



**MEGA URANIUM LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2022**

## **MEGA URANIUM LTD.**

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

**Three and Six Months Ended March 31, 2022**

**Discussion Dated: May 13, 2022**

**(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 unaudited condensed interim consolidated financial statements ("interim consolidated statements") and notes thereto as at and for the three and six months ended March 31, 2022. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended September 30, 2021.

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 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 and associated expenditures, receipt of regulatory and governmental approvals, the impact of proposed asset dispositions on the Company's financial condition and performance and its cash flows, 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, changes in accounting policies, and measures implemented in response to the COVID-19 pandemic and its expected impact on our business (including our investments), operations (including our ability to raise capital), earnings and results.

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

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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 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, the severity, duration and spread of the COVID-19 outbreak, actions that may be taken by governmental authorities to contain COVID-19 or to treat its impact and the corresponding effects on global commodity and financial markets, the impact of the pandemic on supply chains and labour, among other areas, and the ability of our investee companies to operate in the normal course as a result, 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.

### **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 and investments in uranium-focused public 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") (TSX:NXE), its equity investment in Toro Energy Limited ("Toro") (ASX:TOE), and marketable securities of other uranium-focused issuers, including Uranium Royalty Corporation (TSXV:URC) and Consolidated Uranium Inc. ("CUR")(TSXV:CUR). The Company classifies its investments

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in each of the foregoing three categories in accordance with IFRS based on various factors, including Mega's percentage interest in and ability to otherwise influence the entity and the Company's trading intentions. The classifications are discussed in the notes to the Company's unaudited March 31, 2022 consolidated financial statements. Additional information about our investment portfolio is provided elsewhere in this MD&A, including in the section entitled "Investment Portfolio".

### **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, two of our principal investments (by fair 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.

### **Operational Highlights**

- Commencing in March 2020 and continuing after the period ended March 31, 2022, the COVID 19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include travel bans, lockdowns, business closures and self-imposed quarantine periods, have caused material disruption to businesses globally resulting in economic slowdowns and broad-based supply chain disruptions. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID19 pandemic remain unknown at this time, even with the availability of effective vaccines, as does the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.
- During the six months ended March 31, 2022, the Company issued 7,039,997 common shares for gross proceeds of \$883 upon the exercise of stock options by participants under Mega's stock option plan.
- During the six months ended March 31, 2022, the Company granted 9,300,000 stock options at a weighted average exercise price of \$0.27.
- On November 3, 2021, the Company entered into an agreement to sell its interest in the Mustang Lake uranium property, located in Labrador, Canada, to Labrador Uranium Inc. ("LUR"). Mega has a 66% interest in the property (the "Interest"), which is the subject matter of its joint venture with Anthem Resources Inc.

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Under the terms of the agreement, Mega will receive 3 million common shares of LUR in exchange for the Interest and have the right to appoint one nominee to LUR's board of directors. Closing of the sale is expected to occur in the third fiscal quarter, subject to satisfaction of the various conditions.

If completed in accordance with its terms, the disposition of the Interest is not expected to have a material effect on Mega's financial condition or performance or its cash flows. The Mustang Lake property has been operated under care and maintenance for several years.

### Overall Performance

As at March 31, 2021, the Company had a working capital surplus of \$20,530 as compared to a working capital surplus of \$18,659 as at September 30, 2021. The increase in working capital surplus is attributable to the increase in value of marketable securities and proceeds from the sale of marketable securities and the exercise of stock options, offset by the spending on exploration activities, general and administrative expenses and payment of payables during the period ended March 31, 2022.

The value of Mega's investment portfolio fluctuated over the six-month period, with an approximately 18% increase in our NexGen holdings to \$137,113 and an approximately 15% increase in our marketable securities.

