



## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE AND SIX MONTHS ENDED MARCH 31, 2016**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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### **NOTICE TO READER**

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

# MEGA URANIUM LTD.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

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

	As at March 31, 2016	As at September 30, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	\$ 1,592	\$ 397
Receivables and prepaid expenses (note 6)	370	1,747
Marketable securities (note 7)	304	216
<b>Total current assets</b>	<b>2,266</b>	<b>2,360</b>
<b>Non-current assets</b>		
Mineral properties and deferred exploration expenditures (note 8)	8,462	7,552
Restricted cash (note 9)	348	329
Equity investment (note 10)	26,786	27,761
Long-term investment (note 11)	33,715	12,787
Capital assets, net	156	166
<b>Total non-current assets</b>	<b>69,467</b>	<b>48,595</b>
<b>Total assets</b>	<b>\$ 71,733</b>	<b>\$ 50,955</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (notes 12 and 13)	\$ 452	\$ 1,732
<b>Total liabilities</b>	<b>452</b>	<b>1,732</b>
<b>Capital and reserves</b>		
Share capital (note 14)	271,744	271,744
Warrant reserve (note 17)	35,642	35,642
Share option reserve	64,483	64,259
Accumulated other comprehensive income (loss)	22,590	(567)
Deficit	(323,178)	(321,855)
<b>Total equity</b>	<b>71,281</b>	<b>49,223</b>
<b>Total equity and liabilities</b>	<b>\$ 71,733</b>	<b>\$ 50,955</b>

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

Going concern (note 2)

Commitments and option obligations (note 20)



## MEGA URANIUM LTD.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
<b>Operating expenses</b>				
General and administrative expenses (note 19)	\$ 517	\$ 720	\$ 968	\$ 1,472
<b>Operating loss before the following items</b>	<b>(517)</b>	<b>(720)</b>	<b>(968)</b>	<b>(1,472)</b>
Foreign exchange (loss) gain	(3)	7	21	(5)
Unrealized gain (loss) on marketable securities	101	(197)	80	4,995
Realized loss on marketable securities	-	-	-	(5,693)
Realized gain on long-term investment	225	-	225	-
Realized loss on equity investment	(13)	-	(13)	-
Interest income	2	2	4	6
Gain on sale of capital assets	-	-	-	17
Loss on significantly influenced equity investment	(83)	(3,858)	(795)	(4,647)
Loss on deemed disposition of equity investment	(1)	-	(12)	-
Write-down of mineral properties and deferred exploration expenditures	-	(205)	-	(205)
Other income	135	96	135	96
<b>Loss for the period</b>	<b>(154)</b>	<b>(4,875)</b>	<b>(1,323)</b>	<b>(6,908)</b>
<b>Other comprehensive income (loss)</b>				
Exchange differences on translation of foreign operations	(110)	253	504	(173)
Change in fair value of long-term investment	20,345	-	22,653	-
<b>Other comprehensive income (loss)</b>	<b>20,235</b>	<b>253</b>	<b>23,157</b>	<b>(173)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>\$ 20,081</b>	<b>\$ (4,622)</b>	<b>\$ 21,834</b>	<b>\$ (7,081)</b>
<b>Basic and diluted loss per common share (note 16)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding</b>	<b>281,852,813</b>	<b>271,592,813</b>	<b>281,852,813</b>	<b>271,592,813</b>

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

(Expressed in Canadian Dollars)

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

Six Months Ended March 31,	2016	2015
<b>Operating activities</b>		
Net loss for the period	\$ (1,323)	\$ (6,908)
Adjustment for:		
Unrealized gain on marketable securities	(80)	(4,995)
Realized loss on marketable securities	-	5,693
Realized gain on long-term investment	(225)	-
Realized loss on equity investment	13	-
Amortization	26	55
Stock-based compensation	208	37
Gain on sale of capital assets	-	(17)
Loss on significantly influenced equity investment	795	4,647
Loss on deemed disposition of equity investment	12	-
Write down of mineral properties and deferred exploration expenditures	-	205
Non-cash working capital items:		
Receivables and prepaid expenses	1,377	1,437
Amounts payable and other liabilities	(1,033)	116
<b>Net cash used in operating activities</b>	<b>(230)</b>	<b>270</b>
<b>Investing activities</b>		
Expenditures on mineral properties and related exploration	(708)	(433)
Proceeds from sale of marketable securities	-	584
Purchase of marketable securities	-	(174)
Proceeds from sale of long-term investment	1,950	-
Proceeds from sale of equity investment	156	-
Purchase of capital assets	(6)	(10)
Proceeds from sale of capital assets	-	31
<b>Net cash provided by investing activities</b>	<b>1,392</b>	<b>(2)</b>
Effect of exchange rate changes on cash held in foreign currencies	33	(43)
<b>Net change in cash and cash equivalents</b>	<b>1,195</b>	<b>225</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>397</b>	<b>864</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,592</b>	<b>\$ 1,089</b>

