Financial Statements

Fission Uranium Corp.

For the Year Ended
December 31, 2018

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Notice

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Independent auditor's report

To the Shareholders of Fission Uranium Corp.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fission Uranium Corp. (the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's financial statements comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Craig McMillan.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia
March 7, 2019

Fission Uranium Corp.

Statements of financial position
(Expressed in Canadian dollars)

	Note	**December 31 2018**	December 31 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		**10,943,396**	30,735,915
Short-term investments	4	**10,209,737**	10,000,000
Amounts receivable	5	**311,230**	199,409
Prepaid expenses		**87,453**	269,795
		21,551,816	41,205,119
Investment in Fission 3.0 Corp.	6	**1,113,774**	2,017,311
Property and equipment	7	**195,188**	284,047
Exploration and evaluation assets	8	**305,379,601**	289,441,867
Total Assets		**328,240,379**	332,948,344
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,094,156**	487,327
		1,094,156	487,327
Deferred income tax liability	12	**-**	762,109
Total Liabilities		**1,094,156**	1,249,436
Shareholders' Equity			
Share capital	9	**413,399,850**	413,155,475
Other capital reserves	9	**26,698,159**	26,307,729
Deficit		**(112,951,786)**	(107,764,296)
		327,146,223	331,698,908
Total Liabilities and Shareholders' Equity		**328,240,379**	332,948,344

Approved by the Board of Directors and authorized for issue on March 7, 2019.

"Frank Estergaard"
Director

"William Marsh"
Director

Fission Uranium Corp.

Statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Note	**Year Ended December 31 2018**	Year Ended December 31 2017
		$	$
Expenses			
Business development		**528,242**	433,336
Consulting and directors fees		**1,530,370**	1,536,427
Depreciation	7	**100,331**	118,244
Office and administration		**822,205**	787,023
Professional fees		**279,445**	226,508
Public relations and communications		**713,374**	1,085,827
Share-based compensation	9(c)	**297,263**	2,361,838
Trade shows and conferences		**387,366**	450,691
Wages and benefits		**807,422**	866,580
		5,466,018	7,866,474
Other items - income/(expense)			
Foreign exchange loss		**(3,253)**	(20,356)
Interest and miscellaneous income		**613,831**	689,248
Loss on disposal of property and equipment		**(359)**	(283)
Share of loss from equity investment in Fission 3.0 Corp.	6	**(168,424)**	(138,484)
Write-down on investment in Fission 3.0 Corp.	6	**(1,164,525)**	(903,624)
Dilution gain on investment in Fission 3.0 Corp.	6	**29,412**	-
Unrealized gain on short-term investments	6	**209,737**	-
		(483,581)	(373,499)
Loss before income taxes		**(5,949,599)**	(8,239,973)
Deferred income tax recovery	12	**762,109**	1,204,010
Net loss and comprehensive loss for the year		**(5,187,490)**	(7,035,963)
Basic and diluted loss per common share		**(0.01)**	(0.01)
Weighted average number of common shares outstanding		**485,759,052**	484,409,350

Fission Uranium Corp.

Statements of changes in equity
(Expressed in Canadian dollars)

	Note	Share capital Shares	Share capital Amount	Other capital reserves	Deficit	**Total shareholders' equity**
			$	$	$	**$**
Balance, January 1, 2017		484,187,994	412,568,231	23,429,231	(100,728,333)	**335,269,129**
Exercise of stock options	9(b)	1,110,000	363,494	(39,302)	-	**324,192**
Director remuneration shares issued		353,044	223,750	-	-	**223,750**
Share-based compensation	9(c)	-	-	2,917,800	-	**2,917,800**
Net loss and comprehensive loss		-	-	-	(7,035,963)	**(7,035,963)**
Balance, December 31, 2017		485,651,038	413,155,475	26,307,729	(107,764,296)	**331,698,908**
Director remuneration shares issued		363,604	244,375	-	-	**244,375**
Share-based compensation	9(c)	-	-	390,430	-	**390,430**
Net loss and comprehensive loss		-	-	-	(5,187,490)	**(5,187,490)**
Balance, December 31, 2018		**486,014,642**	**413,399,850**	**26,698,159**	**(112,951,786)**	**327,146,223**

