



**Management's Discussion & Analysis**

**Fission Uranium Corp.**

**For the Three Month Period Ended  
September 30, 2014**



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# **Fission Uranium Corp.**

Management's Discussion and Analysis  
For the three month period ended September 30, 2014

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## **Introduction**

The following Management's Discussion and Analysis, prepared as of December 1, 2014, should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes of Fission Uranium Corp. (the "Company" or "Fission Uranium") for the three month period ended September 30, 2014. The reader should also refer to the audited consolidated financial statements for the year ended June 30, 2014, as well as 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 ("IAS34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and the former Standing Interpretations Committee ("SICs") as at September 30, 2014.

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.fissionuranium.com](http://www.fissionuranium.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 Uranium Corp. is a junior resource issuer specializing in uranium exploration and development in Saskatchewan's Athabasca Basin in western Canada. The Company's primary objective is to develop its Patterson Lake South project and finance its development by way of equity financing or other means.

Fission Uranium Corp. was incorporated on February 13, 2013 under the laws of the Canada Business Corporations Act in connection with a court approved plan of arrangement to reorganize Fission Energy Corp. (the "Fission Energy Arrangement"). Fission Uranium began trading as a new public company on April 30, 2013 under the symbol FCU.V (TSX Venture Exchange) and on June 27, 2013 under the symbol FCUUF (OTCQX U.S.). On October 8, 2014 the Company graduated to the Toronto Stock Exchange and began trading under the symbol FCU.TO. The Company's head office is located at 700 – 1620 Dickson Ave., Kelowna, BC, V1Y 9Y2.

Fission Uranium owns 100% of the Patterson Lake South ("PLS") Property which comprises 17 contiguous claims totaling 31,039 hectares.

Fission Uranium'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.

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### Description of business (continued)

#### *Alpha Minerals and Fission Uranium Arrangement Agreement*

On December 6, 2013 the Company completed an Arrangement Agreement and acquired all of the issued and outstanding shares of Alpha Minerals Inc. ("Alpha") and its interest in the PLS Joint Venture (the "Alpha Arrangement"). Under the terms of the Alpha Arrangement, Fission Uranium offered shareholders of Alpha 5.725 shares of Fission Uranium and a cash payment of \$0.0001 for each Alpha share held. Based on 27,927,276 Alpha shares outstanding, the Company issued 159,883,655 of their common shares to complete the transaction, representing approximately 51.11% of the Company's issued and outstanding common shares on December 6, 2013. The 2,142,100 outstanding Alpha options were replaced by options to purchase 12,263,523 common shares of the Company with exercise prices ranging from \$0.1146 to \$0.6387 and expiring between February 17, 2014 and April 12, 2018. The 1,301,600 outstanding Alpha warrants were replaced by warrants to purchase 7,451,657 common shares of the Company with exercise prices ranging from \$0.1496 to \$0.8133 and expiring between February 17, 2014 and April 25, 2015.

Additionally, Alpha shareholders received all of the common shares of Alpha Exploration Inc. ("Alpha Exploration") which was spun-out from Alpha and holds all of Alpha's exploration and evaluation assets (other than Alpha's interest in the PLS Joint Venture), marketable securities, and property and equipment located in Alpha's office in Vancouver, BC.

Similarly, the shareholders of Fission Uranium received all of the common shares of Fission 3.0 Corp. ("Fission 3.0") which was spun-out from Fission Uranium and holds all of Fission Uranium's exploration and evaluation assets (other than Fission Uranium's interest in the PLS Joint Venture), short-term investments, and property and equipment located in Peru (the "Fission Uranium Arrangement").

Under the terms of the Alpha Arrangement and Fission Uranium Arrangement, each of Alpha Exploration and Fission 3.0 received \$3 million in cash to fund future operations. The transaction took place by way of a court approved plan of arrangement.

Alpha is in the early stage of exploration and does not yet have any processes or outputs; therefore Alpha is not considered a business under *IFRS 3 Business Combinations*. As a result the acquisition was accounted for as a purchase of assets. The purchase price has been allocated to the various assets and liabilities acquired through the Alpha Arrangement, including various working capital amounts and exploration and evaluation assets.

The total purchase price of the acquisition and the net identifiable assets of Alpha acquired are described below:

| <b>Purchase price</b>                                   | <b>\$</b>          |
|---|--------------------|
| 27,927,276 common shares of Alpha                       |                    |
| by issue of 159,883,655 Fission Uranium shares @ \$1.06 | 169,476,674        |
| 2,142,100 Alpha options replaced by options             |                    |
| to purchase 12,263,523 Fission Uranium shares           | 7,793,252          |
| 1,301,600 Alpha warrants replaced by warrants           |                    |
| to purchase 7,451,657 Fission Uranium shares            | 5,098,376          |
| Transaction costs                                       | 2,199,836          |
| <b>Total purchase price</b>                             | <b>184,568,138</b> |
| <b>Assets acquired</b>                                  |                    |
| Net working capital                                     | 8,136,076          |
| Exploration and evaluation assets                       | 176,432,062        |
| <b>Net identifiable assets of Alpha</b>                 | <b>184,568,138</b> |

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### Description of business (continued)

#### *Alpha Minerals and Fission Uranium Arrangement Agreement (continued)*

The carrying value of the net assets transferred to Fission 3.0, pursuant to the Fission Uranium Arrangement, consisted of the following:

|   | \$                  |
|---|---------------------|
| <b>Assets</b>   |                     |
| Cash  | 3,081,523           |
| Short-term investments  | 766,066             |
| Amounts receivable  | 102,518             |
| Property and equipment  | 15,619              |
| Exploration and evaluation assets   | 6,186,147           |
| <b>Total Assets</b>   | <b>10,151,873</b>   |
| <b>Liabilities</b>  |                     |
| Accounts payable and accrued liabilities                                    | (45,433)            |
| Deferred tax liability  | (1,615,941)         |
| <b>Total Liabilities</b>  | <b>(1,661,374)</b>  |
| <b>Carrying Value</b>   | <b>8,490,499</b>    |
| <b>Fair value of net assets distributed to Fission Uranium shareholders</b> | <b>(17,454,000)</b> |
| <b>Gain on Fission 3.0 spin-out</b>   | <b>(8,963,501)</b>  |

In accordance with *IFRIC 17, Distributions of Non-cash Assets to Owners*, the Company recognized the distribution of assets to Fission Uranium shareholders at fair value with the difference between that value and the carrying amount of the assets recognized in the statement of comprehensive loss.

Fission 3.0 was a wholly owned subsidiary of Fission Uranium up to December 5, 2013. The Company recognized a \$99,579 gain on the de-consolidation of Fission 3.0 on December 5, 2013.

### Outlook

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 and the associated nuclear power plant build-out is projected to increase significantly in the years ahead, and will require new uranium supply to meet this increasing demand. According to the World Nuclear Association, electricity demand is increasing twice as fast as overall energy supply and is estimated to rise by more than two-thirds 2011 to 2035.

- *Increased long-term demand for uranium*

It is projected that 526 nuclear power reactors will be operating worldwide by 2023 as compared to 436 today. The Ux Consulting Company expects worldwide uranium demand to increase 22% by 2020. In addition, many analysts continue to forecast a long-term global uranium demand/supply imbalance, which suggests a potential for significantly higher uranium prices.

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### Outlook (continued)

- *Increased long-term demand for uranium (continued)*

Increased long-term demand is expected from developing countries as they construct new nuclear power plants. 71 nuclear power plants are currently under construction worldwide, most notably in China, India, South Korea, and Russia. The most significant increase in long-term uranium demand is expected to come from China, which surpassed the United States as the world's largest energy consumer in 2010, and remains committed to a planned nuclear build-out over the next two decades. In 2013, China brought three new nuclear reactors on-line, and construction began on four others. There are currently 27 nuclear power plants under construction in China, which accounts for 38% of all the reactors under construction worldwide. The majority are scheduled for completion between 2016 and 2023. China's current domestic uranium production accounts for less than 25% of their annual uranium fuel requirements, resulting in increased imports and stockpiling. In 2010, Cameco Corp. signed the first of two long-term contracts with Chinese owned utilities for the delivery of uranium. Additional long-term demand is anticipated from other Asian countries, most notably India and South Korea, as they expand their planned nuclear build-out.

