



Fission
URANIUM CORP.

Financial Statements

Fission Uranium Corp.

**For the Year Ended
December 31, 2020**

Fission Uranium Corp.

Financial Statements

**For the Year Ended
December 31, 2020**

Table of contents

Statements of financial position	1
Statements of loss and comprehensive loss	2
Statements of changes in equity	3
Statements of cash flows	4
Notes to the financial statements	5-22



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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- 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 significant accounting policies and other explanatory information.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="245 478 876 546">Assessment of impairment indicators of exploration and evaluation assets</p> <p data-bbox="245 567 876 703"><i>Refer to note 2 – Significant accounting policies, note 3 – Key estimates and judgments and note 9 – Exploration and evaluation assets to the financial statements.</i></p> <p data-bbox="245 724 876 1459">The total book value of exploration and evaluation assets amounted to \$320 million as at December 31, 2020. At each reporting date, management applies judgment in assessing whether any impairment indicators relating to exploration and evaluation assets exist. If any indication of impairment exists, then an estimate of the exploration and evaluation asset’s recoverable amount is calculated. Indicators of impairment may include (i) the period during which the Company has the right to explore in the specific area has expired during the year or will expire in the near future, (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned, (iii) the Company has decided to discontinue activities in an area as the exploration and evaluation activities in the area have not led to the discovery of commercially viable quantities of mineral resources and (iv) sufficient data exists to indicate that the carrying amount exceeds the recoverable amount. No impairment indicators were identified by management as at December 31, 2020.</p> <p data-bbox="245 1480 876 1734">We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgments made by management in its assessment of indicators of impairment related to exploration and evaluation assets, and these have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.</p>	<p data-bbox="876 478 1521 546">Our approach to addressing the matter included the following procedures, among others:</p> <p data-bbox="876 567 1521 661">Assessed the judgment made by management in determining the impairment indicators which included the following:</p> <ul data-bbox="876 682 1521 1312" style="list-style-type: none"><li data-bbox="876 682 1521 756">• Obtained mining titles to assess (i) the right to explore the area and (ii) title expiration dates.<li data-bbox="876 766 1521 924">• Obtained budget approvals to evidence continued and planned exploration expenditure, which included evaluating management’s current year work programs and longer-term plans.<li data-bbox="876 934 1521 1312">• Read Board of Directors’ meeting minutes and evaluated the current year work program to assess whether:<ul data-bbox="941 1039 1521 1312" style="list-style-type: none"><li data-bbox="941 1039 1521 1207">– the Company decided to discontinue activities in an area as the exploration and evaluation activities in the area have not led to the discovery of commercially viable quantities of mineral resources.<li data-bbox="941 1218 1521 1312">– sufficient data existed to indicate that the carrying amount exceeds the recoverable amount.



Other information

Management is responsible for the other information. The other information comprises the 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 22, 2021

Fission Uranium Corp.

Statements of financial position
(Expressed in Canadian dollars)

	Note	December 31 2020	December 31 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		29,947,143	4,785,701
Short-term investments	4	46,132	22,764
Amounts receivable	5	106,963	119,971
Prepaid expenses		92,191	75,381
		30,192,429	5,003,817
Non-current assets			
Investment in Fission 3.0 Corp.	6	1,025,297	559,661
Property and equipment	7	34,589	117,937
Right-of-use assets	8	129,487	230,423
Exploration and evaluation assets	9	320,185,305	316,812,426
		321,374,678	317,720,447
Total Assets		351,567,107	322,724,264
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		729,351	320,946
Lease obligations - current portion	10	92,524	99,390
		821,875	420,336
Non-current liabilities			
Deferred gain on short-term investments	6	79,431	185,339
Lease obligations	10	44,600	137,124
Credit facility	11	7,095,200	-
Warrant liability	11	2,638,069	-
		9,857,300	322,463
Total Liabilities		10,679,175	742,799
Shareholders' Equity			
Share capital	12	436,957,431	413,615,850
Other capital reserves	12	31,290,185	26,717,159
Deficit		(127,359,684)	(118,351,544)
		340,887,932	321,981,465
Total Liabilities and Shareholders' Equity		351,567,107	322,724,264

Subsequent events (Note 18)

Approved by the Board of Directors and authorized for issue on March 22, 2021.

"Frank Estergaard"

Director

"William Marsh"

Director

Fission Uranium Corp.