Fission Uranium Corp.
Statements of cash flows
(Expressed in Canadian dollars)

	Note	**Year Ended December 31 2018**	Year Ended December 31 2017
		$	$
Operating activities			
Net loss and comprehensive loss		**(5,187,490)**	(7,035,963)
Items not involving cash:			
Depreciation		**100,331**	118,244
Share-based compensation	9(c)	**297,263**	2,361,838
Loss on disposal of property and equipment		**359**	283
Accrued interest on investments		**-**	(87,682)
Share of loss from equity investment in Fission 3.0 Corp.	6	**168,424**	138,484
Write-down on investment in Fission 3.0 Corp.	6	**1,164,525**	903,624
Dilution gain on investment in Fission 3.0 Corp.	6	**(29,412)**	-
Unrealized gain on short-term investments	6	**(209,737)**	-
Deferred income tax recovery		**(762,109)**	(1,204,010)
Interest received on investments		**-**	168,000
		(4,457,846)	(4,637,182)
Changes in non-cash working capital items:			
Increase in amounts receivable		**(86,067)**	(38,954)
Decrease (increase) in prepaid expenses		**182,342**	(116,394)
Increase in accounts payable and accrued liabilities		**129,087**	323,968
Cash flow used in operating activities		**(4,232,484)**	(4,468,562)
Investing activities			
Property and equipment additions	7	**(11,831)**	(64,441)
Purchase of units of Fission 3.0 Corp.	6	**(400,000)**	(361,929)
Exploration and evaluation asset additions		**(15,148,204)**	(14,941,724)
Cash flow used in investing activities		**(15,560,035)**	(15,368,094)
Financing activities			
Proceeds from exercise of stock options	9(b)	**-**	324,192
Cash flow provided by financing activities		**-**	324,192
Decrease in cash and cash equivalents during the year		**(19,792,519)**	(19,512,464)
Cash and cash equivalents, beginning of year		**30,735,915**	50,248,379
Cash and cash equivalents, end of year		**10,943,396**	30,735,915

Supplemental disclosure with respect to cash flows (Note 10)

1. Nature of operations

Fission Uranium Corp. (the "Company" or "Fission Uranium") 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. which was completed on April 26, 2013. The Company's principal business activity is the acquisition and development of exploration and evaluation assets. To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company's head office is located at 700 – 1620 Dickson Ave., Kelowna, BC, V1Y 9Y2 and is listed on the Toronto Stock Exchange under the symbol FCU, on the U.S. OTCQX under the symbol FCUUF, and on the Frankfurt Stock Exchange under the symbol 2FU.

The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for the exploration and evaluation assets, including 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.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at December 31, 2018. These financial statements were authorized for issue by the Board of Directors on March 7, 2019.

(b) Basis of presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

(c) 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.

The Company has classified its cash and cash equivalents, Guaranteed Investment Certificates ("GICs") within short-term investments and amounts receivable at amortized cost for subsequent measurement purposes. The Company has classified the Fission 3.0 Corp. Warrants within short-term investments at fair value for subsequent measurement purposes.

(d) Cash and cash equivalents

Cash and cash equivalents consist of deposits in banks and redeemable term deposits that are readily convertible to cash. The Company's cash and cash equivalents are invested with major financial institutions and are not invested in any asset backed deposits/investments.

GIC's which do not meet the definition of cash and cash equivalents are accounted for as investments and classified as current or non-current based on the related contractual maturity dates.

2. Significant accounting policies (continued)

(e) Investments in associates

Entities over which the Company has significant influence but not control are associates. The Company accounts for its investments in associates by using the equity method with the investment initially recorded at cost. Subsequent to the acquisition date, the Company records its share of the associates' net income or loss in net income or loss and its share of other comprehensive income or loss in other comprehensive income or loss.

Transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Changes in the Company's interest in its associates resulting in dilution gains or losses are recorded in net income or loss.

The Company determines whether any objective evidence of impairment exists at each reporting date. If impaired, the carrying value of the investment is written down to its recoverable amount.

(f) Foreign currency translation

Transactions and balances

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

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

The functional currency of the Company is the Canadian Dollar.

(g) Property and equipment

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

- Equipment and machinery 20%
- Vehicles 30%
- Office equipment 20%
- Computer hardware 30%
- Computer software 50%

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

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

2. Significant accounting policies (continued)

(h) Exploration and evaluation assets

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

The exploration and evaluation assets are capitalized until the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. Exploration and evaluation assets are then assessed for impairment and reclassified to mining property and development assets within property and equipment. If an exploration and evaluation property interest is abandoned, both the acquisition costs and the exploration and evaluation cost will be written off to operations in the period of abandonment.

On an ongoing basis, exploration and evaluation assets are reviewed on a property-by-property basis to consider if there are any indicators of impairment, including the following:

(i) Whether the exploration on the property has significantly changed, such that previously identified resource targets are no longer being pursued;

(ii) Whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; and

(iii) Whether remaining claim tenure terms are sufficient to conduct necessary studies or exploration work.

If any indication of impairment exists, an estimate of the exploration and evaluation asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs of disposal for the exploration and evaluation property interest and their value in use. The fair value less costs of disposal and the value in use is determined for an individual exploration and evaluation property interest, unless the exploration and evaluation property interest does not generate cash inflows that are largely independent of other exploration and evaluation property interests. If this is the case, the exploration and evaluation property interests are grouped together into cash generating units ("CGUs") for impairment purposes. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in net income or loss for the period.

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

2. Significant accounting policies (continued)

(i) Financial liabilities

Financial liabilities include accounts payable and accrued liabilities and are initially recorded at fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method.

(j) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Company separates the flow-through share into i) a flow-through share premium, equal to the difference between the current market price of the Company's common shares and the issue price of the flow through share and ii) share capital. Upon eligible exploration expenditures being incurred, the Company recognizes a deferred income tax liability for the amount of tax reduction renounced to the shareholders. When the renunciation documents are filed, the flow-through share premium is taken into other income and the related deferred income tax is recognized as a tax provision.

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

(k) Share based payments

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

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

2. Significant accounting policies (continued)

(k) Share based payments (continued)

The share-based awards issued to non-employees are generally measured on the fair value of goods or services received unless that fair value cannot be reliably measured. This fair value shall be measured at the date the entity obtains the goods or the counterparty renders service. If the fair value of goods or services received cannot be reliably measured, the fair value of the share-based payments to non-employees are periodically re-measured using the Black-Scholes option pricing model until the counterparty performance is complete.

When the stock options are exercised, the proceeds are credited to share capital and the fair value of the options exercised is reclassified from other capital reserves to share capital. The estimated forfeitures are based on historical experience and reviewed on a quarterly basis to determine the appropriate forfeiture rate based on past, present and expected forfeitures.

(l) Income taxes

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and includes any adjustments to income tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable net income or loss.

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

(m) Loss per share

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

2. Significant accounting policies (continued)

(n) Related party transactions

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

(o) New standards, amendments and interpretations not yet effective

Accounting standards effective January 1, 2019

IFRS 16, Leases

In January 2016, the IASB issued *IFRS 16, Leases*, which will replace *IAS 17, Leases*. The standard provides a single lease accounting model, which requires all leases, including financing and operating leases, to be reported on the statement of financial position, unless the term is less than 12 months, or the underlying asset has a low value. The Company is currently assessing and quantifying the effect of this standard on its financial statements. Under IFRS 16, the present value of most lease commitments will be shown as a liability on the balance sheet together with an asset representing the right of use. This will include those classified as operating leases under the existing standard such as the Company's office leases.