The following is a list of selected countries with nuclear reactors that are either planned, proposed, or under construction as of October, 2014:

| Country      | Construction | Planned    | Proposed   | Total      |
|--------------|--------------|------------|------------|------------|
| China        | 27           | 60         | 120        | 207        |
| India        | 6            | 22         | 35         | 63         |
| Russia       | 10           | 31         | 18         | 59         |
| USA          | 5            | 5          | 17         | 27         |
| France       | 1            | 1          | 1          | 3          |
| Saudi-Arabia | 0            | 0          | 16         | 16         |
| South Korea  | 5            | 6          | 0          | 11         |
| Canada       | 0            | 2          | 3          | 5          |
| Others       | 17           | 47         | 91         | 155        |
| <b>Total</b> | <b>71</b>    | <b>174</b> | <b>301</b> | <b>546</b> |

Source: World Nuclear Association Website (World Nuclear Power Reactors & Uranium Requirements - [www.world-nuclear.org](http://www.world-nuclear.org) Updated October, 2014)

- *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 and 2007 stimulated the development of new supply, most uranium analysts continued to forecast supply deficits every year from 2012 onwards. However, after Japan's Fukushima nuclear accident in March 2011, which resulted in the shutdown of all nuclear power plants in that country, a decline in uranium demand was witnessed by major producing companies like Cameco Corp., Uranium One Inc., and Paladin Energy Ltd. Uranium demand forecasts were subsequently revised downwards, pushing out expected supply deficits beyond 2014. In September, 2013, Raymond James again adjusted its previously modeled uranium shortfall, and now estimates that a uranium deficit may not emerge until 2020 (Raymond James, Industry Report Changes (Uranium), September 27, 2013), while Dundee Capital Markets believes uranium demand will surpass supply in 2016 (Dundee Capital Markets, Uranium Sector Report, July 15, 2014).

**Outlook (continued)**

- *Uranium demand/supply imbalance (continued)*

Uranium supply that met production shortfalls from mining prior to the Fukushima event was derived from secondary sources, most notably the decommissioning of old Soviet nuclear weapons. Known as the US-Russian HEU Agreement (officially termed the "Megatons for Megawatts Program") secondary supply from Russia began entering the market in 1993. With the completion of the HEU Agreement in December 2013, it is estimated that approximately 20-24 million lbs. of uranium was removed from the market. The removal of this supply has been more than offset by excess inventory that entered the market from Japan as a result of the post-Fukushima suspension of nuclear power operations. Dundee Capital Markets is estimating a supply surplus of approximately 10 million lbs. in 2014, down from approximately 35 million lbs. in 2013 (Dundee Capital Markets, Uranium Sector Report, July 15, 2014). Over the long-term, it is expected that 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 have 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. Uranium prices have declined to a nine year low since the Fukushima event. Higher prices will be necessary to encourage new production to meet long-term supply forecast deficits. To support a healthy global uranium mining sector, general consensus among analysts including RBC Capital (Canada), Raymond James Canada, and Resource Capital Research (Australia) is that a uranium price of US \$70-\$80/lb. is required to stimulate new exploration and mine development worldwide, where the average deposit grade is considerably lower than the higher grade deposits found in Saskatchewan's Athabasca Basin.

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 Uranium Corp. The Company owns a 100% interest in the PLS property, where the Company has achieved significant exploration success. It is here at the PLS property that the Company believes it is well positioned to build on the exploration success to date and make a potential economic uranium discovery. Its experienced management and technical team achieved earlier success with the Waterbury Lake discovery made by its predecessor company, Fission Energy.

**Fukushima, Japan & its impact on the general outlook for the nuclear power & uranium markets**

In March 2011, an earthquake and tsunami in Japan caused cooling systems at the Fukushima Daiichi nuclear reactor to fail, releasing radioactive materials into the environment. This event continues to impact uranium demand in the short and medium term. It has caused delay, and in some parts of the world, discouraged the nuclear build-out, which in turn has negatively impacted the near-term demand of uranium. In May, 2014, the uranium price declined in value to US \$28.23/lb., a nine year low, before rebounding above US \$40.00/lb., subsequent to the quarter ended September 30, 2014.

At the time of the Fukushima event, Japan was the world's third largest user of nuclear power, which accounted for approximately 30% of the country's electrical output. Long-term plans were in place to increase this share to 50% by 2030. Subsequent to the Fukushima event, all 50 operating nuclear reactors, which consumed approximately 21.3 million lbs. of uranium per year, were shut down for safety inspections. At the time of writing, only two nuclear power reactors have been granted approval to restart operations. This shutdown has forced utility companies to import fossil fuels to maintain a reliable energy supply, leading to higher energy costs for consumers and industry, Japan's first trade deficit in over three decades, and inflation hitting a five year high during the country's fiscal year ending March, 2014. For fiscal 2015, energy import costs are projected to be approximately double the amount paid in 2010, the year prior to the Fukushima event. Japan is now the world's largest importer of liquid natural gas. The rising cost of gas imports has also prompted a significant increase in coal imports.

Japan's nuclear future and the long-term impact on the uranium market remains uncertain. In late February, 2014, Japan announced its new draft energy program, which stated that nuclear power is to remain "an important base load electricity source." (Dundee Capital Markets- Uranium Sector Update, February 25, 2014). In April 2014, the Japanese government approved the Energy Plan stating "reactors will be restarted once their safety is confirmed" (Raymond James, Uranium Industry Comment, April 11, 2014), and a total of 17 reactors have now applied for restart. In July, the government adopted new nuclear safety regulations providing a regulatory framework for up to 15 nuclear reactor restarts now planned for July, 2015. The timing of the nuclear reactor restarts in Japan is expected to impact the drawdown of current excess supply in the marketplace. Subsequent to the quarter ended September 30, 2014, regional authorities in Japan approved the restart of the idled Sendai nuclear plant, subject to passing operational safety check inspections. The Sendai reactors, which are located 1,000 km southwest of Tokyo, would become the first to restart since the Fukushima event. This approval may expedite the process to reinstate more Japanese reactors in the months ahead. The news prompted the spot uranium price to jump US \$1.44/lb. to US \$39.25/lb., its highest level in 16 months. Should the renewed buying interest be sustained, increased contracting and reduced spot supplies may exert continued upward pressure on prices.

The events in Japan have caused certain countries to make strong political statements to end their use of nuclear power. Shortly after the Fukushima event, Germany stated its intention to close all 17 nuclear reactors, while Switzerland suspended the approval process for 3 new nuclear reactors, later making the ban permanent. Switzerland's 5 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. In November 2011, Mexico announced its plans to cancel the planned construction of 10 nuclear power plants, and in May 2012, Brazil, which had initiated plans to construct between 4 and 8 nuclear power plants to 2030, has cancelled its program.

In contrast, there remain many countries that continue to favor nuclear power. In February 2014, the Financial Times reported that there are now more nuclear power plants under construction, planned or proposed than prior to the Fukushima event. Long-term plans for the construction of the largest number of new nuclear power plants continue to come from: China, South Korea, Russia, and India. These countries are maintaining their current nuclear reactor development plans with a focus on increased safety. In 2012, China announced that it had completed its nuclear inspections. New nuclear safety regulations were adopted in 2014, and construction has since begun on 5 new nuclear reactors. By 2023, the number of operating nuclear plants worldwide is expected to increase from 436 to 526.



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## Performance and summary update

### Uranium market



Source: Ux Consulting Company LLC, [www.uxc.com](http://www.uxc.com): November, 2014

The long-term contract price is published by the Ux Consulting Company at the end of each month, while the spot price is announced weekly. The long-term price, which accounts for almost 80% of the global uranium bought and sold, reached an all-time high of US \$95.00/lb. in mid-2007 before declining to a multi-year low of US \$44.00/lb. in August, 2014. The October long-term price closed at US \$45.00/lb. During the same period, the uranium spot price reached an all-time high of US \$138.00/lb., before declining to a monthly average nine year low of US \$28.23/lb. in June, 2014. A moderate pick-up in spot sales volumes since August has helped the uranium spot price to rebound off its low, and it later surged to as high as US \$41.75/lb. after regional authorities in Japan approved the first nuclear power plant restart since the Fukushima event in March, 2011. The longer-term declining trend in uranium prices directly corresponds with the Fukushima event and the reduced demand/inventory sales resulting from the suspension of nuclear reactor operations in Japan.

