



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

THREE MONTHS ENDED DECEMBER 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Mega Uranium Ltd. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

MEGA URANIUM LTD.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

	As at December 31, 2018	As at September 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents (note 6)	\$ 2,653	\$ 1,508
Receivables and prepaid expenses (note 7)	227	187
Marketable securities (note 8)	1,783	1,147
Total current assets	4,663	2,842
Non-current assets		
Restricted cash (note 9)	337	327
Equity investment (note 10)	8,713	9,720
Long-term investment (note 11)	46,503	50,378
Capital assets, net	51	56
Total non-current assets	55,604	60,481
Total assets	\$ 60,267	\$ 63,323
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (notes 12 and 13)	\$ 419	\$ 535
Total liabilities	419	535
Capital and reserves		
Share capital (note 14)	276,192	274,838
Warrant reserve (note 16)	1,372	887
Share option reserve	66,020	65,952
Accumulated other comprehensive income	32,237	35,591
Deficit	(315,973)	(314,480)
Total equity	59,848	62,788
Total equity and liabilities	\$ 60,267	\$ 63,323

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Going concern (note 2)

Commitments and obligations (note 18)

Subsequent event (note 24)



MEGA URANIUM LTD.

Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income (Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

	Three Months Ended December 31,	
	2018	2017
Operating expenses		
General and administrative expenses (note 20)	\$ 490	\$ 676
Exploration and evaluation expenditures (note 21)	176	182
Operating loss	(666)	(858)
Loss on equity investment (note 10)	(318)	(156)
Loss on deemed disposition of equity investment (note 10)	(689)	-
Unrealized gain on marketable securities	261	106
Interest income	1	3
Royalty income (note 21)	375	-
Other income	47	79
Foreign exchange gain (loss)	9	(2)
Net loss before taxes	(980)	(828)
Deferred tax (expense) recovery	(513)	1,130
Net (loss) income for the period	(1,493)	302
Other comprehensive (loss) income		
Items that will be reclassified subsequently to the profit and loss:		
Exchange differences on translation of foreign operations	8	-
Change in fair value of long-term investment, net of tax (note 11)	(3,362)	7,395
Other comprehensive (loss) income	(3,354)	7,395
Total comprehensive (loss) income for the period	\$ (4,847)	\$ 7,697
(Loss) income per common share - basic (note 17)	\$ (0.00)	\$ 0.00
(Loss) income per common share - diluted (note 17)	\$ (0.00)	\$ 0.00
Weighted average number of common shares outstanding - basic	311,614,908	294,474,625
Weighted average number of common shares outstanding - diluted	311,614,908	303,655,210

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.



MEGA URANIUM LTD.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

	Three Months Ended December 31,	
	2018	2017
Operating activities		
Net (loss) income for the period	\$ (1,493)	\$ 302
Adjustment for:		
Loss on equity investment	318	156
Loss on deemed disposition of equity investment	689	-
Unrealized gain on marketable securities	(261)	(106)
Amortization	6	9
Stock-based compensation	128	186
Royalty income	(375)	-
Deferred tax expense (recovery)	513	(1,130)
Non-cash working capital items:		
Receivables and prepaid expenses	(40)	29
Amounts payable and other liabilities	(116)	143
Net cash used in operating activities	(631)	(411)
Financing activities		
Proceeds from private placement, net of costs	1,669	-
Proceeds from exercise of stock options	110	65
Net cash provided by financing activities	1,779	65
Investing activities		
Purchase of marketable securities	-	(12)
Net cash used in investing activities	-	(12)
Effect of exchange rate changes on cash held in foreign currencies	(3)	(1)
Net change in cash and cash equivalents	1,145	(359)
Cash and cash equivalents, beginning of period	1,508	1,012
Cash and cash equivalents, end of period	\$ 2,653	\$ 653

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.



MEGA URANIUM LTD.

