



**Fission**  
URANIUM CORP.

**Management's Discussion & Analysis**

**Fission Uranium Corp.**

**For the Six Month Period Ended  
June 30, 2018**

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## **Fission Uranium Corp.**

Management's Discussion and Analysis  
For the six month period ended June 30, 2018  
(Expressed in Canadian dollars, unless otherwise noted)

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### **Introduction**

The following Management's Discussion and Analysis ("MD&A"), prepared as of August 13, 2018, should be read in conjunction with the unaudited condensed interim financial statements and accompanying notes of Fission Uranium Corp. (the "Company" or "Fission Uranium") for the six month period ended June 30, 2018. The reader should also refer to the audited financial statements for the year ended December 31, 2017, the six-month transitional fiscal year ended December 31, 2016 and the year ended June 30, 2016.

The Company's condensed interim financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, *IAS 34, Interim Financial Reporting* ("IAS 34") and do not contain all of information required for annual financial statements.

Additional information related to the Company, including the most recent Annual Information Form ("AIF"), is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com). Further information including news releases and property maps are available on the Company's website at [www.fissionuranium.com](http://www.fissionuranium.com), or by requesting further information from the Company's head office located at 700 - 1620 Dickson Ave., Kelowna, British Columbia, Canada, V1Y 9Y2.

### **Forward looking statements**

Statements in this report that are forward looking could involve known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Should one or more of these unknown risks and uncertainties, or those described under the headings "Risk Factors" in the Company's AIF, which can be found on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), and those set forth in this MD&A under the heading "Cautionary notes regarding forward-looking statements" and "Risks and uncertainties" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

### **Scientific and technical disclosure**

Scientific and technical information in this MD&A was reviewed and approved by Ross McElroy, P. Geol., President and COO of Fission Uranium. Ross McElroy is a "Qualified Person" as defined by Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101").

### **Description of business**

Fission Uranium is a resource issuer specializing in uranium exploration and development in Saskatchewan's Athabasca Basin in Western Canada. The Company 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. Fission Uranium's common shares are listed on the Toronto Stock Exchange under the symbol "FCU", the OTCQX marketplace in the U.S. under the symbol "FCUUF" and on the Frankfurt Stock Exchange under the symbol "2FU".

The Company's primary asset is the Patterson Lake South ("PLS") project, which hosts the Triple R deposit – a large, high-grade and near-surface deposit that is part of a 3.18km mineralized trend. This trend has one of the largest mineralized footprints in the Athabasca Basin region and remains open in multiple directions. The property comprises 17 contiguous claims totaling 31,039 hectares and is in the south west margin of Saskatchewan's Athabasca Basin, home of the richest producing uranium mines in the world.

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### **Corporate goals**

Management firmly believes that global uranium demand, driven by an ongoing nuclear reactor construction boom, will require new sources of uranium supply, especially from politically stable jurisdictions. In 2017, the number of nuclear reactors in the combined construction, planning and proposal stages, reached the highest level in 25 years and the amount of uranium required by utilities, currently uncovered by contracts, continues to increase rapidly. As such, management is optimistic about the long-term prospects for the uranium market and is committed to developing its Triple R deposit at PLS, while continuing to explore for additional high-grade deposits on the property. Fission is fortunate to have its properties located in the politically stable and investment friendly province of Saskatchewan, Canada. The Fraser Institute publishes an annual report of mining and exploration companies and ranks geographic regions globally in an attempt to assess how mineral endowments and public policy factors, such as taxation and regulatory uncertainty, affect exploration investment. Saskatchewan was rated number one globally in 2016, and number two in 2017.

Continued exploration and development success over the past five years has enabled the Company to fund its operations primarily through share equity financing and increase shareholder value in a difficult uranium sector and challenging capital market environment for mineral exploration companies.

In addition to progressing the Company's exploration and development plans, management will continue to seek strategic opportunities to add further shareholder value and appropriately monetize the PLS property and Triple R deposit for shareholders.

Specific growth plans include:

- Continuing to develop the Triple R deposit towards the pre-feasibility stage;
- Improving the already strong economic parameters of the Triple R deposit (as defined by the Preliminary Economic Assessment ("PEA") study) by expanding the overall footprint of the Triple R deposit, discovering and/or defining new mineralization; and
- Following up on high-priority regional exploration targets with the goal of making new uranium discoveries.

### **Summary of significant exploration and development accomplishments for the three-month period ended June 30, 2018 and subsequent**

The Company announced assay results from its winter 2018 program including:

Six holes at the R780E zone which encountered high grade intervals and enhanced the zone, by increasing drill density in important areas of the high-grade domain. The aim of these holes was to upgrade resource classification from Inferred resources to Indicated resources in certain key areas of high-grade domain of the R780E zone.

Eight holes at the R1515W zone which encountered uranium mineralized intervals, including 6 holes which intersected high-grade mineralized sections provided better definition and expanded the known mineralized outline over 60m of strike length.