It is uncertain how long the Fukushima nuclear event will impact the uranium sector. Most analyst uranium price forecasts have been reduced for a second time during 2014, which also includes factoring the impact of reduced demand from the global economic slowdown, unexpected shutdowns of aging reactors in the United States, and temporary shutdowns in South Korea. While the last three years have been challenging for uranium companies, expectations are for positive long-term uranium market conditions in the years ahead, from both market analysts and industry participants. Former RBC Capital analyst Adam Schatztker forecast "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." David Sadowski, of Raymond James continues to echo similar comments in his industry report dated April 11, 2014, where he noted that an estimated US \$70/lb. in the medium term is required "to avoid a significant shortfall at decade's end". Cancellation of the Megaton for Megawatts Program, mine shutdowns, delays and cutbacks, in addition to the continued power plant construction in China and the Japanese government's recent announcement of reactor restarts by 2015, are expected to serve as near-term catalysts and exert upward pressure on prices in 2014-2015 (Raymond James, Salman Partners, Dundee Capital Markets). Despite the current continued weakness in uranium prices, Salman Partners is forecasting the emergence of a new bull market in uranium prices to begin during the second half of 2014, with prices expected to peak at US \$70/lb. by 2016 (Salman Partners Metals Morning Note, February 10, 2014). While the spot uranium price has rebounded approximately 45% from its low earlier this year, it is too early to project whether the market has entered a new bull phase.

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### Performance and summary update (continued)

#### Uranium market (continued)

The following table provides uranium price forecasts by the investment firms listed. During the quarter ended September 30, 2014, many investment firms cut their near-term uranium price forecasts for a second time this year, but maintained a long-term forecast price of between US \$60/lb. to US \$70/lb. Subsequent to the quarter ended September 30, 2014 the spot uranium price spiked above US \$40.00/lb. The US \$41.75/lb. closing spot price on November 10, 2014, marked the largest weekly price increase since 2010. On November 11, 2014, Salman Partners announced an increase in their average calendar Q4 2014 spot price forecast from US \$35.50/lb. to US \$42.00/lb., which raised their overall 2014 price estimate to US \$33.76/lb. Their 2015 spot uranium price forecast was raised from US \$42.13/lb. to US \$47.38/lb. The long-term forecast price was maintained at \$65.20/lb. for 2018. (Salman Partners, Metals Morning Note, November 11, 2014). At the time of writing, it is not known if any of the other investment firms cited in the table below have published upward revisions to their price forecasts.

| Investment Firm        | 2014 E     | 2015 E     | Long-Term  |
|------------------------|------------|------------|------------|
| Salman Partners        | US \$33.76 | US \$47.38 | US \$65.20 |
| TD Securities          | US \$30.52 | US \$35.00 | US \$70.00 |
| Raymond James          | US \$30.00 | US \$35.00 | US \$60.00 |
| Dundee Capital Markets | US \$31.00 | US \$40.00 | US \$70.00 |
| Cantor Fitzgerald      | US \$32.54 | US \$36.25 | US \$70.00 |
| Morgan Stanley         | US \$30.81 | US \$36.00 | US \$70.00 |

Sources: Salman Partners, Metals Morning Note, November 11, 2014; TD Securities, Morning Research Notes, Cameco, September 2, 2014; Raymond James Research Department email September 18, 2014; Dundee Capital Markets: Uranium Sector report, July 15, 2014; Cantor Fitzgerald Commodity Price Update, July 25, 2014; Morgan Stanley forecast was taken from a Bloomberg article dated July 15, 2014 and posted on the Cantor Fitzgerald website.

Cameco forecasts that 20% of world supply will need to come from exploration and development of new primary mine production over the next 10 years, but the significant decline in uranium prices since Fukushima, resulted in the recent suspension of its 2018 supply target of 36 million pounds. In addition, several new projects have now been categorized as uneconomic. Worldwide projects cancelled or deferred since 2012 include: Yeelirrie and Kintyre in Australia (Cameco), Trekkopje in Namibia (AREVA), Imouraren in Niger (AREVA) and the Olympic Dam expansion in Australia (BHP). Salman Partners estimates that 105.5 million lbs. of uranium has been removed from the world's mine plans for the period 2014 to 2021 (Metals Morning Note, February 13, 2014). In contrast, it is significant that no projects were cancelled in the Athabasca Basin in 2013, and that the McClean Lake mill is undergoing capacity expansion to process uranium ore from Cameco and AREVA's Cigar Lake mine, which, despite further delays is expected to begin production during the final calendar quarter of 2014.

### **PLS high-grade uranium discovery: Operational summary for the quarter ended September 30, 2014, and subsequent**

Fission's PLS discovery is a basement hosted unconformity uranium deposit, characterized by shallow, high-grade mineralization in four separate zones trending for approximately 2.24 km in length. From west to east, these zones are: R600W, R00E, R780E, and R1620E (from Hole PLS13-124 on line 615W to Hole PLS14-196 on line 1620E). Successful drilling completed to date has merged the former R390E, R585E, R945E and R1155E zones into the R780E Zone. The R780E Zone, which has exhibited high grade mineralization over exceptionally wide thicknesses, remains open along strike and laterally north-south as well as at depth. Up to and including drilling from the summer 2014 program, 224 delineation holes have defined mineralization over a combined strike length of 1,070m in the R00E and R780E zones, with 218 holes intersecting mineralization for a 97.3% success hit ratio.

It was the opinion of one sell-side analyst, in a commentary written earlier this year, that results from PLS have demonstrated high grades and great mineralized thicknesses that compare favourably with Cameco's McArthur River deposit.

**Summer 2014 drill program**

During the quarter ended September 30, 2014, the Company completed an expanded 28,328m summer drill program budgeted at \$15 million. The program was expanded partway through the quarter, due to the drilling success achieved early into the program. A total of 60 drill holes were completed in the R780E Zone. 22 regional exploration drill holes, which discovered anomalous radioactivity on three new conductors in the PL Corridor and Far East target areas of the property, were also completed. All 60 drill holes intersected mineralization at the R780E Zone for a 100% drilling success rate, including 42 drill holes, which intersected mineralized intervals with >10,000 cps radioactivity.

Subsequent to the quarter ended September 30, 2014, assays from the first 29 holes were reported, confirming significant expansion of the R780E Zone laterally north-south along the entire strike length. In addition, the second best hole drilled to date at the PLS property was announced. Hole PLS14-248 (composite grade-thickness of 698) returned 16.5m of 35.13%  $U_3O_8$  within 47.5m grading 13.23%  $U_3O_8$ . Assays from an additional 13 holes, including 7.5m grading 24.87%  $U_3O_8$  within 24m of 8.53% were announced late in October. The final 18 R780E Zone delineation holes were announced on December 1, 2014. All 18 holes returned strong mineralization at shallow depth, with 14 returning substantial high-grade intervals. Hole PLS14-290 (line 735E), which was drilled in an area that previously returned modest results, returned strong composite assay intervals including 32.53%  $U_3O_8$  over 6.5m within a significantly larger 64.5m interval grading 3.72%  $U_3O_8$ .

Overall, the program significantly widened the high-grade R780E Zone on multiple lines, and increased the strike length to 905m (between lines 255E and 1155E) within a mineralized lateral corridor up to 164m wide (line 885E) as infill drilling successfully connected the former R1155E Zone to the east. Mineralization remains open in all directions and at depth. The R00E zone has been defined by drilling over a strike length of 165m (between lines 075W to 090E) and a lateral width up to 40m (line 030W).

All geochemical assay data required for the completion of a NI 43-101 compliant Maiden Resource for the R00E and R780E zones has been received. The Company expects to release preliminary results by early 2015. Planning is underway for a winter 2015 drilling and regional exploration program.

*Highlights of the summer 2014 drill program:*

- 100% drilling success rate: All 60 drill holes completed during the summer 2014 exploration program at the R780E Zone have hit mineralization, with 42 holes intersecting >10,000 cps radioactivity;
- The R780E and R1155E zones have been successfully connected with Holes PLS-274 (Line 1125E) and PLS14-285 (Line 1095E) intersecting stronger mineralization than previously encountered. The newly enlarged R780E Zone's strike length has increased to 905m (between Line 225E and 1155E), from 855m;
- Lateral step-out drilling has significantly widened the R780E Zone to the north and south. Exceptionally wide high-grade mineralization was particularly demonstrated by Hole PLS14-248 (Line 825E), which is the second best hole drilled to date at the PLS property, returning 16.5m of 35.13%  $U_3O_8$  within 47.5m grading 13.23%  $U_3O_8$ ;
- Regional exploration has discovered significant anomalous radioactivity 17km southeast of the PLS discovery (Hole PLS14-255) near the property boundary with Fission 3.0 Corp.