Condensed Interim Consolidated Statements of Equity

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

	Number of common shares	Share capital	Warrant reserve	Share option reserve	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' equity
Balance, October 1, 2017	294,278,973	\$ 273,644	\$ 426	\$ 65,355	\$ 38,110	\$ (306,520)	\$ 62,788
Exercise of stock options	666,666	103	-	(38)	-	-	65
Stock-based compensation	-	-	-	186	-	-	186
Net income for the period	-	-	-	-	-	302	302
Other comprehensive income, net of tax	-	-	-	-	7,395	-	7,395
Balance, September 30, 2018	294,945,639	\$ 273,747	\$ 426	\$ 65,503	\$ 45,505	\$ (306,218)	\$ 70,736
Balance, October 1, 2018	309,382,003	\$ 274,838	\$ 887	\$ 65,952	\$ 35,591	\$ (314,480)	\$ 62,788
Private placement (note 14(b)(i))	15,909,091	1,750	-	-	-	-	1,750
Cost of issue (note 14(b)(i))	-	(81)	-	-	-	-	(81)
Warrants issued (note 14(b)(i))	-	(485)	485	-	-	-	-
Exercise of stock options	1,100,000	170	-	(60)	-	-	110
Stock-based compensation	-	-	-	128	-	-	128
Net loss for the period	-	-	-	-	-	(1,493)	(1,493)
Other comprehensive loss, net of tax	-	-	-	-	(3,354)	-	(3,354)
Balance, December 31, 2018	326,391,094	\$ 276,192	\$ 1,372	\$ 66,020	\$ 32,237	\$ (315,973)	\$ 59,848

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

1. Nature of business

Mega Uranium Ltd. ("Mega" or the "Company") was incorporated in 1990 under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "MGA". The Company is domiciled in the Province of Ontario, Canada and its registered office located at 211 Yonge Street, Suite 502, Toronto, Ontario, Canada, M5B 1M4.

Mega is an exploration stage mineral resources company with properties in Australia and Canada and investments in uranium-focused public and private companies.

Mega is in the process of exploring its mineral properties and has not as yet determined whether these properties contain economic reserves. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

In addition to the Company's own exploration activities, Mega participates indirectly in the uranium sector through its securities holdings in other public companies, including its significant long-term investment in NexGen Energy Ltd. ("NexGen") (NYSE:TSX), its equity interest in Toro Energy Limited ("Toro") (TOE:ASX), and marketable securities in other uranium-focused issuers. NexGen is an exploration stage entity engaged in the acquisition, exploration and evaluation of uranium properties in Canada. NexGen is a public company incorporated pursuant to the provisions of the British Columbia Business Corporations Act and has its registered records office located on the 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3. Toro's principal activities include the development of the Wiluna Uranium Project and exploration and evaluation of its tenement holdings. Toro is a public company incorporated and domiciled in Australia. The address of its registered office and principal place of business is 60 Havelock Street West Perth WA 6005.

These interim consolidated financial statements ("interim consolidated statements") were approved by the Company's board of directors on February 12, 2019.

2. Going concern

These interim consolidated statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has an accumulated deficit of \$315,973 (September 30, 2018 - \$314,480). The Company is in the exploration stage and is subject to risks and challenges similar to other companies in a comparable stage of exploration.

These risks include, but are not limited to, dependence on key individuals, successful exploration and the ability to secure adequate financing to meet the minimum capital required to successfully complete the projects, political risk relating to maintaining property licenses in good standing and continuing as a going concern.

The Company will have to raise additional funds to continue operations. Although the Company is able to raise funds by selling equity investments and has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available on terms acceptable to the Company. The Company's ability to generate capital from external sources or dispositions of investments is dependent upon many factors outside of its control, including the market values of its investments which can fluctuate significantly at any time and have a material and unpredictable impact of the Company's capital resources.

Failure to meet its funding commitments with its partners or its ongoing obligations in respect of governing bodies in the jurisdictions in which it operates may result in the loss of the Company's exploration and evaluation interests.



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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

2. Going concern (continued)

The challenges of securing requisite funding beyond December 31, 2018 and the continued estimated operating losses cast significant doubt on the Company's ability to continue as a going concern.

The interim consolidated statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern. Such adjustments could be material.

3. Basis of preparation

a) Statement of compliance:

These interim consolidated statements have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting issued by IAS Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee using accounting policies consistent with International Financial Reporting Standards ("IFRS") and includes the accounts of Mega and its subsidiary entities.

The same significant accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation and described in note 4 of the annual consolidated financial statements as at and for the year ended September 30, 2018. Accordingly, these interim consolidated statements for the three months ended December 31, 2018 should be read together with the annual consolidated financial statements as at and for the year ended September 30, 2018. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these interim consolidated statements are presented below.

b) Basis of presentation:

These interim consolidated statements have been prepared using the historical cost convention except for some financial instruments which have been measured at fair value. All monetary references expressed in these notes are references to Canadian dollar amounts ("C\$") except as otherwise noted.

c) Basis of consolidation:

These interim consolidated statements include the accounts of Mega and its wholly-owned subsidiaries: Maple Resources Inc.; Uranium Mineral Ventures Inc. ("UMVI"); Mega Georgetown Pty Ltd.; Mega Hindmarsh Holdings Pty Ltd. ("Hindmarsh"); Mega Redport Holdings Pty Ltd.; Monster Copper Corporation ("Monster"); Nu Energy Uranium Corporation. ("Nu Energy"); and Northern Lorena Resources Ltd. ("Lorena"). The Company has additional indirect subsidiaries that are wholly-owned investments of its subsidiaries.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

All inter-company transactions and balances have been eliminated upon consolidation.