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

(Expressed in Canadian Dollars)

(Unaudited - in thousands of 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
<b>Balance, October 1, 2014</b>	<b>271,592,813</b>	<b>\$ 270,998</b>	<b>\$ 35,488</b>	<b>\$ 63,987</b>	<b>\$ (2,089)</b>	<b>\$ (312,973)</b>	<b>\$ 55,411</b>
Stock-based compensation	-	-	-	39	-	-	39
Net loss for the period	-	-	-	-	-	(6,908)	(6,908)
Other comprehensive loss	-	-	-	-	(173)	-	(173)
<b>Balance, March 31, 2015</b>	<b>271,592,813</b>	<b>\$ 270,998</b>	<b>\$ 35,488</b>	<b>\$ 64,026</b>	<b>\$ (2,262)</b>	<b>\$ (319,881)</b>	<b>\$ 48,369</b>
<b>Balance, October 1, 2015</b>	<b>281,852,813</b>	<b>\$ 271,744</b>	<b>\$ 35,642</b>	<b>\$ 64,259</b>	<b>\$ (567)</b>	<b>\$ (321,855)</b>	<b>\$ 49,223</b>
Stock-based compensation	-	-	-	224	-	-	224
Net loss for the period	-	-	-	-	-	(1,323)	(1,323)
Other comprehensive income	-	-	-	-	23,157	-	23,157
<b>Balance, March 31, 2016</b>	<b>281,852,813</b>	<b>\$ 271,744</b>	<b>\$ 35,642</b>	<b>\$ 64,483</b>	<b>\$ 22,590</b>	<b>\$ (323,178)</b>	<b>\$ 71,281</b>

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



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# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

(Expressed in Canadian Dollars)

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### 1. Nature of business

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

Mega is an exploration and development stage mineral resources company with a focus on uranium investments and properties in Australia and Canada.

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.

Mega holds a significant long-term investment in NexGen Energy Ltd. ("NexGen") (NXE:TSXV) and an equity interest in Toro Energy Limited ("Toro") (TOE:ASX), as well as marketable securities in uranium-focused issuers.

These unaudited condensed interim consolidated financial statements ("interim consolidated statements") were approved by the Company's board of directors on May 12, 2016.

### 2. Going concern

These unaudited condensed 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 incurred a loss for the six months ended March 31, 2016 of \$1,323 (six months ended March 31, 2015 - loss of \$6,908) and has an accumulated deficit of \$323,178 (September 30, 2015 - \$321,855). The Company is in the exploration and development stage and is subject to risks and challenges similar to other companies in a comparable stage of exploration.

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

The Company will have to raise additional funds to continue operations. Although the Company is able to raise funds by selling equity investments and has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available on terms acceptable to the Company.

Failure to meet its funding commitments with its partners may result in the loss of the Company's exploration and evaluation interests.

The challenges of securing requisite funding beyond March 31, 2016 and the continued estimated operating losses cast significant doubt on the Company's ability to continue as a going concern.

The unaudited condensed 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.



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# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

(Expressed in Canadian Dollars)

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### 3. Basis of preparation

#### a) Statement of Compliance:

These unaudited condensed 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 and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC") using accounting policies consistent with International Financial Reporting Standards ("IFRS") and includes the accounts of Mega Uranium Ltd and its subsidiary entities.

Except as described in note 4 below, the same significant accounting policies and methods of computation were followed in the preparation of these unaudited condensed 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, 2015. Accordingly, these unaudited condensed interim consolidated statements for the three and six months ended March 31, 2016 and 2015 should be read together with the annual consolidated financial statements as at and for the year ended September 30, 2015. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these unaudited condensed interim consolidated statements are presented below.

#### b) Basis of presentation:

These unaudited condensed interim consolidated financial 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 unaudited condensed interim consolidated financial statements include the accounts of Mega's 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").

