CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2019

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Mega Uranium Ltd. (the "Company") have been prepared by and are the responsibility of management. The comparative financial information for the three months ended December 31, 2019 included in the unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

MEGA URANIUM LTD.

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

	As at December 31, 2019	As at September 30, 2019
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	**$ 363**	$ 723
Receivables and prepaid expenses (note 6)	**210**	186
Marketable securities (note 7)	**4,080**	4,771
Net investment in sublease (note 12)	**61**	-
Total current assets	**4,714**	5,680
Non-current assets		
Restricted cash (note 8)	**319**	313
Equity investment (note 9)	**2,883**	5,652
Long-term investment (note 10)	**31,971**	33,133
Property, plant and equipment	**46**	50
Right-of-use asset (note 11)	**203**	-
Net investment in sublease (note 12)	**16**	-
Total non-current assets	**35,438**	39,148
Total assets	**$ 40,152**	$ 44,828
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (notes 13 and 15)	**$ 658**	$ 636
Lease liabilities (note 14)	**104**	-
Total current liabilities	**762**	636
Non-current liabilities		
Lease liabilities (note 14)	**173**	-
Total non-current liabilities	**173**	-
Total liabilities	**935**	636
Equity		
Share capital (note 16)	**276,192**	276,192
Warrant reserve (note 18)	**946**	946
Share option reserve	**66,456**	66,394
Accumulated other comprehensive income	**19,633**	20,644
Deficit	**(324,010)**	(319,984)
Total equity	**39,217**	44,192
Total equity and liabilities	**$ 40,152**	$ 44,828

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

Going concern (note 2)
Commitments and obligations (note 19)

MEGA URANIUM LTD.

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

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Operating expenses		
General and administrative expenses (note 21)	**$ 427**	$ 490
Exploration and evaluation expenditures (note 22)	**37**	176
Operating loss	**(464)**	(666)
Loss from equity investment (note 9)	**(112)**	(318)
Loss on deemed disposition of equity investment (note 9)	**-**	(689)
Impairment of equity investment (note 9)	**(2,657)**	-
Unrealized (loss) gain on marketable securities	**(693)**	261
Royalty income (note 22)	**-**	375
Accretion (note 14)	**(7)**	-
Gain on net investment	**6**	-
Other income	**46**	47
Interest and finance income	**3**	1
Foreign exchange gain	**6**	9
Net loss before taxes	**(3,872)**	(980)
Deferred tax expense	**(154)**	(513)
Net loss for the period	**(4,026)**	(1,493)
Other comprehensive loss		
Items that will be reclassified subsequently to the profit and loss:		
Exchange differences on translation of foreign operations	**(3)**	8
Change in fair value of long-term investment, net of tax (note 10)	**(1,008)**	(3,362)
Other comprehensive loss	**(1,011)**	(3,354)
Total comprehensive loss for the period	**$ (5,037)**	$ (4,847)
Loss per common share - basic	**$ (0.01)**	$ (0.00)
Loss per common share - diluted	**$ (0.01)**	$ (0.00)
Weighted average number of common shares outstanding - basic	**326,391,094**	311,614,908
Weighted average number of common shares outstanding - diluted	**326,391,094**	311,614,908

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

MEGA URANIUM LTD.

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

	Three Months Ended December 31, 2019	2018
Operating activities		
Net loss for the period	**$ (4,026)**	$ (1,493)
Adjustment for:		
Loss on equity investment	**112**	318
Loss on deemed disposition of equity investment	**-**	689
Impairment of equity investment	**2,657**	-
Unrealized loss (gain) on marketable securities	**693**	(261)
Amortization	**18**	6
Stock-based compensation	**62**	128
Accretion	**7**	-
Royalty income	**-**	(375)
Finance income	**(2)**	-
Gain on net investment	**(6)**	-
Deferred tax expense	**154**	513
Non-cash working capital items:		
Receivables and prepaid expenses	**(24)**	(40)
Amounts payable and other liabilities	**22**	(116)
Net cash used in operating activities	**(333)**	(631)
Financing activities		
Proceeds from private placement, net of costs	**-**	1,669
Proceeds from exercise of stock options	**-**	110
Net lease payments	**(15)**	-
Net cash (used in) provided by financing activities	**(15)**	1,779
Effect of exchange rate changes on cash held in foreign currencies	**(12)**	(3)
Net change in cash and cash equivalents	**(360)**	1,145
Cash and cash equivalents, beginning of period	**723**	1,508
Cash and cash equivalents, end of period	**$ 363**	$ 2,653

