



**MEGA URANIUM LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

## **MEGA URANIUM LTD.**

### **Management's Discussion and Analysis**

**Year Ended September 30, 2019**

**Discussion Dated: December 17, 2019**

**(All amounts in thousands of Canadian dollars, except for securities and per share amounts)**

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### **Introduction**

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Mega Uranium Ltd. ("Mega" or the "Company") should be read in conjunction with Mega's audited consolidated financial statements ("consolidated statements") and notes thereto as at and for the year ended September 30, 2019.

Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts in this MD&A are reported in thousands of Canadian dollars, except for securities and per share amounts.

### **Caution Regarding Forward-Looking Information**

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's expectations regarding its ability to continue as a going concern, its portfolio investment strategy, including the time horizon for holding positions and milestones for dispositions, the Company's exploration and development activities, including expectations regarding drilling and other activities conducted to advance properties, receipt of regulatory and governmental approvals, the Company's future operating costs and working capital requirements, including its ability to satisfy such requirements through dispositions of securities or other means and the anticipated timing of dispositions of securities, the exposure of its financial instruments to various risks and its ability to manage those risks, the Company's ability to use tax resource pools and loss carry-forwards, fees to be incurred by foreign subsidiaries and changes in accounting policies.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to uranium exploration activities generally, including the availability and cost of geophysical, drilling and other equipment; uncertainties associated with the uranium industry, including supply and demand fundamentals, our ability to complete our capital programs; geological, technical, drilling and processing problems, including the availability of equipment and access to properties; our ability to secure adequate transportation for our products; potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which we are reliant; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; our ability and the ability of our partners to attract and retain the necessary labour required to explore and develop our projects; potential conflicting interests with our joint venture partners; our failure or the failure of the holder(s) of licenses or leases to meet specific requirements of such licenses or leases; the failure by counterparties to make payments or perform their operational or other obligations in compliance with the

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terms of contractual arrangements between us and such counterparties; adverse claims made in respect of our properties or assets; operating hazards and other difficulties inherent in the exploration for and production and sale of uranium; political and economic conditions in the countries in which our property interests are located; obtaining the necessary financing for operations, and unanticipated costs or increased costs incurred to run the operations, our ability to generate taxable income from operations, fluctuations in the value of our portfolio investments due to market conditions and/or company-specific factors, fluctuations in prices of commodities underlying our interests and portfolio investments, unexpected working capital requirements (whether as to timing or quantum) which could require untimely investment dispositions, and other risks included elsewhere in this MD&A under the heading "Risks" and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at [www.sedar.com](http://www.sedar.com).

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

### **Going Concern**

The 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 incurred a net loss for the year of \$5,930 (2018 - \$7,960) and has an accumulated deficit of \$319,984 (2018 - \$314,480). As a result of its activities and investments, the Company is subject to risks and challenges including, but 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 expects to incur further operating losses and that it 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.

The challenges of securing requisite funding beyond September 30, 2019 and the continued estimated operating losses indicate a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern.

The consolidated financial 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.

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### **Nature of the Business**

Mega 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 address is located at 217 Queen Street West, Suite 401, Toronto, Ontario, Canada, M5V 0R2.

Mega has exploration-stage mineral resource properties in Australia and Canada, as well as investments in uranium-focused public and private companies.

Mega is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related expenditures is dependent upon various factors, including: the future selling price of uranium; the existence of economically recoverable reserves; the ability of the Company to obtain the necessary financing to complete exploration and development; government permitting policies and regulations; and future profitable production or proceeds from disposition of such properties.

In addition to the Company's own exploration activities, Mega participates indirectly in the uranium sector through its securities holdings in other companies, including its significant long-term investment in NexGen Energy Ltd. ("NexGen") (NXE:TSX), its equity investment in Toro Energy Limited ("Toro") (TOE:ASX), and marketable securities in other uranium-focused issuers. The Company classifies its investments in each of the three categories in accordance with IFRS based on various factors, including Mega's percentage interest in and ability to otherwise influence the entity and its trading intentions. The classifications are discussed in the notes to the Company's audited September 2019 consolidated financial statements.

### **Investment Strategies and Oversight**

We generally acquire and hold investments with a medium to long term view, on the basis of perceived value and growth opportunities and the ability of management teams to effectively execute business plans. We manage our investment portfolio in-house, relying upon the broad industry knowledge and expertise of management to identify and evaluate investment opportunities and monitor the investee companies on an on-going basis. Investment performance is monitored via available market data (including continuous disclosure made by the investees that are public companies) and contact with investee management. Monitoring may also include involvement on the board of directors of an investee, where the size of the investment or other factors so warrant. For example, we currently have representation on the boards of NexGen and Toro, our two principal investments (by value).

Our exit strategies include mergers or the achievement of other significant milestones for our investee companies, but may also involve otherwise timely dispositions of the securities in the secondary market, if and when warranted, and receipt of third-party bids for the securities which are beneficial to us, in the circumstances.

