

Fission Energy Corp. (TSXV: FIS) – Initiating Coverage; Uranium Explorer with Large Land Package in the Athabasca Basin

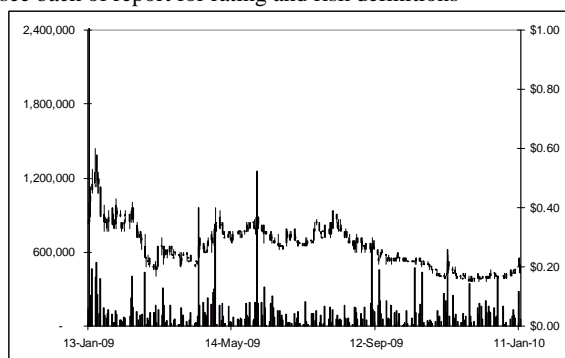
Sector/Industry: Junior Exploration/Mining

www.fission-energy.com

Market Data (as of January 15, 2010)

Current Price	C\$0.18
Fair Value	C\$0.80
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.15 - C\$0.60
Shares O/S	55.03 mm
Market Cap	C\$9.91 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.44
YoY Return	-62.5%
YoY TSXV	87.8%

*see back of report for rating and risk definitions



Key Financial Data (FYE-June 30)

(C\$)	2008	2009 (3 mo)
Cash	2,724,297	3,484,452
Working Capital	2,728,004	4,011,631
Mineral Properties	18,094,905	18,267,603
Total Assets	21,544,862	23,061,948
Net Income	(9,382,020)	(370,147)
EPS	-0.22	-0.01

Kelowna, BC based Fission Energy Corp. is headed by a competent management team including President and COO, Ross McElroy, P.Geol., who has a history working in the Athabasca Basin including being a member of the early stage discovery team of the MacArthur River uranium deposit.

Investment Highlights

- Fission Energy Corp. (“Fission”, “FIS”, “the company”) is a Kelowna, British Columbia based uranium exploration company with a large uranium property portfolio dominated by land held in the eastern Athabasca Basin.
- Altered basement rocks and anomalous radioactivity has been encountered on the company’s Waterbury Lake property which is situated adjacent to Areva/Denison’s Midwest deposit and Hathor’s Roughrider Zone.
- The Deiter Lake and Duddridge Lake properties host inferred NI 43-101 resources of 24.4 million lbs U₃O₈ at an average grade of 0.057%, and 215,016 tonnes at an average grade of 0.107% U₃O₈, respectively.
- A \$4 million 2010 winter exploration program is to include 20 holes totaling 7,500 meters fully funded by JV earn-in partner.
- At the end of September 2009, the company had working capital of \$4.01 million, or \$0.07 per share.

Risks

- The company has yet to delineate mineable reserves
- Access to capital and share dilution
- The value of the company is dependent on commodity prices

Company Overview

Fission Energy Corp. is a Canadian based uranium exploration and development company currently listed on the TSX Venture exchange under the ticker FIS. The bulk of the company's properties are situated in or near the Athabasca Basin, which hosts the world's richest uranium deposits.

The property of most interest to investors is likely Waterbury Lake where the company has signed a joint venture with a Korean consortium led by Korea Electric Power Consortium (NYSE: KEP) ("KEPCO consortium"). Since the closing of the agreement in January of 2008, the KEPCO consortium has spent \$10 million exploring the property. This property sits adjacent to the AREVA (OTC: ARVCY)/Denison (TSX: DML) Midwest deposit (41 million lbs U₃O₈ at an average grade of 5.5%) and the high grade Roughrider zone discovered in 2008 by Hathor Exploration (TSXV: HAT). The company has identified strongly altered basement rocks with elevated radioactivity similar to those which host deposits throughout the eastern Athabasca basin.

The company's additional properties also provide value to the company. Among them are the Deiter Lake and Duddridge Lake properties, both of which host NI 43-101 resources.

Company History

Fission Energy Corp. shares were originally spun-out as a distribution by Strathmore Minerals Corp (TSXV: STM) in 2007, under which the company had assembled one of the largest exploration property portfolios in Saskatchewan's Athabasca Basin in 2003/2004.

Waterbury Lake

Property Overview: The 40,256 hectare Waterbury Lake property sits adjacent to Hathor's Midwest Northeast project and the high grade uranium Roughrider Zone discovered in 2008. The primary target on the property, the Discovery Bay Zone, is immediately on the border with the Roughrider Zone. In fact, the Hathor drill hole MWNE-09-116, which intersected 70.34% U₃O₈ over 2.5 meters, is only 50 meters from the property boundary.



Figure 1: Waterbury Lake general location. (Source: Fission Energy Corp.)

At Discovery Bay, drilling has identified zones of strongly altered graphitic gneiss with highly anomalous radioactivity and elevated uranium. The company continues to focus the bulk of its efforts in this area and it will see further testing in the upcoming 2010 winter drill program.

The primary style of Athabasca unconformity-type uranium deposits occur at or close to the basal unconformity. Here, necessary reducing fluids originating in the basement rocks have channeled along faults and mixed with oxidizing fluids originating in the overlying Athabasca sandstones allowing for the precipitation of uranium in structural traps.

The 85,000 km² Athabasca Basin in northern Saskatchewan, and northeastern Alberta, is the most significant uranium metallogenic district in Canada, and is currently the only location in the world to host high grade uranium deposits.

Ownership: The Waterbury Lake property was originally staked by the company in 2004, and was restaked in 2009. The property is currently under joint venture ownership with a Korean consortium led by Korea Electric Power Consortium. The agreement was signed in the quarter ending March 31, 2008, and dictates that the consortium can earn up to 50% interest in the Waterbury Lake project by expending \$14 million over a three year period. In addition, a \$1 million common share private placement with the consortium was completed at the price of \$1.00 per share. Fission retains a 2% Net Smelter Return overriding royalty interest in the property. Fission remains the operator of the Waterbury Lake property.

