

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2015**

The Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the Atom Energy Inc. (formerly Athabasca Uranium Inc.) (the "Company") financial statements. The information provided herein should be read in conjunction with the Company's unaudited financial statements and notes for the three months ended November 30, 2015. All amounts are stated in Canadian dollars unless otherwise indicated. The effective date of this report is January 26, 2016.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See the "Forward-Looking Statements" section of the report.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management on a quarterly basis to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review Company statutory filings on [www.sedar.com](http://www.sedar.com).

## DESCRIPTION OF BUSINESS AND OVERVIEW

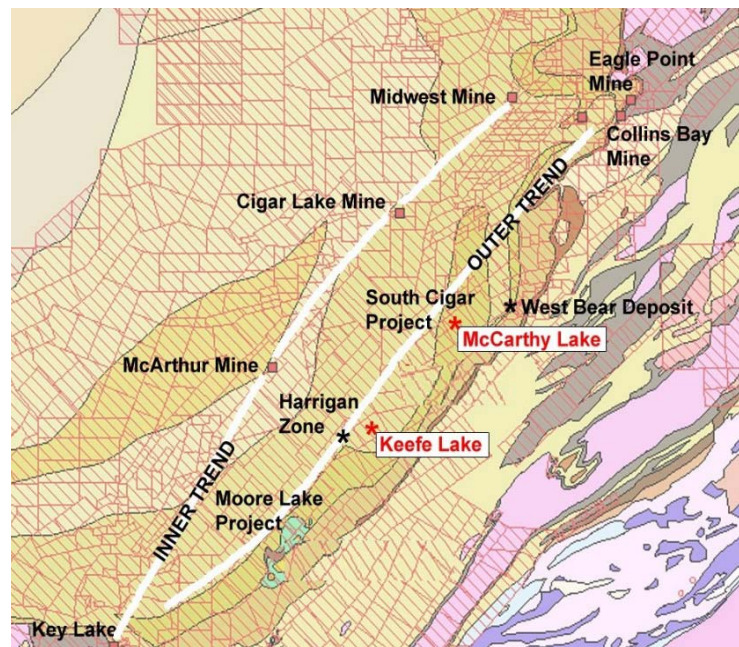
Atom Energy Inc. is a Canadian-based exploration company exploring for uranium in the Athabasca Basin region of northeast Saskatchewan. The Company's common shares trade on the TSX Venture Exchange with the symbol 'AGY'.

The Company's near- and long-term exploration plans remain suspended due to lack of funding as challenges in the capital markets for junior exploration companies continue. Low pricing for uranium on the global market has also created an environment of uncertainty within the sector as to the viability of economic development of uranium exploration projects. The Company has recently been reducing its exploration commitments and overall liabilities by terminating certain of its non-core property agreements, as part of an overall fiscal restraint program instituted in an effort to preserve cash and reduce expenses.

The Company's exploration projects in the Athabasca Basin region are described below.

### Exploration and Development Projects

Atom Energy operates two uranium exploration projects on the eastern margin of the Athabasca Basin region of northeast Saskatchewan, Canada. The Company has recently reduced its Project exploration area from a high of five projects totaling over 33,700 hectares in 2013 to two projects totaling 16,900 (net 6,969) hectares at present. Uranium mines in the region include the Key Lake, McArthur River, Cigar Lake, Midwest, McClean Lake, Collins Bay and Eagle Point mines. Significant uranium structures in the area include the Moore Lake Maverick Zone, Cameco's Harrigan Zone, the South Cigar Trend (IUC/JNR) and the West Bear Deposit.



### ***Current Exploration Work***

The Company has suspended all exploration on its projects until adequate funding has been sourced.

### ***Exploration Summary (by Project)***

A summary of the Company's projects and prior exploration work is found below, and includes airborne electromagnetic surveys (Z-TEM, GEOTEM, Tempest MAG/EM, EXTECH IV and most recently V-TEM) and ground geophysics (including high definition 2D seismic), diamond drilling, SEMM (sonic) logging and 3D structural modeling. Additional information and more detail regarding the Company's previous exploration efforts can be found in various news releases on [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.atomenergyinc.com](http://www.atomenergyinc.com).

#### ***McCarthy Lake Project***

The 4,082-hectare McCarthy Lake Project lies northeast of the McArthur River Mine and southeast of the Cigar Lake Mine on the eastern edge of the Athabasca Basin in northern Saskatchewan. The Project is located approximately 33 kilometers northeast of the Moore Lake Project, which contains the uranium-enriched Maverick Zone, and adjoins the eastern border of IUR/JNR's South Cigar Project. The Company owns 100% of the McCarthy Lake Project. 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.

