

Fission Energy Ltd

ABN 49 119 057 457

Annual Report
for the Year Ended
30 June 2007

Table of Contents

Highlights for the Year to 30 June 2007	3
Corporate Directory	4
Corporate Governance Statement	5
Directors' Report	9
Lead Auditor's Independence Declaration	22
Income Statement	23
Balance Sheet	24
Statement of Changes in Equity	25
Cash Flow Statement	26
Notes to the Financial Statements	27
Directors' Declaration	41
Independent Auditor's Report	42
Additional Information for Listed Public Companies	44

HIGHLIGHTS FOR THE YEAR TO 30 JUNE 2007

- ❖ \$6M IPO; oversubscribed and closed early.

- ❖ Value of uranium targets held by Tasman Resources unlocked and combined with new WA projects.

- ❖ Company Listed on ASX.

- ❖ Fission has the uranium exploration rights to Tasman's extensive portfolio of wholly owned exploration properties on the Gawler Craton in South Australia as well as exploration licence applications in Western Australia. Fission's current exploration focus is on the Wynbring and Garford projects in South Australia which have good potential for the discovery of palaeochannel hosted (roll front style) uranium deposits.

- ❖ Fission views the Gawler Craton in South Australia as an excellent place to explore as it is a well endowed uranium province and the South Australian Government is strongly supportive of uranium exploration and mining.

- ❖ Technical Expertise: One of Fission's greatest assets is its technical team which boasts four senior geologists having over 100 man years of combined exploration experience, including at least 30 years in uranium.

CORPORATE DIRECTORY

DIRECTORS:

Gregory Howard Solomon LLB (Executive)

Douglas Howard Solomon BJuris LLB (Hons) (Non-Executive)

Guy Touzeau Le Page B.A., B.Sc. (Hons), M.B.A., ASIA., MAusIMM (Non-Executive)

COMPANY SECRETARY:

Raymond F Buscall

REGISTERED OFFICE:

Level 40, Exchange Plaza

2 The Esplanade

Perth

Western Australia 6000

Tel +61 8 9282 5889

Fax +61 8 9282 5866

Email: mailroom@fissionenergy.com.au

Website: www.fissionenergy.com.au

SOLICITORS:

Solomon Brothers

Level 40, Exchange Plaza

2 The Esplanade

Perth WA 6000

Minter Ellison

1 King William Street

Adelaide SA 5000

AUDITORS:

Bentleys MRI Perth Partnership

Chartered Accountants

Level 1

10 Kings Park Road

West Perth WA 6005

SHARE REGISTRY:

Advance Share Registry Services

110 Stirling Highway

Nedlands WA 6009

STOCK EXCHANGE LISTING:

ASX Code: FIS (ordinary shares)

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the company. The Board monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors acknowledge the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Securities Exchange ("ASX") Corporate Governance Council. However, in view of the Company's current size and extent and nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead. Where the Company's framework was different to the Principles of Good Corporate Governance and Best Practice Recommendations set by the ASX Corporate Governance Council, it has been noted below.

A summary of the current corporate governance practices as adopted by the Board are as follows:

THE BOARD OF DIRECTORS

Board Responsibilities

The Board assumes responsibility for overseeing the affairs of the Company by ensuring that they are carried out in a professional and ethical manner and that business risks are effectively managed.

The board carries out its responsibilities according to the following mandate;

- The Company's Constitution fixes the number of Directors to at least three directors and not more than ten. The Board currently consists of three, with two-thirds being non-executive directors;
- The directors should possess a broad range of skills qualifications and experience;
- The Company's Constitution requires that one third of all the Directors other than the Managing Director retire by rotation at each annual general meeting. Directors appointed during the period since the last annual general meeting of the Company must submit themselves for election at the next Annual General Meeting;
- The full board meets formally to conduct appropriate business. The Board uses resolutions in writing signed by all Directors to deal with matters requiring decisions between meetings;
- All available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

The primary responsibilities of the Board include;

- Review and ratify systems of risk management and internal compliance and control, codes of conduct, legal compliance, and any other regulatory compliance;
- Approve and monitor the progress of major capital expenditure, capital management, and acquisition and divestitures;
- Approve and monitor financial and other reporting to shareholders and the market;

- Monitor the Board composition, Director selection, Board process and performances and ensure Directors have an understanding of the company's business;
- Monitor and influence the key standards of the company entity including Ethical Standards, reputation and culture;
- The approval of the annual and half-yearly financial report;
- The review and adoption of annual budgets for financial performance of the company and the monitoring of results;
- Ensuring that the company is able to pay its debts as and when they fall due.

The Company discloses the details of qualifications and experience of each Director in its annual report.

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have a majority of independent directors;

The Chairman of the Board is an executive director.

BOARD COMMITTEES

Remuneration Committee

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have a Remuneration Committee. The Board believes that, with the number of Directors on the Board, the Board itself is the appropriate forum to deal with this function.

The Company's Constitution allows for a maximum amount per annum to be paid to non-executive directors to be allocated at the discretion of the Directors. Any changes to the annual amount must be approved at a General Meeting of members of the Company.

Audit Committee

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have an Audit Committee. The Board believes that, with the number of Directors on the Board, the Board itself is the appropriate forum to deal with this function.

Nomination Committee

Due to the Company's current size and extent of nature and operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred;

The Company does not have a Nomination Committee. The Board believes that, with the number of Directors on the Board, the Board itself is the appropriate forum to deal with this function.

INDEPENDENT PROFESSIONAL ADVICE

With prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertaking in order to fulfil their duties and responsibilities as directors.

ETHICAL STANDARDS

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Specifically, that Directors, officers and employees must:

- Comply with the law;
- Act in the best interests of the Company;
- Be responsible and accountable for their actions; and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

TRADING POLICY

It is the company's policy to encourage Directors and employees to own Shares in the Company. The trading in shares policy reinforces the obligations of Directors and employees of the Company, under the Corporations Act 2001 and the ASX Listing Rules in relation to trading in Company Shares. The policy restricts directors and employees from acting on material information until it has been released to the market. Directors are required to report share trading to the Company Secretary.

CONTINUOUS DISCLOSURE

The Executive Chairman and Company Secretary have been appointed as the persons responsible for communications with the ASX. These people are also responsible for ensuring the compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX.

The Executive Chairman and the Company Secretary are responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings to ensure all shareholders are fully informed.

RISK MANAGEMENT

The Board is responsible for the Company's system of internal controls. The Board constantly monitors the operation and financial aspects of the Company's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the Company.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company does not have a full time chief executive officer or chief financial officer and therefore statements are not obtained from such persons in relation to Best Practice Recommendation 4.1.

CODE OF CONDUCT

As part of the Board's commitment to the highest standard of conduct, the company requires executives, management and employees in carrying out their duties and responsibilities to act ethically and lawfully with respect to all transactions and matters including:-

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:-

The Company has not established a Formal Code of Conduct in accordance with Best Practice Recommendation 10.1.

COMMUNICATING WITH SHAREHOLDERS

The Board ensures that shareholders are kept informed of all major developments that affect their shareholding or the Company's state of affairs through quarterly, half yearly, annual and ad hoc reports. All shareholders are encouraged to attend the Annual General Meeting to meet the Chairman and Directors and to receive the most updated report on the company's activities.

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2007.

Directors

The names of directors in office at any time during or since the end of the year are:

Gregory Howard Solomon

Douglas Howard Solomon

Guy Touzeu Le Page

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Raymond F Buscall. Mr Buscall has worked for Fission Energy Limited since incorporation on 30 March 2006 and has also worked for the former parent entity, Tasman Resources NL, for the past 16 years performing financial management roles of the business. Mr Buscall was appointed company secretary on 30 March 2006.

Principal Activities

The principal activity of the company during the financial year ended 30th June 2007 was mineral exploration for uranium.