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

		Year Ended December 31 2020	Year Ended December 31 2019
	Note	\$	\$
Expenses			
Business development		51,802	353,752
Consulting and directors fees		1,095,953	1,509,717
Depreciation		178,491	189,913
Office and administration		629,606	643,050
Professional fees		1,301,806	355,701
Public relations and communications		376,283	623,873
Share-based compensation expense	12(c)	1,754,510	17,223
Trade shows and conferences		54,921	308,803
Wages and benefits		733,102	724,553
		6,176,474	4,726,585
Other items - income/(expense)			
Foreign exchange gain (loss)		1,126,722	(7,758)
Interest and miscellaneous income		120,223	277,424
Interest - lease obligations	10	(11,413)	(15,719)
Financing costs - credit facility	11	(2,871,195)	-
Loss on disposal of equipment	7	(3,793)	(695)
Share of loss from equity investment in Fission 3.0 Corp.	6	(317,354)	(190,256)
Gain (loss) on investment in Fission 3.0 Corp.	6	782,990	(363,857)
Gain/(loss) on short-term investments	6	129,276	(372,312)
Loss on warrant liability	11	(1,787,122)	-
		(2,831,666)	(673,173)
Net loss and comprehensive loss for the year		(9,008,140)	(5,399,758)
Basic and diluted loss per common share		(0.02)	(0.01)
Weighted average number of common shares outstanding		497,634,512	486,178,313

Fission Uranium Corp.

Statements of changes in equity
(Expressed in Canadian dollars)

	Note	Share capital		Other capital reserves	Deficit	Total shareholders' equity
		Shares	Amount			
			\$	\$	\$	\$
Balance, January 1, 2019		486,014,642	413,399,850	26,698,159	(112,951,786)	327,146,223
Director remuneration shares issued	14	605,448	216,000	-	-	216,000
Share-based compensation	12(c)	-	-	19,000	-	19,000
Net loss and comprehensive loss		-	-	-	(5,399,758)	(5,399,758)
Balance, December 31, 2019		486,620,090	413,615,850	26,717,159	(118,351,544)	321,981,465
Common share units issued - bought deal financings	12(a)	79,163,474	21,513,487	2,561,346	-	24,074,833
Share issuance costs	12(a)	-	(1,974,959)	(230,793)	-	(2,205,752)
Warrants exercised	12(b)	10,000,000	3,281,850	-	-	3,281,850
Director remuneration shares issued	14	243,852	80,185	-	-	80,185
Common shares issued for credit facility interest	12(a)	1,684,231	441,018	-	-	441,018
Share-based compensation	12(c)	-	-	2,242,473	-	2,242,473
Net loss and comprehensive loss		-	-	-	(9,008,140)	(9,008,140)
Balance, December 31, 2020		577,711,647	436,957,431	31,290,185	(127,359,684)	340,887,932

Fission Uranium Corp.

Statements of cash flows
(Expressed in Canadian dollars)

		Year Ended December 31 2020	Year Ended December 31 2019
	Note	\$	\$
Operating activities			
Net loss and comprehensive loss		(9,008,140)	(5,399,758)
Items not involving cash:			
Depreciation		178,491	189,913
Share-based compensation	12(c)	1,754,510	17,223
Director remuneration shares issued	14	80,185	216,000
Credit facility interest shares issued	12(a)	441,018	-
Loss on disposal of equipment	7	3,793	695
Financing costs - credit facility	11	1,368,235	-
Foreign exchange gain on credit facility		(1,145,383)	-
Share of loss from equity investment in Fission 3.0 Corp.	6	317,354	190,256
(Gain) loss on investment in Fission 3.0 Corp.	6	(782,990)	363,857
(Gain) loss on short-term investments	6	(129,276)	372,312
Loss on warrant liability	11	1,787,122	-
		(5,135,081)	(4,049,502)
Changes in non-cash working capital items:			
Decrease in amounts receivable		13,364	170,131
(Increase) decrease in prepaid expenses		(16,810)	12,072
Increase (decrease) in accounts payable and accrued liabilities		50,784	(69,481)
Cash flow used in operating activities		(5,087,743)	(3,936,780)
Investing activities			
Proceeds on redemption of short-term investments		-	10,000,000
Property and equipment disposals (additions)	7	2,000	(12,420)
Exploration and evaluation asset additions		(2,840,068)	(12,113,649)
Cash flow used in investing activities		(2,838,068)	(2,126,069)
Financing activities			
Lease obligation payments	10	(99,390)	(94,846)
Gross proceeds from credit facility	11	13,535,380	-
Credit facility financing costs	11	(222,933)	-
Credit facility repayment	11	(3,932,302)	-
Gross proceeds from the issuance of common share units and flow through share units	12(a)	24,074,833	-
Share issuance costs	12(a)	(1,968,335)	-
Warrant exercises	12(b)	1,700,000	-
Cash flow provided by (used in) financing activities		33,087,253	(94,846)
Increase (decrease) in cash and cash equivalents during the year		25,161,442	(6,157,695)
Cash and cash equivalents, beginning of year		4,785,701	10,943,396
Cash and cash equivalents, end of year		29,947,143	4,785,701