### **Winter 2018 drill program**

The results from the Company's winter 2018 drill program are as follows:

#### Progress towards pre-feasibility study ("PFS")

- A total of six in-fill holes (1,915m) targeted key high-grade areas of the R780E zone, which are presently classified as inferred, with the intent to upgrade those areas to indicated. It is anticipated that upgrading key areas of the resource from inferred to indicated would have a positive impact on the resource used for the PFS;

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### **Winter 2018 drill program (continued)**

- All six resource upgrade holes hit wide, high-grade mineralization, including hole PLS18-573 (line 510E), which returned 97.0m of total composite mineralization including multiple high-grade intervals such as 4.0m @ 21.93% U<sub>3</sub>O<sub>8</sub>, 3.5m @ 10.95% U<sub>3</sub>O<sub>8</sub> within 25.5m @ 6.36% U<sub>3</sub>O<sub>8</sub> (between 100.0m - 125.5m), and 1.5m @ 22.36% U<sub>3</sub>O<sub>8</sub> within 10.0m @ 4.14% U<sub>3</sub>O<sub>8</sub> (between 131.0m - 141.0m);
- Geotechnical drilling and analysis of rock mechanics in bedrock (3 holes totaling approximately 703m) in the proposed R780E open pit area;
- Geotechnical drilling of overburden where a proposed ring dike surrounding the open-pit perimeter would be located (16 holes totaling 1,028m);
- Re-drill hydrogeological holes required for long-term ground-water analysis (2 holes totaling 117m);
- Continuation of the Phase 2 metallurgical study;
- Continuation of data collection and analysis of the Baseline Environmental Study; and
- Continuation of engagement with First Nations, community and government.

### Step-out drilling

All eight drill holes at the R1515W zone hit mineralization with six holes intersecting high-grade uranium mineralization and have expanded the zone on lines 1500W, 1530W, and 1560W. Drilling highlights include:

- Hole PLS18-571 (line 1560W) returned 94.5m of total composite mineralization including multiple high-grade intervals such as 5.0m @ 7.14% U<sub>3</sub>O<sub>8</sub> in 18.0m @ 2.44% U<sub>3</sub>O<sub>8</sub> (between 224.0m - 242.0m) and 3.0m @ 5.98% U<sub>3</sub>O<sub>8</sub> in 10.50m @ 1.97% U<sub>3</sub>O<sub>8</sub> (between 202.5m - 213.0m).
- Hole PLS18-572 (line 1530W) returned 94.0m total composite mineralization including 3.0m @ 5.64% U<sub>3</sub>O<sub>8</sub> in 9.5m @ 1.97% U<sub>3</sub>O<sub>8</sub> (between 171.0m to 180.5m) and 1.0m @ 16.35% U<sub>3</sub>O<sub>8</sub> in 5.0m @ 4.89% U<sub>3</sub>O<sub>8</sub> (between 240.0 - 245.0m).

Importantly, these holes have better defined and expanded the known mineralized outline over 60m of strike length between lines 1560W to 1500W.

### **Summer 2018 program**

The Company announced plans for a \$6.4 million summer work program designed to complete all remaining resource and geotechnical drilling required for a PFS. Post-field program work will focus on compilation of all technical inputs in order to complete and deliver a PFS by the end of the fourth quarter of 2018.

Specific work planned towards the PFS includes:

- The goal of upgrading resource classification for important high-grade, high-impact areas of the R780E zone from inferred to indicated category (9 holes in 2,925m). Drilling of these holes aims to convert areas of the high-grade domain of the R780E zone and would therefore be anticipated to have a positive impact on the PFS.
- Geotechnical drilling of overburden for a Proposed Tailings Management Area (5 holes in 500m).
- Continue monitoring hydrogeological holes required for long-term ground-water analysis
- Complete the Phase 2 metallurgical study
- Continuation of data collection and analysis of the Baseline Environmental Study
- Continuation of engagement with First Nations, community and government

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### PLS property

Details of the Company's PLS project as of June 30, 2018 are shown below:

Property	Location	Ownership	Claims	Hectares	Stage	Carrying value
Patterson Lake South	Athabasca Basin, SK	100%	17	31,039	Drilling	\$299,084,138

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<sub>3</sub>O<sub>8</sub> production and will have an option to purchase up to an additional 15% U<sub>3</sub>O<sub>8</sub> production from the PLS property, after commencement of commercial production.

### PLS mineralized trend & Triple R deposit summary

Uranium mineralization of the Triple R deposit at PLS occurs within the Patterson Lake Conductive Corridor and has been traced by core drilling over ~3.18km of east-west strike length in five separated mineralized "zones" which collectively make up the Triple R deposit. From west to east, these zones are: R1515W, R840W, R00E, R780E and R1620E. Through successful exploration programs completed to date, Triple R has evolved into a large, near surface, basement hosted, structurally controlled high-grade uranium deposit. The discovery hole was announced on November 05, 2012 with drill hole PLS12-022, from what is now referred to as the R00E zone.

The R1515W, R840W and R00E zones make up the western region of the Triple R deposit and are located on land, where overburden thickness is generally between 55m to 100m. R1515W is the western-most of the zones and is drill defined to ~90m in strike-length, ~68m across strike and ~220m vertical and where mineralization remains open in several directions. R840W is located ~515m to the east along strike of R1515W and has a drill defined strike length of ~430m. R00E is located ~485m to the east along strike of R840W and is drill defined to ~115m in strike length. The R780E zone and R1620E zones make up the eastern region of the Triple R deposit. Both zones are located beneath Patterson Lake where water depth is generally less than six metres and overburden thickness is generally about 50m. R780E is located ~225m to the east of R00E and has a drill defined strike length of ~945m. R1620E is located ~210m along strike to the east of R780E, and is drill defined to ~185m in strike length.