Fission was incorporated in Australia in March 2006, as a wholly owned subsidiary of Tasman Resources NL, to focus initially on uranium exploration in South Australia and Western Australia. Fission was listed on the ASX on 18 June 2007.

It is Fission's intention to both explore for uranium in its own right and to consider entering into strategic joint ventures with other parties over its exploration interests where it is considered appropriate.

In particular, the Company undertook exploration programmes and project generation activities covering areas on the Stuart Shelf around Lake Torrens, near Iron Knob, northwest of Tarcoola in the central Gawler Craton (all in South Australia) and in the Murchison region of Western Australia.

Activities included project identification and acquisition, collection of airborne EM data, drilling programme preparations such as heritage surveys and environmental permitting and ongoing project generation.

Operating Results

The loss of the company after providing for income tax amounted to \$64,413.

Dividends Paid or Recommended

No dividends were paid or declared for payment during the year.

Review of Mineral Exploration Operations

The Company has exploration licences and applications located in South Australia and Western Australia.

The Company is targeting uranium in a variety of geological settings for which the company's tenements are considered prospective.

Exploration Targets

Fission has four uranium projects on the Gawler Craton in South Australia (shown on location plan, see link below) covering a total area of 8000km².

Wynbring, Garford and Parkinson Dam are prospective for palaeochannel hosted uranium deposits. An example of a palaeochannel hosted uranium deposit is Heathgate Resources Pty Ltd's Beverley deposit in the Lake Frome area 800km north of Adelaide where uranium is presently being extracted by insitu leaching. Parkinson Dam is also prospective for unconformity style uranium associated with the base of

the Mesoproterozoic Corunna Conglomerate. The latter is considered to be analogous to the Mesoproterozoic Kombolgie sandstone which caps the Alligator Rivers unconformity style uranium deposits, such as the Ranger and Jabiluka deposits in the Northern Territory.

Fission also has the rights to any uranium deposit hosted by Neoproterozoic or younger rocks within the Lake Torrens tenements.

In Western Australia, Fission has applied for exploration licences over eight areas on the Yilgarn Craton (total area approx. 1000km²) for sediment-hosted uranium and one area (220km²) in the Mt Sears Range for unconformity-style uranium (which is 40km east of the Rio Tinto Ltd's Kintyre uranium deposit).

Seven of the Yilgarn licences cover airborne radiometric uranium anomalies associated with Tertiary palaeodrainages/playa lakes incised into Archaean granite terrane in the northern Yilgarn Craton. The Yilgarn Craton is the host for a significant number of surficial uranium deposits associated with palaeodrainages/playa lakes including those at Yeelirrie, Lake Way, Hinkler-Centipede, Lake Raeside, Lake Austin and Lake Maitland which were discovered during the last uranium exploration boom over 30 years ago. The other Yilgarn application (Ponton Creek) covers a Tertiary palaeochannel 170 km east of Kalgoorlie. Ponton Creek has potential to host uranium mineralisation of similar style to that at Mulga Rock deposit (60km to the north east) and to the South Australian deposits such as Beverley and Warrior (none of which are held by Fission).

Mt Sears Range contains a known uranium occurrence discovered in 1979 near the top of the Mesoproterozoic Coolbro Sandstone, which is located in the Rudall River National Park. The unconformity at the base of this sandstone formation is host to the unconformity style Kintyre uranium deposit and hence Mt Sears Range is also prospective for this uranium deposit style.

Tenements

Western Australia

Fission holds exploration licence applications in Western Australia over nine areas, all of which are considered prospective for uranium.

The following table provides a summary of these tenement applications:

	Tenement	Area	Location
ELA	28/1744	181	PontonCreek
ELA	29/650	162	Barlee East
ELA	29/651	102	Elvire
ELA	57/693	133	Noondie
ELA	57/695	60	Perseverance
ELA	77/1393	27	Elvire South
ELA	77/1402	209	Barlee South
ELA	77/1417	209	Barlee West
ELA	45/3101	222	Mt Sears Range

South Australia

In addition, Fission has acquired an interest in certain uranium, thorium or other radio-active mineralisation which may be discovered in a number of tenements held in South Australia by Tasman Resources pursuant to an agreement with Tasman dated 2 April 2007 ("the Tasman Agreement") (for a summary of the terms and conditions of the Tasman Agreement please see section 13.3.2 of this Prospectus).

The following table provides a summary of the South Australian tenements which are the subject of the Tasman Agreement:

State	Type	ID	Area Km ²	Locality	Expiry Date	Note
SA	EL	3102	75	Wartaka	19-Jun-08	
SA	EL	3109	244	White Cliff	23-Jul-08	1

State	Type	ID	Area Km ²	Locality	Expiry Date	Note
SA	EL	3123	615	Stuart Creek	02-Sep-08	
SA	EL	3140	440	Porter Hill	14-Oct-07	1
SA	EL	3174	363	Fergusson Hill	09-Mar-08	1
SA	EL	3175	12	Andamooka	09-Mar-08	1
SA	EL	3177	402	Todds Dam	09-Mar-08	1
SA	EL	3209	1,298	Andamooka North	10-May-08	1
SA	EL	3254	247	Mt Norwest	28-Sep-07	
SA	EL	3261	160	Harcus Hill	13-Oct-07	1
SA	EL	3306	436	Warrior	16-Feb-08	1
SA	EL	3307	194	Iron Knob	16-Feb-08	
SA	EL	3339	62	McDouall Peak	19-May-08	
SA	EL	3340	172	Gina Outstation	19-May-08	
SA	EL	3341	243	Muckanippie	19-May-08	
SA	EL	3342	184	Garford	19-May-08	
SA	EL	3343	361	Sandstone	19-May-08	
SA	EL	3344	118	Commonwealth Hill	19-May-08	
SA	EL	3345	119	Mulgathing Hill	19-May-08	
SA	EL	3423	215	Wildingi Claypan	04-Oct-07	
SA	EL	3449	47	Gambier Hill	14-Nov-07	1
SA	EL	3453	223	Reid Lookout	14-Nov-07	1
SA	EL	3532	322	Galaxy Tank	21-Mar-08	1
SA	EL	3541	271	South Hill	18-Apr-08	
SA	EL	3607	281	Bopeechee	27-Jul-08	
SA	EL	3634	473	Parakylia	08-Oct-07	1
SA	EL	3677	107	Cadnia Hill	14-Dec-07	
SA	EL	3712	168	Sandy Tank	19-Feb-08	
SA	EL	3739	40	Old Wartaka	12-Apr-08	
SA	EL	3901	745	Hedley Hill	24-Aug-08	1

Note:

1. These tenements are subject to the WCP Agreement.

Under the Tasman Agreement, Fission has acquired an interest:

1. in the case of tenements the subject of the WCP Agreement (see note 2 of the above table), in any Neoproterozoic and younger sediment hosted uranium, thorium or other radio-active mineralisation which may be discovered (where the in-ground valuation of the uranium, thorium or other radio-active mineralisation in any defined resource is at least 50% of the value of any poly metallic deposit); and
2. in the case of all other tenements set out in the above table, all uranium mineralisation which may be discovered (where the in-ground valuation of the uranium, thorium or other radio-active mineralisation in any defined resource is at least 50% of the value of any poly metallic deposit). At Parkinson Dam a 13km² area prospective for epithermal gold-base metal mineralization is excluded.

Overview of Projects

South Australia

The Wynbring, Garford and Parkinson Dam projects are held by Tasman, and Fission has an interest in uranium mineralisation within those projects in accordance with paragraph (2) in section 5.2.2 above. Fission also has an interest in any uranium mineralisation in Neoproterozoic or younger rocks within the Lake Torrens project area in accordance with paragraph (1) in section 5.2.2 above.