Supplemental disclosure with respect to cash flows (Note 13)

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

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 as issued by the International Accounting Standards Board ("IFRS") as at December 31, 2020. These financial statements were authorized for issue by the Board of Directors on March 22, 2021.

(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 through profit or loss ("FVTPL").

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 and amounts receivable at amortized cost for subsequent measurement purposes. The Company has classified its investment in Fission 3.0 Corp. and the Fission 3.0 Corp. warrants within short-term investments at FVTPL 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.

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

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.

As a result of a reductions in the ownership interest and the number of common directors and management during the year, the Company is no longer deemed to have significant influence over Fission 3.0. The Company no longer uses the equity method to account for its investment in Fission 3.0 and, instead, its shareholdings are recorded at fair value, with the changes in fair value recorded in net income or loss.

(f) Foreign currency translation

Transactions and balances

The functional currency of the Company is the Canadian Dollar.

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.

(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.

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

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 net income or loss 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 period during which the Company has the right to explore in the specific area has expired during the year or will expire in the near future;
- (ii) Whether substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (iii) Whether the Company has decided to discontinue activities in an area as the exploration and evaluation activities in the area have not led to the discovery of commercially viable quantities of mineral resources; and
- (iv) Whether sufficient data exists to indicate that the carrying amount exceeds the recoverable amount.

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 its 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 of 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.

(i) Financial liabilities

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. Accounts payable and accrued liabilities and, credit facility are measured at amortized cost using the effective interest rate method. The warrant liability is measured at FVTPL for subsequent measurement purposes.

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(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.

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.

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.

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(l) Income taxes (continued)

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 taxable 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.

(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, and includes key management personnel. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

(o) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

Leases are recognized as a right of use asset and a corresponding obligation when the leased asset is available for use by the Company. Lease obligations are initially measured at the net present value of the fixed lease payments and variable lease payments that are based on an index or a rate, discounted using the rate implicit in the lease, or if that cannot be determined, the Company's estimated incremental borrowing rate. Right of use assets are initially measured at cost, comprising the amount of the initial measurement of the lease obligation, any lease payments made at or before the lease commencement date, and restoration costs.

Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease obligations are subsequently measured at amortized cost using the effective interest rate method.

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

3. Key estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty, as well as the key judgements made in the process of applying the Company's accounting policies, 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.

(a) *Investments in associates*

The application of the Company's accounting policy for investments in associates requires judgement to determine whether the Company has significant influence over an associate and whether any objective evidence of impairment exists.

(b) *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 mining title expiration dates, budgeted expenditures on the Patterson Lake South ("PLS") property, discontinuation of activities in any 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.

(c) *Warrant liability*

Share purchase warrants issued in connection with the credit facility are considered a derivative liability, the fair value of which is estimated using the Black-Scholes pricing model. The significant inputs used in the Black-Scholes model to calculate the fair value of warrants include volatility, expected term and the forfeiture rate (Note 12b).

4. Short-term investments

	December 31 2020	December 31 2019
	\$	\$
Fission 3.0 Corp. warrants	46,132	22,764
	46,132	22,764

In September 2018, Fission 3.0 Corp. ("Fission 3.0") issued the Company 4,000,000 warrants as a result of the Company's participation in a private placement financing (Note 6).

5. Amounts receivable

	December 31 2020	December 31 2019
	\$	\$
GST receivable	93,244	57,875
Other receivables	13,719	62,096
	106,963	119,971

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

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

6. Investment in 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. The Company, through a combination of its shareholding and its common directors and management, had significant influence over Fission 3.0 and accounted for the investment using the equity method.