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

MEGA URANIUM LTD.
Condensed Interim Consolidated Statements of Equity
(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)

	Number of common shares	Share capital	Warrant reserve	Share option reserve	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' equity
Balance, October 1, 2018	**309,382,003**	**$ 274,838**	**$ 887**	**$ 65,952**	**$ 35,591**	**$ (314,480)**	**$ 62,788**
Private placement (note 16(b)(i))	15,909,091	1,750	-	-	-	-	1,750
Cost of issue (note 16(b)(i))	-	(81)	-	-	-	-	(81)
Warrants issued (note 16(b)(i))	-	(485)	485	-	-	-	-
Exercise of stock options	1,100,000	170	-	(60)	-	-	110
Stock-based compensation	-	-	-	128	-	-	128
Net loss for the period	-	-	-	-	-	(1,493)	(1,493)
Other comprehensive loss, net of tax	-	-	-	-	(3,354)	-	(3,354)
Balance, December 31, 2018	**326,391,094**	**$ 276,192**	**$ 1,372**	**$ 66,020**	**$ 32,237**	**$ (315,973)**	**$ 59,848**
Balance, October 1, 2019	**326,391,094**	**$ 276,192**	**$ 946**	**$ 66,394**	**$ 20,644**	**$ (319,984)**	**$ 44,192**
Stock-based compensation	-	-	-	62	-	-	62
Net loss for the period	-	-	-	-	-	(4,026)	(4,026)
Other comprehensive loss, net of tax	-	-	-	-	(1,011)	-	(1,011)
Balance, December 31, 2019	**326,391,094**	**$ 276,192**	**$ 946**	**$ 66,456**	**$ 19,633**	**$ (324,010)**	**$ 39,217**

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

1. Nature of business

Mega Uranium Ltd. ("Mega" or the "Company") was incorporated in 1990 under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "MGA". The Company is domiciled in the Province of Ontario, Canada and its registered office located at 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 interest in Toro Energy Limited ("Toro") (TOE:ASX), and marketable securities in other uranium-focused issuers. NexGen is an exploration and development stage entity engaged in the acquisition, exploration and evaluation of uranium properties in Canada. NexGen is a public company incorporated pursuant to the provisions of the British Columbia Business Corporations Act and has its registered records office located on the 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3. Toro's principal activities include the development of the Wiluna Uranium Project and exploration and evaluation of its tenement holdings. Toro is a public company incorporated and domiciled in Australia. The address of its registered office and principal place of business is 60 Havelock Street West Perth WA 6005.

These condensed interim consolidated financial statements ("interim consolidated statements") were approved by the Company's board of directors on February 10, 2020.

2. Going concern

These interim consolidated statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has an accumulated deficit of $324,010 (September 30, 2019 - $319,984). 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.

2. Going concern (continued)

The challenges of securing requisite funding beyond December 31, 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 interim consolidated statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern. Such adjustments could be material.

3. Basis of preparation

a) Statement of compliance:

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

The same significant accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation and described in note 4 of the annual consolidated financial statements as at and for the year ended September 30, 2019, except for the new accounting standard adopted in note 4 below. Accordingly, these interim consolidated statements for the three months ended December 31, 2019 should be read together with the annual consolidated financial statements as at and for the year ended September 30, 2019. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these interim consolidated statements are presented below.

b) Basis of presentation:

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

c) Basis of consolidation:

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

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

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

3. Basis of preparation (continued)

d) Critical accounting judgments, estimates and assumptions:

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

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

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.

3. Basis of preparation (continued)

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

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

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

(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 note 2.

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 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.

4. Significant accounting policies

New accounting standard adopted

Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company adopted IFRS 16, effective October 1, 2019, under the modified retrospective approach. Comparatives for 2019 were not restated. At transition, the Company elected to use the practical expedient available under the standard that allows lease assessments made under IAS 17 and IFRIC 4 to be used for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified after October 1, 2019. The Company determined that no transitional adjustment was required other than recognizing a right of use asset and lease liability of $85 at October 1, 2019.