For a complete summary of the PLS project since inception, please see the section entitled: Patterson Lake South.

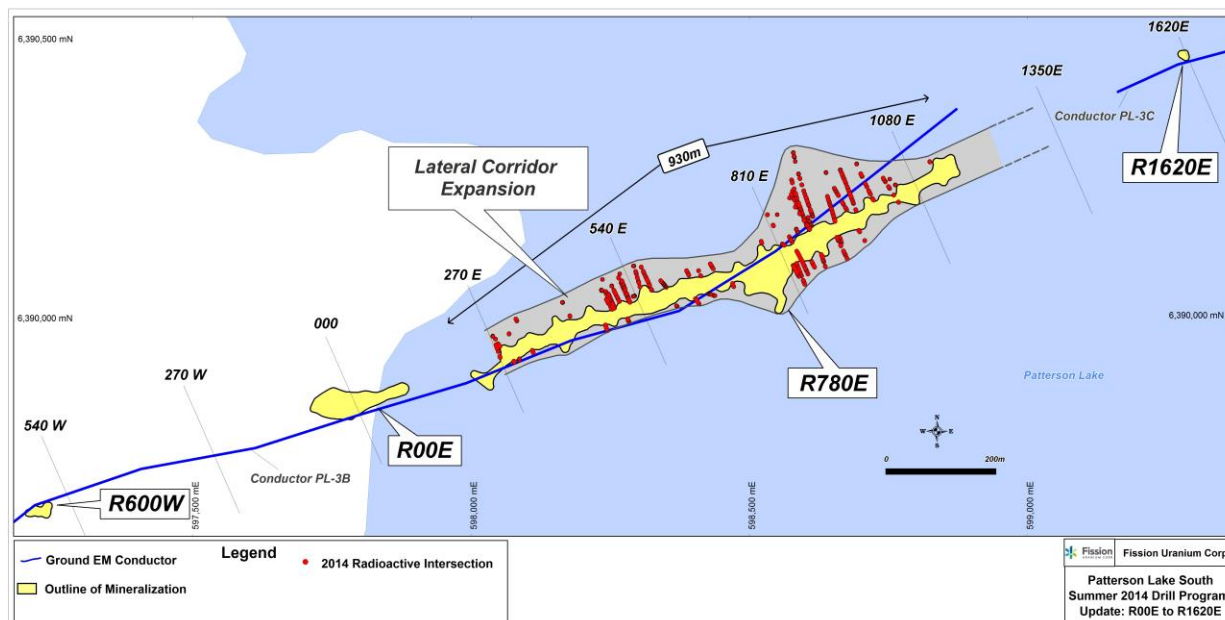
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## Summer 2014 Drill Program (continued)

Map of the PLS Uranium Discovery (as at September 2014):



## Summary of significant accomplishments for the 3 months ended September 30, 2014 and subsequent:

- May-August 2014: Assays received from the winter 2014 drill program over the course of the summer months continue to expand the PLS discovery in size and along strike. Examples of wide, high-grade mineralization at shallow depths include Hole PLS14-209 (line 510E), which returned composite assay intervals including 21.97%  $U_3O_8$  over 10.0m within a larger interval of 5.19%  $U_3O_8$  over 57.0m and PLS14-215 (line 660E), which returned composited assay intervals of 11.80%  $U_3O_8$  over 22.5m within a larger interval of 6.29%  $U_3O_8$  over 48.5m;
- August 2014: Mr. Jeremy Ross is re-appointed to Fission's board of directors;
- August 2014: Regional exploration discovers significant anomalous radioactivity 17km southeast of the PLS discovery (Hole PLS14-255) near the property boundary with Fission 3.0 Corp.;
- August 2014: Mr. Anthony Milewski is appointed to Fission's board of directors;
- August 2014: Drilling successfully connects the R780E and R1155E zones with Holes PLS-274 (Line 1125E) and PLS14-285 (Line 1095E) intersecting stronger mineralization than previously encountered. The newly enlarged R780E Zone's strike length increases to 905m (Between Line 225E and 1155E), from 855m;
- August-September 2014: Lateral step-out drilling significantly widens the R780E Zone to the north and south, by intersecting exceptionally wide intervals of high-grade mineralization;
- September 2014: Closed "Bought Deal" flow-through common share private placement for the sale of 9,602,500 flow-through common shares of the Company, including the underwriters' over-allotment, at a price of \$1.50 per flow-through common share, for total gross proceeds of \$14,403,750;

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### **Summary of significant accomplishments for the 3 months ended September 30, 2014 and subsequent (continued)**

- October 2014: Initial assays from the first 29 holes of the summer 2014 drill program confirm significant expansion of the R780E Zone laterally north-south along the entire strike length. In addition, Hole PLS 14-248 is confirmed as the second best hole drilled to date at the PLS property, (composite grade-thickness of 698) and returning 16.5m of 35.13%  $U_3O_8$  within 47.5m grading 13.23%  $U_3O_8$ ;
- October 2014: The Company received approval to list its common shares on the Toronto Stock Exchange ("TSX"). On Wednesday, October 8th, Fission began trading on the TSX, continuing under the trading symbol "FCU".
- October 2014: Additional 13 summer drill hole assays including 7.5m grading 24.87%  $U_3O_8$  within 24m of 8.53% show continued lateral north-south expansion of the R780E zone.
- December 2014: Final 18 holes from the summer drill program returned strong mineralization at shallow depth, with 14 returning substantial high-grade intervals. Hole PLS14-290 (line 735E), which was drilled in an area that previously returned modest results, returned strong composite assay intervals including 32.53%  $U_3O_8$  over 6.5m within a significantly larger 64.5m interval grading 3.72%  $U_3O_8$ .
- December 2014: Based on completed drilling to date, 224 delineation holes have defined mineralization over a combined strike length of 1,070m in the R00E and R780E zones, with 218 holes intersecting mineralization for a 97.3% success hit ratio.

### **Corporate goals**

Fission Uranium's goal is to discover an economic uranium deposit through exploration. The Company's property is located in Saskatchewan's Athabasca Basin, home of the richest and lowest cost uranium deposits in the world. The Athabasca Basin has remained the primary focus of continued interest to uranium investors for the following reasons:

1. Rio Tinto's successful acquisition of Hathor Exploration in 2012 introduced new competition to the Athabasca Basin in the form of a leading international uranium producer, while confirming Cameco's intent to strengthen its position the region.
2. Completion of the Fission Energy Arrangement with Denison Mines Corp. ("Denison") in April 2013, resulting in Denison acquiring the Waterbury Lake deposit, confirmed the premium value of deposits in the Athabasca Basin, despite an overall weak uranium price environment.
3. Fission Uranium's new PLS shallow high grade uranium discovery announced late in 2012, was made in the underexplored western part of the Athabasca Basin, and resulted in a staking rush in the region.
4. Canada recently signed a free-trade agreement with Europe, which removes a longstanding requirement that buyers are legally bound to take on a Canadian partner in uranium projects. This positive change is expected to attract new foreign investment in the development of uranium projects, most notably in the Athabasca Basin.

## Fission Uranium Corp.

Management's Discussion and Analysis  
For the three month period ended September 30, 2014



### Corporate goals (continued)

#### Corporate Objectives

- To continue building upon the success of the high-grade, shallow depth major uranium discovery at PLS into a veritable world-class deposit;
- To complete a NI 43-101 compliant resource estimate; and
- To explore corporate opportunities that may lead to value-added project decisions that enhance shareholder value.

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 expected new demand. As such, management remains optimistic about the long-term prospects for the uranium market and the Company remains committed to advancing its exploration plans in the Athabasca Basin. Past and current exploration successes have enabled the Company to fund its operations and advance its business plan in an extremely challenging overall uranium market and difficult capital market environment for mineral exploration companies in general.

### Patterson Lake South

Details of the Company's sole uranium exploration project as of September 30, 2014 are shown below:

| Property             | Location            | Ownership | Claims | Hectares | Stage    | Carrying value (\$CDN) |
|----------------------|---------------------|-----------|--------|----------|----------|------------------------|
| Patterson Lake South | Athabasca Basin, SK | 100%      | 17     | 31,039   | Drilling | 223,668,682            |

Exploration is dependent on funding, and other operational capabilities, which are reviewed and evaluated on an ongoing basis. While management believes its property has 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.

Any scientific and technical information in respect of the exploration activities was reviewed and approved by Ross McElroy, P. Geol. a "qualified person" as defined by NI 43-101.

