



*(An Exploration Stage Company)*

**Condensed Interim Financial Statements**

**Six months ended February 29, 2016**

(Expressed in Canadian Dollars)

#### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

**ATOM ENERGY INC.**

(An Exploration Stage Company)

Statements of Financial Position

(Expressed in Canadian dollars)

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	Notes	February 29, 2016	August 31, 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 183	\$ 226
Receivables	4	4,761	2,672
Prepays		-	-
<b>Total current assets</b>		4,944	2,898
<b>TOTAL ASSETS</b>		\$ 4,944	\$ 2,898
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 578,699	\$ 497,579
<b>TOTAL LIABILITIES</b>		578,699	497,579
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	7	10,861,874	10,861,874
Reserves	8	950,784	950,784
Accumulated deficit		(12,386,413)	(12,307,339)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		(573,755)	(494,681)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		\$ 4,944	\$ 2,898

Nature and continuance of operations (Note 1)

On behalf of the Board of Directors:

"Gil Schneider"

Director

"D. Barry Lee"

Director

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

**ATOM ENERGY INC.**

(An Exploration Stage Company)

Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

Six months ended February 29

	Notes	Three Months Ended February 29, 2016	Three Months Ended February 28, 2015	Six Months Ended February 29, 2016	Six Months Ended February 28, 2015
<b>EXPENSES</b>					
Consulting		\$ -	\$ 6,500	\$ -	\$ 18,500
Investor relations		274	685	890	2,110
Management fees	9	9,000	19,500	21,000	41,900
Office and miscellaneous		10,544	6,250	17,589	15,214
Professional fees		(800)	4,300	4,233	5,195
Rent		18,000	9,000	27,000	18,000
Regulatory and filing fees		6,145	7,689	7,888	16,538
Travel		127	-	474	-
		43,290	53,924	79,074	117,457
<b>Loss before other items</b>		(43,290)	(53,924)	(79,074)	(117,457)
Write-off of exploration and evaluation assets	5	-	-	-	(1,382,453)
Termination costs of exploration and evaluation assets	5	-	-	-	(215,959)
		-	-	-	(1,598,412)
<b>Loss for the period before income taxes</b>		(43,290)	(53,924)	(79,074)	(1,715,869)
Deferred tax recovery		-	6,000	-	13,000
<b>Net loss and comprehensive loss for the period</b>		(43,290)	(47,924)	(79,074)	(1,702,869)
<b>Basic and diluted loss per common share</b>	6	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
<b>Basic and diluted weighted average number of common shares outstanding</b>		6,852,958	6,852,958	6,852,958	\$ 6,852,958

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

**ATOM ENERGY INC.**

(An Exploration Stage Company)

## Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

<b>Share Capital</b>						
	<b>Number of Shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Accumulated Deficit</b>	<b>Total</b>	
<b>Balance at August 31, 2014</b>	6,852,958	\$ 10,861,874	\$ 950,784	\$ (3,855,795)	\$ 7,956,863	
Net loss for the period	-	-	-	(1,702,869)	(1,702,869)	
<b>Balance at February 28, 2015</b>	6,852,958	10,861,874	950,784	\$ (5,558,664)	\$ 6,253,994	
Net loss for the period	-	-	-	(6,748.675)	(6,751,675)	
<b>Balance at August 31, 2015</b>	6,852,958	10,861,874	950,784	(12,307,339)	(494,681)	
Net loss for the period	-	-	-	(79,074)	(79,074)	
<b>Balance at February 29, 2016</b>	6,852,958	\$ 10,861,874	\$ 950,784	\$ (12,386,413)	\$ (573,755)	

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

**ATOM ENERGY INC.**

(An Exploration Stage Company)

## Statements of Cash Flows

(Expressed in Canadian dollars)

	<b>Six months ended February 29, 2016</b>	<b>Six months ended February 28, 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (79,074)	\$ (1,702,869)
Items not affecting cash		
Deferred income tax recovery	-	(13,000)
Write-off of exploration and evaluation assets	-	1,382,453
Termination costs of exploration and evaluation assets	-	215,959
Changes in non-cash working capital items:		
Decrease in receivables	(2,089)	8,783
Decrease (increase) in prepaids	-	23,951
Increase (decrease) in accounts payable and accrued liabilities	81,120	37,015
Net cash used in operating activities	(43)	(47,708)
<b>Change in cash during the period</b>	<b>(43)</b>	<b>(47,708)</b>
<b>Cash, beginning of the period</b>	<b>226</b>	<b>47,922</b>
<b>Cash, end of the period</b>	<b>\$ 183</b>	<b>214</b>

**Supplemental disclosure with respect to cash flows** (Note 13)

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

## **ATOM ENERGY INC.**

*(An Exploration Stage Company)*

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

February 29, 2016

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### **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 condensed interim 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 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, combined with the Company's cumulative operating losses and significant working capital deficiency cast significant doubt upon the Company's ability to continue as a going concern.