### Mineral Properties

Details of the exploration and evaluation expenditures on the Company's mineral properties for the six months ended March 31, 2022 and 2021 are provided below:

	Ben Lomond Property (Queensland Australia)	Redport Properties (Western Australia)	Total
<b>Six Months Ended March 31, 2022</b>			
Consulting - geology and environmental	\$17	\$11	\$28
Land licenses	12	15	27
Miscellaneous	7	nil	7
Stock-based compensation	nil	81	81
	<b>\$36</b>	<b>\$107</b>	<b>\$143</b>

	Ben Lomond Property (Queensland Australia)	Redport Properties (Western Australia)	Total
<b>Six months ended March 31, 2021</b>			
Consulting - geology and environmental	\$15	\$11	\$26
Land licenses	160	14	174
Miscellaneous	2	nil	2
Stock-based compensation	nil	22	22
	<b>\$177</b>	<b>\$47</b>	<b>\$224</b>

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- None of Mega's properties are in production. Pre-feasibility studies are ongoing on the Ben Lomond Project in Queensland.
- On May 14, 2020, the Company entered into an agreement with CUR (then known as NxGold Ltd.) to grant to CUR a two-year option to purchase Mega's Ben Lomond uranium property ("Ben Lomond Option") located in Queensland, Australia. As consideration for the option grant, Mega received \$180 in cash, 900,000 common shares and 900,000 common share purchase warrants exercisable for an equal number of common shares of CUR (such warrants, together with the 900,000 common shares, the "Option Securities") and an option to sell to CUR Mega's Georgetown uranium property, also located in Queensland, Australia (the "Georgetown Option").

The Ben Lomond Option is conditional upon and may be exercised by CUR subject to the satisfaction of certain conditions, including the approval of the Australian Foreign Investment Review Board, failing which the option will terminate and the Option Securities will be cancelled. CUR may exercise the option and acquire the Ben Lomond property for a price of \$2,500, payable in cash or common shares of CUR (under certain circumstances), and reimbursement to Mega of expenses incurred in respect of the property since the execution of the option agreement. The purchase of the Ben Lomond property is also subject to contingent payments to Mega of up to \$2,385, if the monthly average spot price of uranium reaches US\$50, US\$75 and US\$100, prior to or after closing of Ben Lomond sale. If the option is exercised, completion of the sale of the Ben Lomond property will be subject to the satisfaction of various conditions.

The Georgetown Option is also conditional upon and may be exercised by Mega subject to the satisfaction of certain conditions, including the approval of the Australian Foreign Investment Review Board, failing which it will terminate. If the Ben Lomond Option is exercised, Mega can exercise the Georgetown Option and sell the Georgetown property to CUR for a price of \$500, payable in cash or common shares of CUR (under certain circumstances), and reimbursement to Mega of expenditures in respect of the property since the execution of the option agreement. The purchase of the Georgetown property by CUR is also subject to contingent payments of up to \$1,425, if the monthly average spot price of uranium reaches US\$50, US\$75 and US\$100, prior to or after closing of the Georgetown sale. If the Georgetown Option is exercised, completion of the sale of the Georgetown property will be subject to the satisfaction of various conditions.

If completed in accordance with their terms, the dispositions of the Ben Lomond and Georgetown properties are not expected to have a material effect on Mega's financial condition or performance or its cash flows.

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

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The proposed plans for Mega's properties for its current fiscal year are provided below:

Project/Property Name	Brief Description	Plans for Project	Planned Expenditure for Fiscal 2022	Expenditures Incurred for the Six Months Ended March 31, 2022
Ben Lomond	2 mining leases totaling 21.6 km <sup>2</sup> in Queensland, Australia.	Environmental and geological prefeasibility studies	\$246	\$36
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	\$9	\$nil
Redport	Gold properties in Western Australia	Geological studies	\$137	\$26

### 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 (\$)
March 31, 2022	nil	20,530	3,910	0.01
December 31, 2021	nil	19,943	(978)	(0.00)
September 30, 2021	nil	18,659	5,517	0.02
June 30, 2021	nil	14,729	(1,312)	(0.00)
March 31, 2021	nil	18,297	11,552	0.03
December 31, 2020	nil	8,589	5,113	0.02
September 30, 2020	nil	4,616	1,496	0.00
June 30, 2020	nil	4,019	2,890	0.01

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 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 (loss) varies from quarter-to-quarter due primarily to changes in the fair value of the Company's investments in marketable securities, which give 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.