During the three month period ended September 30, 2020, there was a reduction in the ownership interest in Fission 3.0 as a result of additional shares being issued through a non-brokered private placement. There were also changes to the number of common directors and management. As a result, the Company is no longer deemed to have significant influence over Fission 3.0. The Company no longer uses the equity method to account for its investment in Fission 3.0 and, instead, its shareholdings are recorded at fair value, with the changes in fair value being recognized in the statement of loss.

As at December 31, 2020, the Company held a 6.67% ownership interest in Fission 3.0 (June 30, 2020 – 7.61%; December 31, 2019 – 7.61%). The trading price of Fission 3.0's common shares on December 31, 2020 was \$0.095 (December 31, 2019 - \$0.07). The quoted market value of the investment in Fission 3.0 on December 31, 2020 was \$1,025,297 (December 31, 2019 - \$755,482).

Details of the investment in Fission 3.0 are as follows:

	\$
Balance, January 1, 2019	1,113,774
Share of loss for the twelve months ended September 30, 2019	(190,256)
Write-down on Investment in Fission 3.0	(363,857)
Balance, December 31, 2019	559,661
Share of loss for the nine months ended June 30, 2020	(317,354)
Fair value adjustment based on Fission 3.0 share price as at December 31, 2020	782,990
Balance, December 31, 2020	1,025,297

In September 2018, Fission 3.0 completed the first tranche of a non-brokered private placement financing by issuing units at a price of \$0.10 per unit. 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.

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 is determined at each reporting date, and gains or losses on the fair value changes are recognized in the statements of loss and comprehensive loss each period.

For the year ended December 31, 2020 the Company recognized \$105,908 (December 31, 2019 – \$105,908) of the deferred gain on the Fission 3.0 warrants. The balance of remaining deferred gain at December 31, 2020 was \$79,431 (December 31, 2019 - \$185,339). The Company determined that the fair value of the warrants at December 31, 2020 was \$46,132 (December 31, 2019 – \$22,764) and therefore recognized an unrealized gain of \$23,368 (December 31, 2018 – \$478,220 loss) based on the fair value change. The net gain of \$129,276 (December 31, 2019 - \$372,312 loss) was recorded within other items in the statements of loss and comprehensive loss

Fission Uranium Corp.

Notes to the financial statements
For the year ended December 31, 2020
(Expressed in Canadian dollars)

7. Property and equipment

Cost	Equipment & Machinery	Office Equipment	Computer Hardware	Computer Software	Total
	\$	\$	\$	\$	\$
As at January 1, 2019	513,610	101,106	150,142	29,052	793,910
Additions	-	-	12,420	-	12,420
Disposals	-	-	(5,567)	-	(5,567)
As at December 31, 2019	513,610	101,106	156,995	29,052	800,763
Additions	-	-	-	-	-
Disposals	-	-	(12,591)	(8,339)	(20,930)
As at December 31, 2020	513,610	101,106	144,404	20,713	779,833
Accumulated Depreciation					
As at January 1, 2019	354,541	93,254	121,875	29,052	598,722
Depreciation	68,625	2,136	18,215	-	88,976
Disposals	-	-	(4,872)	-	(4,872)
As at December 31, 2019	423,166	95,390	135,218	29,052	682,826
Depreciation	66,489	2,136	8,930	-	77,555
Disposals	-	-	(6,798)	(8,339)	(15,137)
As at December 31, 2020	489,655	97,526	137,350	20,713	745,244
Net Book Value					
As at December 31, 2019	90,444	5,716	21,777	-	117,937
As at December 31, 2020	23,955	3,580	7,054	-	34,589

Fission Uranium Corp.

Notes to the financial statements
For the year ended December 31, 2020
(Expressed in Canadian dollars)

8. Right-of-use assets

	Office Leases
	\$
Cost	
Balance at January 1, 2019	331,360
Balance at December 31, 2019	331,360
Balance at December 31, 2020	331,360
Accumulated Depreciation	
Balance at January 1, 2019	-
Depreciation expense	100,937
Balance at December 31, 2019	100,937
Depreciation expense	100,936
Balance at December 31, 2020	201,873
Net Book Value, December 31, 2019	230,423
Net Book Value, December 31, 2020	129,487