On January 17, 2008, Fission Energy and ESO Uranium Corp. (later renamed Alpha Minerals Inc. - "Alpha") combined four mineral claims totaling approximately 4,770 ha in the PLS area, located on the southwest margin of the Athabasca Basin, by entering into a 50:50 joint venture exploration agreement, named the Patterson Lake South or PLS Joint Venture. Subsequent to the formation of the PLS Joint Venture, additional ground was acquired by staking at various dates.

On April 26, 2013, a plan of arrangement for the acquisition of Fission Energy by Denison was completed, whereby certain assets, including Fission Energy's 50% PLS Joint Venture ownership, were spun-out into a newly incorporated exploration company named Fission Uranium. On December 9, 2013, Fission Uranium consolidated 100% ownership of the PLS property by acquiring all of the outstanding shares of Alpha. The PLS property, which now comprises seventeen mineral claims totaling 31,309 ha, is Fission Uranium's sole property asset.



**Patterson Lake South (continued)***2008-2010 exploration*

In December 2008, a 162 line-km MEGATEM airborne survey was completed over PLS property, 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 survey implemented state of the art radiometric and high resolution magnetic measurement techniques 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 known Patterson Lake conductor to the NNE that had been previously identified from earlier airborne and ground surveys.

The results of the survey were reviewed in 2010 and indicated 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.

*2011 exploration*

In June 2011, ground follow-up of the airborne radiometric survey, resulted in the discovery of a 5km long x 0.9km wide radioactive boulder field. A total of 74 radioactive boulders and ground stations were identified. Forty-two of these 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 Au to 2.43 g/t Au. The presence of gold is significant as it correlates with those uranium deposits found within the western part of the Athabasca Basin. Twenty-five boulders assayed at over 10% U<sub>3</sub>O<sub>8</sub>, with the highest grade boulder assaying at 39.6% U<sub>3</sub>O<sub>8</sub>. An additional 23 boulders provided assay values from 1.0% U<sub>3</sub>O<sub>8</sub> to 10% U<sub>3</sub>O<sub>8</sub>.

A 2011 trenching program yielded an additional 49 radioactive boulders with 19 boulders producing "off-scale" radioactive readings.

*Winter 2012 exploration*

A winter drill program commenced January 2012 with a total of 16 holes totaling 2,174m were completed from March to April of that year. Five holes encountered significant anomalous clay alteration along 823m of strike length on the same EM conductor: PLS12-004, PLS12-013, PLS12-014, PLS12-015 and PLS12-016. Of these 5 holes, 3 holes (PLS12-013, PLS12-014 and PLS12-016) encountered weakly anomalous radioactivity within the altered bedrock lithology. Discovery drill-hole PLS12-016 returned results that included a 0.6m interval assaying 0.085% U<sub>3</sub>O<sub>8</sub> and narrow intercepts of 0.50m and 0.40m grading 0.06%, 0.102% and 0.058% U<sub>3</sub>O<sub>8</sub> respectively.

A property-scale airborne VTEM magnetic and electromagnetic survey was completed during the winter 2012 program. Ground resistivity and time domain electromagnetic surveys were extended on the 'Main' grid which covers the conductors of interest up-ice from the high grade uranium boulder field. The DC Resistivity survey was successful in defining a number of potential targets based on conductivity, changes in the width of conductive packages and more subtle features indicating possible cross structures. The DC Resistivity and VTEM were initially used for drill targeting with a limited amount of ground Superconducting Quantum Interference Device Electromagnetic ("SQUID-EM") used to follow up and truth some of the VTEM picks. The SQUID-EM survey was successful at resolving basement conductor positions, apparent dips and conductivities.

A high resolution radiometric/magnetic airborne survey was conducted during the winter 2012 program, covering the additional ground staked by Fission Energy in late 2011. Ground resistivity and time domain EM surveys were performed to verify and further detail results from previous airborne surveys.

**Patterson Lake South (continued)***Summer 2012 exploration*

Continued ground investigations during the summer 2012 program resulted in the significant expansion of the high-grade uranium boulder field discovered in 2011. 17 of 40 radioactive boulder samples demonstrated "off-scale" radioactivity ( $>9,999$  cps), extending the area to approximately 7.35km in length and up to 1km in width.

Twelve rotary drill-holes totaling 1,541m were drilled on the PLS property during October and November 2012. A 9 hole 1,630m core drilling program (Holes PLS12-017 to PLS12-025) commenced at the PLS property in November 2012. A 6.0m wide interval of high grade mineralization with massive visible pitchblende in veins (up to 21cm wide), blebs and flecks was intersected in the discovery drill-hole PLS12-022, located approximately 3.8km northeast of the high-grade boulder field. Subsequently step-out hole PLS12-044 intersected a 13.0m wide interval of strong mineralization including intermittent intervals, totaling 2.14m of off-scale ( $>9999$  cps) radioactivity. PLS12-025, collared 10m north of Hole PLS 12-024, intersected a 22.5m wide interval of strong mineralization including a narrow band of off-scale ( $>9999$  cps) radioactivity. In each case, the mineralization occurs at shallow depth in basement rocks.

*Winter 2013 exploration*

Patterson Geophysics Inc. ("PGI") carried out SQUID-EM and Small Moving Loop Time-Domain Electromagnetic ("SMLTEM") ground surveys from December 13, 2012 to January 16, 2013 and March 24 to March 29, 2013. In total, 16.4 line-km of SQUID EM coverage, and 3.1 line-km of SMLTEM were completed.

In February and April, 2013, RadonEx Ltd conducted Electret Ionization Chamber ("EIC") radon in lake water and radon in lake sediment surveys. A total of 406 water samples and 318 sediment samples were collected. The surveys successfully outlined several zones of anomalous radon measurements, including the known areas of drill-hole mineralization.

A 2013 winter drill program totaled 10,183m (combination of reverse circulation and core drilling) in 46 completed drill-holes. Mineralization was intersected in 37 (80%) of the holes. Three separate uranium zones were discovered and partially delineated, spanning an overall strike length of approximately 850m within a 3km long anomalous resistivity low corridor coincident with a primary conductor. All 3 zones remain open in all directions.

*Summer 2013 exploration*

A summer drill and exploration program commenced in July 2013 and was expanded in October 2013. The summer drill and exploration program concluded in mid-November 2013, having drilled 53 holes and discovering a total of four additional zones of mineralization (R600W, R935E, R585E and R1155E), and a 107% increase in strike length to 1,760m.

Ground geophysics conducted during the summer 2013 exploration program consisted of a total 45.1 line-km of IP-DC resistivity measurements over two grids; the VERM Grid was surveyed from July 26 to August 13 and the Far East Grid was surveyed from September 30 to October 16. The IP surveys were performed in order to test for the presence of resistivity anomalies associated with known EM conductors, which may indicate the presence of favorable alteration in the lower sandstone and/or basement lithologies. A radon-in-soil survey was conducted over the western extension of the known primary conductor, providing several anomalous measurements.



**Patterson Lake South (continued)***Winter 2014 exploration*

In December 2013, 48.8 line-km of IP-DC resistivity measurements were taken over two grids, 'Area B' and 'Forrest Lake (Area D)', to look for low resistivity zones in association with ground conductivity.

In January, 2014 a \$500,000 radon survey was initiated that targeted ten high priority electromagnetic (EM) conductors within four outlined areas of the PLS property. The program focused on new areas of interest for identifying potential drill and mineralization targets.

In January, 2014 a planned 30,000m 90-hole winter 2014 drill and geophysical program commenced at the PLS property. The drill program was completed on April 18, 2014. Using 2 Reverse Circulation ("RC") drills and 5 diamond drills, total of 35,198m of drilling resulted in the completion of 105 pre-cased holes of which 92 core holes were completed to target depth. Of the 92 core holes completed, 80 holes (87%) were designed as delineation holes on the main mineralized trend and 12 holes (13%) were designed as exploration holes with the objective to discover new mineralized occurrences.

Important milestones achieved by the winter 2014 delineation drill program include:

- Merging of R390E, R585E, R780E and R945E zones into a single zone referred to as R780E;
- Expansion of R780E zone along strike to the east by 135m (from line 945E to line 1080E);
- Net increase of >135% in strike length of the R780E zone to 855m from the length defined in 2013;
- Increase in north-south lateral width of the R780E zone up to 90m on line 780E (from approximately 40m on line 780E defined in 2013);
- Expansion of lateral north-south width of the R1155E zone to approximately 20m wide; and
- Discovery of a new mineralized zone R1620E with 2 holes located 465m to the east of R1155E zone.