4. Significant accounting policies (continued)

Leases (continued)

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Under IFRS 16, the Company is required to assess the classification of a sublease as a finance or operating lease, with reference to the right-of-use asset and not the underlying asset. For the three months ended December 31, 2019, the Company assessed and classified its sublease as a finance lease under IFRS 16, and therefore derecognized the right-of-use assets relating to the lease being sublet, and recognized lease receivables equal to the net investment in the sublease, recognized a loss in restructuring and other charges equal to the difference between the right of use asset and net investment in the sublease, retained the previously recognized lease obligations in its capacity as lessee, recognized the related interest expense thereafter, and recognized interest income on the sublease receivables in its capacity as finance lessor. Upon entering into a sublease, the Company derecognized the right-of-use asset relating to the head lease that it transfers to the sublessee and recognizes the net investment in the sublease. Any difference between the right-of-use asset and the net investment in the sublease is recognized in profit or loss.

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

5. Cash and cash equivalents

	As at December 31, 2019	As at September 30, 2019
Cash	**$ 353**	$ 713
Short-term deposits in bank	**10**	10
Cash and cash equivalents	**$ 363**	$ 723

6. Receivables and prepaid expenses

	As at December 31, 2019	As at September 30, 2019
Sundry receivables	**$ 91**	$ 82
Sales tax receivables	**64**	67
Prepaid expenses	**55**	37
	$ 210	$ 186

As at December 31, 2019, no receivables are past due.

7. Marketable securities

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

	As at December 31, 2019	As at September 30, 2019
Investments at fair value	**$ 4,080**	$ 4,771
Cost	**$ 6,225**	$ 6,225

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

8. Restricted cash

As at December 31, 2019, the Company pledged AUD$350 (CAD$319) (September 30, 2019 – CAD$313) of cash held in a Guaranteed Investment Certificate ("GIC") as collateral for a letter of guarantee issued to the State of Queensland, Australia, related to the mining leases for the Ben Lomond Property. The letter of guarantee is automatically renewable annually for an indefinite period of time and, accordingly, the pledged GIC is expected to continue to be renewed annually.

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

9. Equity investment

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

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

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

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

During the three months ended December 31, 2019, Mega held a 18.19% (395,095,387 shares) ownership in the ordinary shares of Toro.

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

		Toro
Investment as at September 30, 2018	$	9,720
Mega's share of loss		(795)
Loss on deemed disposition of equity investment in Toro		(733)
Impairment of equity investment in Toro		(2,540)
Investment as at September 30, 2019		**5,652**
Mega's share of the loss		(112)
Impairment of equity investment in Toro		(2,657)
Investment as at December 31, 2019	**$**	**2,883**

The fair value of the equity investment in Toro is $2,883 as at December 31, 2019 (September 30, 2019 - $5,652) based on the applicable closing share price. Such fair value is categorized as level 1 within the fair value hierarchy.

The Company has recorded an impairment on the equity investment in Toro of $2,657 during the three months ended December 31, 2019 (September 30, 2019 - $2,540). 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.

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

10. Long-term investment

Mega holds 19,376,265 shares of NexGen as at December 31, 2019 (September 30, 2019 - 19,376,265). The change in the investment in NexGen is detailed as follows:

	Three months ended December 31, 2019	Year ended September 30, 2019
Opening balance	**$ 33,133**	$ 50,378
Unrealized loss for the period end recorded in other comprehensive loss	**(1,162)**	(17,245)
Closing balance	**$ 31,971**	$ 33,133

11. Right-of-use assets

	Three months ended December 31, 2019	Year ended September 30, 2019
Balance, beginning of period	**$ 85**	$ -
Additions	**217**	-
Depreciation	**(14)**	-
Transfer to net investment in sublease	**(85)**	-
Balance, end of period	**$ 203**	$ -

Rights-of-use asset is depreciated over a 4 year term. Refer to note 14 for further details.

12. Net investment in sublease

During the three months ended December 31, 2019, the Company entered into an agreement to sublease its former office space to an external unrelated party. The term of the sublease is for one year and six months expiring on March 31, 2021.