Wynbring, Garford and Parkinson Dam are prospective for palaeochannel hosted uranium deposits. An example of a palaeochannel hosted uranium deposit is Heathgate Resources Pty Ltd's Beverley deposit in the Lake Frome area 800km north of Adelaide where uranium is presently being extracted by insitu leaching. Parkinson Dam is also prospective for unconformity style uranium associated with the base of the Mesoproterozoic Corunna Conglomerate. The latter is considered by the Company to be analogous to the Mesoproterozoic Kombolgie sandstone which caps the Alligator Rivers unconformity style uranium deposits, such as Energy Resources of Australia Ltd's Ranger and Jabiluka deposits in the Northern Territory.

Wynbring

The Wynbring project is considered highly prospective for the discovery of palaeochannel hosted (roll-front-style) uranium deposits. It is situated within the Gawler Craton approximately 180km southwest of Coober Pedy in South Australia near the Trans Australia Railway. The area covers the northern portion of the Wynbring palaeovalley, a southerly draining valley in Precambrian granite terrane which has been filled with unconsolidated Tertiary age fluvial and lacustrine sediments with lignite interbeds deposited in local coal swamp environments.

Economic palaeochannel hosted uranium mineralisation within South Australia is best known at Heathgate Resources Pty Ltd's Beverley Deposit (21,600t contained U_3O_8 , PIRSA, 2007) in the north of the state, currently Australia's third uranium mine. Uranium mineralisation at Beverley is associated with pyritic and carbonaceous Tertiary palaeochannel sands draining Precambrian basement and is being recovered by in-situ leaching.

Palaeochannel hosted uranium deposits are believed to have formed when uranium is released by the weathering of granitic/felsic rocks which have above average uranium contents. The uranium is carried in solution by acidic oxidised ground waters along aquifers within the permeable palaeochannel sediments derived from weathering of the granites, and is deposited in reducing environments within the channels around pyritic and carbonaceous sediments and lignites.

The Wynbring area was explored in the early 1980's by uranium explorer PNC Exploration (Australia) Pty Ltd ("PNC") and most of PNC's work was south of Fission's ground. However, PNC (Dunn, 1982) reported radiometric anomalies up to 300cps (5 times background) from probing of a number of drill holes within a Tertiary channel in the south of Fission's EL 3306, and concluded that roll-front-style uranium mineralisation may exist within the channel. Granites, a possible primary source of the uranium, were intersected at the bottom of many of the PNC holes, and outcrops of granite occur sporadically in the catchment area of the palaeochannel. Approximately 95% of the palaeochannel within the Wynbring project remains untested.

Wynbring is located 15km west of Stellar Resources Ltd's Warrior Uranium deposit in an adjacent palaeochannel draining essentially the same granitic source rocks as the Warrior palaeochannel. Uranium mineralisation at Warrior is associated with carbonaceous sediment horizons and is closely related to the base of surface oxidation and the top of the water table. The catchment area of the Wynbring palaeochannel is of similar size to that of the Warrior palaeochannel.

Results from a recent EM survey carried out by Tasman Resources suggests that the Wynbring palaeochannel continues northwards for at least 13km within Fission's ground and has several E-W trending tributaries possibly covering a further 30km, making it a sizable uranium exploration target.

Initial drill testing and down hole radiometric logging of the Wynbring palaeochannel on one kilometre line spacings is planned following resolution of access issues and depending on drilling rig availability.

Garford

Fission also has the right to explore for uranium on six granted exploration licences covering an 80km length of the Garford palaeochannel situated on the Gawler Craton, 85km southwest of Coober Pedy and 80km north of Wynbring. Although essentially unexplored for uranium, this area is also considered prospective for Tertiary-age palaeochannel hosted (roll-front-style) uranium mineralisation as it is draining Precambrian crystalline basement (potential uranium enriched source rocks) and contains Tertiary palaeochannel sediments with reduced horizons (potential uranium traps).

An airborne electromagnetic (TEMPEST) survey was flown for Tasman Resources over the Garford palaeochannel in August 2006 and was designed to better define the location and depth of the channel to aid planning of follow-up ground exploration. Interpretation of the TEMPEST conductivity images by the Company confirmed that in excess of 80 kilometres of the Garford palaeochannel exists within Fission's Garford tenements to depths of around 40 to 50m.

A similar length of deeper linear TEMPEST conductors to maximum depths of 130m located partially beneath the Garford channel are interpreted by the Company to represent older buried Mesozoic-Permian palaeodrainages, based on the available stratigraphic drilling data. As the latter are also

draining Precambrian crystalline basement rocks and are known to contain carbonaceous material they are also considered by the Company to be prospective for the roll-front-style of uranium deposit identified in the younger Tertiary palaeodrainages.

Preliminary drill testing and downhole radiometric logging of the Garford palaeochannel along existing roads and fence lines is planned following resolution of access issues and depending on drill rig availability.

Parkinson Dam

The Parkinson Dam project is located on the Gawler Craton 40km west of Port Augusta. Although the area was originally picked up by Tasman Resources for gold, there is also considerable potential for uranium discoveries within the project area; it having been targeted in the 1980's by uranium explorer PNC Exploration (Australia) Pty Ltd. PNC focussed on a number of targets, using a combination of geophysical, geochemical and ground-based geological methods. PNC discovered outcropping uranium mineralisation as the uranium-bearing mineral torbernite within a Palaeoproterozoic quartzite, and a surface sample collected by PNC assayed 970ppm U (PNC, 1987). Tasman has since relocated the occurrence, although the main uranium-bearing mineral has been identified as uraninite (or UO_2) by scanning electron microscope.

There is potential for two styles of uranium mineralisation within the project area:

- Unconformity-style uranium associated with the basal unconformity of the Mesoproterozoic Corunna Conglomerate. This contact is prospective for unconformity-style uranium deposits such as Ranger & Jabiluka owned by Energy Resources of Australia Ltd in the Northern Territory. The uraninite occurrence noted above is located close to this contact.
- Palaeochannel-hosted uranium deposits associated with Tertiary-age sediments. Several potential Tertiary palaeochannels have been interpreted in the western part of the project area. Uranium could have been sourced from a large area of relatively uranium-rich Gawler Range Volcanics that the interpreted palaeochannels would have drained.

Tasman initially identified this area as having potential for gold based on known copper-gold mineralisation to the south (Spencer prospect) and anomalous gold in both calcrete and lag samples collected by previous explorers that had not been effectively followed up. Tasman subsequently discovered outcropping epithermal-style gold-silver mineralisation on EL 3307 in early 2005, and conducted initial programmes of drilling in 2005 and 2006.

This initial drilling has disclosed a significant epithermal gold-silver-lead-zinc system, returning a number of significant medium to high grade intercepts, including 3m from 129m down hole at 3.4g/t Au and 80g/t Ag, and 1.66m from 254.3m down hole at 7.6% Pb, 10.5% Zn, 1.2g/t Au and 120g/t Ag. The epithermal potential of this project is particularly encouraging and exploration over the whole project area by Tasman will continue, including further drilling commencing shortly.

Approximately 13 square kilometres of the Parkinson Dam tenements considered most prospective for epithermal gold-silver are excluded from the Tasman Agreement (and, accordingly, Fission has no interest in this area).

Tasman conducted limited exploration for uranium in 2006, including drilling several shallow RC percussion drill holes to specifically test the outcropping uraninite occurrence. These holes did not intersect significant uranium, however it is believed by the Company that the prospectivity for unconformity-style uranium within the project is not significantly diminished by this result as the drilling tested a very small part of the target area. Proposed exploration for this style of mineralisation includes ground reconnaissance, sampling and radiometrics and drilling of any prospective targets.

The palaeochannel targets will initially be test drilled to determine if appropriate reduced sediments (potential hosts to uranium) are present. If positive, further shallow drilling will be conducted to precisely locate the palaeochannels and test for uranium-rich horizons.

