atom energy inc

(Formerly Athabasca Uranium Inc.)

(An Exploration Stage Company)

Financial Statements

Years Ended August 31, 2015 and 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Atom Energy Inc.

We have audited the accompanying financial statements of Atom Energy Inc., which comprise the statements of financial position as at August 31, 2015 and 2014 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Atom Energy Inc. as at August 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Atom Energy Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 22, 2015

ATOM ENERGY INC.
(Formerly Athabasca Uranium Inc.)
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian dollars)
AS AT

	Notes	August 31, 2015	August 31, 2014
ASSETS			
Current assets			
Cash		$ 226	$ 47,922
Receivables	4	2,672	13,137
Prepaids		-	24,499
Total current assets		2,898	85,558
Non-current assets			
Exploration and evaluation assets	5	-	7,912,883
TOTAL ASSETS		$ 2,898	$ 7,998,441
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 497,579	$ 28,578
Non-current liabilities			
Deferred tax liability	14	-	13,000
TOTAL LIABILITIES		497,579	41,578
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	10,861,874	10,861,874
Reserves	8	950,784	950,784
Accumulated deficit		(12,307,339)	(3,855,795)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		(494,681)	7,956,863
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 2,898	$ 7,998,441

Nature and continuance of operations (Note 1)
Subsequent event (Note 15)

On behalf of the Board of Directors:

"Gil Schneider" Director *"D. Barry Lee"* Director

The accompanying notes are an integral part of these financial statements.

ATOM ENERGY INC.
(Formerly Athabasca Uranium Inc.)
(An Exploration Stage Company)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
Years ended August 31

	Notes	2015	2014
EXPENSES			
Bank charges and interest		$ 863	$ 999
Consulting		20,699	72,600
Investor relations		4,173	28,933
Management fees	9	53,400	121,000
Office and miscellaneous		36,236	32,844
Professional fees		27,697	32,055
Rent		36,000	36,000
Regulatory and filing fees		18,088	15,043
Travel		566	2,321
		(197,722)	(341,795)
Interest income		-	2,271
Other expense		-	(497)
Termination costs of exploration and evaluation assets	5	(353,939)	-
Write-off of exploration and evaluation assets	5	(7,912,883)	(1,039,548)
		(8,266,822)	(1,037,774)
Loss for the year before income taxes		(8,464,544)	(1,379,569)
Deferred tax recovery	14	13,000	363,000
Net loss and comprehensive loss for the year		$ (8,451,544)	$ (1,016,569)
Basic and diluted loss per common share	6	$ (1.23)	$ (0.15)
Basic and diluted weighted average number of common shares outstanding		6,852,958	6,852,958

The accompanying notes are an integral part of these financial statements.

ATOM ENERGY INC.
(Formerly Athabasca Uranium Inc.)
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Share Capital				
	Number of Shares	**Amount**	**Reserves**	**Accumulated Deficit**	**Total**
Balance at August 31, 2013	6,852,958	$ 10,861,874	$ 950,784	$ (2,839,226)	$ 8,973,432
Net loss for the year	-	-	-	(1,016,569)	(1,016,569)
Balance at August 31, 2014	6,852,958	10,861,874	950,784	(3,855,795)	7,956,863
Net loss for the year	-	-	-	(8,451,544)	(8,451,544)
Balance at August 31, 2015	6,852,958	**$** 10,861,874	**$** 950,784	$ (12,307,339)	$ (494,681)

The accompanying notes are an integral part of these financial statements.

ATOM ENERGY INC.
(Formerly Athabasca Uranium Inc.)
(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended August 31, 2015	Year ended August 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (8,451,544)	$ (1,016,569)
Items not affecting cash		
Deferred income tax recovery	(13,000)	(363,000)
Write-off of exploration and evaluation assets	7,912,883	1,039,548
Changes in non-cash working capital items:		
Decrease in receivables	10,465	8,891
Decrease (increase) in prepaids	24,499	(13,159)
Increase (decrease) in accounts payable and accrued liabilities	469,001	(4,825)
Net cash used in operating activities	(47,696)	(349,114)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	-	(33,500)
Net cash used in investing activities	-	(33,500)
Change in cash during the year	(47,696)	(382,614)
Cash, beginning of year	47,922	430,536
Cash, end of year	$ 226	$ 47,922

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these financial statements.