The continuity of the net investment in sublease is presented in the table below:

	Three months ended December 31, 2019	Year ended September 30, 2019
Balance, beginning of period	**$ -**	$ -
Additions	**92**	-
Finance income on investment in sublease	**2**	-
Lease payments	**(17)**	-
Balance, end of period	**$ 77**	$ -

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

12. Net investment in sublease (continued)

The net investment in sublease is classified as follows:

	As at December 31, 2019	As at September 30, 2019
Current portion	**$ 61**	$ -
Non-current portion	**16**	-
Total net investment in sublease	**$ 77**	$ -

13. Amounts payable and other liabilities

	As at December 31, 2019	As at September 30, 2019
Trade payables	**$ 66**	$ 86
Due to related parties (note 15)	**536**	479
Accrued liabilities	**56**	71
	$ 658	$ 636

14. Lease liabilities

On October 1, 2019, the Company entered into a 4 year lease agreement to lease its current office space with lease payments of $5,500 per month. The Company is also party to an office lease agreement for a former location which expires on March 31, 2021. The former office space was subleased to an unrelated party (note 12).

The Company has recorded the current office lease as a right-of-use asset (note 11) and lease liability in the statement of financial position as at December 31, 2019. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the lease specific incremental borrowing rate.

The Company has recorded the former office lease as a net investment in sublease (note 12) and lease liability in the statement of financial position as at December 31, 2019. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the lease specific incremental borrowing rate.

The continuity of the lease liabilities are presented in the table below:

	Three months ended December 31, 2019	Year ended September 30, 2019
Balance, beginning of period	**$ 85**	$ -
Additions	**217**	-
Interest expense	**7**	-
Lease payments	**(32)**	-
Balance, end of period	**$ 277**	$ -

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

14. Lease liabilities (continued)

The lease liabilities are classified as follows:

		As at December 31, 2019		As at September 30, 2019
Current portion	**$**	**104**	$	-
Non-current portion		**173**		-
Total lease liabilities	**$**	**277**	$	-

Maturity analysis - contractual undiscounted cash flows

As at December 31,2019		
Less than one year	**$**	**95**
One to five years		**229**
Total undiscounted lease obligations	**$**	**324**

15. Related party transactions

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions were as follows for the three months ended December 31, 2019 and 2018.

		Three Months Ended December 31,			
Type of service	**Nature of relationship**		**2019**		**2018**
Short-term compensation benefits [a]	Directors	**$**	**39**	$	39
Short-term compensation benefits [b]	Officers	**$**	**133**	$	136
Stock-based compensation benefits [c]	Directors and officers	**$**	**51**	$	105
Administrative services [d]	Officers	**$**	**6**	$	6

[a] Represents the portion of annual retainers for board and committee service paid to all of the directors during the period.

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

For the three months ended December 31, 2019, $79 of the costs relating to these agreements (three months ended December 31, 2018 - $79) are included in general and administrative expenses and $54 (three months ended December 31, 2018 - $57) are included in exploration and evaluation.

[c] Reflects costs associated with stock options granted as part of executive and director compensation.

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

During three months ended December 31, 2019, the Company provided office space and other occupancy services to Toro and earned $46 (three months ended December 31, 2018 - $47) of income from Toro.

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

15. Related party transactions (continued)

Included in amounts payable and other liabilities are fees owing to officers and directors of $536 as at December 31, 2019 (September 30, 2019 - $479).

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

16. Share capital

a) Authorized share capital

At December 31, 2019, the authorized share capital consisted of an unlimited number of common shares.

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

b) Common shares issued

At December 31, 2019, the issued share capital amounted to $276,192. The changes in issued share capital for the periods were as follows:

	Number of common shares		Amount
Balance, September 30, 2018	**309,382,003**	**$**	**274,838**
Private placement (i)	15,909,091		1,750
Cost of issue - cash (i)	-		(81)
Warrants issued (i)	-		(485)
Exercise of stock options	1,100,000		170
Balance, December 31, 2018	**326,391,094**	**$**	**276,192**
Balance, September 30, 2019 and December 31, 2019	**326,391,094**	**$**	**276,192**

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

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

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

17. Stock options

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

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

The following table reflects the continuity of stock options for the periods ended December 31, 2019 and 2018:

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

	Number of stock options	Weighted average exercise price ($)
Balance, September 30, 2019 and December 31, 2019	**32,490,000**	**0.13**
Exercisable, December 31, 2019	**29,613,330**	**0.13**