9. Exploration and evaluation assets

	Year ended December 31 2020	Year ended December 31 2019
	\$	\$
Patterson Lake South Property		
Acquisition costs		
Balance, beginning and end	176,501,858	176,501,858
Exploration costs		
Balance, beginning	140,310,568	128,877,743
Incurred during		
Exploration		
Geology mapping/sampling	-	1,506
Geophysics airborne	8,368	-
Geophysics ground	-	374
Drilling	1,849,604	1,487,922
Resource Development		
Mine Planning	261,886	1,291,554
Geotechnical	147,502	4,431,497
Metallurgical	4,241	51,793
Resource Development	700	34,204
Hydrogeological	-	1,356,208
Infrastructure	24,218	1,677,391
Permitting		
Operational Permits & Other	15,372	69,474
Environmental	293,620	752,823
Community Relations	212,931	133,078
Other		
Land Retention	4,287	38,449
Reporting	9,251	21,797
General	52,936	82,978
Share-based compensation	487,963	1,777
Additions	3,372,879	11,432,825
Balance, end	143,683,447	140,310,568
Total	320,185,305	316,812,426

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

9. Exploration and evaluation assets (continued)

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.

In January 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 U₃O₈ production and will have an option to purchase up to an additional 15% of U₃O₈ production from the PLS property, after commencement of commercial production.

10. Lease obligations

	Year ended December 31 2020	Year ended December 31 2019
	\$	\$
Beginning balance	236,514	331,360
Lease obligation payments	(110,803)	(110,565)
Interest expense	11,413	15,719
Net lease obligation payments	(99,390)	(94,846)
Ending balance	137,124	236,514
Less: Lease obligations - current portion	(92,524)	(99,390)
Lease obligations	44,600	137,124

The Company's lease obligations relate to commercial office space utilized by the Company's offices in Kelowna and Vancouver. The Company's estimated incremental borrowing rate used in the calculation of these obligations is 5.95%.

11. Credit Facility

In April 2020, the Company entered into a senior secured credit facility (the "Facility") with Sprott Resource Lending II (Collector) L.P. ("Sprott"). Under the terms of Facility, Sprott advanced the Company a gross amount of US\$10,000,000 (net cash proceeds were subject to a 3% discount) with a four-year term and no obligation to make any principal repayments until April 2024 (the "Maturity Date"). The Company also has the option to extend the term of the Facility by one year, subject to certain terms and conditions contained in the Facility. The Facility bears interest at a rate of 10% per annum, payable monthly with the option to pay a portion of the interest due by way of common shares. The Company may voluntarily repay the Facility (Note 12) in whole or in part anytime before the Maturity Date, provided that a minimum of 24 months interest has been paid.

The Facility is secured against all present and after acquired personal property of the Company with a first priority of encumbrance over the PLS project by way of customary security documents.

In connection with the Facility, the Company issued 20,666,667 common share purchase warrants to Sprott and its affiliates (Note 12). The warrants contain a provision which gives the Company the option to settle the warrants net in cash rather than through the issuance of common shares. The Company has therefore recognized the fair value of these derivative financial instruments as a financial liability. The fair value of the warrants is determined at each reporting date, and gains or losses on the fair value changes are recognized in the statements of loss and comprehensive loss each period.

As of December 31, 2020, the outstanding principal of the Facility was \$8,876,315 (US\$6,971,658).

Fission Uranium Corp.

Notes to the financial statements
For the year ended December 31, 2020
(Expressed in Canadian dollars)

11. Credit Facility (continued)

The balance of the Facility is determined as follows:

	Credit facility	Deferred financing costs	Total
	\$	\$	\$
Beginning balance, January 1, 2020	-	-	-
Advance (discounted at 3%)	13,954,000	(418,620)	13,535,380
Fair value of warrants	-	(2,432,798)	(2,432,798)
Financing costs incurred	-	(297,933)	(297,933)
Interest expense	1,502,959	-	1,502,959
Interest payments	(1,502,959)	-	(1,502,959)
Foreign exchange adjustment	(1,145,383)	-	(1,145,383)
Principal repayment (Note 12a)	(3,932,302)	-	(3,932,302)
Amortization of deferred costs	-	1,368,236	1,368,236
Ending balance at December 31, 2020	8,876,315	(1,781,115)	7,095,200

12. 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.

Credit Facility Interest Shares

During the year ended December 31, 2020, the Company issued 1,684,231 common shares with a total value of \$441,018 to Sprott and affiliates as consideration for monthly interest in accordance with the terms and conditions of the credit facility agreement (December 31, 2019 – Nil shares valued at \$nil). The Company incurred share issuance costs of \$48,465 in connection with these issuances.