Previous exploration work at McCarthy Lake includes the 2010 airborne Z-TEM survey, which was conducted over the entire extent of the McCarthy Lake Project in an effort to confirm data from an earlier Tempest-EM survey flown in 2007.

#### ***Keefe Lake Project***

The Company has recently reduced its exploration area at Keefe Lake to 12,832 hectares. The Company now has the option to purchase 22.5% (subject to a 2% net smelter return (NSR) royalty) of the claims comprising the Keefe Lake Project by making exploration expenditures of \$292,500 and making a cash payment of \$357,500 prior to July 16, 2016. Since 2011, the Company has expended a total of \$3,984,138 in exploration over the Keefe Lake project area.

Keefe Lake has been explored using a host of geophysical datasets, most notably a multi-million dollar high-definition 2D seismic survey interpreted by the seismology department of the University of Saskatchewan (USASK) geosciences team under the direction of Dr. Zoltan Hajnal. The Project has also been surveyed by both Geotem and Aerotem systems for Mag/EM. In addition, a down-hole geophysical survey was performed in 2012 by SEMM Logging to determine the acoustical properties of the geological layers, which is essential in further unlocking the seismic data. The Company has run two drill programs at Keefe Lake: Phase 1 in fall 2011 and Phase 2 in winter 2012, both of which encountered uranium, and the addition of the recent Stage II data compilation gives Keefe Lake the most in-depth analytical package of any of the Company's projects.

Exploration work completed at Keefe Lake to date is as follows:

In 2011, Keefe Phase 1 drilling (1,645 meters total) intersected a large zone of alteration, subsequently named the Keefe Lake Alteration Zone. Results issued in March 2012 included two holes encountering significantly anomalous alteration and another containing chloritic alteration at various intervals below the unconformity. In particular, Hole AU4-1's sandstone column revealed elevated levels of uranium (up to 155 ppm U) within a sheared/fractured granitic pegmatite that continued well into the basement. In addition to the visible alteration in the sandstone, elevated levels of uranium indicator metals were identified.

In 2012, the Company completed the Keefe Lake Phase 2 drill program (2,542 meters total), which continued more specific drilling in the Keefe Lake Alteration Zone. Results of the litho-geochemical and PIMA/clay alteration samples confirmed the elevated uranium enrichment (112ppm U over 2 metres) at approximately 400 metres depth which was encountered in Hole AU4-01, as well as two other zones of anomalous uranium mineralization encountered at a greater depth. The discovery of base metal enrichment in the overlying sandstone, and uranium enrichment at depth, as well as the high degree of silicification (which has been repeatedly fractured and healed), is significant in that it indicates that the Keefe Lake Alteration Zone has been subject to multiple hydrothermal alteration events, typical of Athabasca Basin deposits. The target area, which is coincident with a magnetic low feature that extends for several kilometers to the northeast and southwest,

extends beyond 325 metres into the basement. All holes at Keefe Lake showed alteration that extended into the basement. Later in 2012, downhole geophysical surveys (including sonic, gamma and magnetics) were completed by SEMM Logging on two Keefe Lake Phase 2 drill-holes.

In early 2013, the USASK geosciences team was commissioned by the Company to complete 3D structural modeling of the entire Keefe Lake Project, which demonstrated the viability of additional exploration drilling on the Project. Additionally, a multiphase highly-focused 234 line-kilometer V-TEM airborne survey was flown over the northern section of the Keefe Lake Project, with the objective of confirming the presence of subtle and midrange conductors that may demonstrate a relationship between the Keefe Lake Zone, a system of profoundly altered basement and sandstones with anomalous radioactive intervals at depth, and Cameco's Harrigan Uranium Deposit, which lies approximately 10 kilometers to the southwest. Results were correlated with the existing 3-D structural model recently completed by the USASK geosciences team to further refine high priority targets for a Phase 3 drill program.

Based on its 3D modeling of the Project and the work completed above, the Company has prepared a 30-hole Phase 3 diamond drilling program at Keefe Lake, which has been suspended for the near-term but may be reinstated once the Company obtains exploration funding.