Mineralization along the Patterson Lake Corridor trend remains prospective along strike in both the western and eastern directions. Basement rocks within the mineralized trend are identified primarily as mafic volcanic rocks with varying degrees of alteration. Mineralization is both located within and associated with mafic volcanic intrusives with varying degrees of silicification, metasomatic mineral assemblages and hydrothermal graphite. The graphitic sequences are associated with the PL-3B basement Electro-Magnetic (EM) conductor.

The Triple R deposit remains open in several directions. Recent drilling during the 2018 winter program has expanded the footprint of the Triple R deposit's R1515W zone. High-priority drill targets are located further west on-trend, towards the high-grade boulder field, as well as elsewhere on the PLS property.

### PLS Preliminary Economic Assessment highlights

Below are highlights from the NI 43-101 technical report entitled "Technical Report on the Preliminary Economic Assessment of the Patterson Lake South Property, Northern Saskatchewan, Canada" prepared by David A. Ross, M.Sc., P.Geo. of RPA and dated September 14, 2015. Additional report details can be found under the heading "PLS NI 43-101 technical report & resource estimate" on page 6.

- Base case pre-tax net present value ("NPV") of \$1.81 billion, post-tax NPV of \$1.02 billion (10% discount rate);
- Mine life of 14 years producing an estimated 100.8 million lbs of U<sub>3</sub>O<sub>8</sub> in the form of yellowcake at a metallurgical recovery of 95% with 77.5 million lbs of U<sub>3</sub>O<sub>8</sub> recovered in the first 6 years of production;

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### **PLS Preliminary Economic Assessment highlights (continued)**

- Average annual production of 7.2 million lbs U<sub>3</sub>O<sub>8</sub> over the life of mine;
- Base case pre-tax net cash flow over the proposed mine life of \$4.12 billion, post-tax net cash flow of \$2.53 billion;
- Base case pre-tax internal rate of return ("IRR") of 46.7%, post-tax IRR of 34.2%;
- Pay back estimated at 1.4 years (pre-tax), pay back at 1.7 years (post-tax);
- Estimated initial capital costs of \$1.1 billion; and
- Average operating costs ("OPEX") of US\$14.02/lb U<sub>3</sub>O<sub>8</sub> over the life of mine.

(Base case using US\$65/lb U<sub>3</sub>O<sub>8</sub> and an exchange rate of US\$0.85:CDN\$1.00).

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that the outputs of the PEA will be realized.

The PEA study considers the PLS project as a stand-alone mine and mill operation, which includes development and extraction of the R00E and R780E zones (Triple R deposit). Due to the early stage of drill definition, the PEA resource estimate does not presently include the R840W, R1620E or the recently discovered R1515W zone. Although not included in the PEA resource estimate or production schedule, definition drilling continues to expand the known mineralization of the R840W, R1620E and R1515W zones.

The study envisions a combination of open-pit and underground mining, with a dike system (dike and slurry wall) for water control. High-grade mineralization (above 4% U<sub>3</sub>O<sub>8</sub>) is captured within the open pit, eliminating the need for expensive, specialized underground mining methods. This hybrid open pit and underground mining results in an OPEX cost of US\$14.02/lb U<sub>3</sub>O<sub>8</sub> over the life of the mine, making the Triple R deposit potentially one of the lowest cost uranium producers in the world.

### **PLS NI 43-101 technical report & resource estimate**

Below are details of the resource estimate for the PLS property as published in the NI 43-101 technical report entitled "Technical Report on the Preliminary Economic Assessment of the Patterson Lake South Property, Northern Saskatchewan, Canada" prepared by David A. Ross, M.Sc., P.Geo. of RPA, which was SEDAR-filed on September 15, 2015. The technical report at that time included a resource estimate on the R00E and R780E zones where the resource – subsequently named the Triple R deposit – is described as a large, high-grade and near-surface deposit located within the Patterson Lake conductive corridor.

On February 20, 2018, the Company announced an independent resource estimate update for the Triple R deposit in a press release titled "Fission Increases Indicated Resource; Doubles Inferred Resource" filed on the Company's SEDAR profile. The updated resource estimate included additional drill holes completed between July 29, 2015 and January 4, 2018. The results included an updated resource estimate for the R780E zone as well as the inclusion for the first time of resource estimates for the R1515W, R840W and R1620E zones of the Triple R deposit at the PLS property. The updated resource estimate was prepared by Mr. Mark Mathisen, C.P.G., Principal Geologist at RPA, Inc.

The updated NI 43-101 compliant Triple R deposit mineral resource estimate is based on all geochemical assay data available as of January 4, 2018.

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### PLS NI 43-101 technical report & resource estimate (continued)

The updated Triple R deposit resource estimate was prepared using a cut-off grade of 0.15% U<sub>3</sub>O<sub>8</sub> for open pit and 0.3% U<sub>3</sub>O<sub>8</sub> for underground and is estimated to contain:

- 87,760,000 lbs U<sub>3</sub>O<sub>8</sub> Indicated Mineral Resource based on 2,186,000 tonnes at an average grade of 1.82% U<sub>3</sub>O<sub>8</sub>; including R780E high-grade zone of 48,246,000 pounds U<sub>3</sub>O<sub>8</sub> based on 119,000 tonnes at a grade of 18.39% U<sub>3</sub>O<sub>8</sub>; and
- 52,850,000 lbs U<sub>3</sub>O<sub>8</sub> Inferred Mineral Resource based on 1,331,000 tonnes at an average grade of 1.80% U<sub>3</sub>O<sub>8</sub>, including R780E high-grade zone of 14,710,000 pounds U<sub>3</sub>O<sub>8</sub> based on 32,000 tonnes at a grade of 20.85% U<sub>3</sub>O<sub>8</sub>.