Location/Accessibility/Infrastructure: The Waterbury Lake property is located in the eastern Athabasca Basin in Northern Saskatchewan.

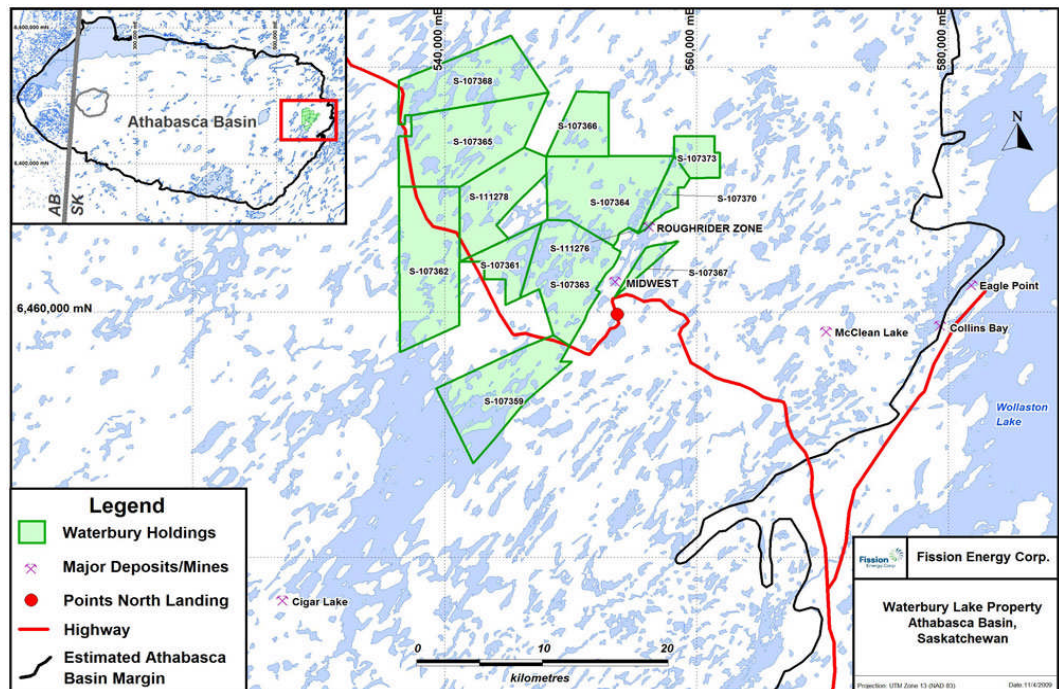


Figure 2: Waterbury Lake claim map. (Source: Fission Energy Corp.)

The eastern portion of the basin remains very active in terms of both exploration and production. This is a key factor positively influencing the accessibility and infrastructure relating to the project. The Discovery Bay Zone is located approximately 8 km from Points North Landing, a local service centre at the terminus of Highway 905. Highway 905 connects the north with the town of La Ronge, approximately 400 km to the south via Highway 102. A daily commercial airline also services Points North Landing. Additionally, the property is only 4 km North from the Areva/Denison Midwest Deposit.

During the winter months, the property can be accessed via the Athabasca Seasonal Winter Road. During summer months, the property can be accessed by road, helicopter or fixed wing aircraft.

Historic Exploration/Production: The Waterbury claims area has been subject to various exploration programs by the Saskatchewan Mining Development Corporation (SMDC), Cogema (now owned by Areva), Asamera and Esso Minerals over the past 40 years. There has been no previous production from the Waterbury claims.

Company Exploration: To date, the company has completed several drill programs on the property in conjunction with geophysical surveys. Initial programs tested various high priority targets throughout the property while subsequent programs focused on potential extensions of the Roughrider zone. We have broken down the company's exploration activity and results by year below:

2007

- Completion of eight holes totaling 2,219 meters on the eastern most claim
- Alteration encountered, in addition to significant radioactivity being encountered in three of the eight holes, including mineralization of 0.1% U_3O_8 over 3.6m in hole WAT07-008.

2008

- Work completed subsequent to Hathor's discovery of the Roughrider zone in February 2008, and signing of the agreement with the KEPCO Consortium in March, 2008.
- 19 holes in total completed.
- 14 holes targeting the potential extension of the Roughrider zone on Waterbury claims resulting in the successful identification of the Discovery Bay Zone.
- Five holes completed on the 367 claim east of AREVA/Denison's Midwest deposit (41 million lbs U_3O_8 at an average grade of 5.5%).
 - No significant alteration or radioactivity was encountered
- \$5.5 million total in exploration expenditures funded by the KEPCO Consortium.

2009

- 2,500 meter, 7 hole summer drill program.
- 11,857 line-km high-resolution airborne magnetic and radiometric survey.

Figure 3 is a summary of the 2009 summer drill program results as provided by the

company. The high radioactivity counts (CPS) intersected by several holes is encouraging.