The Company will apply IFRS 16 as at January 1, 2019 using a cumulative catch-up approach where the Company will record leases prospectively from that date forward and will not restate comparative information. The Company will record right-of-use assets based on the lease liabilities determined as at January 1, 2019 and as a result, the Company will not have a retained earnings adjustment on transition. The adoption of IFRS 16 will not have a material impact on the financial statements.

3. Key estimates and judgements

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 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 judgement 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 Patterson Lake South ("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.

(Expressed in Canadian dollars)

3. Key estimates and judgements (continued)

Investments in associates

The application of the Company's accounting policy for investments in associates requires judgement to determine whether any objective evidence of impairment exists at each reporting date giving consideration to factors such as: significant financial difficulty of the associate, or a significant or prolonged decline in the fair value of the investment below its carrying value.

4. Short-term investments

	December 31 2018	December 31 2017
	$	$
Guaranteed Investment Certificates ("GICs")	**10,000,000**	10,000,000
Fission 3.0 Corp. Warrants	**209,737**	-
	10,209,737	10,000,000

The Company has two $5,000,000 fixed rate GICs from a Canadian financial institution with terms of 6 months and 9 months, respectively. These GICs have been reinvested at maturity, with the current GICs bearing interest at annual rates of 2.07% and 2.12% and maturing on January 9, 2019 and April 8, 2019, respectively. Interest accrued on short-term investments is included in amounts receivable.

In September 2018, Fission 3.0 Corp. issued the Company 4,000,000 warrants as a result of the Company's participation in a private placement financing (Note 6). As at December 31, 2018, the carrying value of the warrants was $209,737.

5. Amounts receivable

	December 31 2018	December 31 2017
	$	$
GST receivable	**110,504**	86,958
Other receivables	**200,726**	112,451
	311,230	199,409

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

6. Investment in Fission 3.0 Corp.

Fission 3.0 Corp. ("Fission 3.0") is a company incorporated in Canada, whose principal business activity is the acquisition, exploration and development of uranium resource properties in Canada and Peru. The Company, through a combination of its shareholding and its common directors and management, has significant influence over Fission 3.0 and accounts for the investment using the equity method.

On April 21, 2017, Fission 3.0 closed a non-brokered private placement financing by issuing 41,846,383 units at a price of $0.07 per unit. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at $0.10 per warrant until April 21, 2019. To maintain its 12.36% interest in Fission 3.0, the Company purchased 5,170,410 units for a total cost of $361,929.

(Expressed in Canadian dollars)

6. Investment in Fission 3.0 Corp. (continued)

On April 30, 2018, Fission 3.0 completed a consolidation of its issued and outstanding common shares (the "Pre-Consolidation Shares") on the basis of one (1) new Common Share (the "Post-Consolidation Shares") for every four (4) Pre-Consolidation Shares held (the "Share Consolidation"). As a result of the Share Consolidation, the Company held 6,792,602 Post-Consolidation common shares and 646,301 common share purchase warrants of Fission 3.0.

On September 28, 2018, Fission 3.0 completed the first tranche of a non-brokered private placement financing by issuing 52,050,000 units at a price of $0.10 per unit, and 9,800,000 Flow Through Shares at a price of $0.10 per share. Each unit consisted of one common share and one share purchase warrant exercisable at $0.15 per warrant until September 28, 2021.

The Company purchased 4,000,000 units for a total cost of $400,000, which resulted in its ownership being diluted down to 9.24% and the Company recognizing a dilution loss of $29,813 during the three month period ended September 30, 2018.

The Company determined that the fair value of the Fission 3.0 warrants acquired was $317,724, which is based on the Black-Scholes option pricing model. Since the fair value of this financial instrument exceeded the transaction price of the unit offering, and the fair value is not based solely on observable inputs, this amount has been recognized as a deferred gain which will be recognized over the three year life of the warrants. The fair value of the warrants will be determined at each reporting date, and gains or losses on the fair value changes will be recognized in the statements of loss and comprehensive loss each period.