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2019:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
May 29, 2020	0.090	0.41	7,150,000	7,150,000	-
February 28, 2021	0.085	1.16	1,525,000	1,525,000	-
May 31, 2021	0.140	1.42	2,750,000	2,750,000	-
December 31, 2021	0.070	2.00	1,775,000	1,775,000	-
January 1, 2022	0.140	2.01	6,050,000	6,050,000	-
May 31, 2022	0.175	2.42	1,700,000	1,700,000	-
August 31, 2022	0.200	2.67	1,700,000	1,700,000	-
December 31, 2022	0.210	3.00	1,700,000	1,700,000	-
May 31, 2023	0.140	3.42	1,700,000	1,700,000	-
September 4, 2023	0.125	3.68	1,700,000	1,416,666	283,334
January 1, 2024	0.120	4.01	1,700,000	849,999	850,001
February 28, 2024	0.105	4.16	1,700,000	849,999	850,001
June 2, 2024	0.100	4.42	1,340,000	446,666	893,334
		2.15	32,490,000	29,613,330	2,876,670

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

17. Stock options (continued)

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

For the three months ended December 31, 2019, included in the interim consolidated statements of loss and comprehensive loss was stock-based compensation expense of $55 (three months ended December 31, 2018 - $113) relating to the fair value of stock options granted and $7 (three months ended December 31, 2018 - $15) was expensed as exploration and evaluation.

18. Warrants

	Number of warrants		Grant date fair value
Balance, September 30, 2018	**21,197,009**	**$**	**887**
Issued	16,473,636		485
Balance, December 31, 2018	**37,670,645**	**$**	**1,372**
Balance, September 30, 2019 and December 31, 2019	**30,566,000**	**$**	**946**

The following table reflects the warrants issued and outstanding as of December 31, 2019:

Expiry date	Exercise price ($)	Warrants outstanding
August 31, 2020	0.15	14,092,364
December 17, 2020	0.15	12,233,636
December 24, 2020	0.15	4,240,000
	0.15	**30,566,000**

19. Commitments and obligations

The Company has the following commitments and obligations as at December 31, 2019:

(i) The Ben Lomond Properties located in Queensland, has a yearly commitment and obligation of $274 (AUD$300) towards the care and maintenance costs and environmental obligation of the project for the next five years. On the Georgetown properties located in Queensland, there is a yearly commitment of $9 (AUD$10), towards the care and maintenance costs of the properties for the next five years. On the Redport gold properties located in Western Australia there is a yearly commitment of $137 (AUD$150), towards the care and maintenance costs of the properties for the next five years.

(ii) The Company is subject to management contracts with certain executive officers that provide for payments under circumstances involving a change of control of Mega or termination of the officer's services. As at December 31, 2019, these contracts require that additional payments of approximately $2,129 be made upon the occurrence of a change of control. The minimum commitment upon termination of these contracts is approximately $988. As a triggering event has not taken place, the contingent payments have not been reflected in these interim consolidated statements.

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

19. Commitments and obligations (continued)

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

20. 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.

The following is segmented information of operations for the three months ended December 31, 2019 and 2018 and as at December 31, 2019 and September 30, 2019:

	Three Months Ended December 31, 2019	2018
Country/Region	**Net loss**	
Canada	$ (3,938)	$ (1,308)
Australia	(88)	(185)
	$ (4,026)	**$ (1,493)**

As at December 31, 2019

Country/Region	Capital assets	Cash and cash equivalents	Other assets	Total assets
Canada	$ 18	$ 245	$ 39,588	$ 39,851
Australia	28	118	155	301
	$ 46	**$ 363**	**$ 39,743**	**$ 40,152**

As at September 30, 2019

Country/Region	Property and Equipment	Cash and cash equivalents	Other assets	Total assets
Canada	$ 19	$ 576	$ 43,900	$ 44,495
Australia	31	147	155	333
	$ 50	**$ 723**	**$ 44,055**	**$ 44,828**

The Company has no inter-segment revenues.

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

21. General and administrative expenses

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

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Professional fees	**$ (5)**	$ 18
Consulting and directors' fees	**163**	163
Shareholder relations and communications	**1**	9
Transfer agent and filing fees	**22**	18
Travel and promotion	**17**	19
Salaries and office administration	**156**	144
Stock-based compensation	**55**	113
Amortization	**18**	6
	$ 427	$ 490

22. Exploration and evaluation expenditures

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

The Company's key exploration properties are located in Western Australia and Queensland Australia. The Company incurred $37 in exploration expenditures during the three months ended December 31, 2019 (three months ended December 31, 2018 - $176).