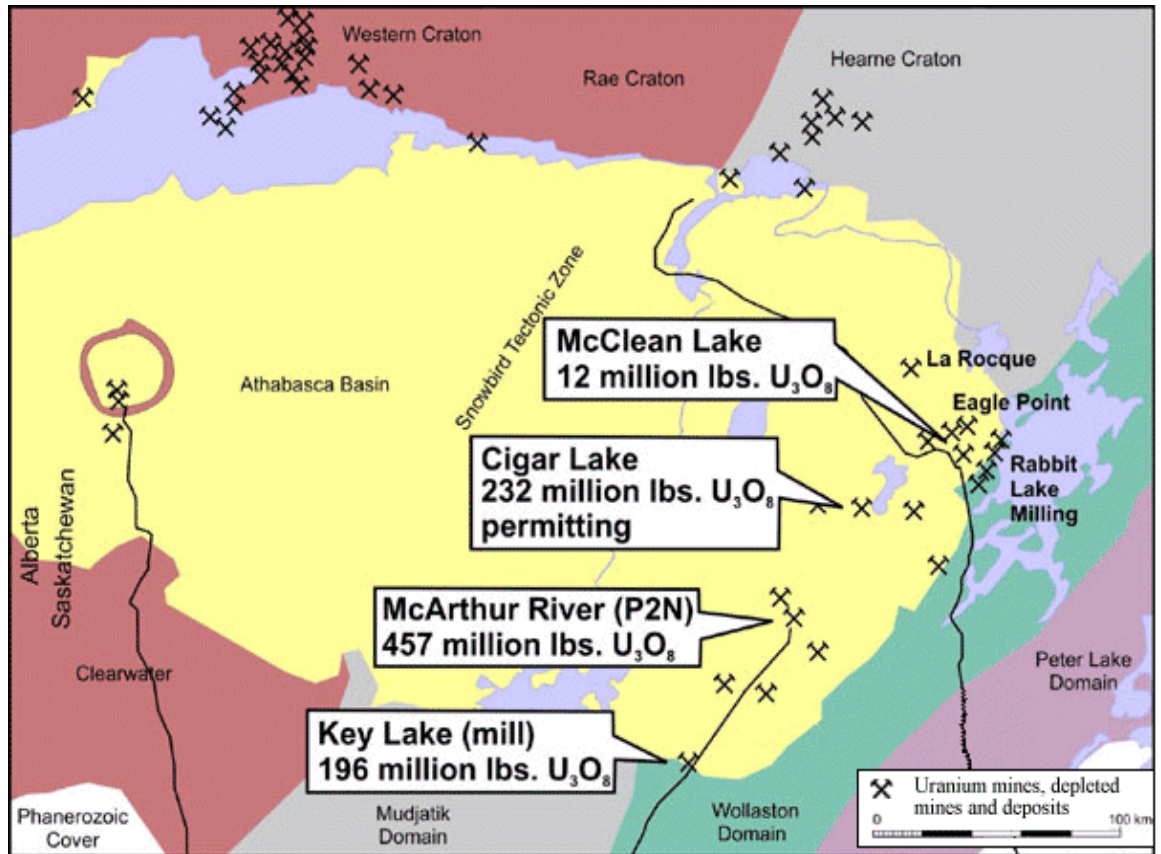
2009 SUMMER DRILL HOLE SUMMARY - RADIOACTIVITY									
Target	Drill Hole			Radioactivity					Alteration Comments
	Hole ID	Total Depth	u/c	From	To	Width	CPS (avg)	CPS (max)	
Discovery Bay	WAT09-055	323.3	209	224.85	228.20	3.3	1678	4161	Elevated radioactivity in altered felsic gneiss
	WAT09-056	300.0	218.0	217.55	220.95	3.4	834	1420	Radioactivity in 100% clay replacement at u/c
	WAT09-059	413.0	206.0	252.75	253.55	0.8	1185	1788	Clay altered sandstone above unconformity
				291.35	292.35	1.0	625	651	Elevated radioactivity assoc. with strongly altered
				342.55	345.35	2.8	761	1235	graphitic gneiss.
	WAT09-060B	389.0	213.2	217.25	217.75	0.5	1058	1328	Elevated radioactivity in altered garnet biotite
339.55				342.35	2.8	1143	2114	gneiss in contact with altered graphitic gneiss	
WAT09-061A	375.0	208.5	219.25	225.65	6.4	761	3001	Elevated radioactivity in chloritic altered graphitic gneiss	
359	WAT09-057	347.0	248.0	No anomalous radioactivity				No significant alteration	
	WAT09-058	354.5	292.0	No anomalous radioactivity				No significant alteration	

* All depths measurements in meters

** u/c = Athabasca / Basement unconformity (downhole depth)

Figure 3: 2009 summer drill program summary. (Source: Fission Energy Corp.)

Geology and Mineralization: The 85,000 km² Athabasca Basin in northern Saskatchewan and northeastern Alberta is the most significant uranium metallogenic district in Canada, and is currently the only location in the world to host high grade uranium deposits. The basin hosts all of Canada's currently producing uranium mines which account for approximately 23% of global production.



Athabasca Basin

Figure 4: There are several world class deposits within the Athabasca Basin. The Waterbury Lake property is situated just southwest of the McClean Lake deposit. (Source: JNR Resources Inc.)

The Manitou Falls formation of the Athabasca group, essentially a sandstone sequence, lies unconformably over deformed and metamorphosed rocks of the Western Churchill Province (WCP). On neighboring properties such as at Hathors Midwest Northeast project, the granite and gneiss composed Hearne Subprovince of the WCP is the underlying basement rock. The primary style of Athabasca unconformity-type uranium deposits occur at or close to the basal unconformity. Here, necessary reducing fluids originating in the basement rocks have channeled along re-activated basement faults and mixed with oxidizing fluids originating in the overlying Athabasca sandstones allowing for the precipitation of uranium in structural traps. These structural traps are most often associated with the highly deformed, and metamorphosed basement rocks, and thus, are irregular and often occur in thin pods.

Similar to the Roughrider Zone, elevated radioactivity and uranium in strongly altered gneissic basement rocks has been intercepted at the Discovery Bay Zone immediately adjacent. The company has yet to intercept high grade mineralization on their property, but probably the existence of such a zone is high and the company continues to explore the Discovery Bay Zone. Figure 5 shows 2009 summer drill program hole locations as

well as holes WAT08-017 and WAT08-022c. WAT08-017 intersected a zone of 7.5 meters grading 0.04% U3O8 including a 1.0 meter section grading 0.19% U3O8.