Notwithstanding the foregoing, we may pursue a particular investment or series of investments that may diverge from these strategies from time to time, where suitable opportunities present themselves.

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### **Operational Highlights**

On December 17 and 24, 2018, the Company completed the first and final tranches of a non-brokered private placement (the "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.

Mega paid aggregate finders' fees to third parties who assisted the Company in the Financing in the form of \$62 in cash and 564,545 common share purchase warrants.

The Company increased its equity position in Uranium Royalty Corporation ("URC") during the year when it purchased 500,000 special warrants and acquired an additional 750,000 common shares and 1,354,167 special warrants as consideration for the option granted on and sale of its Langer Heinrich royalty to URC (discussed below under "Mineral Properties"). The Company realized a gain of \$2,000 on the sale of the Langer Heinrich royalty to URC.

During the year ended March 21, 2019, 1,100,000 stock options were exercised for gross proceeds of \$110 and 595,000 stock options expired.

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.

On March 1, 2019, 1,700,000 stock options with an exercise price of \$0.105 per share and term of 5 years were granted to employees, directors and consultants.

On June 3, 2019, 1,340,000 stock options with an exercise price of \$0.10 per share and term of 5 years were granted to employees, directors and consultants.

### **Overall Performance**

As at September 30, 2019, the Company had a working capital surplus of \$5,044 as compared to a working capital surplus of \$2,307 as at September 30, 2018. The increase in working capital surplus is attributable to the proceeds from the Financing, the exercise of stock options and the increase in value of marketable securities offset by spending on exploration activities, general and administrative expenses and payment of payables during the year ended September 30, 2019.

The fair value of the Company's NexGen investment decreased by \$17,245 as the NexGen closing bid price decreased from \$2.60 on September 30, 2018 to \$1.71 on September 30, 2019. The Company recorded an impairment on its equity investment in Toro as the carrying value exceeded the market value and the market value showed a declining trend over the fiscal year.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Mega.

### **Proposed Transactions**

There were no material proposed transactions as of the date of this MD&A, except the transaction disclosed in "Subsequent Event" below.

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### Mineral Properties

The following details the exploration and evaluation expenditures of the Company's mineral properties for the year ended September 30, 2019 and 2018:

Year ended September 30, 2019	Ben Lomond Property (Queensland Australia)	Redport Properties (Western Australia)	Total
Consulting - geology and environmental	\$29	\$Nil	\$29
Consulting fees	Nil	39	39
Land licenses	285	21	306
Administration	2	Nil	2
Miscellaneous	11	Nil	11
Stock-based compensation	Nil	59	59
	<b>\$327</b>	<b>\$119</b>	<b>\$446</b>

Year ended September 30, 2018	Canadian properties	Ben Lomond Property (Queensland Australia)	Redport Properties (Western Australia)	Total
Consulting - geology and environmental	\$Nil	\$201	\$Nil	\$201
Consulting fees	Nil	Nil	64	64
Land licenses	6	32	39	77
Travel expenses	Nil	3	7	10
Administration	Nil	3	34	37
Miscellaneous	Nil	18	nil	18
Professional fees	Nil	1	nil	1
Stock-based compensation	Nil	Nil	76	76
	<b>\$6</b>	<b>\$258</b>	<b>\$220</b>	<b>\$484</b>

None of Mega's properties are in production. Pre-feasibility studies are ongoing on the Ben Lomond Project in Queensland.

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 URC. URC issued 750,000 common shares to Mega in payment of the \$375 purchase price of the Option. The Royalty was AUD\$0.12 for each kilogram of yellowcake (U3O8) produced and sold from the Langer Heinrich property by certain subsidiaries of Paladin Energy Ltd.

On June 26, 2019, URC exercised the Option and acquired the Royalty for a price of \$1,625, satisfied by the issue of 1,354,167 special warrants of URC. Each special warrant was automatically exercisable for one common share of URC no later than October 27, 2019. These special warrants were exercised for common shares subsequent to September 30, 2019.

There are no active exploration programs on the Company's Canadian properties.

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Following are the plans related to Mega's properties:

<b>Project/Property Name</b>	<b>Brief Description</b>	<b>Plans for Project</b>	<b>Planned Expenditure for Fiscal 2020</b>	<b>Expenditures Incurred for the Year Ended September 30, 2019</b>
Ben Lomond	2 mining leases totaling 21.6 km <sup>2</sup> in Queensland, Australia.	Environmental and geological prefeasibility studies	\$268	\$327
Georgetown (including the Maureen uranium resource)	Uranium rights in the Georgetown area of Queensland, Australia.	Ground checking airborne radiometric anomalies; drill testing of various prospects if warranted	\$10	\$nil
Redport	Gold properties in Western Australia	Geological studies	\$134	\$60