1. Nature and continuance of operations

Atom Energy Inc. (the "Company") was incorporated under the Business Corporations Act (BC) on June 6, 2007. On November 18, 2014 the Company changed its name from Athabasca Uranium Inc. to Atom Energy Inc. The Company trades on the TSX Venture Exchange under the symbol 'AGY'. The principal offices of the Company are located at Suite 818 – 700 West Georgia Street, Vancouver, BC V7Y 1B6.

The Company is in the business of exploring and developing mineral properties in Canada, particularly uranium. It has not yet determined whether its current suite of exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising of exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The Company has recently suspended its exploration and development plans due to the lack of funding as the challenges in the capital markets for junior exploration companies continues. The suspension of the 2014 exploration program is part of an overall fiscal restraint program instituted by the Company in an effort to reduce all of its expenses, including exploration costs and general and administrative expenditures, while waiting for the current markets to improve. Additionally, the continued low pricing for uranium on the global market has created an environment of uncertainty within the uranium sector as to the viability of economic development of any new uranium projects. The current market conditions and volatility may cast significant doubt upon the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. Management will continue to monitor the markets and remain vigilant with respect to maintaining the Company's corporate good standing.

The financial statements were authorized for issue on December 22, 2015 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective as of August 31, 2015.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The Company's reporting currency and the functional currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Significant accounting policies (cont'd)

Critical accounting estimates

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factor and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of our financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits.

2. Significant accounting policies (cont'd)

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently remeasured. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Mineral exploration and evaluation expenditures

a) Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

b) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment at each reporting date if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Property option agreements

From time to time, the Company may acquire or dispose of a property pursuant to the terms of a property option agreement. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

2. Significant accounting policies (cont'd)

Decommissioning, restoration and similar liabilities ("Asset Retirement Obligation" or "ARO")

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the ARO in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the ARO.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no ARO as at August 31, 2015 and 2014.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested at each reporting period for impairment.

2. Significant accounting policies (cont'd)

Financial instruments

a) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has not classified any of its financial instruments as held-to-maturity.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not classified any of its financial instruments as available-for-sale financial assets.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

2. Significant accounting policies (cont'd)

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 influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. Significant accounting policies (cont'd)

Loss per share

The Company presents basic 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 loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

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

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred 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.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

3. New standards, amendments and interpretations not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

i. IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

ii. IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

The Company does not expect the impact of such changes on the financial statements to be material.

4. Receivables

As at August 31, 2015, the Company's amount receivable of $2,672 (2014 - $13,137) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") receivable due from government taxation authorities.

(Expressed in Canadian dollars)

5. Exploration and evaluation assets

The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests is in good standing. Ownership in exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from difficulties in obtaining conveyance in mineral interests.

The recoverability of the amount shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development, and future profitable production or disposition thereof.

The Company's exploration and evaluation assets consist of:

	McCarthy Lake	Keefe Lake	East Key Lake	Fisher River	McGregor Lake	Total
Balance, August 31, 2013	$ 1,296,276	$ 5,792,351	$ 494,146	$ 296,610	$ 1,039,548	$ 8,918,931
Consulting	-	33,500	-	-	-	33,500
Less: write-off of exploration and evaluation assets	-	-	-	-	(1,039,548)	(1,039,548)
Balance, August 31, 2014	1,296,276	5,825,851	494,146	296,610	-	7,912,883
Less: write-off of exploration and evaluation assets	(1,296,276)	(5,825,851)	(494,146)	(296,610)	-	(7,912,883)
Balance, August 31, 2015	$ -	$ -	$ -	$ -	$ -	$ -

McCarthy Lake Project

The Company owns a 100% interest in and to the mineral rights underlying the prospective uranium property known as the McCarthy Lake Property located in the Athabasca Basin region of northeast Saskatchewan. At fiscal year-end 2015, it was determined that the McCarthy Lake property was impaired; as a result, the book value of $1,296,276 attributed to the McCarthy Lake Project was written-off on the statement of loss and comprehensive loss for the year ended August 31, 2015.