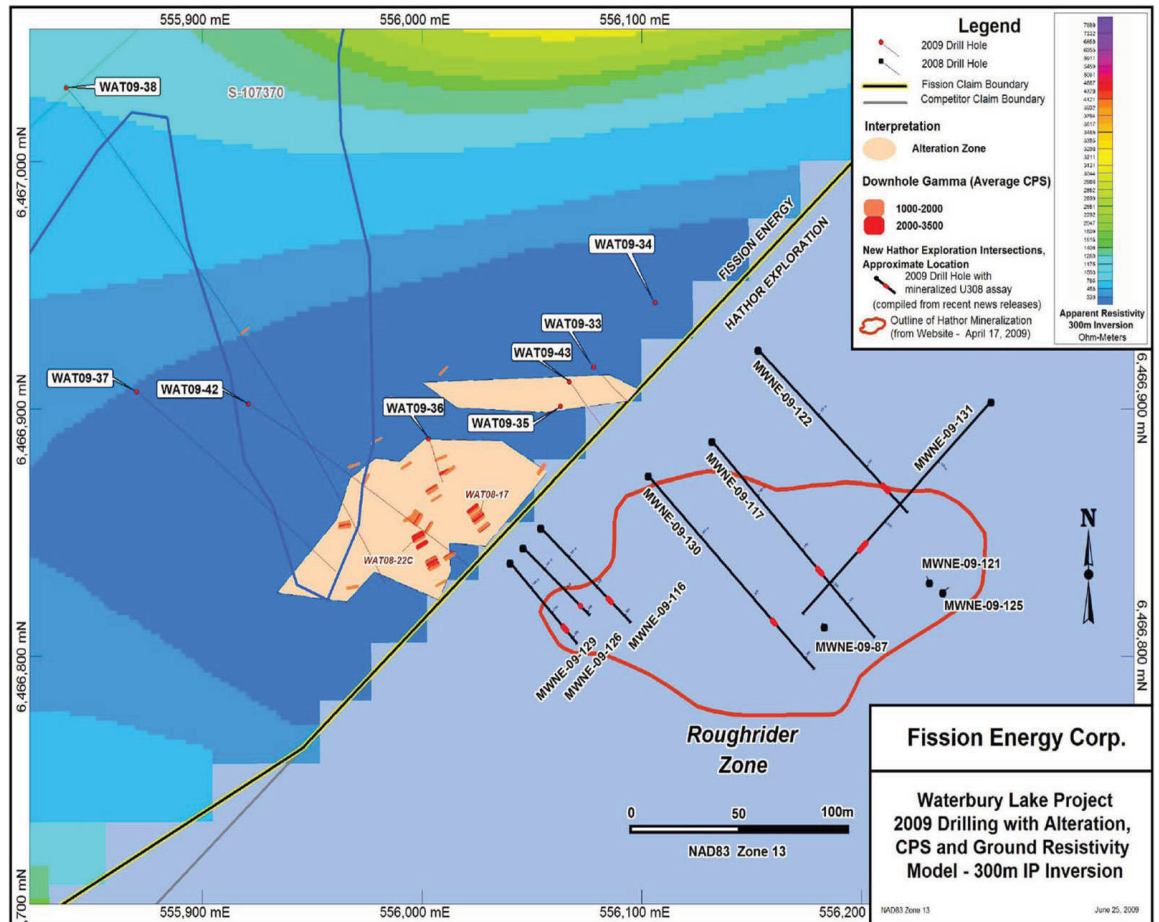


Figure 5: 2009 summer drill program hole locations. Note the alteration zone identified by the company as well as the short distance to the Roughrider Zone.

(Source: Fission Energy Corp.)

The Discovery Bay Zone remains open on-strike and at depth.

Despite moving away from the company's claim boundary, a recent discovery by Hathor, 200 meters east-northeast of the Roughrider Zone is still a positive for the company. Company geologists believe that a predominately east west trending structural corridor bisects the Waterbury Lake property, which extends another 1,500 meters to 3,000 meters onto company property, and includes the Discovery Bay, Talisker and Disco Bay zones. In 2008, hole WAT08-044 intersected a 5.5 meter wide zone of anomalous radioactivity at Talisker. **The strong association of the unconformity style deposits with re-activated basement structures that facilitated fluid flow may indicate that these high grade zones occur in multiple pockets extending onto company property.**

Company geologists believe the Oban target, which lies on the potential northwest extension of the Midwest shear zone, is an east-west system running parallel to the corridor hosting the Discovery Bay Zone. Within the Athabasca Basin, graphitic

basement conductors are common targets for unconformity type uranium mineralization, and Oban hosts distinct electromagnetic (EM) conductive features.

Resource Estimate: Due to the early stage nature of the project, the company has yet to define any NI 43-101 compliant resources.

Metallurgy: No metallurgical testwork has been completed on rocks from the property.

Current Status: A proposed 20 hole, 7,500 meter winter drill program will commence shortly on the property. The program’s primary focus will still be on Discovery Bay where six holes are planned. Four holes are planned for the Talisker target, and four holes are planned for the Oban target. The remainder of the holes will test additional regional targets.