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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

3. Basis of preparation (continued)

d) Critical accounting judgments, estimates and assumptions:

The preparation of the interim consolidated statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities, and contingent liabilities and the accompanying note disclosures at the date of the interim consolidated statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

However, actual outcomes may differ from these estimates. The information about significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below:

(i) Determination of functional currency:

IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"), defines the functional currency as the currency of the primary economic environment in which an entity operates. The determination of functional currency, which is performed on an entity by entity basis, is based on various judgmental factors outlined in IAS 21. Based on an assessment of the factors in IAS 21, primarily those that influence labour, material and other costs of goods or services received by the Company's subsidiaries, management determined that the functional currency for the parent is the Canadian Dollar and the functional currency for the Company's subsidiaries in Australia is the Australian Dollar.

(ii) Share-based payments:

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense. The Black-Scholes model requires six key inputs to determine a value for an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

(iii) Significant influence:

Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Company and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement.

(iv) Deferred tax assets and liabilities:

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company computes deferred tax assets and liabilities in respect of taxes that are based on taxable profit. Taxable profit is understood to be a net, rather than gross, taxable amount that gives effect to both revenues and expenses. Taxable profit will often differ from accounting profit and management may need to exercise judgment to determine whether some taxes are income taxes (subject to deferred tax accounting) or operating expenses.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

3. Basis of preparation (continued)

d) Critical accounting judgments, estimates and assumptions: (continued)

(iv) Deferred tax assets and liabilities: (continued)

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the differences are expected to be recovered or settled. The determination of the ability of the Company to utilize tax loss carry forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, commodity prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

(v) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 2.

(vi) Impairment of equity investment

At the end of each financial reporting period, the Company's management assesses whether there are indications of impairment of the Company's equity investment in Toro. The recoverable amount of the Company's equity investment in Toro is estimated based on the applicable closing share price. In addition to the recoverable amount, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period.

4. Significant accounting policies

New accounting standard adopted

On July 24, 2014, the IASB issued the completed IFRS 9 - Financial Instruments ("IFRS 9") to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its interim consolidated statements on October 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on October 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.



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Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

4. Significant accounting policies (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the condensed interim consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the unaudited condensed interim consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Financial Instrument	IAS 39	IFRS 9
<u>Financial Assets</u>		
Cash and cash equivalents	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Marketable securities	FVTPL	FVTPL
Long-term investment	Available-for-sale ⁽¹⁾	FVTOCI ⁽²⁾
<u>Financial Liabilities</u>		
Amounts payable and other liabilities	Other financial liabilities	Amortized cost

⁽¹⁾ Subsequently measured at fair value with changes recognized in other comprehensive income. The net change subsequent to initial recognition, in the case of investments, is reclassified into net income upon disposal of the investment or when the investment becomes impaired.

⁽²⁾ Subsequently measured at fair value with changes recognized in OCI. The net change subsequent to initial recognition, in the case of investments, is not reclassified into net income upon disposal of the investment or when the investment becomes impaired.

5. Recent accounting pronouncements

New standards not yet adopted:

(a) Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for periods beginning on or after January 1, 2019. Earlier application is permitted if any entity also adopts IFRS 15.

The Company is in the process of assessing the impact of adopting this standard.



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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

6. Cash and cash equivalents

	As at December 31, 2018	As at September 30, 2018
Cash	\$ 2,643	\$ 1,498
Short-term deposits in bank	10	10
Cash and cash equivalents	\$ 2,653	\$ 1,508

7. Receivables and prepaid expenses

	As at December 31, 2018	As at September 30, 2018
Sundry receivables	\$ 85	\$ 87
Sales tax receivables	88	62
Prepaid expenses	54	38
	\$ 227	\$ 187

As at December 31, 2018, no receivables are past due.

8. Marketable securities

Marketable securities consist of equity investments in junior or small cap mining companies for the following periods indicated:

	As at December 31, 2018	As at September 30, 2018
Investments at fair value	\$ 1,783	\$ 1,147
Cost	\$ 3,808	\$ 3,433

The Company has classified its investments in marketable securities as financial assets at fair value through profit and loss and unrealized gains and losses or changes in fair value are recorded fair value through profit and loss.

