



**ATOM ENERGY**

## **MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE SIX MONTHS ENDED FEBRUARY 28, 2018**

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The Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the Atom Energy 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 six months ended February 28, 2018. All amounts are stated in Canadian dollars unless otherwise indicated. The effective date of this report is April 12, 2018.

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 currently sourcing exploration properties on which to explore for minerals. The Company's common shares trade on the NEX board of the TSX Venture Exchange with the symbol 'AGY.H'.

The Company had suspended its exploration plans due to lack of funding as challenges in the capital markets for junior exploration companies continued through 2016 and 2017. The Company has reduced its exploration commitments and overall liabilities by initially terminating its non-core property agreements to preserve cash and reduce expenses. As no adequate funding had been available for exploration, no recent work has been conducted on the Company's exploration projects.

While the Company had been able to maintain some of its exploration properties in good standing for the past few years, no funding had been available to advance exploration. Lack of funding for development has now forced the Company to give up its final mineral claim. This, and the continuation of the global economic downturn for junior resource exploration companies and overall market volatility, combined with the Company's cumulative operating losses and its significant working capital deficiency casts significant doubt upon the Company's ability to continue as a going concern.

The address of the Company's head office and principal place of business is 830 – 1100 Melville Street, Vancouver, British Columbia, Canada, V6E 4A6, and the registered and records office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7. The Company maintains a website at [www.atomenergyinc.com](http://www.atomenergyinc.com).

### **Share Consolidation**

On September 21, 2016 the Company consolidated its share capital on the basis of one post-consolidation common share for each seven and one-half pre-consolidation common shares. All references to the number of common shares and per share amounts have been retroactively restated to give effect to the consolidation.

### **Changes in Issued Share Capital during the period**

On January 4, 2018, the Company completed a private placement and issued 6,400,000 shares at a price of \$0.10 per share for total proceeds of \$640,000. In connection with the private placement, the Company paid a cash finder's fee of \$60,500 and issued 605,000 finder's warrants where each warrant entitles the holder to purchase an additional common share at \$0.125 for a period of 12 months.

On November 17, 2017, the Company completed a private placement and issued 8,300,000 units at a price of \$0.05 per unit for total proceeds of \$415,000. Each unit consisted of one common share and one common share purchase warrant enabling the holder to purchase an additional common share at \$0.065 for a period of 12 months. The Company paid no finder's fees in connection with the private placement.

On November 16, 2017, the Company completed a debt settlement whereby it issued 1,023,455 units at a price of \$0.05 to settle outstanding debts of \$51,173. Each unit consisted of one common share and one common share purchase warrant enabling the holder to purchase an additional common share at \$0.065 for a period of 12 months.

### **Exploration and Development Projects**

As recently as 2015, the Company maintained several exploration projects on the eastern margin of the Athabasca Basin region of northeast Saskatchewan, Canada, an area in which there are several producing or formerly producing uranium mines and numerous significant uranium structures. However, due to lack of funding for the projects, the Company had reduced its ownership interests within the region to minimize its financial commitments. During the year ended August 31, 2017, the Company's final remaining exploration claims expired. The Company no longer has any interest in any mineral claims in the Athabasca Basin.

#### ***Project Summary***

A summary of the Company's former exploration projects is found below. 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).

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

The 4,082-hectare McCarthy Lake Project, northeast of the McArthur River Mine and southeast of the Cigar Lake Mine was 100% owned by the Company. Previous exploration work included an airborne Z-TEM survey, which was conducted over the entire extent of the Project area in 2010.

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 Project was written-off.

During the year ended August 31, 2017, the McCarthy Lake claims expired, the Company having performed no exploration or development work since 2013. The Company no longer has any interest in the McCarthy Lake claims.

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

Since 2011, the Company has expended a total of \$3,984,138 in exploration over the Keefe Lake project area, on a host of geophysical datasets and on two drill programs: Phase 1 in fall 2011 and Phase 2 in winter 2012. Based on its 3D modeling of the Project based on the acquired data, in 2013 the Company prepared a 30-hole Phase 3 diamond drilling program at Keefe Lake, however it was not commenced due to lack of follow-on 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. As a result, \$888,307 and \$4,937,544 in exploration and evaluation expenditures associated to the Keefe Lake Project were written off as the Company determined the 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 further 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 the 2.5% NSR on its 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 could 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.

On July 15, 2016, the vendor of the Keefe Lake properties granted the Company an extension in order for the Company to meet the commitments under the Keefe Lake Earn-In Agreement. On August 26, 2016, as the Company was unable to secure the requisite financing to exercise the option to purchase the Keefe Lake interest, the Keefe Lake Earn-in Agreement expired. The Company no longer has any interest in the Keefe Lake claims.

## SUMMARY OF QUARTERLY RESULTS

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

Three Months Ended	February 28, 2018	November 30, 2017	August 31, 2017	May 31, 2017
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Interest income	-	-	-	-
Net loss	(206,753)	(30,203)	(149,186)	(23,934)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.07)	(0.01)
Total assets	432,026	11,457	2,055	17,562
Working capital (deficit)	403,551	(87,195)	(523,165)	(503,490)
Three Months Ended	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Interest income	-	-	-	-
Net income (loss)	(48,988)	(18,339)	(24,923)	(32,239)
Loss per share – basic and diluted	(0.03)	(0.02)	(0.03)	(0.03)
Total assets	32,337	6,611	23,012	2,431
Working capital	(498,847)	(649,257)	(630,917)	(605,995)

During the quarter ended February 28, 2018 the Company recorded \$118,000 of share-based compensation associated with finder's warrants issued in connection with the financing which closed on January 4, 2018. This contributed to an overall net loss of \$206,753. The other expenses during this quarter ended February 28, 2018 were consistent with previous quarters. Loss for the remaining quarterly periods is relatively consistent; however, during the three months ended August 31, 2017 the Company recorded a loss on debt settlement of \$124,035 which contributed to an overall net loss for the quarter ended August 31, 2017 of \$149,186.