During the year ended August 31, 2015, several option agreements on properties comprising the Keefe Lake Project were terminated to reduce the Company's exploration commitments and cash payments on exercise. The Webb River, Hamilton Lake and Volhoffer Lake property agreements were terminated as they were the least prospective properties of the Keefe Lake Project group but carried significant exploration and option exercise commitments. As a result, \$888,307 in exploration and evaluation expenditures associated to the Keefe Lake Project were written off. An additional write-off of \$4,937,544 was recognized at year-end as the Company determined the Keefe Lake Project was impaired due to inactivity, lack of exploration capital, and a shortened time frame in which to exercise the remaining property purchase option.

On October 19, 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.

#### *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 was written-off for the year ended August 31, 2015.

#### *East Key Lake Project*

On November 25, 2014, the Company reached an agreement to settle penalties owing on its former McGregor Lake property by making a cash payment of \$323,939 to the vendor and forfeiting the rights to the East Key Lake Project; accordingly, all associated exploration and evaluation expenditures at East Key Lake were written off.

#### **Future Exploration Plans**

The Company has suspended its exploration programs until adequate funding has been sourced.

## SELECTED ANNUAL INFORMATION

	August 31, 2015	August 31, 2014	August 31, 2013
Revenue	\$ Nil	\$ Nil	\$ Nil
Interest income	-	2,271	2,999
Net loss	(8,451,544)	(1,016,569)	(347,971)
Loss per share	(1.23)	(0.15)	(0.05)
Total assets	2,898	7,998,441	9,382,835
Total liabilities	497,579	41,578	409,403
Dividends	-	-	-

## SUMMARY OF QUARTERLY RESULTS

Selected financial indicators for the past eight quarterly periods are shown below (expressed in Canadian dollars):

	Three Months Ended November 30, 2015	Three Months Ended August 31, 2015	Three Months Ended May 31, 2015	Three Months Ended February 28, 2015
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Interest income	-	-	-	-
Net loss	(35,784)	(6,612,552)	(136,123)	(47,924)
Income (loss) per share – basic and diluted	0.00	0.96	0.02	0.01
Total assets	2,341	2,898	6,536,330	6,535,545
Working capital (deficit)	(530,465)	(494,681)	(412,559)	(276,436)

	Three Months Ended November 30, 2014	Three Months Ended August 31, 2014	Three Months Ended May 31, 2014	Three Months Ended February 28, 2014
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Interest income	-	-	298	809
Net income (loss)	(1,654,945)	222,324	(1,101,219)	(72,034)
Loss per share – basic and diluted	0.24	0.03	(0.16)	(0.01)
Total assets	6,554,220	7,998,441	9,099,438	9,171,951
Working capital	(237,882)	56,980	140,657	215,827

Fluctuations in the Company's expenditures reflect variations in the timing of exploration activities and general operations, and the ability of the Company to raise capital for its projects, including share-based payments during certain quarters.

## RESULTS OF OPERATIONS

Overall, the Company recorded a loss of \$35,784 (\$nil per common share) for the three months ended November 30, 2015 as compared to a loss of \$1,654,945 (\$0.24 per common share) for the three months ended November 30, 2014.

### Operating Expenses:

Operating expenses were \$35,784 for the three months ended November 30, 2015 as compared to \$63,533 for the three months ended November 30, 2014 reflecting the Company's efforts to reduce expenses. The decrease in operating expenses as compared to the prior year consisted primarily of: consulting fees decreasing to \$nil (2014 -

\$12,000); management fees decreasing to \$12,000 (2014 - \$22,400); office and miscellaneous costs decreased to \$7,045 (2014 - \$8,964); professional fees increased to \$5,033 (2014 - \$895); and investor relations costs dropping to \$616 (2014 - \$1,424), all mostly due to less corporate activity than in the prior year.

## **EXPLORATION & EVALUATION ASSETS**

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 2015/2016 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.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at November 30, 2015, the Company had a cash and cash equivalents balance of \$246 (August 31, 2015 - \$226) to settle current liabilities of \$532,806 (August 31, 2015 - \$497,579). The Company expects to fund its liabilities and its exploration and operational activities through cash on hand and through the issuance of capital stock over the coming year.

As at November 30, 2015, the Company's cash and cash equivalents increased by \$20 to \$246 from \$226 at August 31, 2014. Cash of \$20 (2014 - \$39,502) was used for operating activities, \$nil (2014 - \$nil) was used for investing activities and \$nil (2014 - \$nil) was provided by financing activities.