For the year ended December 31, 2018 the Company recognized $26,477 (December 31, 2017 – $nil) of the deferred gain. The Company determined that the fair value of the Fission 3.0 warrants at December 31, 2018 was $500,984 (December 31, 2017 – $nil) and therefore recognized an unrealized gain of $183,260 (December 31, 2017 – $nil) based on the fair value change. The total gain of $209,737 (December 31, 2017 - $nil) was recorded within other items in the statements of loss and comprehensive loss.

During the three month period ended December 31, 2018, Fission 3.0 completed two additional non-brokered private placements by issuing an aggregate of 25,014,550 units and Flow Through Shares. As a result, the Company's ownership was further diluted to 7.61% and the Company recognized a dilution gain of $59,225.

Due to the fact that Fission 3.0's financial statements are typically not publicly available at the time the Company files its financial statements, the share of Fission 3.0's results are recognized using a reporting period which is three months prior to that of the Company.

For the year period ended December 31, 2018, the Company recognized its proportionate share of Fission 3.0's loss for the twelve months ended September 30, 2018.

Details of the investment in Fission 3.0 are as follows:

	$
Balance, January 1, 2017	2,697,490
Purchase of 1,292,602 units @ $0.28 per unit (post-consolidation)	361,929
Share of loss for the twelve months ended September 30, 2017	(138,484)
Write-down on Investment in Fission 3.0	(903,624)
Balance, December 31, 2017	**2,017,311**
Purchase of 4,000,000 units @ $0.10 per unit	400,000
Dilution gain on investment in Fission 3.0	29,412
Share of loss for the twelve months ended September 30, 2018	(168,424)
Write-down on Investment in Fission 3.0	(1,164,525)
Balance, December 31, 2018	**1,113,774**

(Expressed in Canadian dollars)

6. Investment in Fission 3.0 Corp. (continued)

As at March 31, 2017, the prolonged decline in the fair value of the investment in Fission 3.0 was considered to be objective evidence of impairment under *IAS 28, Investments in Associates and Joint Ventures*. Accordingly, the carrying value of the investment was written down by $903,624 to its fair value based on the quoted market price of Fission 3.0's common shares.

As at June 30, 2018, the continued, prolonged decline in the fair value of the investment in Fission 3.0 was considered to be objective evidence of impairment under *IAS 28, Investments in Associates and Joint Ventures*. Accordingly, the carrying value of the investment was written down by a further $1,164,525 to its fair value based on the quoted market price of Fission 3.0's common shares.

The trading price of Fission 3.0's common shares on December 31, 2018 was $0.205 (December 31, 2017 - $0.24 (Post-consolidation)). The quoted market value of the investment in Fission 3.0 on December 31, 2018 was $2,212,483 (December 31, 2017 - $1,630,225).

Fission 3.0's comprehensive loss for the periods below is as follows:

	Twelve months ended September 30 2018	Twelve months ended September 30 2017
	$	$
Comprehensive loss for the period	**1,324,646**	1,068,286

Select information from Fission 3.0's statements of financial position is as follows:

	September 30 2018	June 30 2018
	$	$
Current assets	**5,760,070**	289,794
Property and equipment	**18,354**	20,793
Exploration and evaluation assets	**8,871,862**	8,855,394
Total Assets	**14,650,286**	9,165,981
Current liabilities	**517,485**	329,823
Total Liabilities	**517,485**	329,823

(Expressed in Canadian dollars)