Lake Torrens

Tasman's tenements in this area adjoin or are in close proximity to BHP Billiton Ltd's Olympic Dam IOCGU deposit near Roxby Downs in South Australia. Included in these tenements is one known iron-oxide copper gold system (Titan), another haematite-altered breccia system (Marathon South) and at least five other untested targets identified from geophysical surveys (magnetics and gravity) within a 30 to 40km range of the Olympic Dam ore body which have the potential to host IOCGU deposits. The Olympic Dam ore body is the largest IOCGU deposit in the world, and contains more than 40% of the world's known uranium resources.

Tasman's tenements in this area are the subject of a farm-in and joint venture agreement between Tasman and WCP Resources ("the WCP Agreement"), however the interest which WCP may earn in

these tenements under the WCP Agreement does not extend to, inter alia, any Neoproterozoic and younger sediment hosted uranium, thorium or other radioactive mineralisation. The WCP Agreement imposes certain obligations on Tasman and WCP to co-operate and co-ordinate their activities on the tenements in good faith so as not to conflict or interfere with the activities of any other party within the project area, and to give a notice to each other party setting out the nature and location of any activities which it proposes to undertake on the tenements. The parties have also agreed on a procedure for establishing priority of mining of minerals over the same area, which is based on the estimate of the recoverable value of the respective mineral resource situated within the proposed area to be mined. Fission has entered into a deed of covenant with Tasman and WCP to comply with such terms and conditions of the WCP Agreement.

No high priority uranium exploration targets available to Fission have so far been identified in the Lake Torrens tenements, however a sediment hosted uranium model recently proposed by Eromanga Uranium Ltd involving basal Mesozoic sandstone units overlying Precambrian basement may be applicable to Tasman's tenements and further investigation is required.

Western Australia

Fission has applied for exploration licences over eight areas on the Yilgarn Craton for sediment-hosted uranium and one area in Mt Sears Range for unconformity-style uranium (which is 40km east of the Rio Tinto Ltd's Kintyre uranium deposit).

Seven of the Yilgarn licences cover airborne radiometric uranium anomalies associated with Tertiary palaeodrainages/playa lakes incised into Archaean granite terrane in the northern Yilgarn Craton. The Yilgarn Craton is the host for a significant number of surficial uranium deposits associated with palaeodrainages/playa lakes including those at Yeelirrie, Lake Way, Hinkler-Centipede, Lake Raeside, Lake Austin and Lake Maitland which were discovered during the last uranium exploration boom over 30 years ago. The other Yilgarn application (Ponton Creek) covers a Tertiary palaeochannel 170 km east of Kalgoorlie. Ponton Creek has potential to host uranium mineralisation of similar style to that at Mulga Rock deposit (60km to the north east) and to the South Australian deposits such as Beverley and Warrior (none of which are held by Fission).

Mt Sears Range contains a known uranium occurrence discovered in 1979 near the top of the Mesoproterozoic Coolbro Sandstone, which is located in the Rudall River National Park. The unconformity at the base of this sandstone formation is host to the unconformity style Kintyre uranium deposit and hence Mt Sears Range is also prospective for this uranium deposit style.

Noondie and Barlee

Exploration licences over six areas (Noondie, Barlee East, West & South, Elvire & Elvire South), located approximately 500km north east of Perth, have been applied for over radiometric (uranium) anomalies around the margins of Lake Noondie and Lake Barlee. These playa lakes are remnants of an extensive Tertiary drainage system incised into Archaean granite terrane. Fission's applications are considered prospective for Playa type uranium deposits in which uranium released from weathering of the surrounding granites is transported and deposited in near surface gypsiferous and calcareous playa lake clays near the water table, predominantly as the mineral carnotite. An example is Aldershot Resources Ltd's Yuinmery uranium deposit (indicated resource of 1.58mt @ 0.037% U₃O₈ estimated by Styles, 1998) on the north west margin of Lake Noondie, 25km to the north west of Fission's Noondie application and 60km to the northwest of Lake Barlee. Other known uranium deposits of similar style in the region are Lake Maitland and Lake Austin deposits (which are not held by the Company).

As well as near surface enrichments of uranium Lake Noondie and Lake Barlee are also considered prospective for deeper palaeochannel (roll-front-style) deposits associated with redox fronts around reduced lake sediments.

Fission initially intends to carry out detailed ground radiometric surveys over the strongest airborne radiometric anomalies. This will be followed by auger or shallow air core drilling of the best targets to test for uranium mineralisation at shallow depth. Airborne EM surveys may prove useful in defining the location of the main fluvial channels beneath the lakes which could be possible hosts for deeper roll-front uranium mineralisation. Fences of deeper RC percussion drill holes using a track mounted drilling rig will be required to test any palaeochannels delineated by these surveys.

Perseverance

This tenement application, which is located 30km to the north west of Lake Noondie, covers a discrete "bullseye" airborne uranium radiometric anomaly approximately 2km in diameter. Based on GSWA mapping the anomaly is over Quaternary alluvium and not associated with any mapped outcropping Archaean age rocks. Ground reconnaissance will be carried out to determine if the anomaly is due to sub-cropping Archaean rocks with a high uranium background or uranium enriched Tertiary valley

sediments draining into Lake Noondie. A major calcrete-bearing drainage system, a tributary of Lake Noondie, associated with the Yuinmery uranium deposit is located 9km to the east. Tasman's Perseverance prospect could represent a branch of this tributary joining Lake Noondie.

Exploration of this area will involve geological reconnaissance and ground radiometric surveys and possible bedrock RAB drilling.

Ponton Creek

The Ponton Creek application covers the confluence of two southeast trending Tertiary palaeochannels draining Archaean granite-greenstone terrane 170km ENE of Kalgoorlie. No uranium-bearing drainage channel calcrete is likely to have developed this far south in the Yilgarn Craton, however the area is considered prospective for the palaeochannel (roll-front) style of uranium mineralisation as explored for in South Australia. The Mulga Rock palaeochannel uranium deposit (which is not held by the Company) 60km to the north east of Ponton Creek is of this style. Although the palaeochannel has been incised into Permian sediments rather than granitic basement its uranium mineralisation is believed to have been derived from uranium-rich granitoids/metamorphic rocks of the Yilgarn Craton and adjacent Albany - Fraser Province (Fulwood & Barwick, 1990).

Exploration of this area will involve an airborne EM survey to better define the palaeochannel location and its depth. This would be followed up by fences of aircore/RC drilling with down-hole radiometric probing to test the channels for uranium mineralisation.

A portion of this application is located on the Queen Victoria Nature Reserve and hence there may be issues associated with the grant of the exploration licence and access.

Mt Sears Range

The Mt Sears Range application is located in the Paterson Orogen, a Proterozoic structural complex, in the south western part of the Great Sandy Desert, 1250km north east of Perth and 80km south of the Telfer gold mine. The application is located approximately 40km to the east of the Kintyre uranium deposit which was discovered by CRA in 1985 and is currently held by Rio Tinto. Published resources quoted for Kintyre by Jackson and Andrew (1990) are 36,000t of contained U_3O_8 , with grades averaging between 0.15 and 0.4% U_3O_8 (cut-off 0.05% U_3O_8). Kintyre is considered to be an unconformity-style, vein type uranium orebody with similarities to deposits in the East Alligator River Province of the Northern Territory, such as Energy Resources of Australia Ltd's Ranger and Jabiluka deposits, and the Athabasca region of northern Saskatchewan, Canada.

Host rocks at Kintyre are Palaeoproterozoic schists and quartzites of the Rudall Metamorphic Complex and the mineralisation is localised at the unconformity with sediments of the overlying Mesoproterozoic Yeneena Group.

The basal unit of the Yeneena Group, the Coolbro Sandstone outcrops within Fission's application area. As the latter has an easterly dip the uranium prospective unconformity may be at shallow depth within the southwestern portion of the ELA beneath sand dune cover.