The Company's investments in marketable securities are classified as Level 1 and 2 in the fair value hierarchy outlined in *IFRS 7 Financial Instruments: Disclosures* as their fair values have been determined based on a quoted price in an active market for Level 1 and recent financing for Level 2.

9. Restricted cash

As at December 31, 2018, the Company pledged AUD\$350 (CAD\$337) (September 30, 2018 – CAD\$327) of cash held in a Guaranteed Investment Certificate ("GIC") as collateral for a letter of guarantee issued to the State of Queensland, Australia, related to the mining leases for the Ben Lomond Property. The letter of guarantee is automatically renewable annually for an indefinite period of time and, accordingly, the pledged GIC is expected to continue to be renewed annually.



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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

10. Equity investment

An associate is an entity over which the Company has significant influence, and is not a subsidiary or joint venture. Significant influence is presumed to exist when the Company has the power to be actively involved and influential in financial and operating policy decisions of the associate.

The Company accounts for its investment in an associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of profit and loss of the associate and for impairment losses after the initial recognition date. The Company's share of comprehensive earnings or losses of associates are recognized in comprehensive loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

In November 2013, Mega acquired 415 million ordinary shares of Toro, representing approximately 28.00% of Toro's outstanding shares at the date of acquisition. The shares were received as consideration for the sale of the Lake Maitland properties and certain associated rights and assets valued at \$34,337.

The Company is considered to have significant influence over Toro due to the percentage of its equity interest in Toro and its representation on Toro's board of directors. Accordingly, Mega accounts for its investment in Toro using the equity method.

During the three months ended December 31, 2018, Mega's holdings in Toro were diluted from 19.68% to 18.28% as a result of the issuance of additional ordinary shares by Toro, resulting in a dilution loss of \$689.

The following is a summary of the Company's investment in Toro:

	Toro
Investment as at September 30, 2017	\$ 15,599
Mega's share of loss	(1,013)
Disposition of equity investment in Toro	(370)
Impairment of equity investment in Toro	(4,496)
Investment as at September 30, 2018	9,720
Mega's share of the loss	(318)
Loss on deemed disposition of equity investment in Toro	(689)
Investment as at December 31, 2018	\$ 8,713

The fair value of the equity investment in Toro is \$9,878 as at December 31, 2018 (September 30, 2018 - \$10,350) based on the applicable closing share price. Such fair value is categorized as level 1 within the fair value hierarchy.

The Company recorded an impairment on the equity investment in Toro of \$4,496 as of Toro's year end, June 30, 2018. Indicators of impairment were identified by the Company as the carrying amount of the net assets of Toro were determined to be more than its market value as of June 30, 2018. Market value was determined based on Toro's market capitalization as of the date of assessment, prorated for the proportion of shares owned by the Company.

As at September 30, 2018, impairment was reassessed by the Company and significant changes with favourable effect on the market value of the Company's investment in Toro were not identified to result in a reversal of impairment as at period end. Therefore, the value of the Company's investment has been reflected as the impaired value as at June 30, 2018.



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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

10. Equity investment (continued)

The Company picks up its share of the loss of Toro for the year based on the most recent financial information of Toro (being the September 30, 2018 financial information), which is within 3 months of the Company's period-end. Any significant transactions between September 30, 2018 and December 31, 2018 are adjusted.

The following table summarizes certain unaudited financial information of Toro for the three months ended September 30, 2018 and 2017:

	Three Months Ended September 30,	
	2018	2017
Total assets	\$ 7,386	\$ 8,697
Total liabilities	15,715	14,203
Revenue	953	36
Net loss	(1,738)	(773)

11. Long-term investment

Mega holds 19,376,265 (September 30, 2018 - 19,376,265) shares of NexGen as at December 31, 2018. The shares were acquired in December 2012 as consideration for the sale of the majority of Mega's Canadian projects to NexGen.

The change in the investment in NexGen is detailed as follows:

	As at December 31, 2018	As at September 30, 2018
Opening balance	\$ 50,378	\$ 53,285
Unrealized (loss) for the period end recorded in other comprehensive loss	(3,875)	(2,907)
Closing balance	\$ 46,503	\$ 50,378

12. Amounts payable and other liabilities

	As at December 31, 2018	As at September 30, 2018
Trade payables	\$ 80	\$ 42
Due to related parties (note 13)	299	413
Accrued liabilities	40	80
	\$ 419	\$ 535



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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

13. Related party transactions

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions were as follows for the three months ended December 31, 2018 and 2017.