The 12 regional exploration drill holes completed in the winter 2014 program tested three EM conductors: PL-1B, PL-2C and PL-3C. The discovery and expansion of mineralization at the R1620E zone, via holes PLS14-196 and PLS14-208 (see NR dated Mar 31, 2014 and Apr 24, 2014), occurred while testing the PL-3C conductor. The results from the remaining holes have encountered geology of significant interest to the Company and warrant follow up.

Uranium mineralization at PLS has been traced by core drilling over 2.24km of east-west strike length in five separate mineralized "zones" from line 615W (PLS13-124) to line 1620E (PLS14-196). From west to east, these zones are: R600W, R00E, R780E, R1155E and R1620E. The former R390E, R585E and R945E zones have been merged into the R780E zone by successful winter 2014 drilling. Mineralization remains open along strike both to the western and eastern extents. Mineralization is located within and associated with a metasedimentary lithologic corridor, bounded to the south by the PL-3B basement Electro-Magnetic (EM) Conductor, and now in addition associated with the eastern PL-3C conductor.

An EIC radon gas survey to measure samples of radon in lake beneath the surface ice was conducted by RadonEx Exploration Management, of St Lazare, Quebec. The Company's use of RadonEx's lake bottom radon sampling survey (where the survey is conducted in the winter beneath the lake ice over known EM conductor axis) has shown to be an important layer of information to be used in identifying areas reflective of nearby radioactive source anomalies in bedrock. Analysis of these results was useful in assisting drill targeting during the 2013 drill programs at PLS. The survey comprised primarily samples of measurements of radon in water.

**Patterson Lake South (continued)***Winter 2014 exploration (continued)*

The radon-in-water survey followed up on 15 discrete geophysics-identified time domain electromagnetic (TDEM) basement conductors in 4 high priority areas (Areas A, B, C and D). Some of the radon anomalies are on the same scale of intensity as the anomalies associated with the PL-3B conductor at PLS that led to the discovery of high-grade uranium mineralization in drill core in 2013. The 2013 radon survey assisted targeting along the PL-3B conductor and was a contributing factor in the success of drill collar step outs as large as 465m at PLS.

Lake bottom spectrometry was performed as a test trial, by Special Projects Inc., over the main resource zone and the B grid area; a total of 1189 stations were measured.

GPR bathymetry was performed as a test trial, by Special Projects Inc., over the main resource zone; a total of 1,303,002 stations were measured.

*Summer 2014 exploration*

In July, 2014 a planned 20,330m 63-hole summer 2014 drill program, later expanded to 28,328m in 82 holes, commenced at the PLS property. The drill program was completed on September 15, 2014. Using primarily one Reverse Circulation ("RC") drill, which pre-cased 69 targets, and five diamond drills, a total of 28,328m of drilling was completed. Of the 82 core holes completed, 60 holes (73%) were designated as delineation holes on the main mineralized trend and 22 holes (27%) were designated as regional exploration holes with the objective to discover new mineralized occurrences. A total of 56 of 60 holes completed over the main mineralized zone, were angled, most at -70° dip and all 60 holes were mineralized. Angled holes were drilled to improve Fission's understanding of the discovery's geometry and assisting in the identification of new mineralized areas.

Important milestones achieved by the summer 2014 delineation drill program include:

- Merging of R780E with R1150E into a single zone referred to as R780E;
- Expansion of R780E zone along strike to the east by 75 m (from line 1080E to line 1155E);
- Net increase of about 108% in strike length of R780E zone to 905m from the length defined during the winter 2014 program;
- Increase in north-south lateral width of R780E zone up to 50m north on lines 870E, 915E and 960E, approximately 15m south on line 840E and 30m north on line 525E, defined in the winter 2014 program; and
- Discovery of deeper mineralization hosted in previously unknown metapelitic gneiss parallel and about 45m north of the main zone mineralized horizon.

The 22 regional exploration drill holes completed in the summer 2014 program tested eleven EM conductors: PLG-1B, 2C, 3A, 3C, 10B, 91A, 63C 64A, 103A, 104A and 105A. Mineralization with a high of 2,532 cps was detected at hole PLS14-255 (Far East Grid) using a 2PGA-1000 natural gamma downhole probe while testing conductor 105A located about 17 km southeast of the main discovery. Anomalous radioactivity was also detected at holes PLS14-252 (conductor 1B), PLS14-262 and PLS14-284 (conductor 105A) and PLS14-260 (conductor 104A) with a hand-held RS-121 Scintillometer manufactured by Radiation Solutions.

The final R780E Zone assay results from the PLS summer 2014 drilling program were announced on December 1, 2014. All 18 holes returned strong mineralization at shallow depth, with 14 returning substantial high-grade intervals.

**Patterson Lake South (continued)***Summer 2014 exploration (continued)*

With the completion of the summer 2014 drill program and the return of all geochemical assays, uranium mineralization at PLS has now been traced by core drilling over 2.24km of east-west strike length in four separate mineralized "zones" from line 615W (PLS13-124) to line 1620E (PLS14-196 and PLS14-208). From west to east, these zones are: R600W, R00E, R780E and R1620E. Successful drilling completed to date has merged the former R390E, R585E, R945E and R1155E zones into the R780E Zone. Holes PLS14-264 and PLS14-274 confirmed the latest connection between R780E and R1155E zones, while Hole PLS14-285 (Line 1095E) intersected stronger mineralization than previously encountered. The newly enlarged R780E Zone's strike length has increased from 855m to 905m (between lines 225E and 1155E)

Mineralization remains open along strike both to the western and eastern extents. Mineralization is located within and associated with a metasedimentary lithologic corridor, bounded to the south by the PLG-3B basement Electro-Magnetic (EM) Conductor, and in addition associated with the eastern PLG-3C conductor.

In August 2014, 7.5 line-km of Small Moving Loop Time-Domain Electromagnetic (SMLTEM) ground survey was conducted by Patterson Geophysics Inc. of La Ronge, SK east of Forrest Lake over three reconnaissance grid lines to define multiple high priority VTEM conductors. Interpretation by Living Sky Geophysics of Saskatoon, SK produced 11 conductor picks of which three were selected for drill follow-up based on high conductivity-thickness values. A 74.5 km grid was established for the SMLTEM survey and loop edge lines east of Forrest Lake.

In August 2014, Remote Exploration Services (Pty) Limited completed a proprietary radon-in-soil emanometry technique ('RadonX') - test survey, samples taken with long measurement durations to average out diurnal variations. A total of 580 cup measurements were collected on-land along expected mineralized zones between lines 600W and 00E where drill testing has been limited. The test was initiated in an attempt to resolve low level reproducibility of past surveys. Results are pending.

In October 2014, Remote Exploration Services (Pty) Limited completed RadonX radon-in-soil surveying on the S1, S2, S3 and S4 conductor target areas. Results are pending.

In October 2014, PetroFind Geochem Ltd. conducted helium, neon and hydrogen-in-soil surveying in the Zone 600W area. Results are pending.

Airborne magnetics surveying was conducted by Special Projects Inc. over the Patterson Lake and Forrest Lake areas. Results and interpretation are pending.

Sonar bathymetry trials were conducted by Special Projects Inc. over the resource zone within Patterson Lake. Results and interpretation are pending.

Airborne LIDAR surveying was conducted by Eagle Mapping Ltd. in order to establish a high-resolution digital elevation model ('DEM') of the resource zone area. Results are pending.

Ground IP-resistivity geophysical surveying was conducted by Patterson Geophysics Inc. on the S4 and U3-U4 conductor target grids. Results and interpretation are pending.

A winter 2015 program is currently in the planning stages.

# Fission Uranium Corp.

Management's Discussion and Analysis  
For the three month period ended September 30, 2014



## Selected annual information <sup>(1)</sup>

|   | June 30<br>2014 | June 30<br>2013 | June 30<br>2012 |
|---|-----------------|-----------------|-----------------|
|   | \$              | \$              | \$              |
| Net loss and comprehensive loss         | (4,750,560)     | (6,448,123)     | (4,157,161)     |
| Total assets                            | 240,027,324     | 28,609,859      | 5,553,512       |
| Total liabilities                       | 3,312,827       | 4,002,317       | 1,489,351       |
| Shareholders' equity                    | 236,714,497     | 24,607,542      | 4,064,161       |
| Basic and diluted loss per common share | (0.02)          | (0.04)          | (0.03)          |

(1) – The results up to April 26, 2013 have been prepared on a carve-out basis from certain allocations of Fission Energy's financial statements.