Fission's application also covers a known uranium occurrence in the Mt Sears Range which was discovered by Occidental Minerals in 1978 (Swingler, 1980) and has an associated airborne radiometric uranium anomaly. Uranium mineralisation comprising finely disseminated pitchblende occurs within feldspathic quartzite at the contact between the Mesoproterozoic Coolbro Sandstone and overlying Broadhurst Formation. A large grab sample collected from the original discovery site by Occidental assayed 6350ppm U_3O_8 and 1200ppm Cu. Ground radiometric surveys showed the mineralisation to occur discontinuously along strike for about 600m. Two percussion holes and one deeper RC hole drilled into the prospect returned a maximum U_3O_8 equivalent at the contact of 741ppm over 1.1m from 66.2m in hole SR1 as determined from down hole radiometric probing.

Occidental also carried out some regional radon emanometer surveys which were inconclusive. They also conducted shallow drilling to bedrock on a 400 x 100m spaced pattern, which was of limited success due to thick sand cover, laterite and gravel and the programme was eventually abandoned.

A track etch radon survey was also carried out over the immediate prospect area. The survey delineated three anomalous zones which apparently crossed rather than paralleled the trend of the prospect. Occidental postulated that they could be due to deep seated feeder veins which could imply a primary uranium source at greater depth. An east west trending, cross cutting fault structure has been mapped by the GSWA on the Rudall 1:250,000 map sheet in the vicinity of the prospect and this could have tapped uranium-bearing fluids from a primary source at greater depth, perhaps at the unconformity.

The Mt Sears Range uranium mineralisation style represents a secondary uranium target at a higher stratigraphic level for further follow up and could possibly be an indicator of primary unconformity style mineralisation at depth.

The Mt Sears Range application is mostly located within the Rudall River National Park (the Kintyre deposit is excised from the National Park). Grant of Fission's application is unlikely in the short term due to the current policy of the Western Australian Government which is opposed to granting exploration licences in national parks.

Exploration Results

Details of exploration carried out by Tasman Resources and Fission Energy on the South Australia uranium projects during the report period are detailed below.

Uranium Exploration in South Australia by Tasman Resources Prior to Fission IPO

Garford Palaeovalley Uranium Project (Tasman 100%)

Tasman holds tenements covering approximately 1200km² that cover part of the Garford palaeochannel on the Gawler Craton 85km southwest of Coober Pedy. The area is prospective for Tertiary palaeochannel-hosted (roll front-type or redox-related) uranium mineralisation.

During the Year, Tasman conducted a TEMPEST airborne electromagnetic survey over the Garford palaeochannel. Interpretation of the TEMPEST conductivity images suggests that in excess of 80 kilometres of the Garford palaeochannel exists within Tasman's tenements to depths of around 40 to 50m.

A similar length of deeper linear TEMPEST conductors to maximum depths of 130m located partially beneath the Garford channel are interpreted to represent older buried Mesozoic - Permian palaeodrainages, based on the available stratigraphic drilling data. As the latter are also draining Precambrian crystalline basement rocks (potential uranium source rocks) and are known to contain carbonaceous material (potential uranium traps) they are also considered prospective for the roll front/palaeochannel hosted style of uranium deposit identified in the younger Tertiary palaeodrainages.

Wynbring North Uranium Project (Tasman 100%)

The project area is within EL 3306 on the Gawler Craton and is located approximately 75km northwest of Tarcoola in South Australia near the Trans-Australia Railway, and is 15km west of the Warrior Uranium deposit that is located in an adjacent palaeochannel draining the same granitic source rocks as the Wynbring channel. Drilling during the 1980's by a previous explorer identified significant radiometric anomalies in the palaeochannel, 95% of which remains untested in Tasman's tenement.

Interpretation of a HoistEM (helicopter Electromagnetics) survey collected by the Company has confirmed the continuation of the Wynbring palaeochannel northwards from Hindmarsh Resources Ltd's uranium prospective EL 3348 into Tasman's EL 3306.

Results from the latest HoistEM suggest that the palaeochannel continues for at least another 13km within Tasman's EL and has several E-W trending tributaries possibly covering a further 30km. The full extent of the palaeodrainages within Fission's licence area (perhaps up to 40km) represents a sizable uranium exploration target.

Parkinson Uranium Project (Tasman 100%)

Tasman located outcropping uranium mineralisation (as fine-grained uraninite or UO₂). This mineralisation was first discovered by uranium explorer PNC in the mid-1980's, who recognised the uranium potential of the area, but did not drill test this occurrence.

The uraninite is located close to a regional unconformity or geological contact, considered a significant 'ingredient' in certain uranium exploration models. In addition, nearby there are several airborne radiometric anomalies, a soil radon anomaly (from PNC's earlier work) and anomalous surface uranium geochemical values.

Tasman drill tested this area with a number of shallow, RC percussion, holes. No significant uranium results were obtained; however, the shallow and limited nature of the drilling does not diminish the validity of the unconformity related uranium model at Parkinson Dam.

With the exception of a small area surrounding Tasman's epithermal gold-silver prospect, Fission will be continuing the search for uranium at Parkinson Dam.

Western Australia

The WA tenements are all still in the application stage and hence no exploration programmes have been undertaken.

Activities by Fission subsequent to the IPO

Since listing on the 18th June, Fission has successfully completed aboriginal heritage surveys at Wynbring and Garford for the planned initial reconnaissance drilling programmes. Environmental permitting has been completed for Wynbring and is pending for Garford.

Access tracks have been established where necessary at Wynbring to allow drilling rig access. Due to delays with the drilling contractor, drilling at Wynbring is now scheduled to commence at the beginning of November.

A new palaeochannel target, called the Frasers Prospect, was identified near the Parkinson Dam project area. Two short preliminary drill traverses across this target identified channel deposits on one line, although these are located too far up the channel to be of interest for uranium deposition. Further drilling is planned to trace the downstream extent of this channel within Fission's exploration licence.

A down hole gamma logging system has been purchased, calibrated and tested on drill holes at the Frasers prospect.

Financial position

The net assets of the company have increased by \$5,789,220 from 30 June 2006 to \$5,788,006 in 2007. This increase has largely resulted from the issue of ordinary shares from the initial public offering to raise working capital.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the financial year:

- (i) 30,000,000 fully paid ordinary shares were issued at an issue price of 0.20 cents per share raising \$6,000,000 as part of an initial public offering. The company listed on the Australian Stock Exchange in June 2007.

After Balance Date Events

On 30 July 2007, the company issued a short form prospectus for a non-renounceable entitlement issue of 1 Option for every 2 Shares held by Shareholders at an issue price of \$0.01 per Option to raise approximately \$285,000 (before expenses of the Issue). Each Option is exercisable at an exercise price of 20 cents at any time on or before 28 February 2011.

Except for the above event, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Future Developments, Prospects and Business Strategies

The Company proposes to continue with its exploration program as detailed in the Review of Operations.

Environmental Issues

The Company is the subject of environmental regulation with respect to mining exploration and will comply fully with all requirements with respect to rehabilitation of exploration sites.

Information on Directors

Gregory Howard Solomon	—	Executive Chairman
Qualifications	—	LLB
Experience	—	Appointed chairman March 2006. Board member since March 2006. A solicitor with more than 30 years Australian and international experience in a wide range of areas including mining law, commercial negotiation (including numerous mining and exploration joint ventures) and corporate law. He is a partner in the Western Australian legal firm, Solomon Brothers and has previously held directorships of various public companies since 1984 including two mining/exploration companies.
Interest in Shares and Options	—	400,000 Ordinary Shares in Fission Energy Ltd
Directorships held in other listed entities	—	Current director of Director of Eden Energy Limited since May 2004. Current director of Tasman Resources NL since 1987.
Douglas Howard Solomon		Non-Executive
Qualifications		BJuris LLB (Hons)
Experience		Board member since 30 March 2006. A Barrister and Solicitor with more than 20 years experience in the areas of mining, corporate, commercial and property law. He is a partner in the legal firm, Solomon Brothers.
Interest in Shares and Options		250,000 Ordinary Shares in Fission Energy Ltd
Directorships held in other listed entities		Current director of Director of Eden Energy Limited since May 2004. Current director of Tasman Resources NL since April 2003.
Guy Touzeau Le Page		Non-Executive
Qualifications		B.A., B.Sc. (Hons), M.B.A., ASIA., MAusIMM Bachelor of Arts (University of Adelaide), Bachelor of Science (University of Adelaide), Masters Degree in Business Administration (University of Adelaide), Bachelor of Applied Science (Hons) (Curtin University of Technology), Graduate Diploma in Applied Finance and Investment (Securities Institute of Australia).
Experience		Board member since 30 March 2006. Currently a corporate adviser specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles. He previously spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.
Interest in Shares and Options		Nil Ordinary Shares in Fission Energy Ltd
Directorships held in other listed entities		Current director of Director of Eden Energy Limited since May 2004. Current director of Tasman Resources NL since February 2001.