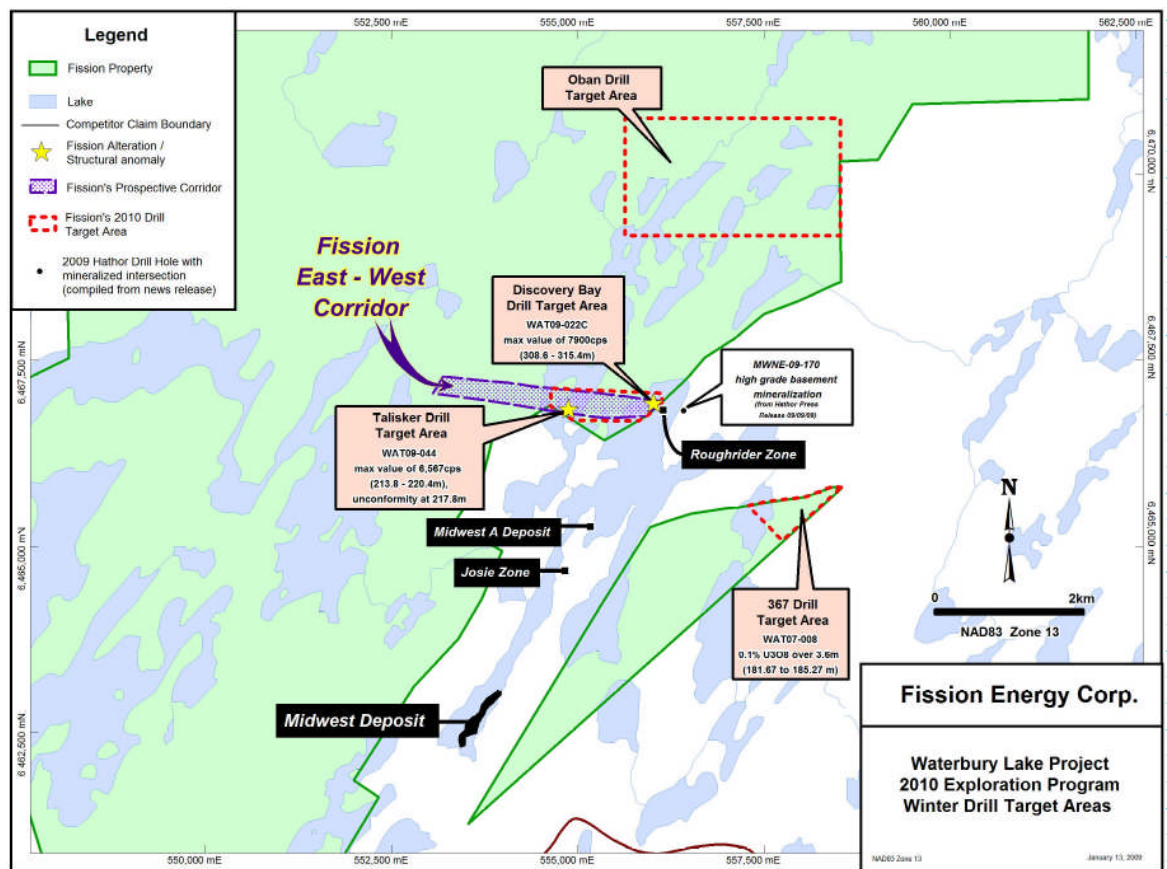
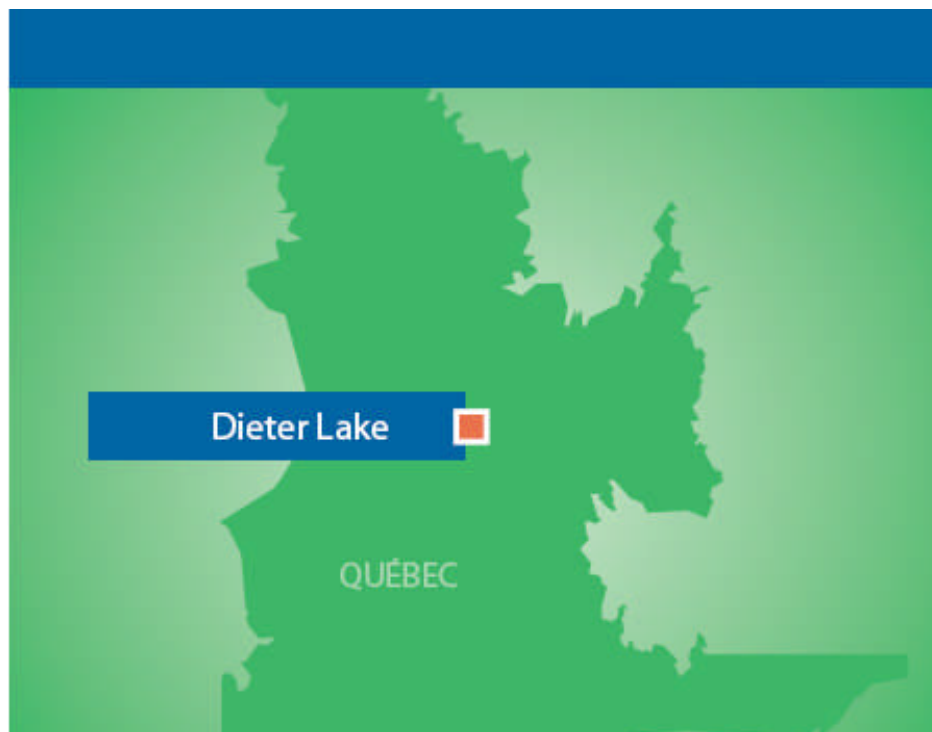


Figure 6: 2010 winter drill program targets. (Source: Fission Energy Corp.)

Development Timeline: As of yet, there is no development timeline for this early stage property. However, this may change in the coming year should the company successfully intercept a high grade zone of mineralization on their property.

Dieter Lake



*Figure 7: Dieter Lake general location in Quebec, Canada.
(Source: Fission Energy Corp.)*

Summary: The company holds a 100% interest in the 30,864 hectare Dieter Lake property located in northern Quebec. **The property hosts an NI 43-101 compliant inferred resource totaling 24.4 million lbs U₃O₈ at an average grade of 0.057%.** The resources were estimated in 2005.

Finegrained pitchblende is the source of uranium mineralization and is accompanied by various sulphides as well as molybdenum.

Potential still exists at Dieter Lake with the current resource area remaining open along strike and at depth. However, the primary focus of the company has shifted to the Waterbury Lake project following Hathor's discovery at the Roughrider Zone.