The updated resource estimate represents an 8% increase in pounds U<sub>3</sub>O<sub>8</sub> classified as Indicated, and a 95% increase in pounds U<sub>3</sub>O<sub>8</sub> classified as Inferred as compared to the previous Mineral Resource dated July 28, 2015. The increase in resource classified as Indicated is primarily due to infill drilling while the increase in resource classified as Inferred is primarily due to the discovery and delineation of zones R1620E, R840W, and R1515W.

The uranium deposit is contained entirely in basement lithology. Mineralization is open in all directions and at depth.

Gold mineralization is associated with the uranium mineralization in the Triple R deposit and is reported as part of the mineral resource:

- 38,000 ounces Au indicated mineral resource based on 2,011,000 tonnes of mineralization at an average grade of 0.59 g/t Au; and
- 17,000 ounces Au inferred mineral resource based on 785,000 tonnes of mineralization at an average grade of 0.66 g/t Au.

#### Notes:

- CIM definitions were followed for Mineral Resources.
- Mineral Resources are reported within the preliminary pit design at a pit discard cut-off grade of 0.20% U<sub>3</sub>O<sub>8</sub> and outside the design at an underground cut-off grade of 0.25% U<sub>3</sub>O<sub>8</sub> based on a long-term price of US\$65 per lb U<sub>3</sub>O<sub>8</sub> and PEA cost estimates.
- A minimum mining width of 2.0m was used.
- Numbers may not add due to rounding.

The modeling and estimation of uranium and gold mineral resources for the Triple R deposit was prepared by David A. Ross, P.Ge., an employee of RPA and independent of Fission Uranium. Mr. Ross is a certified Professional Geologist and a Qualified Person as defined by NI 43-101. The mineral resources have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014). It should be noted that mineral resources, which are not mineral reserves, do not have demonstrated economic viability.

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### Uranium 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 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, which will require new uranium supply to meet this increasing demand. According to the World Nuclear Association ("WNA"), electricity demand is estimated to rise 2.5x by 2035. Furthermore, The International Atomic Energy ([www.iaea.org](http://www.iaea.org)) projects electricity demand to increase 2.8x by the year 2050.

According to the WNA, there are 452 operable reactors worldwide, 57 new reactors under construction, a further 152 planned and an additional 328 proposed for construction by 2030. Reactor builds are at a 25-year high despite prices being at a 10-year low as more than twice as many reactors are under construction now than before the Fukushima event. The Ux Consulting Company ("UxC") expects worldwide uranium demand to increase from 2016 levels by 22% by 2020. In addition, many analysts continue to forecast a long-term global uranium demand/supply imbalance, which suggests the potential for materially higher uranium prices.

Increased long-term demand is expected particularly from developing countries, which are driving the reactor construction boom. Foremost amongst these are China, India, and Russia. There are currently 17 nuclear power plants under construction in China, all scheduled for completion between 2018 and 2021. These 17 nuclear power plants comprise 30% of all reactors under construction worldwide. China's current domestic uranium production accounts for less than 25% of their annual requirements resulting in increased imports and stockpiling. In 2010, Cameco 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. In 2015, Cameco signed its first contract with India to supply 7.1 million lbs of uranium concentrate through to 2020. CGN Mining's offtake agreement with Fission Uranium is also highly significant as it highlights that China is moving to further secure its long-term uranium supply. The following is a list of selected countries with nuclear reactors that are either under construction, planned or proposed:

Country	Under construction	Planned	Proposed	Total
China	17	43	136	196
India	7	14	28	49
Russia	6	25	22	53
USA	2	14	28	44
Canada	-	2	-	2
Japan	2	9	3	14
Saudi-Arabia	-	-	16	16
South Korea	4	1	6	11
UAE	4	-	10	14
Ukraine	-	2	11	13
Others	15	42	75	132
<b>Total</b>	<b>57</b>	<b>152</b>	<b>335</b>	<b>544</b>

Source: World Nuclear Association (World Nuclear Reactors & Uranium Requirements - [www.world-nuclear.org](http://www.world-nuclear.org) - Updated July 2018)



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### Uranium outlook (continued)

- *Uranium demand/supply fundamentals*

A global uranium demand/supply imbalance has existed for many years, primarily due to the way utilities secure supply as well as the Fukushima Daiichi event that significantly curbed demand and forecasted demand growth. Primary uranium supply from uranium producers (mining) has consistently failed to keep pace with demand. This shortfall has been filled from secondary supply, which includes the sale of government stockpiles, fuel reprocessing and the highly enriched uranium ("HEU") agreement (which ended late 2013). This is changing now though as supply has come off line from other traditional suppliers such as Cameco and Paladin, as well as the U.S. Department of Energy.

According to the UxC 2018 Q2 Uranium Market Outlook production peaked in 2016 at 162mm lbs. It fell to 154mm lbs in 2017 and in 2018 production is projected at 135mm lbs. 2018 Reactor demand is 192mm lbs, which generates a gap or shortfall of roughly 50mm to 60mm lbs in 2018. This is a positive development for the long-term outlook for uranium prices as roughly 85% of the current producers are uneconomic. This report from UxC also suggests that uranium producers need roughly \$45 to \$50 per lb uranium to meet their cost of capital.