Remuneration Report

This report details the nature and amount of remuneration for each director of Fission Energy Ltd, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Fission Energy Ltd has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The board of Fission Energy Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the company is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board based on industry reports.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.
- The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors.

Executives are also entitled to participate in the employee share and option arrangements.

All directors and executives receive a superannuation guarantee contribution where required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Any shares which may be issued to executives would be valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology. No shares or options were issued to directors or executives during the year ended 30 June 2007.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based Remuneration

No performance based remuneration was paid during the year.

Details of Remuneration for Year Ended 30 June 2007

The remuneration for each director and each of the executive officers of the company during the year was as follows:

Key Management Personnel Remuneration
2007

Key Management Person	Short-term Benefits				Performance Related
	Cash, salary and commis- sions	Cash profit share	Non-cash benefit	Total	
	\$	\$	\$	\$	
Gregory Howard Solomon	21,625	-	-	21,625	-
Douglas Howard Solomon	1,700	-	-	1,700	-
Guy Touzeau Le Page	1,700	-	-	1,700	-
	25,025	-	-	25,025	-

Key Management Personnel Remuneration
2006

Key Management Person	Short-term Benefits				Performance Related
	Cash, salary and commis- sions	Cash profit share	Non-cash benefit	Total	
	\$	\$	\$	\$	
Gregory Howard Solomon	-	-	-	-	-
Douglas Howard Solomon	-	-	-	-	-
Guy Touzeau Le Page	-	-	-	-	-
	-	-	-	-	-

Performance Income as a proportion of total Remuneration

No directors or executives are paid performance based bonuses.

Options Issued as part of Remuneration for the Year Ended 30 June 2007

There were no options issued as remuneration to key management personnel during the year.

Directors Meetings

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Gregory Howard Solomon	6	6
Douglas Howard Solomon	6	6
Guy Touzeau Le Page	6	6

Indemnifying Officers or Auditor

During or since the end of the financial year the company has paid or agreed to pay insurance premiums as follows:

The company has arranged for an insurance policy to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting

in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The total premium payable is approximately \$20,000.

Options

At the date of this report, the unissued ordinary shares of Fission Energy Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
23 February 2007	28 February 2011	\$0.20	12,500,000
18 June 2007	18 June 2010	\$0.20	1,000,000
18 June 2007	31 March 2011	\$0.20	1,500,000
			15,000,000

During the year ended 30 June 2007, no ordinary shares of Fission Energy Ltd were issued on the exercise of options granted under the Fission Energy Ltd Employee Option Plan. No shares have been issued since that date.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

	\$
Independent accountants report	5,000
	5,000

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 22.

Signed in accordance with a resolution of the Board of Directors.



Gregory Howard Solomon, Director

Dated this 27th day of September 2007

**LEAD AUDITOR S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

TO THE DIRECTORS OF FISSION ENERGY LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

Bentley MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

M Hillgrove

**M J HILLGROVE
PARTNER**

Dated at Perth this 27th day of September 2007.

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
Revenue	2	4,243	-
Depreciation expense		(126)	-
Amortisation expense		(5)	-
Administration expenses	3	(68,525)	(1,215)
Profit before income tax		(64,413)	(1,215)
Income tax expense	4	-	-
Loss from continuing operations		(64,413)	(1,215)
Profit attributable to members		(64,413)	(1,215)
Basic earnings per share (\$ per share)	7	(0.0061)	(1,215.00)

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 \$	2006 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	5,773,797	1
Trade and other receivables	9	42,530	-
TOTAL CURRENT ASSETS		5,816,327	1
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,024	-
Intangible assets	11	345	-
Other non-current assets	12	78,580	21,571
TOTAL NON-CURRENT ASSETS		81,949	21,571
TOTAL ASSETS		5,898,276	21,572
CURRENT LIABILITIES			
Trade and other payables	13	110,270	22,786
TOTAL CURRENT LIABILITIES		110,270	22,786
TOTAL LIABILITIES		110,270	22,786
NET ASSETS		5,788,006	(1,214)
EQUITY			
Issued capital	14	5,853,634	1
Accumulated losses		(65,628)	(1,215)
TOTAL EQUITY		5,788,006	(1,214)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2007

	Ordinary Share Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2005	1	-	1
Loss attributable to members	-	(1,215)	(1,215)
Balance at 30 June 2006	1	(1,215)	(1,214)
Shares issued during the year	6,200,250	-	6,200,250
Transaction costs	(346,617)	-	(346,617)
Loss attributable to members	-	(64,413)	(64,413)
Balance at 30 June 2007	5,853,634	(65,628)	5,788,006

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(41,923)	-
Interest received		4,244	-
Net cash provided by (used in) operating activities	17	(37,679)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(63,374)	-
Purchase of property, plant and equipment		(3,150)	-
Purchase of intangibles		(350)	-
Loans from associated entities		(22,152)	-
Net cash provided by (used in) investing activities		(89,026)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		6,196,250	1
Share issue costs		(295,750)	-
Net cash provided by (used in) financing activities		5,900,500	1
Net increase in cash held		5,773,795	1
Cash at beginning of financial year	8	1	-
Cash at end of financial year	8	5,773,796	1

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Fission Energy Ltd as an individual entity. Fission Energy Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Fission Energy Ltd complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies**a. Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	18.75–50.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c. Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d. Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

e. Equity-settled compensation

The company operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

f. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

g. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

h. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

i. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates — Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The financial report was authorised for issue on 27 September 2007 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2: REVENUE

	2007 \$	2006 \$
Operating activities		
— interest received	4,243	-
Total Revenue	4,243	-

NOTE 3: LOSS FOR THE YEAR

	2007 \$	2006 \$
a. Significant Expenses		
The following significant expense items are relevant in explaining the financial performance:		
— amortisation expense	5	-
— auditors remuneration	18,000	-
— depreciation expense	126	-
— directors fees	11,900	-
— management fees	13,125	-

NOTE 4: INCOME TAX EXPENSE

	2007 \$	2006 \$
a. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)	(19,324)	(365)
	(19,324)	(365)
Add:		
Tax effect of:		
— Deferred tax assets not brought to account	19,324	365
Income tax attributable to entity	-	-
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

- a. Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Gregory Howard Solomon	Executive Director
Douglas Howard Solomon	Non-Executive Director
Guy Touzeau Le Page	Non-Executive Director
Graham Jeffress	Geologist
Robert Smith	Geologist
Michael Glasson	Geologist

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report

- b. Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1.7.2006	Granted as Compen- sation	Options Exercised	Net Change Other*
Graham Jeffress	-	500,000	-	-
Robert Smith	-	500,000	-	-
Michael Glasson	-	500,000	-	-
Total	-	1,500,000	-	-

	Balance 30.6.2007	Total Vested 30.6.2007	Total Exer- cisable 30.6.2007	Total Unexer- cisable 30.6.2007
Graham Jeffress	500,000	200,000	200,000	300,000
Robert Smith	500,000	200,000	200,000	300,000
Michael Glasson	500,000	200,000	200,000	300,000
Total	1,500,000	600,000	600,000	900,000