Net cash used in operating activities for the three months ended November 30, 2015 was \$20 (used in 2014 - \$39,502). The cash used consisted primarily of general and administrative expenses, net of non-cash expenditures and a net change in non-cash working capital, detailed in the statement of cash flows.

During the three months ended November 30, 2015 and 2014, cash used in investing activities was \$nil

During the three months ended November 30, 2015 and 2014, cash from financing activities was \$nil.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's 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. The 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.

### *Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of Company's exploration and evaluation assets properties 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

properties. 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.

#### *Fair value of stock options and warrants*

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

#### *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 depends on the generation of future taxable income, which in turn depends on 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.

### **FUTURE ACCOUNTING POLICY CHANGES**

A number of new standards, amendments to standards and interpretations are not yet effective as of the date of this report, and were not applied in preparing the financial statements. None of these are expected to have a material effect on the financial statements of the Company for the three months ended November 30, 2015. Refer to Note 3 of the financial statements for further detail of the new standards, interpretations, and amendments issued by the International Accounting Standards Board.

### **RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company:

	<b>Three months ended</b>	
	<b>November 30, 2015</b>	<b>November 30, 2014</b>
Fees paid or accrued to the CEO	\$ -	\$ 5,000
Fees paid or accrued to a company controlled by the CFO	12,000	12,000
Fees paid to a company controlled by the former CEO	-	5,400
	<b>\$ 12,000</b>	<b>\$ 22,400</b>

The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at November 30, 2015, \$84,207 (August 31, 2015 - \$52,066) is due to directors and officers of the Company, which is non-interest bearing and unsecured, and has no stated terms of repayment.

## FINANCIAL INSTRUMENTS AND 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.

As at November 30, 2015, the carrying values of cash and equivalents, receivables and accounts payable and accrued liabilities, approximate their fair values due to their short terms to maturity.

### Financial Risks

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

#### *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 November 30, 2015, the Company's exposure to credit risk is minimal.

#### *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 November 30, 2015, the Company had a cash balance of \$246 (August 31, 2015 - \$226) to settle accounts payable and accrued liabilities of \$532,806 (August 31, 2015 - \$497,579).

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. The continued downturn in the capital markets has created a current lack of access to exploration funding for most junior explorers. The Company has instituted a fiscal restraint program 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.

#### *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.

##### 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.

## **SHARE CAPITAL**

### **Common Shares**

As at November 30, 2015 and January 26, 2016 (date of report) there were 6,852,958 issued and fully paid common shares.

### **Stock options**

As at November 30, 2015 and January 26, 2016 (date of report), there were nil stock options outstanding and exercisable.

### **Warrants**

As at November 30, 2015 and January 26, 2016 (date of report), there were nil share purchase warrants outstanding.

## **PROPOSED TRANSACTIONS**

The Company is continuously evaluating new opportunities, and while various negotiations may be ongoing at any given time, these may or may not be successful. The Company considers opportunities where exceptional value to the shareholders is evident. Should the Company be successful in advancing a property to National Instrument 43-101 resource stage, the project would likely have a significant impact on its operating requirements.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at November 30, 2015, the Company does not have any off-balance sheet arrangements.

## **RISKS AND UNCERTAINTIES**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, fluctuating metal prices, social, political, financial and economics. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable.

The risks and uncertainties considered by management to be the most important in the context of the Company's business are not limited to but include risks associated with our dependence on our exploration projects in Canada such as: geological exploration and development; changes in law; continued negative operating cash flow and the availability of additional funding as and when required; infrastructure; inflation; governmental regulation; environmental; hazards, insurance; uninsured risks; competition; currency fluctuations; labour and employment; joint ventures; contract repudiation; dependence on key management personnel and executives; and litigation risks.

## **FORWARD-LOOKING STATEMENTS**

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to statements with respect to the Company's plans or future financial or operating performance, the estimation of mineral reserves and resources, conclusions of economic assessments of projects, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters.

The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect", "budget", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The statements reflect the current beliefs of management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those



expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; risks related to general economic conditions and credit availability, uncertainty related to the resolution of legal disputes and lawsuits; actual results of current exploration activities, unanticipated reclamation expenses; fluctuations in commodity price; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables, possible variations in mineral resources, grade or recovery rates; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Company operates.

The Company's management reviews periodically information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

#### **OTHER INFORMATION**

Additional information relating to the Company can be found on the Company's website at [www.atomenergyinc.com](http://www.atomenergyinc.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).