Keefe Lake Project

The Keefe Lake Project comprises the Keefe Lake and Volhoffer Lake properties, contiguous claims under option in the Athabasca Basin region as described below. Under agreement, exploration expenditures on Keefe Lake Project area properties are aggregated and credited towards the Project's total exploration commitment.

On November 25, 2014 option agreements on a Keefe Lake Project property known as the Hodges Lake Property was terminated by the Company in order to reduce its exploration commitments and preserve cash. In connection with this termination, the Company also forfeited rights to two additional Keefe Lake Project properties known as the Webb River and Hamilton Lake properties to the property owner, in order to settle additional obligations on the properties.

On August 28, 2015, the option agreement on the Keefe Lake Project properties known as Volhoffer Lake were terminated by the Company in order to reduce its exploration commitments and preserve cash. On termination, the Company was assessed a $30,000 penalty, which has been recorded in accounts payable and accrued liabilities.

Subsequent to year end, on October 19, 2015 the Company terminated the agreement on the remaining claims comprising the Keefe Lake Project and entered into a new Keefe Lake Earn-In Agreement, by which the Company can earn a 22.5% interest in the Keefe Lake property. The terms of new Earn-In Agreement are disclosed in Note 15. As the Company no longer has the ability to earn a 100% interest in the claim group comprising the Keefe Lake Project, the entire book value of $5,825,851 was written-off on the statement of loss and comprehensive loss for the year ended August 31, 2015.

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (cont'd)

East Key Lake Project

On November 13, 2014 the Company received notice of termination fees due in relation to the McGregor Lake Property Agreement which was terminated, and written-off for accounting purposes in the year ended August 31, 2014. On November 25, 2014 the Company reached an agreement to settle the outstanding fees by forfeiting the rights to the East Key Lake Project, and by making a cash payment of $323,939. The cash portion of this obligation has been recorded to accounts payable and accrued liabilities, and the book value of the East Key Lake Project of $494,146 was written-off on the statement of loss and comprehensive loss for the year ended August 31, 2015.

Fisher River Project

On June 25, 2015 the Fisher River property option agreement was terminated by the Company in order to reduce its exploration commitments and preserve cash. In connection with this termination, the Company forfeited the Volhoffer Lake properties (discussed above under the Keefe Lake project) in order to settle any further obligations on the properties. The book value of the Fisher River Project of $296,610 was written-off on the statement of loss and comprehensive loss for the year ended August 31, 2015.

6. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2015 and 2014 were based on the loss attributable to common shareholders of $8,451,544 (2014 - $1,016,569) and the weighted average number of common shares outstanding of 6,852,958 (2014 - 6,852,958).

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

Issued share capital

At August 31, 2015 and 2014, there were 6,852,958 issued and fully paid common shares and nil preferred shares.

On September 19, 2014, the Company consolidated its common share capital on the basis of 10 pre-consolidated shares for 1 post-consolidated share basis.

All references to the issuance, granting and exercising of common stock, stock options and warrants and loss per share amounts in the financial statements have been adjusted to reflect the retro-active effect of the 10-for-1 share consolidation.

Please refer to the Statement of Changes in Shareholders' Equity for a summary of changes in share capital and reserves for the year ended August 31, 2015. Reserves relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Warrants

The warrants outstanding and transactions are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, August 31, 2013	509,746	$ 1.20
Expired	(509,746)	(1.20)
Balance, August 31, 2015 and 2014	-	$ -

(Expressed in Canadian dollars)

8. Share-based payments

Stock options

The Company has adopted a “rolling” stock option plan (the “Plan”), pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Board of Directors to eligible optionees under the Plan. While the Plan is in effect there can never be more than 10% of the Company’s issued and outstanding common shares reserved for issuance. Stock options granted vest at the discretion of the Board of Directors. The options can be granted for a maximum term of 5 years.

For the year ended August 31, 2015 there were nil options outstanding. During the year ended August 31, 2015, 372,500 options were cancelled or forfeited and 60,000 options expired. For the year ended August 31, 2014, there were 432,500 options outstanding at a weighted average exercise price of $1.88.

The stock options outstanding and exercisable at August 31, 2015 was nil.