- c. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.2006	Received as Compen- sation	Options Exercised	Net Change Other*	Balance 30.6.2007
Gregory Howard Solomon	-	-	-	400,000	400,000
Douglas Howard Solomon	-	-	-	250,000	250,000
Robert Smith	-	-	-	75,000	75,000
Michael Glasson	-	-	-	75,000	75,000
Total	-	-	-	800,000	800,000

* Net Change Other refers to options and shares purchased or sold during the financial year including the initial public offering.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 6: AUDITORS' REMUNERATION

	2007 \$	2006 \$
Remuneration of the auditor for:		
— auditing or reviewing the financial report	7,000	-
— Investigating accountants report	5,000	-
— other	6,000	-

NOTE 7: EARNINGS PER SHARE

	2007 \$	2006 \$
a. Reconciliation of earnings to profit or loss		
Profit/(loss)	(64,413)	(1,215)
Earnings used to calculate basic EPS	(64,413)	(1,215)
Dividends on converting preference shares	-	-
Earnings used in the calculation of dilutive EPS	(64,413)	(1,215)
	No.	No.
d. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	10,605,480	1
Weighted average number of options outstanding	-	-
Weighted average number of converting preference shares on issue	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	10,605,480	1
e. Diluted earnings per share is not reflected for discontinuing operations as the result is anti-dilutive in nature	-	-

NOTE 8: CASH AND CASH EQUIVALENTS

	2007 \$	2006 \$
Cash at bank	116,588	-
Cash in hand	1	1
Short-term bank deposits	5,657,208	-
	<u>5,773,797</u>	<u>1</u>
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	<u>5,773,797</u>	<u>1</u>
	<u>5,773,797</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 9: TRADE AND OTHER RECEIVABLES

	2007	2006
	\$	\$
GST refunds	31,735	-
Other receivables	10,795	-
	42,530	-
	42,530	-

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	2007	2006
	\$	\$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	3,150	-
Accumulated depreciation	(126)	-
Total Plant and Equipment	3,024	-
	3,024	-

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment	Total
	\$	\$
Balance at 1 July 2006	-	-
Additions	3,150	3,150
Depreciation expense	(126)	(126)
Balance at 30 June 2007	3,024	3,024
	3,024	3,024

NOTE 11: INTANGIBLE ASSETS

	2007	2006
	\$	\$
Computer software:		
At Cost	350	-
Accumulated amortisation and impairment	(5)	-
Net carrying value	345	-
Total intangibles	345	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 11: INTANGIBLE ASSETS (CONT'D)

	Computer Software	Total
	\$	\$
Balance at 1 July 2006	-	-
Additions	350	350
Amortisation charge	(5)	(5)
Impairment	-	-
Balance at 30 June 2007	<u>345</u>	<u>345</u>

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement.

NOTE 12: OTHER ASSETS

	2007	2006
	\$	
NON-CURRENT		
Exploration expenditure capitalised		
— exploration and evaluation phases	78,580	21,570
Total exploration expenditure	<u>78,580</u>	<u>21,570</u>

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of uranium ore.

Capitalised costs amounting to \$67,374 (2006: Nil) have been included in cash flows from investing activities in the cash flow statement.

NOTE 13: TRADE AND OTHER PAYABLES

	2007	2006
	\$	\$
CURRENT		
Trade payables	25,661	-
Sundry payables and accrued expenses	83,975	-
Amounts payable to:		
— ultimate parent entity	-	22,785
— associated companies	634	-
	<u>110,270</u>	<u>22,785</u>

Fission Energy Limited ceased to be controlled by Tasman Resources NL on 14 June 2007 following the successful initial public offering. Accordingly, the loan from Tasman Resources NL has been reclassified as amounts payable to associated companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 14: ISSUED CAPITAL

	2007	2006
	\$	\$
57,000,000 (2006: 1) ordinary shares	5,853,634	1
	5,853,634	1

	2007	2006
	No.	No.
a. Ordinary shares		
At the beginning of reporting period	1	1
Shares issued during the year		
— 23 February 2007	24,999,999	-
— 14 March 2007	2,000,000	-
— 14 June 2007	30,000,000	-
At reporting date	57,000,000	1

On 23 February 2007 the company issued 24,999,999 ordinary shares at \$0.00001 per share to Tasman Resources NL.

On 14 March 2007 the company issued 2,000,000 ordinary shares at \$0.10 per share to raise working capital.

On 14 June 2007 the company issued 30,000,000 ordinary shares at \$0.20 each to raise working capital as part of an initial public offer.

Ordinary shares participate in dividends and the proceeds of winding up in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Options		
At the beginning of reporting period	-	-
Options issued during the year		
— 28 February 2007	12,500,000	-
— 18 June 2007	2,500,000	-
At reporting date	15,000,000	-

i. On 28 February 2007, 12,500,000 share options were granted to Tasman Resources NL to accept ordinary shares at an exercise price of \$0.20. The options are exercisable on or before 28 February 2011. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

ii. On 18 June 2007, 1,000,000 share options were granted to the broker of the initial public offering to accept ordinary shares at an exercise price of \$0.20. The options are exercisable on or before 18 June 2010. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

iii. For information relating to the Fission Energy Ltd employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 18 Share-based Payments.

iv. For information relating to share options issued to key management personnel during the financial year, refer to Note 18 Share-based Payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 15: CAPITAL AND LEASING COMMITMENTS

	2007	2006
	\$	\$
a. Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Capital expenditure projects	10,064	-
	<hr/> 10,064	<hr/> -
Payable:		
— not later than 12 months	10,064	-
— between 12 months and 5 years	-	-
— greater than 5 years	-	-
	<hr/> 10,064	<hr/> -

The company has certain obligations to pay a share of rent on mining tenements held in respect of rights held to explore for uranium transferred from Tasman Resources NL.

NOTE 16: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors are not aware of any contingent assets or contingent liabilities as at 30 June 2007.

NOTE 17: CASH FLOW INFORMATION

	2007	2006
	\$	\$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Loss after income tax	(64,413)	(1,215)
Non-cash flows in profit		-
Amortisation	5	-
Depreciation	126	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	(31,735)	-
Increase/(decrease) in trade payables and accruals	58,338	1,215
Cashflow from operations	<hr/> (37,679)	<hr/> -

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 18: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2007:

On 18 June 2007, 1,500,000 share options were granted to directors to accept ordinary shares at an exercise price of \$0.20. The options are exercisable at various dates but before 31 March 2011. The options hold no voting or dividend rights and are not transferable. When a director ceases employment the options are deemed to have lapsed. Since balance date, no director has ceased their employment.

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding at the beginning of the year	-	-	-	-
Granted	1,500,000	0.20	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	1,500,000	0.20	-	-
Exercisable at year-end	600,000	0.20	-	-

There were no options exercised during the year ended 2007.

The weighted average fair value of the options granted during the year was \$Nil.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

NOTE 19: EVENTS AFTER THE BALANCE SHEET DATE

On 30 July 2007, the company issued a short form prospectus for a non renounceable entitlement issue of 1 Option for every 2 Shares held by Shareholders as at 5.00pm WST on Wednesday 8 August 2007 at an issue price of \$0.01 per Option to raise approximately \$285,000 (before expenses of the Issue). Each Option is exercisable at an exercise price of 20 cents at any time on or before 28 February 2011.