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### Results of operations

For the three months ended March 31, 2022, compared with the three months ended March 31, 2021

For the three months ended March 31, 2022, the Company's net income was \$3,910 compared to net income of \$11,552 for the three months ended March 31, 2021. The decrease in net income of \$7,642 is primarily attributable to the following:

- A decrease of \$9,132 in unrealized gain on marketable securities resulting from the lower aggregate fair value of the securities during the three months ended March 31, 2022 compared to the three months ended March 31, 2021.
- Deferred tax expense for the three months ended March 31, 2022 was \$3,974 compared to a deferred tax recovery of \$2,580 for the three months ended March 31, 2021. The increase of \$1,394 in deferred tax recovery resulted from the tax impact of an unrealized gain of \$29,994 on the NexGen shares for the three months ended March 31, 2022 compared to an unrealized gain of \$19,476 for the three months ended March 31, 2021.

A breakdown of general and administrative expenses for the three months ended March 31, 2022 and 2021 is provided below.

<b>Three Months Ended March 31,</b>	<b>2022</b>	<b>2021</b>	<b>Variance</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Professional fees	27	16	11
Consulting and directors' fees (a)	261	164	97
Shareholder relations and communications	2	nil	2
Transfer agent and filing fees	74	58	16
Travel and promotion	48	9	39
Salaries and office administration	175	161	14
Stock-based compensation (b)	537	101	436
Amortization	14	29	(15)
	<b>1,138</b>	<b>538</b>	<b>600</b>

- (a) Consulting and directors' fees increased by \$97 during the three months ended March 31, 2022 compared to the three months ended March 31, 2021, the difference being attributable to bonuses awarded to senior management in respect of the 2021 calendar year and increased annual retainers for the directors.
- (b) Stock-based compensation expense increased by \$436 for the six months ended March 31, 2022 over the 2021 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.

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For the six months ended March 31, 2022, compared with the six months ended March 31, 2021

For the six months ended March 31, 2022, the Company's net income was \$2,932 compared to net income of \$16,665 for the six months ended March 31, 2021. The decrease in net income of \$13,733 is primarily attributable to the following:

- A decrease of \$11,224 in unrealized gain on marketable securities resulting from the lower aggregate fair value of the securities during the six months ended March 31, 2022 compared to the six months ended March 31, 2021.
- Deferred tax expense for the six months ended March 31, 2022 was \$2,787 compared to a deferred tax recovery of \$5,677 for the six months ended March 31, 2021. The decrease of \$2,890 in deferred tax recovery resulted from the tax impact of an unrealized gain of \$21,034 on the NexGen shares for the six months ended March 31, 2022 compared to an unrealized gain of \$42,848 for the six months ended March 31, 2021.

A breakdown of general and administrative expenses for the six months ended March 31, 2022 and 2021 is provided below.

<b>Six Months Ended March 31,</b>	<b>2022</b>	<b>2021</b>	<b>Variance</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Professional fees	52	25	27
Consulting and directors' fees (a)	786	534	252
Shareholder relations and communications	8	nil	8
Transfer agent and filing fees	107	84	23
Travel and promotion	61	10	51
Salaries and office administration	451	327	124
Stock-based compensation (b)	700	230	470
Amortization	29	58	(29)
Write-off of property, plant and equipment	nil	18	(18)
	<b>2,194</b>	<b>1,286</b>	<b>908</b>

(a) Consulting and directors' fees increased by \$252 during the six months ended March 31, 2022 compared to the six months ended March 31, 2021, the difference being attributable to bonuses awarded to senior management in respect of the 2021 calendar year and increased annual retainers for the directors.