Subsidiaries are all entities which the Company controls, either directly or indirectly, where control is defined as the power to govern an entity's financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that may arise upon the exercise or conversion of non-voting securities are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are de-consolidated from the date on which control ceases.

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

#### d) Critical accounting judgments, estimates and assumptions:

The preparation of the unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and contingent liabilities and the accompanying note disclosures at the date of the consolidated financial 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.



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# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

(Expressed in Canadian Dollars)

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### 3. Basis of preparation (continued)

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

However, actual outcomes can 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:

##### (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 currencies for the Company's subsidiaries in Australia and Cameroon are the Australian Dollar and Cameroon Franc, respectively.

##### (ii) Mineral properties and deferred exploration expenditures:

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the consolidated statements of comprehensive loss in the period when the new information becomes available.

##### (iii) Impairment of assets:

At each consolidated statement of financial position reporting date, the carrying amounts of the Company's assets or cash generating units are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company reviews the recoverable amount of the cash generating unit to which the asset belongs.

An asset's recoverable amount is the higher of the fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The Company's determination of impairment is based on: (i) whether the exploration programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued; (ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or (iii) whether remaining lease terms are sufficient to conduct necessary studies or exploration work. The Company's assessment of the carrying value of mineral properties and related exploration expenditures is based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. The fair values were determined using a variety of valuation methods, the selection of which was based on which was considered most applicable to each property. These methods included unsolicited bids on the Company's properties, comparable transactions, value per unit of metal and value per unit of area. The assessment of the carrying values and the determination of these fair value less cost to sale are subject to significant measurement uncertainty and further material write-downs of these assets could occur if actual results differ from the estimates and assumptions used and/or if alternative valuation methods were applied.





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# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

(Expressed in Canadian Dollars)

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### 3. Basis of preparation (continued)

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

##### (iii) Impairment of assets (continued):

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the assessed recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in net income or loss.

##### (iv) Share-based payments:

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

##### (v) 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.

##### (vi) 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 substantially 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.



# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

(Expressed in Canadian Dollars)

### 4. Recent accounting pronouncements

#### New standards not yet adopted:

##### (a) Financial instruments:

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018; however, it is available for early adoption.

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

##### (b) Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted.

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

### 5. Cash and cash equivalents

	As at March 31, 2016	As at September 30, 2015
Cash	\$ 1,582	\$ 387
Short-term deposits in bank	10	10
Cash and cash equivalents	\$ 1,592	\$ 397

### 6. Receivables and prepaid expenses

	As at March 31, 2016	As at September 30, 2015
Sundry receivables	\$ 215	\$ 1,619
Sales tax receivables	106	122
Prepaid expenses	49	6
	\$ 370	\$ 1,747



# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

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### 7. Marketable securities

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

	As at March 31, 2016	As at September 30, 2015
Investments at fair value	\$ 304	\$ 216
Cost	\$ 3,571	\$ 3,571

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

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

### 8. Mineral properties and deferred exploration 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 following is a detailed list of the Company's mineral properties, as at March 31, 2016:

	September 30, 2015		March 31, 2016		
	Net book value	Net expenditures	Impairment	Foreign currency translation	Net book value
<b>AUSTRALIA - Western Australia</b>					
<b>Redport Properties</b>					
Acquisition and exploration expenditures	\$ 1,440	\$ 309	\$ -	\$ 87	\$ 1,836
<b>Kintyre Rocks <sup>(1)</sup></b>					
Acquisition and exploration expenditures	1,664	-	-	95	1,759
<b>Total Western Australia properties</b>	<b>\$ 3,104</b>	<b>\$ 309</b>	<b>\$ -</b>	<b>\$ 182</b>	<b>\$ 3,595</b>

<sup>(1)</sup> Joint operations with Cameco Australia Pty Ltd. (Cameco Australia Pty Ltd. holding 51% and Mega holding 49%).



# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

(Expressed in Canadian Dollars)

### 8. Mineral properties and deferred exploration expenditures (continued)

	September 30, 2015		March 31, 2016		
	Net book value	Net expenditures	Impairment	Foreign currency translation	Net book value
<b>AUSTRALIA - Northern Territory</b>					
<b><u>Hindmarsh properties</u> <sup>(2)(3)</sup></b>					
Acquisition and exploration expenditures	\$ 55	\$ -	\$ -	\$ 4	\$ 59
<b>Total Southern Australia and Northern Territory properties</b>	<b>\$ 55</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4</b>	<b>\$ 59</b>
<b>AUSTRALIA - Queensland</b>					
<b><u>Ben Lomond Property</u></b>					
Acquisition and exploration expenditures	\$ 2,568	\$ 164	\$ -	\$ 150	\$ 2,882
<b><u>Georgetown Properties</u></b>					
Acquisition and exploration expenditures	1,512	3	-	98	1,613
<b>Total Queensland properties</b>	<b>\$ 4,080</b>	<b>\$ 167</b>	<b>\$ -</b>	<b>\$ 248</b>	<b>\$ 4,495</b>
<b>Total Australian properties</b>	<b>\$ 7,239</b>	<b>\$ 476</b>	<b>\$ -</b>	<b>\$ 434</b>	<b>\$ 8,149</b>
<b>CANADA</b>					
<b><u>Greenwich Properties</u> <sup>(4)</sup></b>					
Acquisition and exploration expenditures	\$ 256	\$ -	\$ -	\$ -	\$ 256
<b>Monster Labrador Properties</b>					
<b><u>Mustang Lake properties</u> <sup>(5)</sup></b>					
Acquisition and exploration expenditures	39	-	-	-	39
<b><u>Other properties</u></b>					
Acquisition and exploration expenditures	18	-	-	-	18
<b>Total Canadian properties</b>	<b>\$ 313</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 313</b>
<b>Total mineral properties and related expenditures</b>	<b>\$ 7,552</b>	<b>\$ 476</b>	<b>\$ -</b>	<b>\$ 434</b>	<b>\$ 8,462</b>

(2) Neutral junction property (Joint operations with Mithril Resources Ltd. and Bowgan Minerals Ltd. each holding 33.33% of the property).

(3) Bowgan property (Joint operations with Bowgan Minerals Ltd. and Marengo Mining Ltd., each holding 33.33% of the property).

(4) Optioned to Panoramic Resources Ltd.

(5) Mustang Lake properties (Joint operations with Anthem Resources Ltd. 74% Mega and 26% Anthem Resources Ltd.).



# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

(Expressed in Canadian Dollars)

### 8. Mineral properties and deferred exploration expenditures (continued)

	September 30, 2014		September 30, 2015			
	Net book value	Net expenditures	Sale of property	Impairment	Foreign currency translation	Net book value
<b>AUSTRALIA - Western Australia</b>						
<b><u>Redport Properties</u></b>						
Acquisition and exploration expenditures	\$ 1,268	\$ 787	\$ -	\$ (565)	\$ (50)	\$ 1,440
<b><u>Kintyre Rocks</u></b>						
Acquisition and exploration expenditures	1,730	-	-	-	(66)	1,664
<b>Total Western Australia properties</b>	<b>\$ 2,998</b>	<b>\$ 787</b>	<b>\$ -</b>	<b>\$ (565)</b>	<b>\$ (116)</b>	<b>\$ 3,104</b>
<b>AUSTRALIA - Northern Territory</b>						
<b><u>Hindmarsh properties</u></b>						
Acquisition and exploration expenditures	\$ 58	\$ -	\$ -	\$ -	\$ (3)	\$ 55
<b>Total Southern Australia and Northern Territory properties</b>	<b>\$ 58</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3)</b>	<b>\$ 55</b>
<b>AUSTRALIA - Queensland</b>						
<b><u>Ben Lomond Property</u></b>						
Acquisition and exploration expenditures	\$ 5,457	\$ 212	\$ -	\$ (2,881)	\$ (220)	\$ 2,568
<b><u>Georgetown Properties</u></b>						
Acquisition and exploration expenditures	2,446	94	-	(930)	(98)	1,512
<b>Total Queensland properties</b>	<b>\$ 7,903</b>	<b>\$ 306</b>	<b>\$ -</b>	<b>\$ (3,811)</b>	<b>\$ (318)</b>	<b>\$ 4,080</b>
<b>Total Australian properties</b>	<b>\$ 10,959</b>	<b>\$ 1,093</b>	<b>\$ -</b>	<b>\$ (4,376)</b>	<b>\$ (437)</b>	<b>\$ 7,239</b>
<b>CANADA</b>						
<b><u>Deaty and Hamlin properties</u> <sup>(6)</sup></b>						
Acquisition and exploration expenditures	\$ 190	\$ -	\$ (190)	\$ -	\$ -	\$ -
<b><u>Greenwich Properties</u></b>						
Acquisition and exploration expenditures	1,469	-	-	(1,213)	-	256
<b>Monster Labrador Properties</b>						
<b><u>Mustang Lake properties</u></b>						
Acquisition and exploration expenditures	39	-	-	-	-	39
<b><u>Other properties</u></b>						
Acquisition and exploration expenditures	18	-	-	-	-	18
<b>Total Canadian properties</b>	<b>\$ 1,716</b>	<b>\$ -</b>	<b>\$ (190)</b>	<b>\$ (1,213)</b>	<b>\$ -</b>	<b>\$ 313</b>
<b>Total mineral properties and related expenditures</b>	<b>\$ 12,675</b>	<b>\$ 1,093</b>	<b>\$ (190)</b>	<b>\$ (5,589)</b>	<b>\$ (437)</b>	<b>\$ 7,552</b>