Type of service	Nature of relationship	Three Months Ended December 31,	
		2018	2017
Short-term compensation benefits ^(a)	Directors	\$ 39	\$ 39
Short-term compensation benefits ^(b)	Officers	\$ 136	\$ 275
Stock-based compensation benefits ^(c)	Directors and officers	\$ 105	\$ 156
Administrative services ^(d)	Officers	\$ 6	\$ 6

^(a) Represents the portion of annual retainers for board and committee service paid to all of the directors during the period.

^(b) Represents fees paid as compensation to the Company's Chief Executive Officer, Executive Vice President-Australia and Chief Financial Officer for services rendered in their executive capacities.

For the three months ended December 31, 2018, \$79 of the costs relating to these agreements (three months ended December 31, 2017 - \$222) are included in general and administrative expenses and \$57 (three months ended December 31, 2017 - \$59) are included in exploration and evaluation.

^(c) Reflects costs associated with stock options granted as part of executive and director compensation.

^(d) Represents accounting services provided to the Company by Marrelli Support Services Inc., a corporation controlled by Mega's Chief Financial Officer, pursuant to an ongoing contractual arrangement.

During the three months ended December 31, 2018, the Company provided office space and other occupancy services to Toro and earned \$47 (three months ended December 31, 2017 - \$nil) of income from Toro.

Included in amounts payable and other liabilities are fees owing to officers and directors of \$299 as at December 31, 2018 (September 30, 2018 - \$413).

During the three months ended December 31, 2018, officers and directors of Mega exercised 1,100,000 stock options.



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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

14. Share capital

a) Authorized share capital

At December 31, 2018, the authorized share capital consisted of an unlimited number of common shares.

The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

At December 31, 2018, the issued share capital amounted to \$276,192. The changes in issued share capital for the years were as follows:

	Number of common shares	Amount
Balance, September 30, 2017	294,278,973	\$ 273,644
Exercise of stock options	666,666	103
Balance, December 31, 2017	294,945,639	\$ 273,747
Balance, September 30, 2018	309,382,003	\$ 274,838
Private placement (i)	15,909,091	1,750
Cost of issue - cash (i)	-	(81)
Warrants issued (i)	-	(485)
Exercise of stock options	1,100,000	170
Balance, December 31, 2018	326,391,094	\$ 276,192

(i) On December 17 and 24, 2018, the Company completed the first and final tranches of a non-brokered private placement (the "2019 Financing"), pursuant to which the Company raised aggregate gross proceeds of \$1,750 from the issuance and sale of 11,909,091 and 4,000,000 units respectively, at a price of \$0.11 per unit. Each unit was comprised of one common share and one common share purchase warrant of Mega. Each warrant entitles the holder to purchase one common share of the Company, at a price of \$0.15 per share, until expiry on December 17 and 24, 2020 respectively. The fair value assigned to these warrants at the date of issue was \$469 using the Black-Scholes valuation model with the following assumptions: an expected life of 2 years; a 85% volatility based on historical trends; risk free interest rate ranging from 1.91% and 1.96%; share prices at the date of grant of \$0.115 and \$0.105; and an expected dividend yield of 0%.

Mega paid aggregate finders' fees to third parties who assisted the Company in the 2019 Financing in the form of \$62 in cash and 564,545 common share purchase warrants. The warrants have the same terms as the warrants forming part of the units sold in the 2019 Financing and were valued at \$16.



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15. Stock options

Stock option plans:

The Company grants options to directors, officers, employees and consultants under its 2007 Stock Option Plan. Under the plan, the Company is authorized to issue up to the number of common shares of Mega equal to 10% of the number of common shares outstanding from time to time. The term of an option granted under the plan may not exceed 10 years.

Each of the stock options granted and currently outstanding vest in three-month intervals over an 18-month period from the date of grant and have various terms.

The following table reflects the continuity of stock options for the periods ended December 31, 2018 and 2017:

	Number of stock options	Weighted average exercise price (\$)
Balance, September 30, 2017	25,811,666	0.12
Exercised	(666,666)	0.10
Balance, December 31, 2017	25,145,000	0.12
Exercisable, December 31, 2017	19,569,998	0.11

	Number of stock options	Weighted average exercise price (\$)
Balance, September 30, 2018	29,445,000	0.13
Exercised	(1,100,000)	0.10
Expired	(595,000)	0.10
Balance, December 31, 2018	27,750,000	0.13
Exercisable, December 31, 2018	24,066,665	0.12