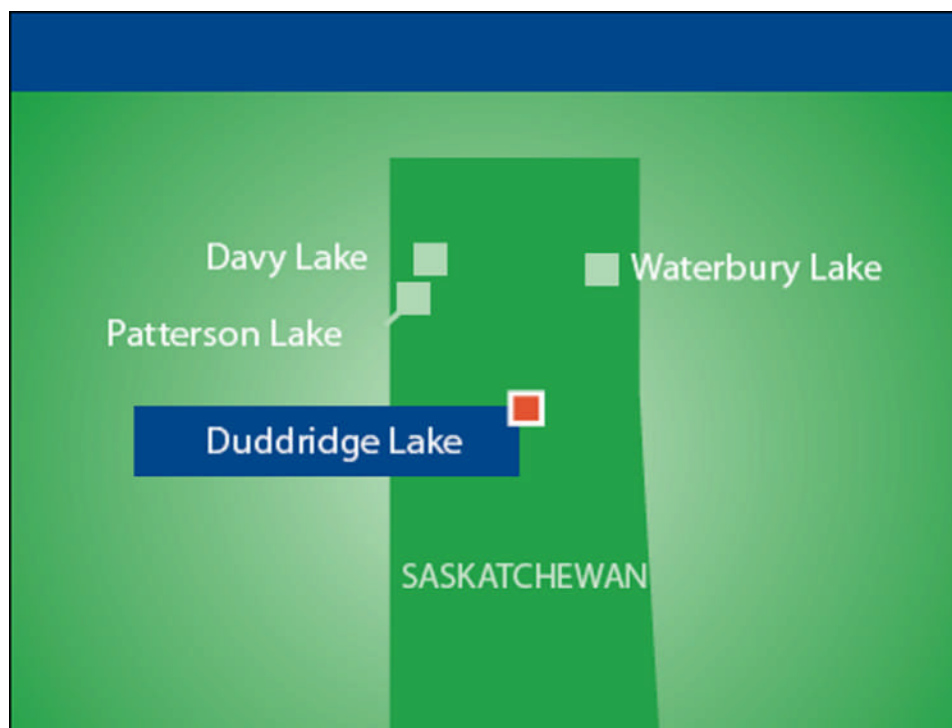
Duddridge Lake

Figure 8: General location of Duddridge Lake project in north-central Saskatchewan, Canada. (Source: Fission Energy Corp.)

Summary: The Duddridge Lake property, situated in north-central Saskatchewan approximately 80 km northwest of the town of La Ronge, consists of 6 mineral claims totaling 12,954 hectares. An amended joint venture exists on the property between the company and Great Bear Uranium Corp. (“Great Bear” CNQ: GBR) whereby Great Bear can acquire 60% interest in the property by expending \$6 million on exploration over five years broken down as follows (as per the amended agreement):

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

In addition to having completed the initial \$750,000 in exploration expenditures, Great Bear has met its cash and share commitments by issuing 400,000 shares to Fission, and making payments totaling \$400,000 in cash.

In 2007, the company completed an NI 43-101 compliant resource estimate finding an inferred resource of 215,016 tonnes at an average grade of 0.107% U₃O₈ containing 460,000 lbs of U₃O₈. The property is underlain by rocks of the Wollaston

Basement Domain – a member of the Hearne Subprovince – that is known to host several key deposits in the Athabasca basin situated just over 300 km to the north.

Additional Properties

In addition to the properties discussed, the company holds the following exploration properties. All except for one are in Canada, and the majority are in the Athabasca Basin, which we have already mentioned is one of the world's leading regions for uranium exploration and deposits.

Project	Location	Ownership
Athabasca North Shore	Athabasca Basin, AB	100%
Fort McLeod	Southwestern AB	100%
Caribou Mountains	Caribou Mountains, Northern AB	100%
Patterson Lake	Athabasca Basin, SK	100%
Patterson Lake South	South margin of Athabasca Basin, SK	JV - ESO Uranium Corp. (TSXV: ESO)
Davy Lake	Athabasca Basin, SK	100%
Torwalt Lake	Athabasca Basin, SK	100%
Minor Bay	East Margin of Athabasca Basin, SK	100%
Zoo Bay	Athabasca Basin, SK	100%
Macusani	Peru, South America	100%

Key Positives of Fission Energy Corp.

Here are some of the key points which we believe add value to the company:

- Multiple projects with strong exploration potential located in mining friendly and politically stable Canada.
- Projects in the Athabasca Basin benefit from a history of exploration and production which has built up a substantial knowledge base.
- Discovery Bay at Waterbury Lake property sits immediately adjacent to the Roughrider Zone, a major uranium discovery by Hathor Exploration in 2008.
 - Appropriate alteration features and elevated radioactivity has been identified at Discovery Bay.
- Several additional regional exploration targets exist throughout the Waterbury Lake property.
- JV partner KEPCO consortium is required to spend \$4 million in exploration in 2010 on Waterbury Lake.
- Intersection of high grade material will significantly increase our confidence in the project.
- Deiter Lake and Duddrige Lake properties host NI 43-101 compliant resource estimates. Resource areas at both properties remain open along strike and at depth, and both properties hold potential for open pit mining.

Management

Devinder Randhawa, MBA – Chairman, Chief Executive Officer

Mr. Randhawa founded Strathmore Minerals Corp. in 1996 from which Fission Energy

Corp. was spun out in 2007. Mr. Randhawa also founded and is currently the President of RD Capital Inc., a privately held consulting firm providing venture capital and corporate finance services to emerging companies in the resources and non-resource sectors both in Canada and the US.

Prior to founding RD Capital Inc., Mr. Randhawa was in the brokerage industry for 6 years as an investment advisor and corporate finance analyst. Mr. Randhawa was formerly the President of Lariat Capital Inc. which merged with Medicure in November 1999 and was the founder and former President and CEO of Royal County Minerals Corp. which was taken over by Canadian Gold Hunter (formerly International Curator) in July 2003. Mr. Randhawa also founded Predator Capital Inc., which became Predator Exploration.

Mr. Randhawa received a Bachelors Degree in Business Administration with Honors from Trinity Western College of Langley, British Columbia in 1983 and received his Masters in Business Administration from the University of British Columbia in 1985.

Ross McElroy, P.Geol – President, Chief Operating Officer

Mr. McElroy is a professional geologist with over 22 years of experience in the mining industry. He has experience with working and managing many types of mineral projects from grass roots exploration to feasibility and production.