On November 23, 2018, the Company granted an option (the "Option") to purchase its royalty on the Langer Heinrich uranium project in Namibia (the "Royalty") to Uranium Royalty Corporation ("URC"). URC issued 750,000 common shares to Mega in payment of the $375 purchase price of the Option.

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. In addition, the Company purchased 500,000 special warrants of URC for $765. During the three months ended December 31, 2019 each special warrant was exercised for one common share of URC.

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

23. Management of capital

The Company includes the following items in its managed capital:

	As at December 31, 2019	As at September 30, 2019
Shareholders' equity comprises of:		
Share capital	**$ 276,192**	$ 276,192
Warrants	**946**	946
Share option reserve	**66,456**	66,394
Accumulated other comprehensive income	**19,633**	20,644
Deficit	**(324,010)**	(319,984)
	$ 39,217	$ 44,192

The Company's objectives when managing capital are:

(a) To maintain the necessary financing to complete exploration and development of its properties;

(b) To realize proceeds from sales of one or more of its properties;

(c) To maximize the income it receives from cash and cash equivalents without significantly increasing the principal at risk by making investments in high credit quality issuers; and

(d) To maintain a flexible capital structure that optimizes the cost of capital at an acceptable level of risk.

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

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

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

There were no changes in the Company's approach to capital management during the three months ended December 31, 2019 and the Company is not subject to any externally imposed capital requirements.

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

24. 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 $363. The cash equivalents consist of highly liquid short-term deposits with the bank (see note 5). The Company has working capital surplus as at December 31, 2019 of $3,952. 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.

(b) Market risk

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

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended December 31, 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 December 31, 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%	$ 60	$ (60)
4%	120	(120)
6%	180	(180)
8%	240	(240)
10%	300	(300)

24. Financial instruments (continued)

(c) Interest rate risk:

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

The Company's sensitivity analysis suggests that a 1% change in interest rate would change net loss and comprehensive loss by approximately $4.

(d) Currency risk:

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

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the period ended December 31, 2019 from a change in all foreign currencies (Australian dollars, and U.S. dollars) with all other variables held constant as at December 31, 2019:

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

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

24. Financial instruments (continued)

(f) Concentration risks:

The Company is exposed to concentration risks as its investment portfolio is concentrated primarily in NexGen and Toro, two uranium companies which have total asset carrying values in aggregate of $34,854 as at December 31, 2019 and $38,785 as at September 30, 2019 and possess the risk that the fair value can decrease significantly enough so as to threaten the ability of the Company to continue operating as a going concern.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended December 31, 2019 from a change in the closing bid price of the Company's investment in NexGen with all other variables held constant as at December 31, 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%	$ 470	$ (470)
4%	940	(940)
6%	1,410	(1,410)
8%	1,880	(1,880)
10%	2,350	(2,350)

(g) Fair value:

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

The consolidated statement of financial position carrying amounts for cash and cash equivalents, receivables and amounts payable and other liabilities approximate to fair value due to their short-term nature. Marketable securities and 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 (see note 9).

Fair Value Analysis

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

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

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

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

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

24. Financial instruments (continued)

Fair Value Analysis (continued)

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

The Company's financial assets measured at fair value through profit or loss have used Level 1 and Level 2 valuation techniques during the three months ended December 31, 2019. The carrying values of the Company's financial assets and liabilities approximate their fair values as at December 31, 2019. During the three months ended December 31, 2019, the Company transferred $3,857 of URC shares included in marketable securities from Level 2 to Level 1.

As at December 31, 2019 and September 30, 2019, the fair values of cash and cash equivalents, restricted cash, receivables and amounts payable and other liabilities approximate their carrying values because of the short-term nature of these instruments. Financial assets and financial liabilities measured at fair value on a recurring basis include:

As at December 31, 2019

	Level 1	Level 2	Level 3	Total Fair Value
Marketable securities	$ **4,080**	$ **-**	$ **-**	$ **4,080**
Long-term investments	**31,971**	**-**	**-**	**31,971**
	$ **36,051**	$ **-**	$ **-**	$ **36,051**

As at September 30, 2019

	Level 1	Level 2	Level 3	Total Fair Value
Marketable securities	$ 276	$ 4,495	$ -	$ 4,771
Long-term investments	33,133	-	-	33,133
	$ 33,409	$ 4,495	$ -	$ 37,904

25. Other 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.