Rewinding to 2014, uranium production declined again, following a series of events including stalled mining license negotiations in Niger, legal action in Kazakhstan, and sanctions against Russia (all three countries are major sources of uranium). This has heightened concerns about security of uranium supply and has led to the general expectation that nuclear energy utilities (the primary users of uranium) will seek their supply from more geopolitically stable jurisdictions. Cameco's uranium supply deal with India's power utilities suggests this expectation is correct, as does Chinese based CGN Mining's offtake agreement with Fission Uranium.

Kazakhstan is currently the world's largest producer of uranium with approximately 40% of total worldwide production. The new production is primarily from lower grade deposits, which is not sustainable over the long-term as the UxC report depicts. Canada, home to the highest-grade uranium in the world, is the second largest supplier and responsible for approximately 22% of global uranium supply.

On January 10, 2017 Kazatomprom, the Kazakhstan state-owned uranium mining company, which owns, solely or by joint venture, every mine in Kazakhstan, announced plans to reduce production by 10% in 2017. This equates to about 5.2 million lbs U<sub>3</sub>O<sub>8</sub>, which is approximately 3% of global mine supply. Industry analysts have concluded that this action would not only tighten the market but will also set a floor below which Kazatomprom will not allow prices to fall. Considering that Kazakhstan production is largely sold on a spot-related basis, this is a very positive event for the uranium sector. In December 2017, following the successful application of this reduction, Kazatomprom announced an additional 20% reduction over the next three years, starting in January 2018.

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### Uranium outlook (continued)

- *Uranium demand/supply fundamentals (continued)*

An additional under-reported issue related to uranium demand, is the disruption of the utility buying cycle. The majority of uranium is bought and sold via long-term contracts (historically five to ten years in duration) and typically, utilities ensure their fuel requirements are covered between three and five years out. Since the Fukushima event, most utilities have been allowing their contracts with suppliers to get closer to expiry and are relying on their stockpiles. Now with uranium prices at historically low levels, a number of producers are hesitant to sign long term contracts with utilities that are seeking to renew since they cannot meet their cost of capital at these depressed, unsustainable prices. The result is that the amount of uranium fuel required over the next five years that is currently uncovered by long term contracts is rapidly increasing. Many experts in the industry expect that this will inevitably force utilities into the market, leading to strong upward pressure on uranium prices.

In addition to that, Cameco will likely become a buyer in the spot market in the second half of 2018 to meet contractual obligations with utilities. This was caused because of the mine closures at some of their Saskatchewan based mines, specifically McArthur River.

To support a healthy, sustainable global uranium mining sector, consensus among industry 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.

- *Primary supply issues, Cameco Update*

As a direct result of low uranium prices, Cameco, one of the world's largest producers of uranium, announced in April 2016 that it was suspending production at its Rabbit Lake uranium mine in Saskatchewan and placing the facility into "care and maintenance". It is estimated by Cantor Fitzgerald that this removed 3% of the uranium available to the spot market, and together with the Kazatomprom reduction, shows a strong trend that producers are acting to limit production worldwide. In November 2017, Cameco announced the temporary closure (estimated duration of ten months) of the McArthur River mine and Key Lake processing facility. The McArthur River mine is the largest uranium mine in the world and its closure will remove an estimated 7% of primary production for 2018. At this time, Cameco is still refusing to enter into long-term sales agreements with utilities. Considering that most uranium is sold via long-term contacts (historically in the five to ten-year range), this latest behaviour by a leading uranium producer will place further upward pressure on uranium pricing.

On July 25<sup>th</sup>, 2018 Cameco announced it will permanently layoff approximately 700 employees and shut down production at their McArthur River and Key Lake mine sites indefinitely following a weak uranium market. This material announcement from an industry leader resulted in a sharp move upwards in the spot U<sub>3</sub>O<sub>8</sub> price, as well as the share price of several uranium exploration and producing companies on Thursday July 26<sup>th</sup>, 2018. It appears market participants are bullish on this announcement as the uranium sector continues to work through both supply and inventory excesses while extending future production out until the spot prices become more in line with the industry's cost of capital.

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### Uranium outlook (continued)

- *Primary supply issues, Cameco Update (continued)*

This follows a period in which several new projects have 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).

Increasing the pressure on medium to long term supply is the lengthy period (approximately ten years on average) required to take a uranium project from discovery to production. With many projects stalled or abandoned, analysts believe that a growing supply/demand imbalance may be difficult to deal with once secondary supplies can no longer meet rising demand which is happening now in 2018. This increases the attractiveness of assets that have the potential to be taken into production in stable political jurisdictions and at a lower operating cost. Such projects have similar characteristics to Fission Uranium's Triple R deposit: high-grade, shallow, in basement rock and in a stable jurisdiction.

- *Supply disruption concerns*

Recent political tensions between Russia and Western powers have resulted in new U.S. sanctions against Russia. In turn, Russian lawmakers have proposed measures that will halt enriched uranium exports to the U.S. — a move other countries could follow — which analysts believe could reset the supply and demand picture. Russia is a major source of secondary supply. It controls 50 per cent of the uranium enrichment capacity, and, through its relationship with Kazakhstan and Uzbekistan (both former Soviet republics), and its domestic production, Russia has influence over half of the world's uranium supply.