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2018:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
May 29, 2020	0.090	1.41	7,150,000	7,150,000	-
February 28, 2021	0.085	2.16	1,525,000	1,525,000	-
May 31, 2021	0.140	2.42	2,750,000	2,750,000	-
December 31, 2021	0.070	3.00	1,775,000	1,775,000	-
January 1, 2022	0.140	3.01	6,050,000	6,050,000	-
May 31, 2022	0.175	3.42	1,700,000	1,700,000	-
August 31, 2022	0.200	3.67	1,700,000	1,416,666	283,334
December 31, 2022	0.210	4.00	1,700,000	850,000	850,000
May 31, 2023	0.140	4.42	1,700,000	566,666	1,133,334
September 4, 2023	0.125	4.68	1,700,000	283,333	1,416,667
		2.81	27,750,000	24,066,665	3,683,335



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15. Stock options (continued)

These stock options are expensed over the option's vesting periods in the consolidated financial statements of loss and comprehensive income and credited to share option reserve.

For the three months ended December 31, 2018, included in the interim consolidated statements of (loss) income and comprehensive (loss) income was stock-based compensation expense of \$113 (three months ended December 31, 2017 - \$167) relating to the fair value of stock options granted and \$15 (three months ended December 31, 2017 - \$19) was expensed as exploration and evaluation.

16. Warrants

	Number of warrants	Grant date fair value
Balance, September 30, 2017 and December 31, 2017	7,104,645	\$ 426
Balance, September 30, 2018	21,197,009	\$ 887
Issued	16,473,636	485
Balance, December 31, 2018	37,670,645	\$ 1,372

The following table reflects the warrants issued and outstanding as of December 31, 2018:

Expiry date	Exercise price (\$)	Warrants outstanding
June 2, 2019	0.25	7,104,645
August 31, 2020	0.15	14,092,364
December 17, 2020	0.15	12,233,636
December 24, 2020	0.15	4,240,000
	0.17	37,670,645

17. Loss per common share

	Three Months Ended December 31,	
	2018	2017
Weighted average number of common shares outstanding - basic	311,614,908	294,474,625
Dilutive effect of stock options and warrants	-	9,180,585
Weighted average number of common shares outstanding - diluted	311,614,908	303,655,210

Basic and diluted (loss) income per share is calculated based on the weighted average number of common shares issued and outstanding during the period.



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Three Months Ended December 31, 2018

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18. Commitments and obligations

The Company has the following commitments and obligations as at December 31, 2018:

(i) The Ben Lomond Properties located in Queensland, has a yearly commitment and obligation of \$274 (AUD\$285) towards the care and maintenance costs and environmental obligation of the project for the next five years. On the Georgetown properties located in Queensland, there is a yearly commitment of \$5 (AUD\$5), towards the care and maintenance costs of the properties for the next five years. On the Redport gold properties located in Western Australia there is a yearly commitment of \$144 (AUD\$150), towards the care and maintenance costs of the properties for the next five years.

(ii) The Company is subject to management contracts with certain executive officers that provide for payments under circumstances involving a change of control of Mega or termination of the officer's services. As at December 31, 2018, these contracts require that additional payments of approximately \$2,200 be made upon the occurrence of a change of control. The minimum commitment upon termination of these contracts is approximately \$1,011. As a triggering event has not taken place, the contingent payments have not been reflected in these interim consolidated statements.

(iii) The Company entered into a lease agreement in respect of its head office location for a five year period commencing March 15, 2016, which provides for a monthly cost of \$4.5.

(iv) The Company's Chief Executive Officer's compensation package includes a discretionary bonus that is dependent upon the excess of cash proceeds on disposition of the NexGen investment net of acquisition and disposition costs. The entitlement is payable at the discretion of the board of directors up to a maximum amount equal to 5% of the net cash proceeds. Fifty percent of the bonus may be settled in common shares of the Company (also at the discretion of the board and subject to regulatory approval).

19. Segmented information

The Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been defined as the Chief Executive Officer.

The Company's significant segments are divided into two distinct geographic areas. The Canadian operations, which are mainly in Ontario and Newfoundland and Labrador, are managed from the Company's head office in Toronto. The Australian operations are managed from Perth.



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Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

19. Segmented information (continued)

The following is segmented information of operations for the three months ended December 31, 2018 and 2017 and as at December 31, 2018 and September 30, 2018:

Country/Region	Three Months Ended December 31,	
	2018	2017
	Net income (loss)	Net income (loss)
Canada	\$ (1,308)	\$ 543
Australia	(185)	(241)
	\$ (1,493)	\$ 302

As at December 31, 2018

Country/Region	Capital assets	Cash and cash equivalents	Other assets	Total assets
Canada	\$ -	\$ 2,439	\$ 57,441	\$ 59,880
Australia	51	214	122	387
	\$ 51	\$ 2,653	\$ 57,563	\$ 60,267

As at September 30, 2018

Country/Region	Capital assets	Cash and cash equivalents	Other assets	Total assets
Canada	\$ -	\$ 1,435	\$ 61,648	\$ 63,083
Australia	56	73	111	240
	\$ 56	\$ 1,508	\$ 61,759	\$ 63,323

The Company has no inter-segment revenues.

