continue exploration for high grade uranium mineralization along the western extension of this corridor, in addition to other high priority targets on the property.

Waterbury North

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

Patterson Lake

Patterson Lake was acquired by staking in 2004. It comprises 25,316 ha. In 2007, the Company completed a five hole drill program totaling 1406 m at its Patterson Lake 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 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

Uranium Resources Summary by Property (cont'd)

Patterson Lake (cont'd)

Athabasca Basin. The Company is very encouraged by these results and plans are underway for an expanded exploration program. Fission has also completed a MEGATEM airborne geophysical survey at Paterson Lake. From February to April 2008, a 2,696 m drill program resulted in the completion of 6 drill holes.

Patterson Lake South

In late 2007, Fission Energy and ESO Uranium Corp jointly staked 4 claims totaling 12,493 ha on the southern extension of Fission's Patterson Lake property. After staking the claims, Fission and ESO Energy Corp entered into a joint venture exploration agreement. The companies have jointly staked additional ground and the project now consists of 11 mineral claims totaling 12,493 ha. Title to the claims is held equally in the name of Fission and ESO Energy Corp. In December 2008, a 162 line-km MEGATEM Magnetic-EM Airborne Survey was completed over what is now defined as the Patterson Lake South project. The results of this MEGATEM survey have formed the basis for developing ground targets for future exploration. In October 2009, a 3,200 line-km high resolution airborne magnetic and radiometric survey was completed across the property. Results from this survey will help to differentiate the lithologic and structural boundaries and possibly identify zones of anomalous radioactivity.

Davy Lake

Davy Lake comprise 58 mineral claims totaling 235,255 ha. The number of claims was recently reduced to only the most prospective areas. In 2005-06 a two stage MegaTEM II survey identified a 51 km contiguous conductor. Subsequent summer geophysical programs were carried out to further identify and prioritize drill targets. An airborne gravity survey was completed in the fall of 2008 that provided a good picture of the basement structures which are an important component for hosting unconformity uranium mineralization.. In October 2009 a 1,509 line-km airborne magnetic and electromagnetic survey was flown by Geotech Ltd. This survey will help to isolate and provide good resolution to the magnetic and conductive nature of the sub-surface geology in advance of a 2 or 3 hole drill program, scheduled for the early winter of 2010.

Minor Bay

The Minor Bay property comprises 15,886 ha and is located along the southeast margin of the Athabasca Basin. It is on trend with the West Bear deposit. It is an early stage exploration property with great potential based on the continuation of basement geology and magnetic trends. 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.

Torwalt Lake

The Torwalt Lake property comprises 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. Hillcrest can earn up to a 60% interest in the project, pursuant to the terms of the agreement. A first year exploration program was fully funded by Hillcrest and consisted of an airborne VTEM magnetic and electromagnetic survey in May, 2008 and a follow-up program of property scale soil gas mobile metal ions (MMI) sampling was conducted during the summer and fall of 2008.

Uranium Resources Summary by Property (cont'd)

Dieter Lake

Fission holds a 100% interest in the Dieter Lake property, which has a NI 43-101 inferred resource totaling 24.4 million lbs U₃O₈ at an average grade of 0.057% U₃O₈ (Davis and Guo, 2006). The property comprises 30,864 ha and is located approximately 150 km north of Hydro Quebec Reservoir LG-4. An all weather camp was established by Strathmore Minerals at Dieter Lake in 2006 and is available to Fission for future exploration. A \$408,000 work program was conducted during 2008, which primarily entailed mapping, prospecting, and radon surveys. Data collected from the work program will assist future exploration programs with an aim to expand the resource beyond the known uranium mineralization.

The claims are in good standing until 2010 and beyond.

Peru

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

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

Results of Operations

For the quarter ended September 30, 2009, the Company incurred a net loss of \$359,647, or \$0.01 per share. This compares to a net loss of \$413,934, or \$0.01 per share, for the period ended September 30, 2008. The decreased loss in the current period is primarily attributable to reduced consulting fees and stock based compensation offset by increased business development and wages.

Summary of Quarterly Results

Quarter Ended	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Net loss	\$(359,647)	\$(5,909,854)	\$(1,744,800)	\$(1,313,432)
Net loss per share	\$(0.01)	\$(0.14)	\$(0.04)	\$(0.03)
Quarter Ended	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
Net Income (loss)	\$(413,934)	\$(1,672,410)	\$311,313	\$(328,304)
Net Income (loss) per share	\$(0.01)	\$(0.04)	\$0.01	\$(0.01)

The Company expansion during the second quarter of 2008 resulted in a net loss of \$328,304 or \$0.01 per share. Operational expenses increased in most areas but a significant decline in stock based compensation expense decreased the net loss.