7. Property and equipment

Cost	Equipment & Machinery	Vehicles	Office Equipment	Computer Hardware	Computer Software	Total
	$	$	$	$	$	$
As at January 1, 2017	472,551	32,492	92,132	161,268	29,052	787,495
Additions	41,059	-	8,974	10,679	-	60,712
Disposals	-	-	-	(7,543)	-	(7,543)
As at December 31, 2017	513,610	32,492	101,106	164,404	29,052	840,664
Additions	-	-	-	11,831	-	11,831
Disposals	-	(32,492)	-	(26,093)	-	(58,585)
As at December 31, 2018	**513,610**	**-**	**101,106**	**150,142**	**29,052**	**793,910**
Accumulated Depreciation						
As at January 1, 2017	195,582	32,492	81,446	110,489	25,624	445,633
Depreciation	80,837	-	8,611	26,504	2,292	118,244
Disposals	-	-	-	(7,260)	-	(7,260)
As at December 31, 2017	276,419	32,492	90,057	129,733	27,916	556,617
Depreciation	78,122	-	3,197	17,876	1,136	100,331
Disposals	-	(32,492)		(25,734)	-	(58,226)
As at December 31, 2018	**354,541**	**-**	**93,254**	**121,875**	**29,052**	**598,722**
Net Book Value						
As at December 31, 2017	237,191	-	11,049	34,671	1,136	284,047
As at December 31, 2018	**159,069**	-	**7,852**	**28,267**	**-**	**195,188**

(Expressed in Canadian dollars)

8. Exploration and evaluation assets

	Year ended December 31 2018	Year ended December 31 2017
Patterson Lake South Property		
	$	$
Acquisition costs		
Balance, beginning and end	**176,501,858**	176,501,858
Exploration costs		
Balance, beginning	**112,940,009**	97,526,796
Incurred during		
Geology mapping/sampling	**-**	51,489
Geophysics airborne	**4,036**	-
Geophysics ground	**7,127**	400,516
Drilling	**14,686,240**	13,475,705
Land retention and permitting	**45,570**	36,697
Reporting	**30,136**	38,933
Environmental	**829,579**	694,167
Community relations	**150,001**	92,508
General	**91,878**	67,236
Share-based compensation	**93,167**	555,962
Additions	**15,937,734**	15,413,213
Balance, end	**128,877,743**	112,940,009
Total	**305,379,601**	289,441,867

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

On January 11, 2016 the Company executed an offtake agreement with CGN Mining Company Limited ("CGN Mining"). Under the terms of the offtake agreement, CGN Mining will purchase 20% of annual U_3O_8 production and will have an option to purchase up to an additional 15% of U_3O_8 production from the PLS property, after commencement of commercial production.

9. Share capital and other capital reserves

(a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares, without par value. All of the Company's issued shares are fully paid.

(b) Stock options

The Company has a stock option plan which allows the Board of Directors to grant stock options to employees, directors, officers, and consultants. The exercise price is determined by the Board of Directors provided the minimum exercise price is set at the Company's closing share price on the day before the grant date. The options can be granted for a maximum term of five years and vesting terms are determined by the Board of Directors at the date of grant.

(Expressed in Canadian dollars)

9. Share capital and other capital reserves (continued)

(b) Stock options (continued)

Stock option transactions are summarized as follows:

	Stock options	
	Number outstanding	Weighted average exercise price
		$
Balance, January 1, 2017	38,920,000	1.0568
Exercised	(1,110,000)	0.2921
Granted	9,940,000	0.8500
Forfited	(129,166)	0.8500
Expired	(1,255,834)	1.1888
Outstanding, December 31, 2017	46,365,000	1.0278
Granted	500,000	0.8500
Forfeited	(598,335)	0.8500
Expired	(9,631,665)	0.9784
Outstanding, December 31, 2018	**36,635,000**	**1.0412**

The weighted average share price of stock options exercised during the year ended December 31, 2018 was N/A (December 31, 2017 - $0.6604).

As at December 31, 2018, incentive stock options were outstanding as follows:

Stock options			
Number outstanding	Exercise price	Number of vested options	Expiry date
	$		
11,675,000	0.85	11,675,000	February 5, 2021
7,325,000	0.85	6,104,167	January 16, 2022
300,000	0.85	150,000	March 27, 2023
6,190,000	1.00	6,190,000	December 15, 2019
6,235,000	1.20	6,235,000	January 21, 2019
100,000	1.31	100,000	February 25, 2019
4,810,000	1.65	4,810,000	April 4, 2019
36,635,000		**35,264,167**	

Subsequent to December 31, 2018, 6,235,000 stock options exercisable at $1.20 and 100,000 stock options exercisable at $1.31 expired.