**Selected Annual Financial Information**

	<b>Year ended September 30, 2019 (\$)</b>	<b>Year ended September 30, 2018 (\$)</b>	<b>Year ended September 30, 2017 (\$)</b>
Revenue	nil	nil	nil
Net income (loss)	(5,930)	(7,960)	(1,616)
Net loss per share – basic and diluted	(0.02)	(0.03)	(0.01)
	<b>As at September 30, 2019 (\$)</b>	<b>As at September 30, 2018 (\$)</b>	<b>As at September 30, 2017 (\$)</b>
Total assets	44,828	63,323	71,246
Total long-term liabilities	nil	nil	nil

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### Quarterly information

A summary of selected financial information of Mega for the eight most recently completed quarters is provided below:

Three Months Ended	Total Revenue (\$)	Working capital surplus (\$)	Net Income or (Loss)	
			Total (\$)	Per Share (\$)
September 30, 2019	nil	5,044	(4,861)	(0.01)
June 30, 2019	nil	6,163	1,783	0.01
March 31, 2019	nil	3,779	(1,359)	(0.00)
December 31, 2018	nil	4,244	(1,493)	(0.00)
September 30, 2018	nil	2,307	432	0.00
June 30, 2018	nil	472	(4,786)	(0.02)
March 31, 2018	nil	707	(3,908)	(0.01)
December 31, 2017	nil	1,287	302	0.00

The Company is an exploration-stage mineral resources company, with an investment portfolio comprised of uranium-focused companies. Issues of seasonality have not had an impact on our results or operations, however, commodity market fluctuations, and fluctuations in the price of uranium, in particular, have impacted the value of our investments, our exploration activities and our ability to grow through acquisition, and may continue to do so in the future. Over the past eight quarters, variations in the quarterly net income (loss) were caused by fluctuations in financial revenue and gains/losses on disposal of marketable securities and long-term investment, income/loss from equity investment, exploration and evaluation expenditures and general and administrative expense. Financial income or loss varies from quarter-to-quarter due primarily to changes in the fair value of the Company's investments in marketable securities, which gives rise to unrealized gains/losses. Stock-based compensation expense varies from quarter-to-quarter depending on the number of stock options granted in a quarter, their vesting periods, and the inputs, including assumptions used in the Black-Scholes Option Pricing Model, which is used to calculate the fair value of the stock options.

### Results of operations

For the three months ended September 30, 2019, compared with the three months ended September 30, 2018

For the three months ended September 30, 2019, the Company's net loss was \$4,861 compared to net income of \$432 for the three months ended September 30, 2018. The increase in net loss of \$5,293 is a result of the following:

- Impairment of equity investment for the three months ended September 30, 2019 was \$2,540 compared to \$nil for the three months ended September 30, 2018. The impairment resulted from management's assessment that the carrying value of its investment in Toro exceeded its recoverable amount as at September 30, 2019.
- The increase of \$1,252 in unrealized loss on marketable securities resulted from the fluctuation in the fair values of the marketable securities during the three months ended September 30, 2019 compared to the three months ended September 30, 2018.

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- Deferred tax expense for the three months ended September 30, 2019 was \$796 compared to a recovery of \$514 for the three months ended September 30, 2018.
- For the three months ended September 30, 2019, general and administrative expenses increased by \$1 compared to the three months ended September 30, 2018.

A breakdown of general and administrative expenses for the three months ended September 30, 2019 and 2018 is provided below.

<b>Three Months Ended September 30,</b>	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Professional fees (a)	67	13	54
Consulting and directors' fees	163	163	Nil
Shareholder relations and communications	3	3	Nil
Transfer agent and filing fees	2	6	(4)
Travel and promotion	25	12	13
Salaries and office administration (b)	195	220	(25)
Stock-based compensation (c)	91	127	(36)
Amortization	5	6	(1)
	<b>551</b>	<b>550</b>	<b>1</b>

- (a) Professional fees increased by \$54 during the three months ended September 30, 2019 compared to the three months ended September 30, 2018 due to additional tax advisory services required during the current period.
- (b) Salaries and office administration decreased by \$25 during the three months ended September 30, 2019 compared to the three months ended September 30, 2018 reflecting decreased overhead costs in the current period.
- (c) There was a decrease of \$36 in stock-based compensation expense for the three months ended September 30, 2019 over the 2018 period. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date.

#### For the year ended September 30, 2019, compared with the year ended September 30, 2018

For the year ended September 30, 2019, the Company's net loss was \$5,930 compared to net loss of \$7,960 for the year ended September 30, 2018. The decrease in net loss of \$2,030 is a result of the following:

- During the year ended September 30, 2019, the Company realized a gain of \$2,000 on the sale of the Langer Heinrich royalty to URC.
- Impairment of equity investment for the year ended September 30, 2019 was \$2,540 compared to \$4,496 for the year ended September 30, 2018. The impairment resulted from management's assessment that the carrying value of its investment in Toro exceeded its recoverable amount as at September 30, 2019 and 2018.
- Loss on equity investment for the year ended September 30, 2019 was \$795 compared to a loss of \$1,013 for the year ended September 30, 2018. The decrease of \$218 in loss on equity investments reflects the Company's proportionate share of Toro's decreased operating loss for the year ended September 30, 2019.