Other fluctuations occur in the Company's expenditures reflecting the 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. See also the Results of Operations section below for additional information.

## RESULTS OF OPERATIONS

The Company recorded no revenues during the six-month period ended February 28, 2018 or 2017 and recorded operating losses of \$236,957 (\$0.03 per common share) for the six months ended February 28, 2018. During the three months ended February 28, 2018 the Company recorded operating losses of \$206,753. An evaluation of the comparative three and six month operating losses are as follows:

### Operating Expenses:

#### *Six months ended February 28, 2018*

During the six months ended February 28, 2018 (the "current period"), the Company incurred a loss of \$236,957 compared to a loss of \$72,803 for the six months ended February 28, 2017 (the "comparative period"). The significant changes during the current period compared to the comparative period are:

Consulting fees increased by \$78,000 to \$109,500 (2017: \$31,500) due to the addition of consultants tasked with locating a suitable project for the Company.

The Company incurred share based compensation costs of \$118,000 during the current period compared to \$4,759 during the comparative period. \$118,000 was the fair value of the finders warrants issued in connection with the financing closed January 4, 2018 and \$4,759 was the fair value of the stock options granted in February 2018. The difference totals \$113,241.

During the current period, the Company settled debt with creditors which resulted in a gain of \$17,137 (2017: \$5,475).

### *Three months ended February 28, 2018*

During the three months ended February 28, 2018 (the "current period"), the Company incurred a loss of \$206,753 compared to a loss of \$48,988 for the three months ended February 28, 2017 (the "comparative period"). The significant changes during the current period compared to the comparative period are as follows:

Consulting fees increased by \$48,000 to \$72,000 (2017: \$24,000). This difference of \$48,000 was due to the addition of consultants hired to evaluate potential projects for the Company.

Share based compensation increased significantly by \$113,241 to \$118,000 (2017: \$4,759) as the fair value of the finders warrants issued in 2018 was significantly more than the fair value of the options issued in 2017.

## **EXPLORATION & EVALUATION ASSETS**

In 2014, the Company began terminating or cancelling property option agreements in an effort to reduce its commitments for exploration expenditures. 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.

During the year ended August 31, 2017, the Company allowed its final remaining claims in the Athabasca Basin region to lapse, as the Company had performed no exploration or development work since 2013. The Company no longer has any interest in the McCarthy Lake claims. Summaries of the Company's former projects can be found above in *Description of Business and Overview / Exploration and Development Projects / Project Summary*.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at February 28, 2018, the Company had a cash and cash equivalents balance of \$432,026 (August 31, 2017: \$234) to settle current liabilities of \$28,475 (August 31, 2017: \$525,220). 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 remainder of the fiscal year.

Net cash used in operating activities for the six months ended February 28, 2018 was (\$567,088) (2017: \$56,259). The cash was primarily used for the payment of current and non-current general and administrative expenses, net of non-cash expenditures, a net change in non-cash working capital, and settlement of debt (\$51,173) as detailed in the statement of cash flows.

During the six months ended February 28, 2018, cash gained in financing activities was \$994,500 (2016: \$62,500). Financing related cash transactions consisted of proceeds from a private placement (\$994,500) and in 2017 consisted of proceeds from a private placement (\$82,500) less the repayment of a note (\$20,000).

During the six months ended February 28, 2018 cash from investing activities totalled \$nil (2016: \$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 year ended August 31, 2017 or the six months ended February 28, 2018. 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. Key management includes the Company's board of directors and executive officers.

	Six months ended	
	Nov 30, 2017	Nov 30, 2016
Fees paid or accrued to a company controlled by the CFO (Barry Lee)	\$ 10,000	\$ -
Fees paid or accrued to the CEO (John Veltheer)	45,000	-
	\$ 55,000	\$ -

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 28, 2018, \$Nil (August 31, 2017: \$69,761) is due to the CFO or to a company controlled by the CFO of the Company, which is unsecured, has no stated terms of repayment and is non-interest bearing. The amount is included in accounts payable and accrued liabilities.

There are no management contracts in place for either the CEO or the CFO.

## **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 February 28, 2018, 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 credit, liquidity and market risks from its use of financial instruments, as follows:

#### *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 28, 2017 and August 31, 2017, 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.

At February 28, 2018, the Company had a cash balance of \$427,645 (August 31, 2017: \$234) to settle the notes payable, accounts payable and accrued liabilities of \$28,475 (August 31, 2017: \$525,220).

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. At February 28, 2018 and August 31, 2017, the Company had \$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.

## **SHARE CAPITAL**

### ***Common Shares***

As at February 28, 2018 and the date of this report, there are 17,876,812 issued and fully paid common shares outstanding.

### ***Stock options***

As at February 28, 2018 and the date of this report, there are nil stock options outstanding and exercisable.

### ***Warrants***

As at February 28, 2018 and the date of this report, there are 9,928,455 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 February 28, 2018, 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).