(b) Stock-based compensation expense increased by \$470 for the six months ended March 31, 2022 over the 2021 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.

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### **Liquidity and Capital Resources**

The Company has no operating revenues. It finances its exploration and discretionary investment activities through proceeds from private placements of its securities, the exercise of its stock options and warrants by holders and dispositions 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. Furthermore, as of March 31, 2022, the Company had no warrants outstanding and 35,090,003 options outstanding, which would raise \$6,474, if exercised in full by the holders, however such exercises are outside of Mega'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 these sources of funds with any degree of certainty.

Absent the foregoing funding sources, the Company utilizes its existing cash reserves or proceeds from investment dispositions to maintain its capacity to meet ongoing operating activities. As at March 31, 2022, the Company had cash and cash equivalents of \$462 to settle its amounts payable and other liabilities of \$1,244. The Company's cash and cash equivalents as of March 31, 2022 are not sufficient to pay these liabilities. Approximately \$992 of the amounts payable and other liabilities is due to related parties, the majority of which is owed to a payee who has agreed to defer payment.

During the six months ended March 31, 2022, the Company used \$1,312 of cash on its operations. During the six months ended March 31, 2022, receivables and prepaid expenses increased by \$21 and amounts payable and other liabilities increased by \$134.

For the six months ended March 31, 2022, the Company received proceeds of \$882 from the exercise of stock options previously issued by Mega and proceeds of \$1,488 from the sale of marketable securities from its investment portfolio, offset by funds used to purchase marketable securities and property, plant and equipment of \$1,812 and \$31, respectively. Net lease payments of \$33 were made during the period.

As at March 31, 2022, the Company's marketable securities and long-term investment in NexGen shares were valued at \$20,984 and \$137,113, respectively. The Company can choose to sell investments to generate funds required to settle its obligations as they arise. Management intends to hold the Company's marketable securities and long-term investments until it becomes advantageous to sell the investments or as working capital needs warrant disposition.

The Company's use of cash is currently and is expected to continue to be focused on two principal areas - the funding of its general and administrative expenditures and 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 March 31, 2023, corporate head office costs are estimated to average \$450 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	1,184	1,184	nil	nil	nil
Lease liabilities	92	60	32	nil	nil
Obligations on mineral properties (a)	2,008	402	803	803	nil
	<b>3,284</b>	<b>1,646</b>	<b>835</b>	<b>803</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 is subject 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 officer's services. As at March 31, 2022, these contracts require that additional payments of approximately \$2,389 be made upon the occurrence of a change of control. The minimum commitment upon termination of these contracts is approximately \$1,149. As a triggering event has not taken place, the contingent payments have not been reflected in the interim consolidated statements.
- (c) 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 original 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).

### 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.

### 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 May 13, 2022 are as follows:

Securities	As at May 13, 2022
Common shares outstanding	356,585,636
Issuable under options	34,140,003
<b>Total securities</b>	<b>390,725,639</b>

### 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 March 31, 2022.

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### 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. Mega's Chief Executive Officer is the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

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.

The following is segmented information of operations for the three and six months ended March 31, 2022 and 2021 and as at March 31, 2022 and September 30, 2021:

Country/Region	Three Months Ended March 31, 2022 Net Income (Loss) (\$)	Three Months Ended March 31, 2021 Net Income (Loss) (\$)	Six Months Ended March 31, 2022 Net Income (Loss) (\$)	Six Months Ended March 31, 2021 Net Income (Loss) (\$)
Canada	4,040	11,644	2,914	16,907
Australia	(130)	(92)	18	(242)
	<b>3,910</b>	<b>11,552</b>	<b>2,932</b>	<b>16,665</b>

#### As at March 31, 2022

Country/Region	Property and Equipment \$	Cash and cash equivalents \$	Other assets \$	Total assets \$
Canada	52	388	159,829	160,269
Australia	-	74	606	680
	<b>52</b>	<b>462</b>	<b>160,435</b>	<b>160,949</b>

#### As at September 30, 2021

Country/Region	Property and Equipment \$	Cash and cash equivalents \$	Other assets \$	Total assets \$
Canada	22	1,223	136,214	137,459
Australia	-	58	488	546
	<b>22</b>	<b>1,281</b>	<b>136,702</b>	<b>138,005</b>

The Company has no inter-segment revenues.