20. General and administrative expenses

The following table summarizes the general and administrative expenses incurred by the Company:

	Three Months Ended	
	December 31,	
	2018	2017
Professional fees	\$ 18	\$ 17
Consulting and directors' fees	163	300
Shareholder relations and communications	9	-
Transfer agent and filing fees	18	30
Travel and promotion	19	10
Salaries and office administration	144	143
Stock-based compensation	113	167
Amortization	6	9
	\$ 490	\$ 676



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Three Months Ended December 31, 2018

(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

21. Exploration and evaluation expenditures

The Company enters into exploration agreements with other companies pursuant to which it may earn interests in mineral properties by issuing common shares and/or making option payments and/or incurring expenditures in varying amounts by varying dates. Failure by Mega to meet such requirements can result in a reduction or loss of the Company's ownership interests or entitlements under the agreements.

The Company's key exploration properties are located in Western Australia and Queensland Australia. The Company incurred \$176 in exploration expenditures during the three months ended December 31, 2018 (three months ended December 31, 2017 - \$182).

On November 23, 2018, the Company granted an option (the "Option") to purchase its royalty on the Langer Heinrich uranium project in Namibia (the "Royalty") to Uranium Royalty Corporation ("URC"). URC issued common shares to Mega in payment of the \$375 purchase price of the Option.

URC may exercise the Option and acquire the Royalty for a price of \$1,625 payable in cash and/or common shares of URC (at URC's discretion, but only if URC's shares are publicly-traded at the time of exercise). The Option is exercisable for a period of three years.

The Royalty is AUD\$0.12 for each kilogram of yellowcake (U308) produced and sold from the Langer Heinrich property by certain subsidiaries of Paladin Energy Ltd.

22. Management of capital

The Company includes the following items in its managed capital:

	As at December 31, 2018	As at September 30, 2018
Shareholders' equity comprises of:		
Share capital	\$ 276,192	\$ 274,838
Warrants	1,372	887
Share option reserve	66,020	65,952
Accumulated other comprehensive income	32,237	35,591
Deficit	(315,973)	(314,480)
	\$ 59,848	\$ 62,788

The Company's objectives when managing capital are:

- (a) To maintain the necessary financing to complete exploration and development of its properties;
- (b) To realize proceeds from sales of one or more of its properties;
- (c) To maximize the income it receives from cash and cash equivalents without significantly increasing the principal at risk by making investments in high credit quality issuers; and
- (d) To maintain a flexible capital structure that optimizes the cost of capital at an acceptable level of risk.



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Three Months Ended December 31, 2018

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22. Management of capital (continued)

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- realizing proceeds from the disposition of its investments;
- raising capital through equity financings;
- reviewing and reducing capital spending on mineral properties when necessary.

The Company is not subject to any capital requirements imposed by a regulator. To date, the Company has not declared any cash dividends to its shareholders. The Company's management is responsible for the management of capital and reviews its capital management approach on an ongoing basis through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, changes in property holdings and related obligations and exploration activities and believes that this approach, given the relative size of the Company, is reasonable. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration, the Company will be required to raise additional funding.

There were no changes in the Company's approach to capital management during the three months ended December 31, 2018 and the Company is not subject to any externally imposed capital requirements.

23. Financial instruments

Part of Mega's business includes the acquisition of short-term investments in marketable securities and in some cases, long-term equity investments in public companies. The use of financial instruments can expose the Company to several risks, including interest rate, foreign exchange and market risks. A discussion of the Company's use of financial instruments and their associated risks is provided below:

(a) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investment declines, resulting in lower proceeds on disposition and losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from disposition of its marketable securities and long-term investments in addition to interest income earned on its investment. The Company has cash and cash equivalents of approximately \$2,653. The cash equivalents consist of highly liquid short-term deposits with the bank (see note 6). The Company has working capital surplus as at December 31, 2018 of \$4,244. The funds are available as needed to fund the Company's ongoing expenditures. The Company regularly evaluates these holdings to ensure preservation and security of capital as well as maintenance of liquidity. Refer to note 2 for the Company's going concern assessment. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised through the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. All of the Company's liabilities are due within the next 12 months.