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- The increase of \$159 in unrealized gain on marketable securities resulted from the fluctuation in the fair values of the marketable securities during the year ended September 30, 2019 compared to the year ended September 30, 2018.
- Deferred tax expense for the year ended September 30, 2019 was \$2,285 compared to \$385 for the year ended September 30, 2018.
- For the year ended September 30, 2019, general and administrative expenses decreased by \$196 compared to the year ended September 30, 2018.

A breakdown of general and administrative expenses for the year ended September 30, 2019 and 2018 is provided below.

Year Ended September 30,	2019 (\$)	2018 (\$)	Variance (\$)
Professional fees (a)	149	68	81
Consulting and directors' fees (b)	651	789	(138)
Shareholder relations and communications	12	7	5
Transfer agent and filing fees	101	117	(16)
Travel and promotion	66	43	23
Salaries and office administration	741	723	18
Stock-based compensation (c)	444	605	(161)
Amortization	23	31	(8)
	<b>2,187</b>	<b>2,383</b>	<b>(196)</b>

- (a) Professional fees increased by \$81 during the year ended September 30, 2019 compared to the year ended September 30, 2018 due to additional tax advisory and audit services required during the current period.
- (b) Consulting and directors' fees decreased by \$138 during the year ended September 30, 2019 compared to the year ended September 30, 2018, the difference being primarily attributable to a bonus awarded to an executive officer in the 2018 period.
- (c) There was a decrease of \$161 in stock-based compensation expense for the year ended September 30, 2019 over the 2018 period. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date.

### 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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The following is segmented information of operations for the year ended September 30, 2019 and 2018 and as at September 30, 2019 and September 30, 2018:

<b>Country/Region</b>	<b>Year Ended September 30, 2019 Net Loss (\$)</b>	<b>Year Ended September 30, 2018 Net Loss (\$)</b>
Canada	(5,328)	(7,354)
Australia	(602)	(606)
	<b>(5,930)</b>	<b>(7,960)</b>

**As at September 30, 2019**

<b>Country/Region</b>	<b>Capital assets \$</b>	<b>Cash and cash equivalents \$</b>	<b>Other assets \$</b>	<b>Total assets \$</b>
Canada	19	576	43,900	44,495
Australia	31	147	155	333
	<b>50</b>	<b>723</b>	<b>44,055</b>	<b>44,828</b>

**As at September 30, 2018**

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

The Company has no inter-segment revenues.

**Marketable Securities**

Marketable securities consist of equity investments in publicly-traded and private junior or small cap mining companies for the following periods indicated:

	<b>September 30, 2019 \$</b>	<b>September 30, 2018 \$</b>
Investments at fair value	4,771	1,147
Cost	6,225	3,433

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### **Liquidity and Capital Resources**

The activities of the Company, principally the acquisition and exploration of properties prospective for uranium, are financed through the completion of private placements, the exercise of stock options and warrants and the disposition of investments. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all.

The Company has no operating revenues and therefore must utilize its current cash reserves, funds obtained from the exercise of warrants and stock options and other financing transactions to maintain its capacity to meet ongoing operating activities. As of September 30, 2019, the Company had 32,490,000 options and 30,566,000 warrants outstanding, which would raise \$8,676, if exercised in full by the holders. The exercise of stock options and warrants by holders is outside of the Company's control and dependent upon various factors, including the future trading prices of the underlying common shares, which cannot be predicted. Accordingly, Mega cannot rely on the availability of this source of funds with any degree of certainty.

As at September 30, 2019, the Company had cash and cash equivalents of \$723 to settle its amounts payable and other liabilities of \$636. The Company's cash and cash equivalents as of September 30, 2019, is sufficient to pay these liabilities.

During the year ended September 30, 2019, the Company used \$1,776 of cash on its operations. During the year ended September 30, 2019, receivables and prepaid expenses decreased by \$1 and amounts payable and other liabilities increased by \$101 due to fluctuations in the normal course of business.

For the year ended September 30, 2019, the Company received \$1,669 of net proceeds from the private placement and \$110 from the exercise of stock options during the period.

For the year ended September 30, 2019, the Company purchased \$798 of marketable securities and \$19 of property and equipment.

As at September 30, 2019, the Company's marketable securities and long-term investment in NexGen shares were valued at \$4,771 and \$33,133, respectively. The Company could sell investments to generate funds required to settle its obligations as they arise, however, management intends to hold the Company's marketable securities and long-term investments until it becomes advantageous to sell the investments or liquidity concerns necessitate such sale. See "Subsequent Event".