Bought Deal Financings

In November 2020, the Company closed a bought deal financing of 62,090,303 units at a price of \$0.275 per unit for gross proceeds of \$17,074,833. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.41 for a period of 24 months. The Company incurred share issuance costs of \$1,490,074 in connection with this financing.

The fair value of the common shares was determined based on the closing trading price on November 17, 2020 and the fair value of warrants was determined using the Black-Scholes pricing model. A total of \$15,416,781 was recorded in share capital in relation to the common shares and \$1,658,052 was recorded in other capital reserves in relation to the warrants. A total of \$144,694 was reclassified from unit issuance costs to other capital reserves for the proportionate share of financing costs related to the warrants in the units issued. The fair value of the warrants was determined using the following assumptions: volatility of 94.98%; risk-free interest rate of 0.27%; expected life of 1.0 years; and a dividend rate of 0%.

Pursuant to the terms of the credit facility agreement, the Company was required to repay a portion of the outstanding principal with 25% of the net proceeds from this financing. A total of \$4,470,809 (US\$3,443,057) was paid which included \$3,932,302 (US\$3,028,342) in principal and \$538,507 (US\$414,715) in accelerated interest on early repayment.

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

12. Share capital and other capital reserves (continued)

(a) Authorized share capital (continued)

In December 2020, the Company closed a bought deal financing of 17,073,171 flow-through units at a price of \$0.41 per unit for gross proceeds of \$7,000,000. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.50 for a period of 24 months. The Company incurred share issuance costs of \$667,213 in connection with this placement.

The fair value of the common shares was determined based on the closing trading price on December 21, 2020 and the fair value of warrants was determined using the Black-Scholes pricing model. A total of \$6,096,706 was recorded in share capital in relation to the common shares and \$903,294 was recorded in other capital reserves in relation to the warrants. A total of \$86,099 was reclassified from unit issuance costs to other capital reserves for the proportionate share of financing costs related to the warrants in the units issued. There was no fair value attributed to a flow-through premium. The fair value of the warrants was determined using the following assumptions: volatility of 97.78%; risk-free interest rate of .23%; expected life of 1.0 years; and a dividend rate of 0%.

(b) Stock options and warrants

The Company has a stock option plan which allows the Board of Directors to grant stock options to employees, directors, 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.

In April 2020, the Company granted 20,666,667 warrants to Sprott and affiliates in accordance with the terms and conditions of the credit facility agreement. Each warrant is exercisable into one common share at \$0.17 per warrant for a period of four years from the date of issuance. The fair value of the warrants, which was recognized as a financial liability, will be determined at each reporting date using the Black-Scholes pricing model (Note 11).

The following assumptions were used for the valuation of the warrant liability:

	December 31	September 30	June 30	April 7
	2020	2020	2020	2020
Risk Free Interest Rate	0.20%	0.25%	0.28%	0.45%
Expected Life - Years	1.67	1.79	1.92	2.00
Estimated Forfeiture Rate	0.00%	0.00%	0.00%	0.00%
Annualised Volatility	82.46%	77.52%	71.53%	61.50%
Dividend Rate	N/A	N/A	N/A	N/A
Weighted average fair value per warrant	\$ 0.247	\$ 0.183	\$ 0.118	\$ 0.118

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

12. Share capital and other capital reserves (continued)

(b) *Stock options and warrants (continued)*

Stock option and warrant transactions are summarized as follows:

	Stock options		Warrants	
	Number Outstanding	Weighted average exercise price	Number Outstanding	Weighted average exercise price
		\$		\$
Outstanding, January 1, 2019	36,635,000	1.0412	-	-
Expired	(17,770,000)	1.2442	-	-
Outstanding, December 31, 2019	18,865,000	0.8500	-	-
Granted	13,702,935	0.3100	60,248,403	0.3404
Exercised	-	-	(10,000,000)	0.1700
Expired	(1,595,000)	0.8500	-	-
Outstanding, December 31, 2020	30,972,935	0.6111	50,248,403	0.3743

The weighted average share price of warrants exercised during the year ended December 31, 2020 was \$0.284 (December 31, 2019 - \$nil).