- *United States of America*

On July 19<sup>th</sup>, 2018, the U.S. Government announced a probe into whether U.S. uranium imports are a threat to national security. The U.S. Government is also threatening to issue tariffs on U.S. uranium imports. Currently in the U.S. there are 99 operating reactors, 2 new reactors under construction and 14 new reactor licenses issued or under review. It is important to note that nuclear reactors supply about 20 percent of U.S. base load electricity, according to the Nuclear Energy Institute. The Department of Energy is also pushing for a change in Federal Energy Regulatory Commission rules to properly compensate nuclear power for its reliability and resilience, thereby protecting the stability of the U.S. grid.

- *Japanese nuclear reactor fleet and uranium stockpiles*

Following the Fukushima event in March 2011, Japan shut down all its nuclear reactors, pending new safety regulations, legislation and inspections. A new nuclear regulator was established, and after considerable delay, Japan's nuclear operators were given permission to apply to restart their reactors. This has arguably been the biggest drag on prices and the sentiment in the uranium market. Market participants, specifically producers and issuers, have been adversely affected from this uncertainty, however this is beginning to improve.

While the first wave of reactor restarts in Japan is not expected to immediately increase uranium demand, it increases confidence that Japan's utility companies will not sell their uranium fuel stockpiles into the market. The potential for this estimated 90 million lbs of uranium to enter the spot market has been viewed as a significant threat to uranium prices since 2011 and analysts believe it has been a major factor in suppressing the buy cycle and price.

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## Uranium outlook (continued)

- *Japanese nuclear reactor fleet and uranium stockpiles (continued)*

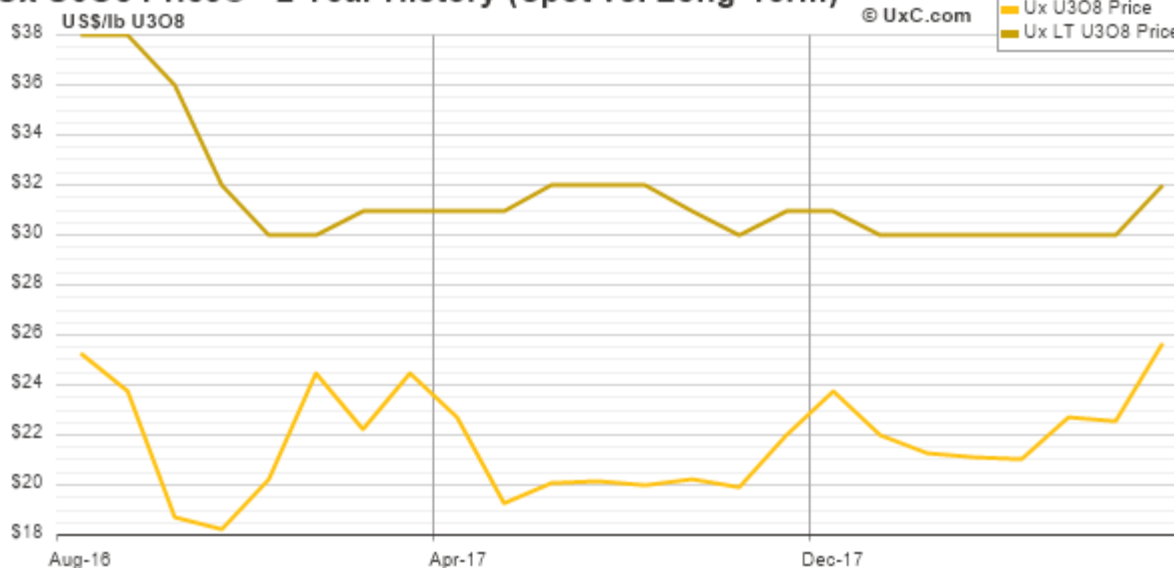
In Japan, a total of 9 reactors have restarted and 26 reactors in total have applied for restart while 2 reactors are under construction and 12 new reactors are being proposed. This is a positive development to the psyche of the market and the long-term outlook for nuclear power. The Japanese Government has confirmed their energy plan in July of 2018 with a commitment to generate 20% - 22% nuclear power by 2030, which would equate to approximately 30 reactors (source: WNA, July 2018).

- *Yellow Cake PLC*

In July, a sub market of the London Stock Exchange called Alternative Investment Market (AIM), announced the debut of a new uranium trader Yellow Cake PLC. Yellow Cake, a nickname for uranium, announced that they had raised Euro \$150 million to offer shareholders exposure to the uranium price without the risks associated with investment in companies that explore for, develop, mine or otherwise process uranium. A company spokesman issued the following statement "due to an exceptional set of circumstances, uranium is one of the few commodities yet to recover from the recent commodities bear market and we believe that uranium is currently fundamentally and structurally mispriced." Yellow Cake has entered into a long-term supply contract with Kazatomprom. The spokesman added "Yellow Cake's long-term supply contract with Kazatomprom has allowed us to secure a highly significant and strategic position in physical uranium, at a competitive price, and to offer that exposure to a potential resurgence in the uranium price to investors, while avoiding direct exposure to exploration, development, mining and processing risk." ([www.proactiveinvestors.co.uk](http://www.proactiveinvestors.co.uk))

- *Uranium market*

### Ux U3O8 Price® - 2 Year History (Spot vs. Long-Term)



Source: Ux Consulting Company LLC, [www.uxc.com](http://www.uxc.com): August 2018

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### Selected annual information

The financial information presented below for the current and comparative periods was derived from financial statements prepared in accordance with IFRS and is expressed in Canadian dollars.