The Company's use of cash is currently and is expected to continue to be focused on two principal areas, namely the funding of its general and administrative expenditures and the funding of its investment activities. Investing activities include the cash components of the cost of acquiring and exploring the Company's mineral properties. For the twelve-month period ending September 30, 2020, corporate head office costs are estimated to average \$300 per quarter for salaries, office administration, consulting fees, travel and promotion, professional fees and reporting issuer costs.

The Company has material commitments and obligations for cash resources set out below (which exclude discretionary acquisition and exploration expenses pursuant to various agreements). Failure to meet exploration obligations could lead to termination/dilution of the Company's underlying interests.

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Contractual Obligations	Total	Up to 1 year	1 - 3 years	4 - 5 years	After 5 years
	(\$)	(\$)	(\$)	(\$)	(\$)
Amounts payable and other liabilities	636	636	nil	nil	nil
Obligations on mineral properties (a)	2,056	411	822	823	nil
Office lease (b)	344	119	159	66	nil
	<b>3,036</b>	<b>1,166</b>	<b>981</b>	<b>889</b>	<b>nil</b>

- (a) Obligations on mineral properties pertain to minimum expenditures required to be incurred to maintain those claims/tenements in Canada and Australia.
- (b) The Company has no long-term debt. The Company entered into a sublease and services agreement in respect of its new head office location for a four year period commencing September 15, 2019, which provides for a monthly cost of \$5.5 plus HST. The Company remains a party to the lease agreement in respect of its previous head office location until its expiry on March 31, 2021. The lease provides for a monthly cost of \$4.5 plus HST, however, the Company has sublet the premises to a subtenant at the same cost for the duration of the term.
- (c) The Company is party to management contracts with certain executive officers that provide for payments under circumstances involving a change of control of Mega and/or termination of the officers' services. As at September 30, 2019, these contracts require that additional payments of approximately \$2,104 be made upon the occurrence of a change of control. The minimum commitment upon termination of these contracts is approximately \$979. As a triggering event has not taken place, the contingent payments have not been reflected in the consolidated statements.
- (d) As part of his compensation package, the Company's Chief Executive Officer is entitled to a special bonus that is dependent upon the cash proceeds of disposition of the NexGen investment, net of acquisition and disposition costs. The entitlement is payable at the discretion of the board of directors and is subject to a maximum bonus equal to 5% of the net cash proceeds. Up to 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).

### Equity investments

In November 2013, Mega acquired 415 million ordinary shares of Toro as consideration for the sale of its Lake Maitland properties and certain associated rights and assets. The shares were valued at \$34,337 upon acquisition and represented approximately 28% of Toro's outstanding shares.

During the year ended September 30, 2019, Mega's holdings in Toro were diluted from 19.68% to 18.19% as a result of the issuance of additional ordinary shares by Toro, resulting in a dilution loss of \$733.

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.

Under the equity method, the Company's investments are initially recognized at cost, and the carrying amounts are increased or decreased to recognize the Company's share of the profit or loss after the date of acquisition. Loss on the equity investment was \$795 for the year ended September 30, 2019.

The fair value of the equity investment in Toro is \$5,652 as at September 30, 2019 (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.

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The Company has recorded an impairment on the equity investment in Toro of \$2,540 during the year ended September 30, 2019 (2018 - \$4,496). 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. 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.

### Long-term investment

Mega held 19,376,265 shares of NexGen as at September 30, 2019. Mega acquired the shares in December 2012 as consideration for the sale to NexGen of the majority of its Canadian projects.

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

	September 30, 2019 (\$)	September 30, 2018 (\$)
Opening balance	50,378	53,285
Unrealized loss for the period ended recorded in other comprehensive loss	(17,245)	(2,907)
<b>Closing balance</b>	<b>33,133</b>	<b>50,378</b>

The closing bid price of NexGen was \$2.60 on September 30, 2018 compared to \$1.71 on September 30, 2019.

The fair value of the Company's NexGen investment can be vulnerable to market fluctuations during periods of significant broader market volatility or volatility experienced by the uranium sector, in addition to company-specific factors, all of which are beyond the Company's control.

### Outstanding Share Data

The number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Mega as at December 17, 2019 are as follows:

Securities	As at December 17, 2019
Common shares outstanding	326,391,094
Issuable under options	32,490,000
Issuable under warrants	30,566,000
<b>Total securities</b>	<b>389,447,094</b>

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### 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 years ended September 30, 2019 and 2018:

Type of service	Nature of relationship	Year Ended September 30, 2019 (\$)	Year Ended September 30, 2018 (\$)
Short-term compensation benefits <sup>(a)</sup>	Directors	158	158
Short-term compensation benefits <sup>(b)</sup>	Officers	541	689
Stock-based compensation benefits <sup>(c)</sup>	Directors and Officers	414	566
Administrative services <sup>(d)</sup>	Officers	24	24

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

<sup>(b)</sup> 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 year ended September 30, 2019, \$317 of the costs relating to these agreements (September 30, 2018 - \$454) are included in general and administrative expenses and \$224 (September 30, 2018 - \$234) are included in exploration and evaluation.