NOTE 20: RELATED PARTY TRANSACTIONS

	2007	2006
	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		

Transactions with related parties:

a. Key Management Personnel		
Management fees and administration fees paid to Princebrook Pty Ltd, a company in which Mr GH Solomon and Mr DH Solomon have an interest.	13,125	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 20: RELATED PARTY TRANSACTIONS (CONT'D)

	2007	2006
	\$	\$
Legal and professional fees paid to Solomon Brothers, a firm of which Mr GH Solomon and Mr DH Solomon are partners.	39,950	-

NOTE 21: FINANCIAL INSTRUMENTS

a. Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and loans to and from associated companies.

i. Financial Risks

The main risks the company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

b. Financial Instruments

i. Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Fixed Interest Rate Maturing							
	Weighted Average Effective Interest Rate		Floating Interest Rate		Non Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
			\$	\$	\$	\$	\$	\$
Financial Assets:								
Cash and cash equivalents	6.30%	-	5,773,797	-	-	1	5,773,797	1
Trade and other receivables	-	-	-	-	42,530	-	42,530	-
Total Financial Assets	6.30%	-	5,773,797	-	42,530	1	5,816,327	1
Financial Liabilities:								
Trade and sundry payables	-	-	-	-	110,270	22,785	110,270	22,785
Total Financial Liabilities	-	-	-	-	110,270	22,785	110,270	22,785

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 21: FINANCIAL INSTRUMENTS (CONT'D)

ii. Net Fair Values

The aggregate net fair values of:

- Financial assets and financial liabilities, at the balance date, are approximated by their carrying value.

NOTE 22: CHANGE IN ACCOUNTING POLICY

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report.

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 *Operating Segments* replaces the presentation for annual reporting periods beginning on or after 1 January 2009 and it is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.
- AASB 2007-3 *Amendments to Australian Accounting Standards* arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.
- AASB 2007-1 *Amendments to Australian Accounting Standards* arising from AASB Interpretation II amends AASB 2 *Share-based Payments* to insert the transitional provisions of IFRS 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report.
- AASB 2007-2 *Amendments to Australian Accounting Standards* arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statement*, AASB 131 *Interest in Joint Ventures*, and AASB 139 *Financial Instruments Recognition and Measurement*. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as the Interpretation 12 *Service Concession Arrangements*.
- AASB 2007-2 *Amendments to Australian Accounting Standards* also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 22: FINANCIAL INSTRUMENTS (CONT'D)

- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other Amendments makes consequential amendments to AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share Based Payments, AASB 3 Business Combinations, AASB 4 Insurance Contracts, AASB 5 Non-Current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 7 Financial Instruments : Disclosures, AASB 102 Inventories, AASB 107 Cash Flow Statement, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 110 Events after the Balance Sheet Date. AASB 112 Income Taxes, AASB 114 Segment Reporting, AASB 116 Property, Plant and Equipment, AASB 117 Leases, AASB 118 Revenue, AASB 119 Employee Benefits, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Currency Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investment in Associates, AASB 129 Financial Reporting in Hyperinflationary Economies, AASB 130 Disclosures of Financial Statement of Banks and Similar Financial Institutions, AASB 131 Interest in Joint Ventures, AASB 132 Financial Instruments: Disclosures and Presentation, AASB 133 Earnings Per Share, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 137 Provision, Contingent Liabilities and Contingent Assets, AASB 138 Intangible Assets, AASB 139 Financial Instruments: Recognition and Measurement, AASB 141 Agriculture, AASB 1023 General Insurance Contracts, and AASB 1038 Life Insurance Contracts. This standard is applicable to annual reporting periods beginning on or after 1 July 2007. The potential impact on the Company has not yet been determined.
- AASB 2007-5 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities requires inventories held for distribution by not-for-profit entities to be measured at the lower of cost and current replacement costs. AASB 2007-5 is applicable for annual reporting periods beginning on or after 1 July 2007 and is not expected to have an impact on the financial results or disclosures contained within the financial report.
- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 111 Construction contracts, AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets, Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements. AASB 2007-6 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be applied at the same time as AASB 123 Borrowing Costs. This standard principally removes the references to expensing borrowing costs on qualifying assets.
- AASB 2007-7 Amendments to Australian Accounting Standards arising from AASB 2007-4 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share-Based Payment, AASB 4 Insurance Contracts, AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB Cash Flow Statements and AASB 128 Investments in Associates. AASB 2007-7 is applicable for annual reporting periods beginning on or after 1 July 2007. This standard is only expected to impact disclosures contained within the financial report.

NOTE 23: COMPANY DETAILS

The registered office of the company is:

Fission Energy Limited
Level 40, Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

The principal places of business are:

Fission Energy Limited
Level 40, Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 23 to 40, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and company;
2. the Directors have declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Gregory Howard Solomon

Dated this 27th day of September 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FISSION ENERGY LIMITED

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Fission Energy Limited (the "Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity, and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 23, and the directors' declaration set out on page 41 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in the Directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' report.

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in Directors' report based on our audit.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FISSION ENERGY LIMITED**

**Report on the Financial Report and AASB 124 Remuneration Disclosures
Contained in the Directors' Report (continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' report, 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 report and the remuneration disclosures contained in the Directors' report 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 the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.


Auditor's opinion on the financial report

In our opinion, the financial report of Fission Energy Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date, and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's opinion on AASB 124 remuneration disclosures contained in the Directors' report

In our opinion, the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.



BENTLEYS MRI PERTH PARTNERSHIP



**M J HILLGROVE
PARTNER**

Dated at Perth this 27th day of September 2007.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

1. Shareholding

a. Distribution of Shareholders	Number
Category (size of holding)	Shareholders
1 – 1,000	3
1,001 – 5,000	97
5,001 – 10,000	297
10,001 – 100,000	509
100,001 – and over	48
	954

b. The number of shareholdings held in less than marketable parcels is 59.

c. The names of the substantial shareholders listed in the holding company's register as at 31 August 2007 are:

Shareholder	Number
	Ordinary shares
Tasman Resources NL	25,000,000

d. Voting Rights

Subject to any rights or restrictions for the time being attached to any classes of Shares (at present there are none), at meetings of shareholders of the Company:

- (a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote: and
- (c) on a poll, every person present who is a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

e. Restricted Securities

At the date of listing there were 26,000,000 shares and 13,500,000 options placed in escrow to be released at various dates.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

f. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Tasman Resources NL	25,000,000	43.860%
2. Taycol Nominees Pty Ltd	1,525,000	2.675%
3. RBC Dexia Investor Services Australia Nominees Pty Ltd <MLCI A/c>	675,000	1.184%
4. Jarra Glen Pty Ltd	541,200	0.949%
5. K & V Lamb Pty Ltd	425,000	0.746%
6. Mr Thomas Fleet Scaife	400,000	0.702%
7. Kavel Pty Ltd <Kleeman Family A/c>	320,000	0.561%
8. Arkenstone Pty Ltd <G H Solomon Fam Invest A/c>	300,000	0.526%
9. Wobbly Investments Pty Ltd	265,000	0.465%
10. March Bells Pty Ltd	250,000	0.439%
11. Symington Pty Ltd	250,000	0.439%
12. Mr Graham Louis Moodie	250,000	0.439%
13. Ms Joanne Holland	225,000	0.395%
14. Mr Bradley Ian McGougan & Mrs Karen Jane McGougan <The McGougan Super Fund A/c>	200,000	0.351%
15. Mrs Barbara June Watson	200,000	0.351%
16. Swift Nominees Pty Ltd	200,000	0.351%
17. Mr David George Whiting & Mrs Susan Marie Whiting <Mambat Pty Ltd S/Fund A/c>	200,000	0.351%
18. Doug Perry (Insurances) Nominees Pty Ltd <D C & M E Perry Family A/c>	200,000	0.351%
19. Strategy For Success Pty Ltd Resources House	200,000	0.351%
20. Mr Gary John Munyard & Mrs Pauline Mary Munyard	200,000	0.351%
	<u>31,826,200</u>	<u>55.837%</u>



Level 40, Exchange Plaza
2 The Explanade
Perth, Western Australia
Telephone: +61 8 9282 5889
Facsimile: +61 8 9282 5866
Email: mailroom@fissionenergy.com.au
Website: www.fissionenergy.com.au