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### Investment Portfolio

The Company's investment portfolio was comprised of the following positions as at March 31, 2022 and September 30, 2021. The composition of the portfolio may change from reporting period to period, including changes to individual positions which may increase or be pared down, as a result of acquisitions and dispositions in accordance with Mega's investment and capital management objectives.

#### March 31, 2022

Issuer	Securities	Cost (\$)	Fair value (\$)
NexGen Energy Ltd.	19,476,265 common shares	9,828	137,113
Toro Energy Limited <sup>(1)</sup>	460,312,778 common shares	34,108	9,483
Uranium Royalty Corporation	1,528,000 common shares	1,211	7,258
Consolidated Uranium Inc.	3,381,278 common shares	4,482	9,569
	338,139 warrants	492	425
Other investments <sup>(2)</sup>	Common shares and warrants	5,436	3,732
<b>Total</b>		<b>55,557</b>	<b>167,580</b>

#### September 30, 2021

Issuer	Securities	Cost (\$)	Fair value (\$)
NexGen Energy Ltd.	19,476,265 common shares	9,828	116,079
Toro Energy Limited <sup>(1)</sup>	460,312,778 common shares	34,108	12,230
Uranium Royalty Corporation	1,778,000 common shares	1,410	8,001
Consolidated Uranium Inc.	1,806,278 common shares	845	4,841
	1,513,139 warrants	603	3,369
Other investments <sup>(3)</sup>	Common shares and warrants	4,222	1,966
<b>Total</b>		<b>51,016</b>	<b>146,486</b>

<sup>(1)</sup> Our Toro investment is equity-accounted for in our consolidated financial statements at \$1,601 as at March 31, 2022 and \$1,710 as at September 30, 2021, in accordance with IFRS. See "Equity Investment" below for a discussion of the accounting. The fair values of the position provided above are calculated in the same manner as the other securities in the portfolio, using the applicable closing bid price of the shares, and are included for comparative purposes.

<sup>(2)</sup> Represents securities of an aggregate of 14 issuers.

<sup>(3)</sup> Represents securities of an aggregate of 13 issuers.

### 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 28.00% of Toro's outstanding shares. Mega's original ownership interest in Toro has decreased from time to time since then as a result of share dispositions by the Company and dilution following share issuances by Toro.

During the year ended September 30, 2021, Mega acquired an additional 65,217,391 shares of Toro through its participation in a private placement, which increased Mega's total holdings in Toro to 460,312,778 shares but diluted its ownership in Toro from 14.53% to 11.81%.

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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 \$109 for the six months ended March 31, 2022.

The fair value of the equity investment in Toro is \$9,483 as at March 31, 2022 (September 30, 2021 - \$12,230) based on the applicable closing share price. Such fair value is categorized as level 1 within the fair value hierarchy.

As at March 31, 2022 and September 30, 2021, the Company determined that there were no indicators of impairment or impairment reversal on the equity investment in Toro.

### Long-term investment

Mega holds 19,476,265 shares of NexGen as at March 31, 2022 (September 30, 2021 - 19,476,265). The change in the investment in NexGen is detailed as follows:

	March 31, 2022 (\$)	September 30, 2021 (\$)
Opening balance	116,079	44,990
Unrealized gain for the year ended recorded in other comprehensive income	21,034	71,089
<b>Closing balance</b>	<b>137,113</b>	<b>116,079</b>

The closing bid price of NexGen was \$7.04 on March 31, 2022 compared to \$5.96 on September 30, 2021.