<sup>(c)</sup> Reflects costs associated with stock options granted as part of executive and director compensation.

<sup>(d)</sup> 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 year ended September 30, 2019, the Company provided office space and other occupancy services to Toro and earned \$215 (year ended September 30, 2018 - \$178) of income from Toro.

Included in amounts payable and other liabilities are fees owing to officers and directors of \$479 as at September 30, 2019 (September 30, 2018 - \$413).

During the year ended September 30, 2019, officers and directors of Mega exercised 1,100,000 stock options.

During the year ended September 30, 2018, officers and directors of Mega purchased an aggregate of 3,290,000 units sold in the Financing.

### Contractual Obligations

Refer to the commitment table under the section "Liquidity and Capital Resources" above for details regarding the Company's contractual obligations as at September 30, 2019.

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### **Critical accounting judgements, estimates and assumptions**

The preparation of the consolidated statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and contingent liabilities and the accompanying note disclosures at the date of the 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. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which is described in note 2 of the consolidated statements. The information about significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue and expenses are discussed below:

#### **Judgments**

- (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) 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.

- (iii) 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.

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,

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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.

(iv) **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 "Going Concern" above.

#### **Estimates**

(i) **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 of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

(ii) **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.

#### **Subsequent event**

On December 1, 2019, Mega and NxGold Ltd. ("NxGold") executed an arm's length binding term sheet (the "Term Sheet") which sets out the principal terms upon which it is proposed that NxGold will acquire a portfolio of securities (the "Investment Portfolio") from Mega for approximately \$10,865 (the "Purchase Price"), payable in 217,304,369 shares of NxGold, and effect a change of business to a uranium-focused Investment Issuer (the "Transaction"). The Investment Portfolio will be comprised of: (a) 300,000,000 ordinary shares of Toro; (b) 2,854,167 common shares of URC; and (c) 30,000,000 common shares of Mega to be issued from treasury to NxGold, representing approximately 8.4% of the common shares of Mega currently outstanding. Both the Purchase Price and the composition of the Investment Portfolio are subject to adjustment under certain circumstances.

Upon completion of the Transaction, it is proposed that Mega would manage the day-to-day operations of NxGold under a management services agreement and have the right to appoint a nominee to its board of directors. Completion of the Transaction is subject to numerous conditions, including the execution of a definitive agreement by the parties, the requirement that Mega's equity interest in NxGold be less than 50% upon completion, applicable stock exchange approvals and the approval of the shareholders of NxGold.

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## **Risks**

Mega's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. Certain of these risks are described below (and elsewhere in this MD&A):

### Exploration and Development Risks

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation. Furthermore, resources and reserves are estimates based upon drilling results, past experience with mining properties, experience of the person making the resource/reserve estimates and many other factors. Resource/reserve estimation is an interpretative process based upon available data. The actual quality and characteristics of ore deposits and metallurgical recovery rates cannot be known until mining takes place, and will almost certainly differ from the assumptions used to develop reserves. Further, reserves are valued based on current costs and current prices and consequently may be reduced with declines in, or sustained low, metal prices.

### Financing Risks

The Company has limited financial resources, no operating cash flow and no assurance that sufficient funding will be available to it for further exploration and development of its projects or to fulfill its contractual obligations. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. This risk is heightened by global economic and political uncertainty and significant declines in both the Company's stock price (along with those of other junior exploration companies) and overall commodity prices. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require additional financing if ongoing exploration of its properties is warranted.

### Investment Risks

Mega holds and, from time to time, acquires securities of public companies, which are primarily junior or small-cap mining exploration companies in the uranium sector. The market values of these securities can experience significant fluctuations in the short and long term due to factors beyond the Company's control. Market value can be reflective of the actual or anticipated operating results of the companies and/or the general market conditions that affect the mining sector as a whole, such as fluctuations in uranium prices and global political and economic conditions. The Company's investments are carried at fair value, and unrealized gains/losses on the securities we hold and realized losses on the securities we sell could have a material adverse impact on our operating results. The declines in the stock prices of the types of companies in which Mega invests have been very significant, have continued over a prolonged period of time, and may not return to prior levels, including the levels at which they were acquired by Mega, resulting in realized losses upon disposition.

In the case of Mega's equity accounted investment, we are required to record our share of income or loss from this investment and related dilutions and accordingly, our earnings are affected by these amounts. Further, the investment is subject to market forces which may fluctuate beyond our control. We may realize lower proceeds of disposition in the event that we are required to dispose of the investment at a point in time when market prices are low.