As at December 31, 2020, stock options and warrants were outstanding as follows:

Stock options			
Number outstanding	Exercise price	Number of vested options	Expiry date
	\$		
10,400,000	0.85	10,400,000	February 5, 2021
6,570,000	0.85	6,570,000	January 16, 2022
300,000	0.85	300,000	March 27, 2023
13,702,935	0.31	13,702,935	October 7, 2025
30,972,935		30,972,935	
Warrants			
Number outstanding	Exercise price	Number of vested warrants	Expiry date
	\$		
31,045,151	0.41	31,045,151	November 17, 2022
8,536,585	0.50	8,536,585	December 21, 2022
10,666,667	0.17	10,666,667	April 7, 2024
50,248,403		50,248,403	

Fission Uranium Corp.

Notes to the financial statements
For the year ended December 31, 2020
(Expressed in Canadian dollars)

12. Share capital and other capital reserves (continued)

(c) Share-based compensation

All options are initially recorded at fair value using the Black-Scholes option pricing model. During the year ended December 31, 2020 the Company granted 13,702,935 stock options (December 31, 2019 - Nil). Pursuant to the vesting schedule of options granted, during the year ended December 31, 2020 share-based compensation of \$1,754,510 (December 31, 2019 - \$17,223) was recognized in the statements of loss and comprehensive loss and \$487,963 (December 31, 2019 - \$1,177) was recognized in exploration and evaluation assets. The total amount of \$2,242,473 (December 31, 2019 - \$19,000) 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 2020	December 31 2019
Risk Free Interest Rate	0.35%	N/A
Expected Life - Years	5.00	N/A
Estimated Forfeiture Rate	4.77%	N/A
Annualised Volatility	63.67%	N/A
Dividend Rate	0%	N/A
Weighted average fair value per option	\$ 0.164	N/A

13. Supplemental disclosure with respect to cash flows

	December 31 2020	December 31 2019
	\$	\$
Cash and cash equivalents		
Cash	29,787,143	4,625,701
Redeemable term deposits	160,000	160,000
	29,947,143	4,785,701

During the year ended December 31, 2020 the Company received \$116,728 (December 31, 2019 - \$342,609) in interest income.

Significant non-cash financing and investing transactions for the year ended December 31, 2020 included:

- Incurring \$252,992 of exploration and evaluation related expenditures through accounts payable and accrued liabilities;
- Incurring \$75,000 of credit facility costs through accounts payable and accrued liabilities;
- Incurring \$237,417 of share issuance costs through accounts payable and accrued liabilities; and
- Recognizing \$487,963 of share-based payments in exploration and evaluation assets.

Significant non-cash financing and investing transactions for the year ended December 31, 2019 included:

- Incurring \$207,788 of exploration and evaluation related expenditures through accounts payable and accrued liabilities; and
- Recognizing \$1,777 of share-based payments in exploration and evaluation assets.

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

14. Related party transactions

The Company has identified the former CEO, current President and CEO, current and former CFO, VP Exploration, and the Company's directors as its key management personnel during all or part of the year.

	Year ended December 31 2020	Year ended December 31 2019
	\$	\$
<i>Compensation Costs</i>		
Wages, consulting and directors fees paid or accrued to key management personnel and companies controlled by key management personnel	1,614,098	2,072,845
Share-based compensation pursuant to the vesting schedule of options granted to key management personnel	1,366,231	4,339
	2,980,329	2,077,184
Exploration and administrative services billed to Fission 3.0, a company with common directors and management	96,001	599,796

The Company has a Directors Remuneration Plan (the "DRP Plan") whereby a portion of director fees can be paid through the issuance of common shares ("Director Remuneration Shares") in lieu of the payment of cash or other means of remuneration. Included in compensation costs above is the value of shares issued under the DRP Plan. During the year ended December 31, 2020, the Company issued 243,852 shares with a total value of \$80,185 under the DRP Plan (December 31, 2019 - 605,448 shares valued at \$216,000).

Included in accounts payable at December 31, 2020 is \$16,625 (December 31, 2019 - \$19,250) 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, 2020 is \$5,415 (December 31, 2019 - \$50,522) 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 9.

These transactions were in the normal course of operations.