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 factors are beyond the Company's control.

### Subsequent event

Following the end of the reporting period, the Company issued an aggregate of 950,000 common shares, at a weighted average price of \$0.18 per share, upon the exercise of the equivalent number of stock options by participants under Mega's stock option plan.

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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 three and six months ended March 31, 2022 and 2021:

Type of service	Nature of relationship	Three Months Ended March 31, 2022 (\$)	Three Months Ended March 31, 2021 (\$)
Short-term compensation benefits <sup>(a)</sup>	Directors	93	40
Short-term compensation benefits <sup>(b)</sup>	Officers	153	138
Stock-based compensation benefits <sup>(c)</sup>	Directors and Officers	523	98
Administrative services <sup>(d)</sup>	Officers	6	6

Type of service	Nature of relationship	Six Months Ended March 31, 2022 (\$)	Six Months Ended March 31, 2021 (\$)
Short-term compensation benefits <sup>(a)</sup>	Directors	132	79
Short-term compensation benefits <sup>(b)</sup>	Officers	600	447
Stock-based compensation benefits <sup>(c)</sup>	Directors and Officers	678	224
Administrative services <sup>(d)</sup>	Officers	12	12

<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.

<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 three and six months ended March 31, 2022, the Company provided office space and other occupancy services to Toro and earned \$nil and \$94, respectively (three and six months ended March 31, 2021 - \$19 and \$63, respectively) of income from Toro.

Included in amounts payable and other liabilities are fees owing to officers and directors of \$1,087 as at March 31, 2022 (September 30, 2021 - \$921).

During the six months ended March 31, 2022, officers and directors of Mega exercised 6,290,000 stock options.

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### **Critical accounting judgements, 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 revenue, 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, 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, managerial personnel in common, provision of essential technical information and operating involvement.

- (iii) 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 evaluation of external and internal sources of information to determine whether there is an indicator of impairment or, in particular, an impairment reversal involves significant management judgement, including in the case of a potential impairment reversal an assessment of whether there has been a sustained improvement in the service potential of the investment. To the extent that there is such an indicator, the recoverable amount of the Company's equity investment in Toro is estimated based on the applicable publicly available closing share price. The amount of any impairment reversal is limited to the difference between the current carrying amount and the amount that would have been the carrying amount had the earlier impairment not been recognized.

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#### **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 nine 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) 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, 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.

#### **Risks**

Mega's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. A detailed discussion of these risks can be found on pages 18 to 22 under "Risks" in our MD&A for the financial year ended September 30, 2021 (available on SEDAR at [www.sedar.com](http://www.sedar.com)) and elsewhere in this MD&A, including under "Financial Instruments", where we discuss the concentration of our investments in NexGen and Toro, which represent the majority our assets (on a fair value basis), and the impact that material changes in their fair values could have on our financial condition and ability to carry on business, and under "COVID-19 Risks" where we discuss certain risks to our business associated with the pandemic.

#### **COVID-19 Risks**

The worldwide emergency measures taken to combat the COVID-19 pandemic may continue, could be expanded, and could also be reintroduced in the future following relaxation. As governments implement monetary and fiscal policy changes aimed to help stabilize economies and capital markets, we cannot predict legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues and how these responses may impact our business. The COVID-19 pandemic, actions taken globally in response to it, and the ensuing economic downturn have caused significant disruption to business activities and economies. The depth, breadth and duration of these disruptions remain highly uncertain at this time, even as governments have implemented frameworks for the staged resumption of business activities and variants of the virus continue to surface and threaten the progress made. As a result, it is difficult to predict how significant the impact of the COVID-19 pandemic, including any responses to it, will

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be on the global economy and our business. We have outlined these risks in more detail below.