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#### Currency Risks

The Company is exposed to currency fluctuations as it presently holds funds in Australian Dollars and a significant amount of its costs and liabilities will be incurred in Australian Dollars. The Company has not entered into any foreign currency contracts.

#### Environmental Matters

All phases of the Company's operations are subject to environmental regulations in the jurisdictions in which it operates. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

The Company has adopted Environmental Policies, Management Systems, Plans and Governance processes to guide the implementation of environmental practice in all of its operations. Mega requires all of its subsidiaries to apply these policies and procedures in strict compliance with the regulatory requirements of the countries and provinces within which it operates and consistent with the accepted practices. Our goal is to maintain a high level of environmental performance and a high level of credibility both inside and outside of the Company in all of our areas of operation.

An Environmental Authority has been received from the Queensland Department of Environment and Heritage Protection (the "EHP") to allow all the proposed pre-feasibility work to proceed on the property. Those studies are ongoing. In October 2016, the EHP issued UMVI with an environmental protection order (the "EPO") in respect of the Ben Lomond Project. The EPO requires UMVI to undertake investigations on the Ben Lomond Project site and to consider, and where appropriate to implement, certain environmental rehabilitation measures by November 1, 2017. UMVI considers, and has submitted to the EHP, that the EPO is unjustified and inappropriate in the circumstances. An internal review of the EPO was sought, resulting in a revised EPO being issued by the EHP. As UMVI considers the revised EPO to also be unjustified and inappropriate in the circumstances, UMVI commenced but subsequently withdrew legal proceedings against the EHP appealing its decision to issue the EPO. Having been unsuccessful in its attempt to have the EPO withdrawn, UMVI has taken the steps it considers are necessary to comply with the EPO notwithstanding the fact that UMVI still considers the EPO to be unjustified and inappropriate in the circumstances. As at the date of this MD&A, UMVI is awaiting advice from the EHP as to whether the EHP accepts the works and studies undertaken by UMVI in response to the EPO and whether EHP considers the requirements of the EPO have been satisfied.

The Company has no other financial liabilities for environmental damage or remediation work and is not aware of any other potential or contingent liabilities.

Operating and capital costs for environmental programs are included in project plans for each subsidiary. These costs are based on the Company's assessment of the best practices applicable to the activities approved by the relevant authorities. These programs are reviewed annually.

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#### Governmental Matters

Government approvals and permits are generally required in connection with the Company's operations. If such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration or development of mineral properties. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in development of new mining properties. The Company is currently involved in exploration activities in Australia and Canada.

The tenements that comprise the Ben Lomond project in Queensland expired on November 30, 2014. During the second quarter of 2014 the Company made an application for the renewal of the tenements that comprise the Ben Lomond project for a further period of twenty (20) years each. The applications are currently pending however the tenements will remain valid and on foot until the applications are determined. The Company is not presently aware of the existence of any circumstances which may result in those tenements not being renewed, however the Company cannot guarantee that those tenements, or any other tenements in which the Company has an interest in Australia, will be renewed beyond their current expiry date and there is a material risk that, in the event the Company is unable to renew any of its tenements beyond their current expiry date, all of part or the Company's interests in the corresponding projects may be relinquished.

#### Australian Governmental Risks

In late November 2007, the Labor Party was elected as the Commonwealth (Federal) Government of Australia. Its policy is to allow uranium to be mined and processed in Australia. However, there are restrictions on the export of uranium from Australia. The Commonwealth government's nuclear safeguards policy has been developed to implement Australia's obligations under the Nuclear Non Proliferation Treaty of 1970 (the "NNPT") which was ratified by Australia in 1973. Parties to the NNPT agree to accept technical safeguards applied by the International Atomic Energy Agency. This safeguard system tracks uranium within the nuclear fuel cycle from production, through to use and storage and ultimately disposal, to ensure that Australian uranium is sold strictly for electrical power generation and cannot benefit the development of nuclear weapons or other military programs. The Commonwealth government only allows the sale of Australian uranium to countries that are signatories to the NNPT and have a bilateral nuclear safeguards agreement with Australia.

The Company's Ben Lomond Project and Georgetown (Maureen) Project are located in Queensland, where there has historically been an anti-uranium mining policy in effect despite the current Federal Government's support of uranium mining. In October 2012, the then newly elected Liberal – National State Government overturned the anti-uranium mining policy in effect under the previous Labor Government and appointed a three-member implementation committee to oversee the recommencement of uranium mining in Queensland. A state election was held in Queensland on January 31, 2015, following which the Queensland Labor Party formed government with the support of certain independent members. The Queensland Labor Party has expressed its intention to reinstitute the ban on uranium mining which was overturned by the Liberal Party – National Party coalition government in October 2012, however as at the date hereof such a ban has yet to be instituted and so it remains uncertain as to whether this ban will be enacted and if so on what terms.