## Summary of quarterly results <sup>(1)</sup>

| Quarter ended  | September<br>30 2014      | June 30<br>2014 | March 31<br>2014 | December<br>31 2013       |
|--|---------------------------|-----------------|------------------|---------------------------|
|  | \$                        | \$              | \$               | \$                        |
| Exploration and evaluation assets                    | 223,668,682               | 210,020,459     | 201,683,220      | 187,316,981               |
| Working capital                                      | 21,600,812 <sup>(2)</sup> | 26,451,356      | 7,422,682        | 16,256,358 <sup>(3)</sup> |
| Net income (loss) and<br>comprehensive income (loss) | (3,392,936)               | (4,347,981)     | (502,678)        | 2,284,381                 |
| Net income (loss) per share basic                    | (0.01)                    | (0.02)          | (0.00)           | 0.01                      |
| Net income (loss) per share diluted                  | (0.01)                    | (0.02)          | (0.00)           | 0.01                      |

| Quarter ended  | September<br>30 2013 | June 30<br>2013 | March 31<br>2013 | December<br>31 2012 |
|--|----------------------|-----------------|------------------|---------------------|
|  | \$                   | \$              | \$               | \$                  |
| Exploration and evaluation assets                    | 14,323,645           | 10,041,838      | 9,299,041        | 7,209,326           |
| Working capital                                      | 11,036,968           | 15,983,541      | (1,269,699)      | (367,712)           |
| Net income (loss) and<br>comprehensive income (loss) | (2,184,282)          | (2,979,190)     | (1,495,409)      | (1,200,722)         |
| Net income (loss) per share basic                    | (0.01)               | (0.02)          | (0.01)           | (0.01)              |
| Net income (loss) per share diluted                  | (0.01)               | (0.02)          | (0.01)           | (0.01)              |

- (1) The results up to April 26, 2013 have been prepared on a carve-out basis from certain allocations of Fission Energy's financial statements.
- (2) The working capital at September 30, 2014 includes a \$4,321,125 flow-through share premium liability which is a non-cash item and will be taken into other income when the renunciation documents are filed.
- (3) The working capital at December 31, 2013 includes a \$3,947,582 flow-through share premium liability which is a non-cash item and will be taken into other income when the renunciation documents are filed.

## Fission Uranium Corp.

Management's Discussion and Analysis  
For the three month period ended September 30, 2014



### 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. The Company does not have any significant revenues other than interest and miscellaneous income.

*Comparison of the quarters ended September 30, 2014 and September 30, 2013.*

- The Company had a net loss and comprehensive loss of \$3,392,936 (\$0.01 per basic share and diluted share) compared to a net loss and comprehensive loss of \$2,184,282 (\$0.01 per basic share and diluted share).
- Professional fees decreased to \$178,941 from \$714,784. The quarter ended September 30, 2013 was greater primarily as a result of non-recurring legal and accounting costs associated with the Alpha Arrangement.
- Public relations and communications increased to \$320,597 from \$263,132 as a result of increased exploration activity which resulted in additional news releases and shareholder communications.
- Share-based compensation increased to \$2,068,068 from \$919,388 as a result of the granting and vesting of stock options.
- The exploration management fee income decreased to \$Nil from \$271,686 as a result of the Company acquiring 100% of PLS through the Alpha Arrangement.

### Short form prospectus financings - use of proceeds

*April 1, 2014 private placement*

The actual use of proceeds, as at September 30, 2014 in comparison to the proposed use of proceeds included in the Company's short form prospectus (the "Prospectus") dated April 24, 2014, is outlined below:

| Uses   | Proposed Use of Proceeds <sup>(1)</sup> | Actual Use of Proceeds | Remaining to be Spent/Difference |
|--|---|------------------------|----------------------------------|
|  | \$                                      | \$                     | \$                               |
| Exploration and evaluation assets <sup>(2)</sup> | 21,153,300                              | 13,460,651             | 7,692,649                        |
| General and administrative costs                 | 5,852,700                               | 1,345,891              | 4,506,809                        |
| Share issuance costs - September 23, 2014        |   |                        |                                  |
| flow-through private placement                   | -                                       | 917,874                | (917,874)                        |
| <b>Total</b>                                     | <b>27,006,000</b>                       | <b>15,724,416</b>      | <b>11,281,584</b>                |

(1) The Company estimated the net proceeds from the Special Warrant private placement to be \$27,006,000 at the time of the Prospectus. The actual net proceeds were \$26,958,088.

(2) On September 23, 2014 the Company completed a flow-through private placement. Accordingly any eligible exploration expenditures incurred after September 23, 2014 will be funded from the gross proceeds of the flow-through private placement.

As set out in the Prospectus, the Company intended to use the proceeds for the exploration and development of the PLS property and for general and administrative costs, from July 1, 2014 to September 30, 2015.

Prior to July 1, 2014 the Company had used \$554,640 of such proceeds as disclosed in the Company's Management's Discussion and Analysis for the year ended June 30, 2014.

**Short form prospectus financings - use of proceeds (continued)**

As of September 30, 2014, the Company has used only the portion of such proceeds noted in the table above. The amount remaining to be spent on exploration and evaluation assets will be spent on future exploration and evaluation expenditures once the gross proceeds from the September 23, 2014 have been fully spent on eligible exploration expenditures. The general and administrative cost differences outlined above primarily represents the remaining expenditures from October 1, 2014 to September 30, 2015. Proceeds were used to fund the share issuance costs related to the September 23, 2014 flow-through private placement. The share issuance costs are not eligible flow-through expenditures and therefore could not be paid from the gross proceeds of the September 23, 2014 flow-through private placement.

The differences noted above are not expected to have a material impact on the Company's ability to achieve its business objectives and milestones as set out in the Prospectus.

The Company will provide updated disclosure regarding the use of such proceeds in subsequent Management's Discussion and Analysis as required.

**Liquidity and capital resources**

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

The Company's ability to meet its obligations and its ability to fund exploration programs depends on its ability to raise funds. The Company anticipates being able to raise funds, as necessary, primarily through equity financings. To date the Company has been successful in raising funds through equity private placements, however there are no assurances that the Company will be successful in raising funds in the future. On an ongoing basis, the Company monitors and adjusts, when required, exploration programs as well as ongoing general and administrative costs to ensure that adequate levels of working capital are maintained.

The Company has no exploration and evaluation asset agreements that require it to meet certain expenditures.

*Financing and private placements*

- December 9, 2013 flow-through private placement

The Company completed a private placement of 8,581,700 flow-through common shares at \$1.50 per share for aggregate gross proceeds of \$12,872,550. The Company paid agents' commissions of \$723,148 plus \$217,695 of expenses and issued 482,099 broker warrants with an attributed value of \$230,700 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 Company for a period of 2 years at a price of \$1.50 per share with an expiry date of December 9, 2015. The assumptions used in the Black-Scholes pricing model include a volatility of 104.55%, risk free interest rate of 1.08%, expected life of 2 years and a dividend rate of 0%. All warrants vested immediately on the date of the grant. A flow-through share premium liability of \$3,947,582 was recognized and was reported as a reduction to share capital. The flow-through share premium liability was taken into income when the renunciation documents were filed.

**Liquidity and capital resources (continued)***Financing and private placements (continued)*

- April 1, 2014 private placement

The Company completed a private placement of 17,968,750 special warrants ("Special Warrants"), at a price of \$1.60 per Special Warrant, for gross proceeds of \$28,750,000. The Company paid agents' commissions of \$1,437,500 plus \$354,412 of expenses and issued 898,439 broker warrants with an attributed value of \$824,624 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 Company for a period of 2 years at a price of \$1.60 per share with an expiry date of April 1, 2016. The assumptions used in the Black Scholes pricing model include a volatility of 104.39%, risk free interest rate of 1.07%, expected life of 2 years and a divided rate of 0%. All warrants vested immediately on the date of the grant. On April 25, 2014 the Company received approval for the final short form prospectus. On April 28, 2014 the 17,968,750 Special Warrants were automatically exercised into 17,968,750 common shares of the Company.