#### Strategic & Operational Risks

The ongoing COVID-19 pandemic could adversely impact our financial condition in future periods as a result of reduced business opportunities via acquisitions and dispositions of exploration properties and investments. The uncertainty around the expected duration of the pandemic and the measures put in place by governments to respond to it could further depress business activity and financial markets. Our strategic initiatives to advance our business may be delayed or cancelled as a result.

To date, our operations have remained stable under the pandemic but there can be no assurance that our ability to continue to operate our business will not be adversely impacted, in particular to the extent that aspects of our operations which rely on services provided by third parties fail to operate as expected. The successful execution of business continuity strategies by third parties is outside our control. If one or more of the third parties to whom we outsource critical business activities fails to perform as a result of the impacts from the spread of COVID-19, it could have a material adverse effect on our business and operations.

#### Liquidity risk and capital management

Extreme market volatility and stressed conditions resulting from COVID-19 and the measures implemented to control its spread could limit our access to capital markets and our ability to generate funds to meet our capital requirements. Sustained global economic uncertainty could result in more costly or limited access to funding sources. In addition, while we currently have a sources of liquidity such as cash balances and investments, there can be no assurance that these sources will provide us with sufficient liquidity on commercially reasonable terms in the future. Extreme market volatility may leave us unable to react in a manner consistent with our historical investment practices.

#### Market Risk

The pandemic and resulting economic downturn have created significant volatility and declines in financial and commodity markets. Central banks implemented emergency interest rate cuts, while governments implemented unprecedented fiscal stimulus packages to support economic stability. The pandemic could result in a global recessionary or inflationary environment with continued market volatility, which may continue to impact our financial condition. Our investment portfolio has been, and may continue to be, adversely affected as a result of market developments from the COVID-19 pandemic and related uncertainty. Supply chain issues resulting in delays in receiving equipment and transporting shipments and higher transportation costs, labour shortages and other operational challenges could lead to delays in production and or exploration activities and impact the financial results and market values of our investee companies.

### **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 markets is hindered, whether as a result of a downturn

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in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments decline, resulting in lower proceeds on dispositions and losses upon dispositions. 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 \$462. The cash equivalents consist of highly liquid short-term deposits with the bank. The Company has working capital surplus as at March 31, 2022 of \$20,530. 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. 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 trade liabilities are due within the next 12 months.

(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 be vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the six months ended March 31, 2022 from a change in the closing bid price of the Company's investments in marketable securities with all other variables held constant as at March 31, 2022:

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%	308	(308)
4%	617	(617)
6%	925	(925)
8%	1,234	(1,234)
10%	1,542	(1,542)

(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 \$7.

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(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.

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the six months ended March 31, 2022 from a change in all foreign currencies (Australian dollars, and U.S. dollars) with all other variables held constant as at March 31, 2022:

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%	9	(9)
4%	18	(18)
6%	27	(27)
8%	36	(36)
10%	45	(45)

(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 \$138,714 as at March 31, 2022 and \$117,789 as September 30, 2021 and poses the risk that its fair value can decrease significantly, which could impact the Company's available cash resources, and adversely affect the Company's after-tax net income (loss).

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the six months ended March 31, 2022 from a change in the closing bid price of the Company's investment in NexGen with all other variables held constant as at March 31, 2022:

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%	2,016	(2,016)
4%	4,031	(4,031)
6%	6,047	(6,047)
8%	8,062	(8,062)
10%	10,078	(10,078)

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(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 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 March 31, 2022 and September 30, 2021:

	March 31, 2022 (\$)	September 30, 2021 (\$)
<b>Shareholders' equity comprises of:</b>		
Share capital	281,596	280,117
Share option reserve	66,697	66,512
Accumulated other comprehensive income	110,660	92,419
Deficit	(299,280)	(302,212)
	<b>159,673</b>	<b>136,836</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.

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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 six months ended March 31, 2022 and the Company is not subject to any externally imposed capital requirements.

### **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).