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#### *Risks Relating to Foreign Operations*

The Company is exposed to risks of political instability and changes in government policies, laws and regulations in every country in which the Company operates. The Company holds mineral interests in Australia that may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of these countries. Any changes in regulations or shifts in political conditions are beyond the Company's control and may adversely affect the Company's business. The Company's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. There is no assurance that permits can be obtained, or that delays will not occur in obtaining all necessary permits or renewals of such permits for existing properties or additional permits required in connection with future exploration and development programs.

In the event of a dispute arising at the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of the doctrine of sovereign immunity.

#### **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 \$723. The cash equivalents consist of highly liquid short-term deposits with the bank (see note 6). The Company has working capital surplus as at September 30, 2019 of \$5,044. 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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(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 year ended September 30, 2019 from a change in the closing bid price of the Company's investments in marketable securities with all other variables held constant as at September 30, 2019:

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%	70	(70)
4%	140	(140)
6%	210	(210)
8%	281	(281)
10%	351	(351)

(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 the net loss and comprehensive loss by approximately \$4.

(d) Currency risk:

Currency risk is the risk that the fair value of or 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 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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The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the period ended September 30, 2019 from a change in all foreign currencies (Australian dollars, and U.S. dollars) with all other variables held constant as at September 30, 2019:

Percentage of change in closing exchange rate	Change in net after-tax income (loss) from % increase in closing exchange rate \$	Change in net after-tax income (loss) from % decrease in closing exchange rate \$
2%	(1)	1
4%	(1)	1
6%	(2)	2
8%	(3)	3
10%	(3)	3

**(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, together, have a total asset value of \$38,785 as at September 30, 2019 and \$60,098 as at September 30, 2018 and pose the risk of producing losses large enough to threaten the ability of the Company to continue operating as a going concern. Neither entity is revenue-generating.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended September 30, 2019 from a change in the closing bid price of the Company's investment in NexGen with all other variables held constant as at September 30, 2019:

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%	487	(487)
4%	974	(974)
6%	1,461	(1,461)
8%	1,948	(1,948)
10%	2,435	(2,435)

**(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.

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The carrying values of cash and cash equivalents, restricted cash, receivables and amounts payable and other liabilities, approximate their fair values due to the short-term nature of these instruments. Marketable securities and long term investments in public companies are fair valued using the bid price on the closing date for the underlying investment. The fair value of marketable securities in private companies is determined from recently completed equity financings.

The Company does not fair value its investment in Toro as it is held as an equity investment.

### Management of Capital

The Company includes the following items in its managed capital as at September 30, 2019 and September 30, 2018:

	September 30, 2019 (\$)	September 30, 2018 (\$)
<b>Shareholders' equity comprises of:</b>		
Share capital	276,192	274,838
Warrants	946	887
Share option reserve	66,394	65,952
Accumulated other comprehensive income	20,644	35,591
Deficit	(319,984)	(314,480)
	<b>44,192</b>	<b>62,788</b>

The Company's objectives when managing capital are:

- To maintain the necessary financing to complete exploration and development of its properties;
- To realize proceeds from sales of one or more of its properties;
- 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
- To maintain a flexible capital structure that optimizes the cost of capital at an acceptable level of risk.

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

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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 year ended September 30, 2019 and the Company is not subject to any externally imposed capital requirements.

### **New accounting standard adopted**

On July 24, 2014, the IASB issued the completed IFRS 9 - Financial Instruments ("IFRS 9") for annual periods beginning on or after January 1, 2018 with earlier application 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 consolidated financial 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.

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 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 consolidated statement of loss and comprehensive loss for the period. Financial assets and liabilities classified at amortized cost are subsequently measured at amortized cost using the effective interest method.

## MEGA URANIUM LTD.

### Management's Discussion and Analysis

Year Ended September 30, 2019

Discussion Dated: December 17, 2019

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

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

<u>Financial Instrument</u>	<u>IAS 39</u>	<u>IFRS 9</u>
<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 <sup>(1)</sup>	FVTOCI <sup>(2)</sup>
<u>Financial Liabilities</u>		
Amounts payable and other liabilities	Other financial liabilities	Amortized cost

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

### **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 fiscal periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting IFRS 16.

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### **Disclosure Controls and Procedures**

The Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, and evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that, based on their evaluation, they are effective as at September 30, 2019, to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

### **Internal Controls over Financial Reporting ("ICFR")**

The Chief Executive Officer and Chief Financial Officer are responsible for certifying the design of the Company's ICFR as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" and CSA staff notice 52-316 – "Certification of Design of Internal Control over Financial Reporting". The Company's ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting standards. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with applicable accounting standards;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of their inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer have evaluated the Company's ICFR and concluded that they are effective as at September 30, 2019. Management follows the Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company has designed appropriate ICFR for the nature and size of its business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with applicable accounting standards.

### **Additional Information**

Additional information relating to Mega, including its annual information form, is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).