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Three Months Ended December 31, 2018

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23. Financial instruments (continued)

(b) Market risk

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. In the normal course of business, the Company is exposed to market risk as a result of its investments in publicly traded companies and marketable securities. During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can benefit or be vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended December 31, 2018 from a change in the closing bid price of the Company's investments in marketable securities with all other variables held constant as at December 31, 2018:

Percentage of change in closing bid price	Change in net after-tax income (loss) from % increase in closing bid price	Change in net after-tax income (loss) from % decrease in closing bid price
2%	\$ 26	\$ (26)
4%	52	(52)
6%	79	(79)
8%	105	(105)
10%	131	(131)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's income and liabilities. In the normal course of business, the Company is exposed to interest rate fluctuations as a result of the significant portion of cash equivalents being invested in interest bearing instruments.

The Company's sensitivity analysis suggests that a 1% change in interest rate would change net loss and comprehensive loss by approximately \$5.

(d) Currency risk:

Currency risk is the risk that the fair value of future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency fluctuations as it presently holds funds in Canadian and Australian dollars and a significant amount of its costs and liabilities are denominated in Australian and other currencies. The Company has not entered into any foreign currency contracts to hedge this exposure.



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23. Financial instruments (continued)

(d) Currency risk: (continued)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the period ended December 31, 2018 from a change in all foreign currencies (Australian dollars, and U.S. dollars) with all other variables held constant as at December 31, 2018:

Percentage of change in closing exchange rate	Change in net after-tax income (loss) from % increase in exchange rate	Change in net after-tax income (loss) from % decrease in exchange rate
2%	\$ (4)	\$ 4
4%	(8)	8
6%	(12)	12
8%	(16)	16
10%	(20)	20

(e) Credit risk:

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company has its cash and cash equivalents deposited with highly rated financial institutions. Other credit risk is limited to cash, restricted cash and trade receivables in the ordinary course of business. The balance of trade receivables owed to the Company in the ordinary course of business is not significant.

(f) Concentration risks:

The Company is exposed to concentration risks as its investment portfolio is concentrated primarily in NexGen and Toro, two uranium companies which have total asset carrying values in aggregate of \$55,216 as at December 31, 2018 and \$60,098 as at September 30, 2018 and possess the risk that the fair value can decrease significantly enough so as to threaten the ability of the Company to continue operating as a going concern.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended December 31, 2018 from a change in the closing bid price of the Company's investment in NexGen with all other variables held constant as at December 31, 2018:

Percentage of change in closing bid price	Change in net after-tax income (loss) from % increase in closing bid price of NexGen	Change in net after-tax income (loss) from % decrease in closing bid price of NexGen
2%	\$ 684	\$ (684)
4%	1,367	(1,367)
6%	2,051	(2,051)
8%	2,734	(2,734)
10%	3,418	(3,418)



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Three Months Ended December 31, 2018

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23. Financial instruments (continued)

(g) Fair value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statement of financial position carrying amounts for cash and cash equivalents, receivables and amounts payable and other liabilities approximate to fair value due to their short-term nature. Marketable securities and the long-term investment are fair valued using the bid price on the closing date for the underlying investment.

The Company does not fair value its investment in Toro as it is held as an equity investment (see note 10).

Fair Value Analysis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The Company's financial assets measured at fair value through profit or loss have used Level 1 and Level 2 valuation techniques during the three months ended December 31, 2018. The carrying values of the Company's financial assets and liabilities approximate their fair values as at December 31, 2018. During the three months ended December 31, 2018, the Company transferred \$750 of marketable securities from Level 1 to Level 2 due to the absence of a quoted price in an active market.



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23. Financial instruments (continued)

Fair Value Analysis (continued)

As at December 31, 2018 and September 30, 2018, the fair values of cash and cash equivalents, restricted cash, receivables and amounts payable and other liabilities approximate their carrying values because of the short-term nature of these instruments. Financial assets and financial liabilities measured at fair value on a recurring basis include:

As at December 31, 2018

	Level 1	Level 2	Level 3	Total Fair Value
Marketable securities	\$ 283	\$ 1,500	\$ -	\$ 1,783
Long-term investments	46,503	-	-	46,503
	\$ 46,786	\$ 1,500	\$ -	\$ 48,286

As at September 30, 2018

	Level 1	Level 2	Level 3	Total Fair Value
Marketable securities	\$ 1,147	\$ -	\$ -	\$ 1,147
Long-term investments	50,378	-	-	50,378
	\$ 51,525	\$ -	\$ -	\$ 51,525

24. Subsequent event

On January 2, 2019, 1,700,000 stock options with an exercise price of \$0.12 per share and term of 5 years were granted to employees, directors and consultants.