- September 23, 2014 flow-through private placement

The Company completed a private placement of 9,602,500 flow-through common shares at a price of \$1.50 per share, for gross proceeds of \$14,403,750. The Company paid agents' commissions of \$714,109 plus \$203,765 of expenses. At the time of financing, a flow-through share premium liability of \$4,321,125 was recognized and was reported as a reduction to share capital. The flow-through share premium liability will be taken into other income when the renunciation documents are filed.

*Changes in working capital for the quarter ended September 30, 2014*

- At September 30, 2014, the Company had a positive working capital balance of \$21,600,812 as compared to \$26,451,356 at June 30, 2014. The working capital at September 30, 2014 includes a \$4,321,125 flow-through share premium liability which is a non-cash item and will be taken into other income when the renunciation documents are filed. The decrease in working capital is primarily due to a large summer 2014 exploration program at PLS, and recognition of a flow-through share premium liability of \$4,321,125. This was offset by net proceeds of \$13,485,876 from the September 23, 2014 flow-through private placement.
- The Company's accounts payable and accrued liabilities at September 30, 2014 were \$4,465,056 compared to \$3,312,827 at June 30, 2014. The increase is primarily a result of the large summer 2014 exploration program at PLS.

*Cash flow for the quarter ended September 30, 2014:*

Cash and cash equivalents for the quarter ended September 30, 2014 increased by \$489,567 primarily as a result of:

- Net proceeds from the September 23, 2014 flow-through private placement of \$13,485,876;
- Proceeds from the exercise of stock options and warrants of \$544,023; and
- Cash spent on exploration and evaluation asset activities of \$12,313,703 for exploration expenditures incurred on the Company's exploration project.



## Fission Uranium Corp.

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### Related party transactions

The Company identified directors and certain senior management as its key management personnel. The compensation costs for key management personnel are as follows:

|  | Three months ended |                |
|--|--------------------|----------------|
|  | September 30       |                |
|  | 2014               | 2013           |
|  | \$                 | \$             |
| <b>Compensation Costs</b>  |                    |                |
| Wages and consulting fees paid or accrued to key management personnel and companies controlled by key management personnel | 333,626            | 227,024        |
| Directors fees   | 52,500             | 63,150         |
| Share-based compensation for vesting of options previously granted to certain senior management                            | 477,967            | 286,039        |
| Share-based compensation for vesting of options previously granted to directors  | 729,411            | 384,805        |
|  | <b>1,593,504</b>   | <b>961,018</b> |
|  |                    |                |
|  | Three months ended |                |
|  | September 30       |                |
|  | 2014               | 2013           |
|  | \$                 | \$             |
| <b>Amounts Received or Receivable</b>  |                    |                |
| Exploration and administrative services billed to Fission 3.0 Corp. a company with common directors and management         | 118,589            | -              |

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, 2014 is \$163,955 (June 30, 2014 - \$191,003) for wages payable and consulting fees due to key management personnel and companies controlled by key management personnel.

Included in amounts receivable at September 30, 2014 is \$41,632 (June 30, 2014 - \$7,371) for exploration and administrative services and cost recoveries due from Fission 3.0.

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 1, 2014, the Company has 365,627,547 common shares issued and outstanding, 28,516,133 incentive stock options outstanding with exercise prices ranging from \$0.2020 to \$1.65 per share and 7,883,312 share purchase warrants outstanding with exercise prices ranging from \$0.3028 to \$1.60 per share.



**Financial assets**

All financial assets are initially recorded at fair value and categorized into the following two categories for subsequent measurement purposes: amortized cost and fair value.

A financial asset is classified at 'amortized cost' only if both of the following criteria are met: a) the objective of the Company's business model is to hold the asset to collect the contractual cash flows; and b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. If either of the two criteria are not met, the financial asset is classified at 'fair value through profit or loss'.

The Company has classified its cash and cash equivalents and amounts receivable at amortized cost for subsequent measurement purposes. All short-term investments are measured at fair value through profit or loss.

**Financial liabilities**

All financial liabilities are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are measured at amortized cost.

**Key estimates and judgments**

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

*Exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in the following areas:

- (i) Determination of whether any impairment indicators exist at each reporting date giving consideration to factors such as budgeted expenditures on the PLS property, assessment of the right to explore in the specific area and evaluation of any data which would indicate that the carrying amount of exploration and evaluation assets is not recoverable; and
- (ii) Assessing when the commercial viability and technical feasibility of the project has been determined, at which point the asset is reclassified to property and equipment.

**Significant accounting policies**

A summary of the Company's significant accounting policies is included in note 4 of the audited consolidated financial statements for the year ended June 30, 2014 except for the IFRS standards adopted as described below.

**IFRS standards adopted***IFRS 9, Financial Instruments*

On July 24, 2014 the IASB issued IFRS 9, Financial Instruments, which will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristic of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities, the standard retains most of the IAS 39 requirements.

Adoption of IFRS 9 is mandatory for annual periods beginning on or after January 1, 2018 however the Company has early adopted IFRS 9 effective July 1, 2014, as well as the related consequential amendments to other IFRSs. The Company has assessed the financial assets and financial liabilities held by the Company at the date of initial application of IFRS 9. The main effects resulting from this assessment were:

- (i) Short-term investments previously classified as held for trading and measured at fair value through profit and loss continue to be recognized in a consistent manner. The Company has not made any elections to recognize fair value changes on any of its equity instruments through other comprehensive income.
- (ii) All other financial instruments including cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities continue to be recognized at fair value on initial recognition and subsequently measured at amortized cost.

There was no difference between the previous carrying amount (under IAS 39) and the revised carrying amount (under IFRS 9) of the financial assets or financial liabilities as at July 1, 2014 to be recognized in opening deficit.

Financial assets

All financial assets are initially recorded at fair value and categorized into the following two categories for subsequent measurement purposes: amortized cost and fair value.

A financial asset is classified at 'amortized cost' only if both of the following criteria are met: a) the objective of the Company's business model is to hold the asset to collect the contractual cash flows; and b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. If either of the two criteria are not met, the financial asset is classified at 'fair value through profit or loss'.

The Company has classified its cash and cash equivalents and amounts receivable at amortized cost for subsequent measurement purposes. All short-term investments are measured at fair value through profit or loss.

Financial liabilities

All financial liabilities are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are measured at amortized cost.

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### **New standards, amendments and interpretations not yet effective**

The IASB issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company's financial year beginning on or after July 1, 2015.

There are no new or revised standards that are not yet effective which are expected to have a significant impact to the Company's financial statements.

### **Contingencies**

#### *(a) July 29, 2013 Civil Claim and November 8, 2013 Counterclaim*

On November 8, 2013, the Company received a counterclaim filed in the Supreme Court of British Columbia wherein it is named as a defendant by way of counterclaim to the Company's civil claim filed against Jody Dahrouge, Debbie Dahrouge, 877384 Alberta Ltd. and Dahrouge Geological Consulting Ltd. on July 29, 2013. The counterclaim alleges, among other things, that the Company slandered title to the properties at issue in the civil claim filed by the Company; and the Company interfered with Dahrouge Geological Consulting Ltd. contractual relations. The Company believes that the counterclaim is without merit and intends to vigorously defend itself. Fission 3.0 Corp. has agreed to indemnify the Company for any losses incurred by the Company arising out of the counterclaim.

No amount has been accrued in the financial statements in respect of the claim or counterclaim as the outcome is not determinable at this time. Any recovery or costs ultimately awarded to or assessed against the Company in respect of this claim and counterclaim will be recorded in the period in which actual determination of the recovery or liability, if any, is made.

#### *(b) February 5, 2014 Notice of Civil Claim*

On February 5, 2014, the Company received notice of a civil claim filed in the Supreme Court of British Columbia wherein it is named as a defendant. The claim was made by Mr. Jody Dahrouge, a former director of Fission Energy Corp. with whom the Company is engaged in separate, ongoing litigation. The claim alleges that an officer of the Company defamed Mr. Dahrouge in statements made in a magazine interview given in December 2013. The Company believes that the claim is without merit and intends to vigorously defend itself.

No amount has been accrued in the financial statements in respect of the claim as the outcome is not determinable at this time. Any costs ultimately assessed against the Company in respect of this claim will be recorded in the period in which actual determination of the liability, if any, is made.

### **Subsequent events**

Subsequent to September 30, 2014:

- (a) 2,011,200 stock options were exercised with a weighted average exercise price of \$0.4778 and weighted average share price of \$0.8720; and
- (b) 548,887 warrants were exercised with a weighted average exercise price of \$0.4276 and a weighted average share price of \$0.8885.