The condensed interim financial statements were authorized for issue on April 29, 2016 by the Board of Directors of the Company.

### **2. Significant accounting policies**

#### ***Statement of compliance***

These condensed interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Financial Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

#### ***Basis of measurement***

The condensed interim financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended August 31, 2015, except for the impact of the adoption of the accounting standards described below in Note 3. These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value and are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**ATOM ENERGY INC.***(An Exploration Stage Company)*

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

February 29, 2016

**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 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 February 29, 2016, the Company's amount receivable of \$4,761 (August 31, 2015 - \$2,672) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") receivable due from government taxation authorities.

**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:

	<b>McCarthy Lake</b>	<b>Keefe Lake</b>	<b>East Key Lake</b>	<b>Fisher River</b>	<b>McGregor Lake</b>	<b>Total</b>
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 and February 29, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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, originally subject to a 2.5% net smelter returns (NSR) royalty.

At year-end 2015, it was determined that the McCarthy Lake property was impaired; as a result, the book value of \$1,296,276 was written-off on the statement of loss and comprehensive loss for the year ended August 31, 2015.

During the six months ended February 29, 2016, the Company exchanged certain of its other mineral claims under option for the return of the 2.5% NSR royalty at McCarthy Lake, giving the Company 100% ownership of the McCarthy Lake property, free of all royalties and encumbrances.



**ATOM ENERGY INC.**

(An Exploration Stage Company)

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(Expressed in Canadian dollars)

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**5. Exploration and evaluation assets (cont'd)*****Keefe Lake Project***

The Keefe Lake Project comprises several contiguous claims under option in the Athabasca Basin region.

During the year ended August 31, 2015, option agreements on the Keefe Lake Project properties known as the Volhoffer and Hodges Lake claims were terminated by the Company in order to reduce its exploration commitments and preserve cash. Following those terminations, on October 19, 2015, the Company terminated the agreement on the remaining claims comprising the Keefe Lake Project 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 of 22.5% in the Keefe Lake property by way of a new Keefe Lake Earn-in Agreement. Under the Earn-In Agreement, the Company can earn 22.5% of the property by expending \$292,500 in exploration in a joint operation and making a cash payment of \$337,500 to the vendor by July 16, 2016.

As the Company no longer has the ability to earn a 100% interest in the claim group comprising the Keefe Lake Project, it was determined to be impaired, and 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.

***East Key Lake Project***

On November 25, 2014 the Company settled outstanding fees owed on a former property with a common vendor by forfeiting the rights to the East Key Lake Project, and by making a cash payment to the vendor 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. 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 six months ended February 29, 2016 and 2015 were based on the loss attributable to common shareholders of \$79,074 (2015 - \$1,702,69) and the weighted average number of common shares outstanding of 6,852,958 (2015 - 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 February 29, 2016, there were 6,852,958 issued and fully paid common shares and nil preferred shares.

Please refer to the Statement of Changes in Shareholders' Equity for a summary of changes in share capital and reserves for the six months ended February 29, 2016. Reserves relate to stock options, agent's unit options, and compensation warrants that have been issued by the Company.

***Warrants***

As at August 31, 2015 and February 29, 2016, there were nil share purchase warrants outstanding.

**ATOM ENERGY INC.***(An Exploration Stage Company)*

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

February 29, 2016

**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.

As at August 31, 2015 and February 29, 2016, there were nil options outstanding.

**9. 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. Key management includes the Company’s board of directors and executive officers.

	Six months ended	
	February 29, 2016	February 28, 2015
Fees paid or accrued to the CEO	\$ -	\$ 12,500
Fees paid or accrued to a company controlled by the CFO	21,000	24,000
Fees paid to a company controlled by the former CEO	-	5,400
	\$ 21,000	\$ 41,900

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 February 29, 2016, \$96,034 (August 31, 2015 - \$52,066) is due to the CFO or to a company controlled by the CFO 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 six months ended February 29, 2016. The Company is not subject to externally imposed capital requirements.

## **ATOM ENERGY INC.**

*(An Exploration Stage Company)*

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

February 29, 2016

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### **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 February 29, 2016, 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 February 29, 2016, 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 February 29, 2016, the Company had a cash balance of \$183 (August 31, 2015 - \$226) to settle accounts payable and accrued liabilities of \$578,699 (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. There can be no assurance of continued access to significant equity funding.

**ATOM ENERGY INC.***(An Exploration Stage Company)*

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars)

February 29, 2016

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**11. Financial risk management (cont'd)***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 February 29, 2016, 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**

	Six months ended	
	February 29, 2016	February 29, 2015
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

There were no significant non-cash transactions during the six months ended February 29, 2016 and 2015.