Mr. McElroy has held previous positions with both major and junior mining companies, which include BHP Billiton, Cogema Canada (now AREVA), and Cameco. He was a member of the early stage discovery team of the MacArthur River uranium deposit.

Mr. McElroy received a Bachelor's Degree in Science, with a Specialization in Geology from the University of Alberta in 1987. Mr. McElroy is a registered professional geologist in Alberta, Saskatchewan and Nunavut/Northwest Territories.

Steven Kahn, MBA, FCSI, CFA - Executive Vice President of Corporate Development

Mr. Khan has spent close to twenty years in all aspects of the investment industry, including retail, institutional, corporate finance, capital markets, and investment banking areas. Mr. Khan has held senior management roles including serving as Executive Vice President, President, Chief Executive Officer, and Chairman of a number of regional and national Canadian investment brokerage houses and has served as a Director of a number of these brokerage houses as well as a board member of a number of private and public companies. Mr. Khan completed his Bachelor of Science and Master of Business degrees at the University of British Columbia before entering the investment industry. He is a Fellow of the Canadian Securities Institute, holds a Chartered Financial Analyst designation, and is a member of the Association of Investment Management Research.

Andrew Adamson, CA, P. Eng. - CFO

Mr. Adamson obtained his Chartered Accountant designation in the UK in 1975 and in Canada in 1994 and became a member of the Institute of Chartered Accountants of British Columbia. He also holds an Engineering degree from Imperial College, London, UK.

Mr. Adamson has over 25 years of diverse senior financial and operations experience in the mining, manufacturing, high technology and construction sectors. In addition to acting as Controller and CFO for a number of TSE and TSX listed companies for several years, Mr. Adamson has provided business advisory and financial accounting services to many medium and large size organizations.

Board of Directors

Jody Dahrouge, P. Geol. - Director

Mr. Dahrouge is a professional geologist with over 18 years of experience both in Canada and internationally. He has managed all types of mineral projects from grass roots exploration to mine development and production.

Since 1998, he has successfully owned and operated Dahrouge Geological Consulting Ltd., a private Edmonton based consulting firm with over 25 employees. Dahrouge Geological manages exploration and development programs for both junior and senior mineral resource companies, including Fission Energy. Mr. Dahrouge has played a key role in acquiring and managing Fission's exploration properties since 2004.

A graduate of the University of Alberta's Geology program (BSc. 1988) and Computing Science program (Sp.C 1993), Mr. Dahrouge is also a registered professional geologist in Alberta and British Columbia.

Frank Estergaard, CA - Director

Mr. Estergaard is a professional Chartered Accountant who retired as a Partner with KPMG in 2001. His career with KPMG spanned 38 years, providing audit, taxation and business advice to clients in Vancouver, Vernon, Ottawa and Kelowna. He served a wide variety of corporations in the forestry, mining, real estate and land development, high technology, manufacturing, wholesale and retail industries. These companies ranged from start-ups to mature enterprises with both domestic and world-wide operations. In addition, he served on the Management Committee and Partnership Board of KPMG.

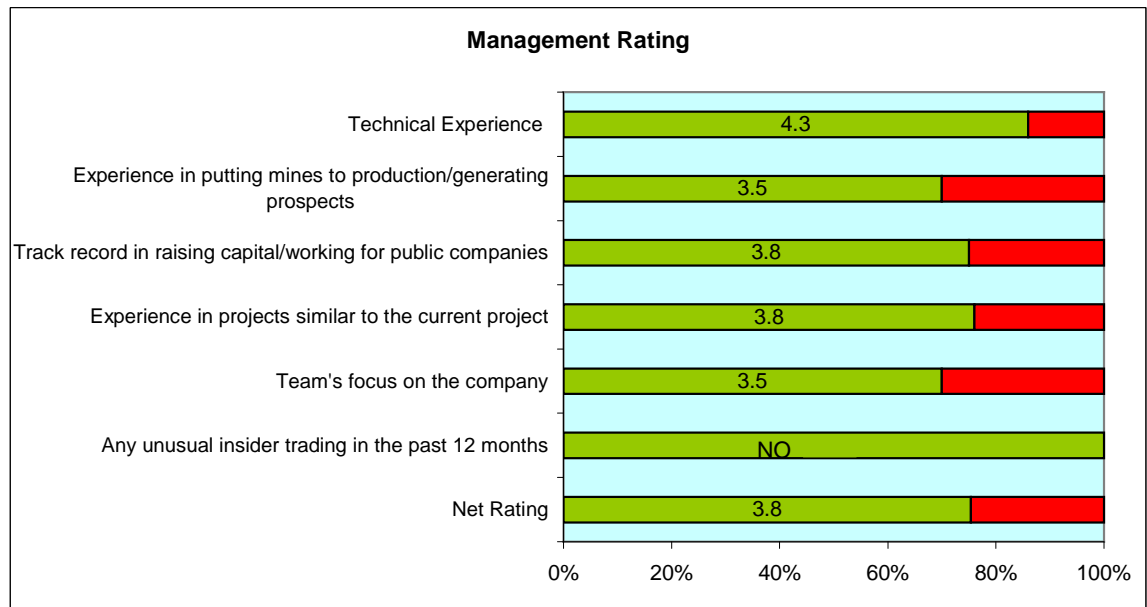
Following his retirement from KPMG, Mr. Estergaard has served as a Director and Chairman of the audit committee for QHR Technologies Inc. (TSX-V), CFO for Metalex Ventures Ltd. (TSX-V) and CFO and/or Director for several private entities, including Okanagan Capital Fund (VCC) Inc., Rackforce Networks Inc., Wear Air Oxygen Inc. and Wear Air Industrial Inc.