(Expressed in Canadian dollars)

9. Share capital and other capital reserves (continued)

(c) Share-based compensation

All options are recorded at fair value using the Black-Scholes option pricing model. During the year ended December 31, 2018 the Company granted 500,000 stock options (December 31, 2017 – 9,940,000). Pursuant to the vesting schedule of options granted, during the year ended December 31, 2018 share-based compensation of $297,263 (December 31, 2017 - $2,361,838) was recognized in the statements of loss and comprehensive loss and $93,167 (December 31, 2017 - $555,962) was recognized in exploration and evaluation assets. The total amount of $390,430 (December 31, 2017 - $2,917,800) was recorded within other capital reserves in the statements of changes in equity.

The following assumptions were used for the valuation of share-based compensation for options granted:

	December 31, 2018	December 31, 2017
Risk Free Interest Rate	**1.91%**	0.84%
Expected Life - Years	**2.92**	2.92
Estimated Forfeiture Rate	**3.83%**	4.45%
Annualised Volatility	**50.53%**	51.34%
Dividend Rate	**N/A**	N/A
Weighted average fair value per option	**$0.16**	$0.27

10. Supplemental disclosure with respect to cash flows

	December 31 2018	December 31 2017
	$	$
Cash and cash equivalents		
Cash	**10,783,396**	30,575,915
Redeemable term deposits	**160,000**	160,000
	10,943,396	30,735,915

During the year ended December 31, 2018 the Company received $537,099 (December 31, 2017 - $640,319) in interest income.

Significant non-cash transactions for the year ended December 31, 2018 included:

(a) Incurring $885,763 of exploration and evaluation related expenditures through accounts payable and accrued liabilities;

(b) Recognizing $93,167 of share-based payments in exploration and evaluation assets; and

(c) Issuing director remuneration common shares to the Board of Directors valued at $244,375 pursuant to the director remuneration plan.

(Expressed in Canadian dollars)

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

Significant non-cash transactions for year ended December 31, 2017 included:

(a) Recognizing $555,962 of share-based payments in exploration and evaluation assets;

(b) Issuing director remuneration common shares to the Board of Directors valued at $223,750 pursuant to the director remuneration plan;

(c) Incurring $189,400 of exploration and evaluation related expenditures through accounts payable and accrued liabilities; and

(d) Reclassifying $39,302 from other capital reserves to share capital on the exercise of stock options.

11. Related party transactions

The Company has identified the CEO, President and COO, CFO, VP Exploration, and the Company's directors as its key management personnel.

	Year Ended December 31 2018	Year Ended December 31 2017
	$	$
Compensation Costs		
Wages, consulting and directors fees paid or accrued to key management personnel and companies controlled by key management personnel	**2,096,240**	2,112,794
Share-based compensation pursuant to the vesting schedule of options granted to key management personnel	**194,259**	1,672,272
	2,290,499	3,785,066

	Year Ended December 31 2018	Year Ended December 31 2017
	$	$
Exploration and administrative services billed to Fission 3.0, a company over which Fission Uranium has significant influence	**192,516**	194,042

Included in accounts payable at December 31, 2018 is $25,145 (December 31, 2017 - $13,448) for wages payable and consulting fees due to key management personnel and companies controlled by key management personnel.

Included in amounts receivable at December 31, 2018 is $87,770 (December 31, 2017 - $12,442) for exploration and administrative services and expense recoveries due from Fission 3.0.

Transactions with CGN Mining, which is deemed to be a related party as it accounts for its investment in the Company as an investment in associate, have been disclosed in Note 8.

On April 21, 2017, the Company purchased additional units of Fission 3.0 for a total cost of $361,929 (Note 6).

On September 28, 2018, the Company purchased additional units of Fission 3.0 for a total cost of $400,000 (Note 6).

These transactions were in the normal course of operations.