	<b>Year Ended December 31 2017</b>	<b>Six Months Ended<sup>(1)</sup> December 31 2016</b>	<b>Year Ended June 30 2016</b>
	\$	\$	\$
Net loss and comprehensive loss	(7,035,963)	(3,115,997)	(10,338,002)
Total assets	332,948,344	337,710,559	341,001,877
Current liabilities	487,327	475,311	975,550
Non-current liabilities	762,109	1,966,119	2,709,102
Shareholders' equity	331,698,908	335,269,129	337,317,225
Basic and diluted loss per common share	(0.01)	(0.01)	(0.02)

<sup>(1)</sup> The Company changed its fiscal year end from June 30 to December 31 and so the transitional fiscal year ended December 31, 2016 was for a six month period.

### Summary of quarterly results

The financial information presented below for the current and comparative periods was derived from annual financial statements prepared in accordance with IFRS or interim financial statements prepared in accordance with IFRS applicable to the preparation of interim financial statements, *IAS 34, Interim Financial Reporting*.

<b>Three months ended</b>	<b>June 30 2018</b>	<b>March 31 2018</b>	<b>December 31 2017</b>	<b>September 30 2017</b>
	\$	\$	\$	\$
Exploration and evaluation assets	299,084,138	296,186,789	289,441,867	287,825,525
Working capital	28,739,990	32,718,431	40,717,793	43,138,833
Net loss and comprehensive loss	(2,231,207)	(1,157,634)	(1,198,092)	(1,343,148)
Net loss per share basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

<b>Three months ended</b>	<b>June 30 2017</b>	<b>March 31 2017</b>	<b>December 31 2016</b>	<b>September 30 2016</b>
	\$	\$	\$	\$
Exploration and evaluation assets	283,993,868	281,368,963	274,028,654	272,413,536
Working capital	37,997,432	41,948,279	50,086,924	52,996,228
Net loss and comprehensive loss	(1,453,511)	(3,041,212)	(1,559,401)	(1,556,596)
Net loss per share basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)

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## **Fission Uranium Corp.**

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### **Results of operations**

The expenses incurred by the Company are typical of 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.

#### *Comparison of the three months ended June 30, 2018 and June 30, 2017*

The Company had a net loss and comprehensive loss of \$2,231,207 (\$0.00 basic and diluted loss per share) compared to a net loss and comprehensive loss of \$1,453,511 (\$0.00 basic and diluted loss per share). The change in net loss is primarily attributable to the following factors:

- Share-based compensation decreased to \$124,235 from \$549,706 due to the diminishing impact of stock options as they vest.
- The Company recorded a write-down of \$1,164,525 during the period on its investment in Fission 3.0 Corp. ("Fission 3.0"). As at June 30, 2018, 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* and the carrying value of the investment was written down accordingly to its fair value based on the quoted market price of Fission 3.0's common shares. Despite the reduction in share price of Fission 3.0 since the original investment was made, the Company's management continues to believe that this investment remains a positive, strategic long-term investment.

#### *Comparison of the six months ended June 30, 2018 and June 30, 2017*

The Company had a net loss and comprehensive loss of \$3,388,841 ((\$0.01) basic and diluted loss per share) compared to a net loss and comprehensive loss of \$4,494,723 ((\$0.01) basic and diluted loss per share). The change in net loss is primarily attributable to the following factors:

- Business development, public relations and communications, and trade shows and conferences costs increased to a total of \$993,997 from \$950,466 due to an overall increase in the Company's marketing and promotional activities during the period.
- Share-based compensation decreased to \$289,934 from \$1,735,268 due to the diminishing impact of stock options granted in prior periods as they vest.
- Investment write-down in Fission 3.0 increased to \$1,164,525 from \$903,624 due to changes in the quoted market price of the underlying common shares.

### **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 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 the issuance of common shares. To date the Company has been successful in raising funds through the issuance of common shares, 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 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.

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### Liquidity and capital resource (continued)

*Changes in working capital for the six months ended June 30, 2018*

At June 30, 2018, the Company had a positive working capital balance of \$28,739,990 as compared to \$40,717,792 at December 31, 2017. The decrease in working capital is primarily due to budgeted PLS program expenditures in addition to regular administrative expenditures.

*Cash flow for the three months ended June 30, 2018*

Cash and cash equivalents for the three months ended June 30, 2018 decreased by \$3,633,050 as a result of:

- Cash outflows related to exploration and evaluation asset additions of \$2,601,382; and
- Cash outflows from operating activities of \$1,031,668.

*Cash flow for the six months ended June 30, 2018*

Cash and cash equivalents for the six months ended June 30, 2018 decreased by \$11,287,367 as a result of:

- Cash outflows related to exploration and evaluation asset additions of \$8,751,338; and
- Cash outflows from operating activities of \$2,536,029.