At August 31, 2014 the stock options outstanding and exercisable were as follows:

Number of Options – outstanding	Number of Options - exercisable	Exercise Price	Expiry Date
60,000	60,000	2.50	August 4, 2015
97,500[1]	97,500	2.60	January 20, 2016
55,000[1]	55,000	2.00	August 22, 2016
25,000[1]	25,000	2.40	November 23, 2016
20,000[1]	20,000	2.00	May 2, 2017
50,000[1]	50,000	1.50	July 10, 2017
125,000[1]	125,000	1.00	May 28, 2018
432,500	432,500		

[1] Options were cancelled or forfeited early either pursuant to release agreements or to resignations / consultancy expiries

9. Related party transactions

The Company entered into the following transactions with related parties:

	Year ended August 31, 2015	Year ended August 31, 2014
Consulting fees paid to a company controlled by an officer of the Company	$ -	$ 10,000
	$ -	$ 10,000

The remuneration of key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company during the years ended August 31, 2015 and 2014 is as follows:

	2015	2014
Fees paid or accrued to a company controlled by the CEO	$ 5,400	$ 48,500
Fees paid or accrued to a company controlled by the CFO	48,000	72,500
Fees paid to a director of the Company	-	10,400
	$ 53,400	$ 131,400

As at August 31, 2015, $52,066 (2014 - $nil) is due to directors and officers of the Company, which is non-interest bearing and unsecured, and has no stated terms of repayment.

10. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended August 31, 2015. The Company is not subject to externally imposed capital requirements.

11. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

Cash is classified as Level 1.

As at August 31, 2015, the carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with a high quality financial institution. At August 31, 2015, the Company's exposure to credit risk is minimal.

(Expressed in Canadian dollars)

11. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at August 31, 2015, the Company had a cash balance of $226 (2014 - $47,922) to settle accounts payable and accrued liabilities of $497,579 (2014 - $28,578).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at August 31, 2015 and 2014, the Company has $nil in investment-grade short-term deposit certificates.

b) Foreign currency risk

Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company does not have any balances or transactions denominated in a foreign currency.

c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. Segment information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. The Company conducts all of its operations in Canada, and the Company's property is located in Canada.

13. Supplemental disclosure with respect to cash flows

	Year ended	
	August 31 2015	**August 31, 2014**
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

There were no significant non-cash transactions during the years ended August 31, 2015 and 2014.

(Expressed in Canadian dollars)

14. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2015		2014
Loss for the year	$	(8,464,544)	$	(1,379,569)
Expected income tax recovery	$	(2,201,000)	$	(359,000)
Change in statutory tax rates and other		-		(4,000)
Change in unrecognized deductible temporary differences and other		2,188,000		-
Total deferred tax expense (recovery)	$	(13,000)	$	(363,000)

The Canadian income tax rate increased during the year due to changes in the law that increased federal corporate income tax rates in Canada.

The future Canadian income tax rate increased during the year due to changes in the law that increased provincial corporate tax rates in British Columbia.

The significant components of the Company's deferred tax assets that have not been included on the statements of financial position are as follows:

		2015		2014
Deferred Tax Assets (liabilities)				
Exploration and evaluation assets	$	1,186,000	$	(873,000)
Share issue costs		12,000		45,000
Non-capital losses		990,000		815,000
Total deferred tax asset (liability)	$	(2,188,000)	$	(13,000)
Unrecognized deferred tax assets		2,1888,000		-
Net deferred tax assets	$	-	$	(13,000)

For 2015, the Company has Canadian non-capital losses available to offset future income of $3,807,000 expiring between 2027 and 2035.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

15. Subsequent event

Subsequent to the year ended August 31, 2015, in order to reduce its exploration commitments and preserve cash, the Company terminated its 2011 Keefe Lake Property Option Agreement in exchange for a NSR royalty of 1% on the Keefe Lake claims and the return of its 2.5% NSR on the McCarthy Lake claims, plus an option to earn a reduced working interest in the Keefe Lake property by way of a new Keefe Lake Earn-in Agreement. Subject to the Earn-In Agreement, in addition to the 1% NSR, the Company can earn a 22.5% working interest in the Keefe Lake claims by expending $292,500 in exploration in a joint operation on the property and making a cash payment of $337,500 to the vendor by July 16 2016.