15. Income taxes

A reconciliation of current income taxes at statutory rates (December 31, 2020 - 27%, December 31, 2019 - 27%) with the reported taxes is as follows:

	December 31 2020	December 31 2019
	\$	\$
Loss before income taxes	(9,008,140)	(5,399,758)
Expected income tax recovery	(2,432,198)	(1,457,935)
Permanent differences	1,010,318	147,433
Net change in benefits of tax attributes previously not recognized	1,421,880	1,310,502
Deferred income tax recovery	-	-

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

15. Income taxes (continued)

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

	December 31 2020	December 31 2019
	\$	\$
Deferred income tax assets (liabilities)		
Property and equipment	22,439	12,444
Exploration and evaluation assets	(22,896,881)	(22,062,721)
Non-capital losses	22,428,261	21,923,597
Share issuance costs	495,288	126,680
Loan discount	(49,107)	-
Net deferred income tax liabilities	-	-

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 \$91,000,000 of recognized non-capital losses which, if unutilized, will expire between 2025 and 2040. 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, 2020 the Company did not recognize \$1,512,954 (December 31, 2019 - \$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, 2019 - \$9,085), unrealized gain on loan of \$851,933 (December 31, 2019 - \$nil), prepaid interest penalty of \$505,870 (December 31, 2019 - \$nil) and deductible temporary differences from the investment in Fission 3.0 of \$2,878,244 (December 31, 2019 - \$3,473,163) because it does not anticipate future capital gains to utilize these assets.

16. 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, stock options, credit facility and warrants.

Changes in the equity accounts of the Company are disclosed in the statements of changes in equity. The Company manages the capital structure and adjusts 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 debt or dispose of assets. The issuance of common shares or issuance of debt requires approval of the Board of Directors.

The Company reviews its capital management approach on an on-going basis and updates it 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, though there is no certainty that future financings will be successful.

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

17. Financial instruments and risk management

IFRS 13, Fair Value Measurement, establishes a 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, investment in Fission 3.0 Corp., accounts payable and accrued liabilities, credit facility and warrant liability. Carrying value for cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

Carrying value of the Company's investment in Fission 3.0. was determined using Level 1 inputs.

Carrying value of the Company's short term investments, credit facility and warrant liability was determined using Level 2 inputs.

The Company's financial instruments are exposed to a number of financial and market risks, including foreign exchange, 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) Foreign exchange risk

Certain of the Company's financial assets and liabilities are denominated in US dollars. Financial instruments that impact the Company's net income or loss due to currency fluctuations include cash and cash equivalents, accounts payable and accrued liabilities and credit facility (Note 11).

At December 31, 2020, a 5% change in the value to the US dollar as compared to the Canadian dollar could have increased or decreased the Company's net loss by \$350,000.

(b) 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 cash and cash equivalents and amounts receivable.

The Company has not had any credit losses in the past, and expected credit losses are negligible. At December 31, 2020, the Company has no financial assets that are past due or impaired due to credit risk defaults.

The Company's exposure to credit risk is as follows:

	December 31 2020	December 31 2019
	\$	\$
Cash and cash equivalents	29,947,143	4,785,701
Amounts receivable	106,963	119,971
	30,054,106	4,905,672

Fission Uranium Corp.

Notes to the financial statements

For the year ended December 31, 2020

(Expressed in Canadian dollars)

17. Financial instruments and risk management (continued)

(c) 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, warrant liability and credit facility. 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:

	Less than 1 year	2 - 3 years	4 - 5 years years	More than 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	729,351	-	-	-
Warrant liability	-	2,638,069	-	-
Credit facility (principal)	-	-	8,876,315	-
Credit facility (interest)	940,109	1,880,217	249,837	-
	1,669,460	4,518,286	9,126,152	-

(d) 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 exposure to price risk on its Fission 3.0 Corp. warrants and common shares included in short-term investments and investment in Fission 3.0 Corp, respectively, and warrant liability based on the fair value hierarchy is as follows:

	December 31 2020	December 31 2019
	\$	\$
Level 1 - investment in Fission 3.0	1,025,297	559,661
Level 2 - short-term investments	46,132	22,764
Level 2 - warrant liability	2,638,069	-
	3,709,498	582,425

18. Subsequent Events

Subsequent to December 31, 2020:

- 8,200,384 warrants were exercised at an average price of \$0.219 and a weighted average share price of \$0.458, and 333,333 options were exercised at an average price of \$0.31 and a weighted average share price of \$0.59;
- The Company granted 19,200,000 stock options to directors, officers, employees and consultants exercisable at \$0.58 per share for a period of 5 years; and
- 10,400,000 stock options exercisable at \$0.85 expired unexercised.