### 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.

	Three months ended		Six months ended	
	June 30		June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
<i>Compensation Costs</i>				
Wages, consulting and directors fees paid or accrued to key management personnel and companies controlled by key management personnel	<b>534,910</b>	512,410	<b>1,047,319</b>	1,066,490
Share-based compensation pursuant to the vesting schedule of options granted to key management personnel	<b>84,253</b>	371,822	<b>201,507</b>	1,239,171
	<b>619,163</b>	884,232	<b>1,248,826</b>	2,305,661
	Three months ended		Six months ended	
	June 30		June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Exploration and administrative services billed to Fission 3.0 Corp. a company over which Fission Uranium has significant influence	<b>28,003</b>	39,896	<b>64,732</b>	77,067

Included in accounts payable at June 30, 2018 is \$20,448 (December 31, 2017 - \$13,448) for wages payable and consulting fees due to key management personnel and companies controlled by key management personnel.

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## **Fission Uranium Corp.**

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### **Related party transactions (continued)**

Included in amounts receivable at June 30, 2018 is \$43,988 (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 an associate, have been disclosed in the "PLS property" section of this MD&A.

On April 21, 2017, the Company purchased 5,170,410 units of Fission 3.0 at a price of \$0.07 per unit for a total cost of \$361,929 to maintain its 12.36% interest in Fission 3.0. Each unit consisted of one common share and one-half of one share purchase warrant exercisable for an additional common share until April 21, 2019 at \$0.10 per warrant.

These transactions were in the normal course of operations.

### **Outstanding share data**

As at August 13, 2018, the Company has 485,823,707 common shares issued and outstanding, and 43,640,000 incentive stock options outstanding with exercise prices ranging from \$0.85 to \$1.65 per share.

### **Internal controls over financial reporting**

The Company's management is responsible for designing and maintaining an adequate system of internal controls over financial reporting as required under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. Management designed the internal control system based on the Internal Control – Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). From this framework, an evaluation of the internal control system was completed, and management concluded that the system of internal controls over financial reporting was effective as at December 31, 2017.

Any internal control system, no matter how well designed, has inherent limitations. Therefore, internal controls can only provide reasonable assurance with respect to financial statement preparation and presentation.

There have not been any significant changes in the Company's internal control over financial reporting during the six month period ended June 30, 2018 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

### **Disclosure controls and procedures**

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the securities legislation. The Company's management has concluded that the disclosure controls and procedures were effective as at December 31, 2017.

Any control system, no matter how well designed, has inherent limitations. Therefore, disclosure controls and procedures can only provide reasonable assurance with respect to timely disclosure of material information.

Since the December 31, 2017 evaluation, there have been no significant changes to the Company's controls and procedures, and they continue to remain effective.



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**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, amounts receivable, short-term investments and investments at amortized cost for subsequent measurement purposes.

**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.

**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 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.

*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.

**Significant accounting policies**

The accounting policies applied in preparation of the June 30, 2018 unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2017.

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## **Fission Uranium Corp.**

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### **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.

### **Cautionary notes regarding forward-looking statements**

Certain information contained in this MD&A constitutes "forward-looking statements" and "forward-looking information" within the meaning of Canadian legislation.

Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur", "be achieved" or "has the potential to".

Forward looking statements are based on the opinions and estimates of management as of the date such statements are made, and are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. The Company believes that the expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon. This information speaks only as of the date of this MD&A. In particular, this MD&A may contain forward-looking information pertaining to the following: the net present value, metal recoveries, capital costs, operating costs, production, rates of return, payback and impact of the R1515W, R840W and R1620E zones on the operations; the likelihood of completing and benefits to be derived from corporate transactions; the estimates of the Company's mineral resources on its PLS property; estimated exploration and development expenditures; expectations of market prices and costs; supply and demand for uranium; possible impacts of litigation and regulatory actions on the Company; exploration, development and expansion plans and objectives; expectations regarding adding to its mineral resources through acquisitions and exploration; and receipt of regulatory approvals, permits and licences under governmental regulatory regimes.

There can be no assurance that such statements will prove to be accurate, as the Company's actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed below in this MD&A under the heading "Risks and Uncertainties".

Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not, and should not, be construed as being exhaustive. Statements relating to "mineral resources" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described can be profitably produced in the future. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking information after the date of this MD&A or to conform such information to actual results or to changes in the Company's expectations except as otherwise required by applicable legislation.

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**Cautionary notice to US investors regarding mineral resource estimates**

Disclosure of mineral resource estimates and mineral classification terms herein are made in accordance with the Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. NI 43-101 is a rule established by the Canadian Securities Administrators ("CSA") that sets the standards for all public disclosure by issuers regarding scientific information and technical data concerning mineral projects. These standards differ significantly from the mineral reserve disclosure rules of the Securities and Exchange Commission ("SEC"). As a result, the Company's mineral resource estimate is not comparable to similar resource information that would be generally disclosed by US based companies under the rules of the SEC. The terms mineral resource, measured mineral resources, indicated mineral resources and inferred mineral resources, are reporting classification standards in Canada. Furthermore, inferred mineral resources have a greater amount of uncertainty as to whether they can be mined economically, legally, or whether they exist at all.

In accordance with Canadian rules, inferred mineral resource estimates cannot form the basis of pre-feasibility or feasibility studies. There are no guarantees and it cannot be assumed that any classification of mineral resources: measured, indicated, inferred, in whole, or in part, will ever be upgraded to a higher classification. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability.

**Risks and uncertainties**

The Company 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. The cost of conducting and continuing mineral exploration and development is significant, and there is no assurance that such activities will result in the discovery of new mineralization or that the discovery of a mineral deposit will be developed and advanced to commercial production. The Company continually seeks to minimize its exposure to these adverse risks and uncertainties, but by the nature of its business and exploration activities, it will always have some degree of risk.