George Sanders - Director

Mr. Sanders is a mining financing and development entrepreneur with over 30 years of exploration, development and mining finance experience. He spent over 15 years as a Registered Representative and minerals specialist with the investment firm Canaccord Capital Corporation in Vancouver and has held junior and senior corporate positions with various public companies, including Wescan Goldfields Inc. and Shore Gold Inc. He currently serves as President of Goldcliff Resource Corporation, and is a Director of Bitterroot Resources Ltd and Silvercrest Mines Inc. Mr. Sanders brings his extensive experience in corporate management, finance and investor relations to the Fission team.

Management Rating

We believe that one of the most important aspects of a junior mining company is its management. Therefore we have developed a management rating system as a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management’s time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for FIS (see below) is 3.8 out of 5.0, which we have rated above average. President and COO, Ross McElroy, provides significant technical experience in uranium exploration and mining including work in the Athabasca Basin specifically. The company also has a large technical team of full time employees, and consultants, providing additional technical experience.**



Strength of Board

We believe that the Board of Directors of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder.

In this section, we present our strength of board rating for Fission, which uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee and Compensation Committee.

Fission’s Board of Directors is made up of four individuals: Devinder Randhawa, Jody Dahrouge, George Sanders and Frank Estergaard. None of the directors have filed for personal bankruptcy. Devinder Randhawa and Jody Dahrouge hold shares in the company. The related/non-independent director is Devinder Randhawa, as he is an executive officer of the company and receives compensation. The Audit Committee is composed of Devinder Randhawa, George Sanders and Frank Estergaard. The Compensation Committee is composed of Devinder Randhawa, George Sanders and Frank Estergaard.

Outlook on Uranium

The following chart shows uranium prices since 1981. Although current prices are significantly below the levels experienced in 2007, they are still well above the historical average. Uranium is currently trading at about US\$44.5/lb.



We have maintained our positive long term outlook on uranium based on the following factors:

- Nuclear power accounted for about 14% of the world’s electricity generation in 2007. Globally, increasing concerns about greenhouse emissions, global warming, and energy prices will lead to increasing demand for nuclear power sources.
- We expect nuclear energy to have a significant impact going forward, both economically and environmentally, due to the global shift into lower emission energy sources. The following two recent developments support this view:
 - Although no legally binding agreement was concluded at the recently held United Nations Climate Change Conference (COP15) in Copenhagen, it was clear that the Copenhagen Accord recognizes the scientific evidence that a reduction in global emissions of greenhouse gas should start as soon as possible.
 - At the end of 2009, the United Arab Emirates (UAE), a major oil exporter, signed a contract with a consortium, led by Korea Electric Power (KEPCO), to build the first ever nuclear power plants in the Gulf region.
- According to the World Nuclear Association (WNA), global uranium required for energy generation is estimated to grow at 2% per annum through 2030, based on global nuclear generating capacity growth of 1.5% per annum.

- Demand for nuclear energy continues to grow across the world, as several nations including the U.K., Russia, China, and India, are planning to increase their nuclear power generation. According to the WNA, there are currently 439 operating nuclear reactors in the world. About 33 new reactors are under construction, and 93 have been proposed—China (35), India (16), Russia (15), Japan (13), South Korea (8), and U.S. (7), account for 74% of the proposed new reactors.

Although we do not expect any significant increase in uranium prices in the short-term, we believe that the strong fundamentals of uranium will keep prices well above the historical average in the long-term.

Financials

In the first three months of FY2009 (ended September 30, 2009), FIS recorded a net loss of \$0.37 million (EPS: -\$0.01). We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.33 million per month in the first three months of FY2009, compared to \$0.38 million per month in FY2008 (12-month period). The table below shows the company's cash and liquidity position.

(in C\$)	2008	2009 (3 mo)
Cash	2,724,297	3,484,452
Working Capital	2,728,004	4,011,631
LT Debt/ Assets	-	-
Burn Rate (per month)	(380,438)	(331,050)
Cash Flows from Financing	2,089,886.0	1,753,305

At the end of September 2009, the company had \$3.48 million in cash. Working capital was \$4.011 million, or \$0.07 per share. Assuming the company maintains its burn rate (same as Q1-2009) going forward, we believe cash will easily last for another six months.

Stocks and Warrants: At the end of September 2009, the company had 4.00 million options (weighted average exercise price of \$0.35), and 10.90 million warrants (weighted average exercise price of \$0.40) outstanding.

Valuation

We valued the company based on the known resource estimates on its Deiter Lake and Duddridge Lake properties, and the book value of the company's other projects.

Based on an average enterprise value to resource ratio of \$2.11/lb, we valued the resource estimates on the Deiter Lake and the Duddridge Lake properties at \$0.47 per share.

	Company	Symbol	EV/Resource*
1	Mega Uranium Ltd.	TSX: MGA	\$3.97
2	Pitchstone Exploration Ltd.	TSXV: PXP	\$3.94
3	Uracan Resources Ltd.	TSXV: URC	\$1.28
4	Pele Mountain Resources	TSXV: GEM	\$0.81
5	Mawson Resource Ltd.	TSX: MAW	\$0.55
			\$2.11
Fair Value (Deiter Lake and Duddridge Lake)			\$0.47

* Resource estimates include all of measured and indicated, and half of inferred/historic resource estimates.

Adding the book value of the company's other projects, and working capital, we arrived at a fair value of \$0.80 per share.

Valuation Summary	
Deiter Lake and Duddridge Lake	\$0.47
Book Value of Other Properties	\$0.27
Working Capital - LT Debt	\$0.05
Fair Value (C\$/share)	\$0.80

Conclusions & Rating

Therefore, based on our review of the company's projects, and our valuation, we initiate coverage on FIS with a BUY rating, and a fair value of \$0.80 per share.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The value of the company is dependent on uranium prices.
- The company has not defined any mineable NI 43-101 reserves and does not have any operating mines
- The success of drilling, project development and resource expansion are important long-term success factors for these early projects.
- Access to capital and share dilution.

We rate the company's shares a RISK of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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The distribution of FRC's ratings are as follows: BUY (72%), HOLD (9%), SELL (4%), SUSPEND (15%).

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