(Expressed in Canadian dollars)

12. Income taxes

A reconciliation of current income taxes at statutory rates (December 31, 2018 – 27%, December 31, 2017 – 26%) with the reported taxes is as follows:

	December 31 2018	December 31 2017
	$	$
Loss before income taxes	**(5,949,599)**	(8,239,973)
Expected income tax recovery	**(1,606,392)**	(2,142,393)
Permanent differences	**248,630**	774,006
Net change in benefits of tax attributes previously not recognized	**595,653**	143,461
Tax impact of rate change	**-**	20,916
Deferred income tax recovery	**(762,109)**	(1,204,010)

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	December 31 2018	December 31 2017
	$	$
Deferred income tax assets (liabilites)		
Property and equipment	**8,415**	5,622
Exploration and evaluation assets	**(19,008,091)**	(16,491,802)
Non-capital losses	**18,533,218**	14,711,817
Share issuance costs	**466,458**	1,012,254
Investment in Fission 3.0 - Shares	**28,314**	-
Investment in Fission 3.0 - Warrants	**(28,314)**	-
Net deferred income tax liabilities	**-**	(762,109)

The deferred income tax liability relating to the exploration and evaluation assets arose as a result of: i) the Company renounced certain deductions for Canadian exploration expenditures incurred on the Company's exploration and evaluation assets; and ii) the exploration and evaluation assets were deemed to have a lower tax basis as a result of the tax elections when transferred on completion of the Fission Energy Arrangement.

Deferred income tax assets are recognized to the extent that it is probable that taxable net income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The Company has available approximately $70,300,765 of recognized non-capital losses which, if unutilized, will expire between 2025 and 2038. The income tax benefits of any losses related to the periods prior to the Fission Energy Arrangement have not been recognized as these were not transferred to the Company.

At December 31, 2018 the Company did not recognize $1,512,954 (December 31, 2017 - $1,512,954) of unused investment tax credits which will expire between 2023 and 2033. In addition, the Company did not recognize deferred income tax assets on capital losses of $9,085 (December 31, 2017 - $9,085) and deductible temporary differences from the investment in Fission 3.0 of $2,546,741 (December 31, 2017 - $1,452,937) because it does not anticipate future capital gains to utilize these assets.

13. 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 exploration and development of its exploration and evaluation assets 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 and stock options.

Changes in the equity accounts of the Company are disclosed in the statements of changes in 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 or acquire or dispose of assets. 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 and updates them 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 and development of its exploration and evaluation assets and the future growth of the business.

14. Financial instruments and risk management

IFRS 13, Fair Value Measurement, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

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

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity and price 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 warrant such hedging activities

(a) Credit risk

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

The primary sources of credit risk for the Company arise from:

(i) Cash and cash equivalents; and

(ii) Guaranteed Investment Certificates included in Short-term investments; and

(iii) Amounts receivable

(Expressed in Canadian dollars)

14. Financial instruments and risk management (continued)

(a) Credit risk (continued)

The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At December 31, 2018, 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 is as follows:

	December 31 2018	December 31 2017
	$	$
Cash and cash equivalents	**10,943,396**	30,735,915
Short-term investments (GICs)	**10,000,000**	10,000,000
Amounts receivable	**311,230**	199,409
	21,254,626	40,935,324

(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 balances to meet its anticipated operational needs.

The Company's accounts payable and accrued liabilities arose as a result of exploration and development of its exploration and evaluation assets and other corporate expenses. Payment terms on these liabilities are typically 30 to 60 days from receipt of invoice and do not generally bear interest.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities.

	Maturity Dates	**December 31 2018**	December 31 2017
		$	$
Accounts payable and accrued liabilities	< 6 months	**1,094,156**	487,327
		1,094,156	487,327

(c) Price risk

Price risk is the risk that assets or liabilities carried at fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions.

The Company's maximum exposure to price risk on its Fission 3.0 Corp. warrants included in short-term investments based on the fair value hierarchy is as follows:

	December 31 2018	December 31 2017
	$	$
Level 2	**209,737**	-
	209,737	-