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

Summary of Quarterly Results (cont'd)

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

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

For the second quarter of fiscal 2009, the Company incurred a net loss of \$1,313,432 or \$0.03 per share compared with a net loss of \$328,304 or \$0.01 per share for the quarter ended December 31, 2007. The increased loss in the second quarter is primarily attributable to the settlement of liabilities arising from flow through share taxes and agreements.

Flow through share taxes (Section XII.6 income tax expense) of \$186,246 and a tax indemnity settlement of \$931,319 substantially increased the second quarter's expenses. See Note 8 to the Company's audited consolidated financial statements for the year ended June 30, 2009 for more details.

In the third quarter of fiscal 2009, the company wrote down its minerals properties by \$2,007,405 and incurred a net loss of \$1,744,800. The quarter also saw a self imposed reduction in director and senior management compensation of 20% which continued into the fourth quarter.

The fourth quarter of fiscal 2009 was adversely impacted by the further write down of mineral properties by \$6,559,030, the bulk of which came from the impairment of its Davy Lake and Peru properties. The company does not believe that further provision is required at this time on any of its properties.

Liquidity and Capital Resources

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

At September 30, 2009 the Company had \$4,022,131 in working capital. The Company does not have significant concerns about the liquidity of its current assets. Cash and cash equivalents include cash in bank and bank issued term deposits, which are liquid assets, and are readily available to the Company. Short term investments in equities of \$37,200 are insignificant to the Company's current assets. Amounts receivable includes amounts recoverable from our joint venture partner and amounts due from federal and provincial governments. These amounts have been received subsequent to the quarter end or are expected to be collected in January 2010. Prepaid expenses include an amount to be offset against the amount recoverable from the joint venture party in January 2010.

The Company does not have any mineral property agreements that require it to meet certain expenditures other than a joint venture agreement with ESO Uranium where expenses are shared equally. Minimal expenses are budgeted under this agreement. The remaining mineral property agreements require the contracted party to fund exploration expenses to earn their interest. These agreements also allow the Company to charge a fee as project operator. During the quarter ended September 30, 2009 the Company earned \$121,679 (2008 - \$150,177) in exploration management fee income.

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

Related Party Transactions

For the quarter ended September 30, 2009, the Company entered into the following transactions involving related parties:

- a) Paid or accrued management consulting fees in the amount of \$49,500 to a company controlled by Devinder Randhawa, the Chairman and Chief Executive Officer for services provided to the Company and Directors fees of \$6,500.
- b) Paid or accrued Directors fees of \$6,000 to Jody Dahrouge.
- c) Paid or accrued Directors fees of \$6,000 to Mike Halvorson.
- d) Paid or accrued Directors fees of \$7,000 to Frank Estergaard.
- e) Paid or accrued Directors fees of \$6,500 to George Sanders.
- f) Paid or accrued management consulting fees of \$12,500 to Patrick Groening, the former Chief Financial Officer for services provided to the Company.
- g) Paid or accrued management consulting fees of \$2,500 to a company controlled by Andrew Adamson, the Chief Financial Officer for services provided to the Company.
- h) Paid or accrued general and administrative costs of \$232 and deferred exploration costs of \$12,106 to a company controlled by Jody Dahrouge.

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

Amounts due to related parties are due to directors and companies controlled by directors and are unsecured, non-interest bearing and have no specific repayment terms. Refer to the financial statements for further information.

Outstanding Share Data

As at November 23, 2009, the Company has 55,033,806 common shares issued and outstanding. The Company also has 4,001,000 incentive stock options with exercise prices ranging from \$0.20 to \$1.05 per share and 10,900,674 share purchase warrants outstanding with exercise prices of between \$0.30 and \$0.45 per share.

Financial Instruments

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

The Company has classified its cash equivalents and short-term investments as held-for-trading. 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.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that fiscal 2012 is the changeover date for non-calendar year end publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of

Recent Accounting Pronouncements (cont'd)

International Financial Reporting Standards ("IFRS") (cont'd)

amounts reported by the Company for the year ended June 30, 2011.

The Company has completed its IFRS diagnostic regarding the adoption of IFRS for fiscal 2012 and has determined that the key issues affecting the Company include the treatment of exploration expenditures, the presentation of future income tax, stock-based compensation and the impairment of assets. Management is confident that the presentation and financial impact of these elements will have been addressed by mid 2010.

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

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