<sup>(6)</sup> Mega 24.5%, Rainy Mountain Royalty Corp. 24.5% and Glencore Xstrata 51%



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### 8. Mineral properties and deferred exploration expenditures (continued)

Included in the exploration expenditures is stock-based compensation of \$16 for the six month period ended March 31, 2016 (six month period ended March 31, 2015 - \$2)).

The Company's assessment of the carrying values of mineral properties and related expenditures is based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. The fair value less cost to sell ("FVLCTS") was determined using a variety of valuation methods, the selection of which was based on which were considered most applicable to each property. These methods included unsolicited bids on the Company's properties, comparable transactions, value per unit of metal and value per unit of area. The assessment of the carrying values and the determination of the FVLCTS are subject to significant measurement uncertainty and further material write-downs of these assets could occur if actual results differ from the estimates and assumptions used and/or if alternative valuation methods were applied.

### 9. Restricted cash

As at March 31, 2016, the Company pledged AUD\$350 (CAD\$348) (September 30, 2015 – CAD\$329) 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.

### 10. Equity investment

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

The Company accounts for its investments in associates 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 20.70% 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 of \$34,337.

During the six months ended March 31, 2016, Mega's holdings in Toro were diluted from 20.74% to 20.57% as a result of the issuance of additional ordinary shares by Toro, resulting in a dilution loss of \$12 (six months ended March 31, 2015 - \$nil), and the sale of 2,576,466 shares of Toro by Mega for cash proceeds of \$156, resulting in a loss of \$13 (six months ended March 31, 2015 - \$nil).

The Company is considered to have significant influence over Toro due to its 20.57% equity interest in the company and its representation on Toro's board of directors. Accordingly, Mega accounts for its investment in Toro using the equity method.



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### 10. Equity investment (continued)

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

	<b>Amount</b>
Investments as at September 30, 2014	\$ 32,450
Gain on deemed disposition of equity investments in Toro	605
Mega's share of loss during the year ended September 30, 2015	(5,294)
<b>Investments as at September 30, 2015</b>	<b>27,761</b>
Mega's share of the loss for the period ended March 31, 2016	(795)
Loss on deemed disposition of equity investments in Toro	(12)
Disposition of equity investment in Toro	(168)
<b>Investments as at March 31, 2016</b>	<b>\$ 26,786</b>

The carrying value of the equity investment in Toro as at March 31, 2016 is \$26,786 (September 30, 2015 - \$27,761).

The fair value of the equity investment in Toro is \$24,639 (September 30, 2015 - \$20,290) as at March 31, 2016 based on the applicable closing share price.

The following table summarizes certain unaudited financial information of Toro for the six months ended March 31, 2016 and March 31, 2015:

	<b>Six Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Total assets	\$ 146,118	\$ 153,043
Total liabilities	12,212	17,921
Revenue	382	263
Net loss	(7,917)	(17,509)

### 11. Long-term investment

Mega holds 19,376,265 shares of NexGen as at March 31, 2016. Mega acquired the shares in December 2012 as consideration for the sale to NexGen of the majority of its Canadian projects. The transaction also included the right of Mega to appoint two nominees to NexGen's board for so long as Mega's equity interest in NexGen is at least 10%.

During the quarter ended June 30, 2015, NexGen raised capital and issued approximately 55,654,359 common shares, which resulted in the dilution of Mega's ownership below 10%, thereby reducing its board nominee rights to one person. The Company determined that it no longer had significant influence in NexGen and, effective May 26, 2015, ceased accounting for its investment using the equity method and classified its investment as a long-term investment.

On initial recognition of the investment in NexGen as long-term investment, the Company recognized a net unrealized gain before income taxes of \$3,973. For the year ended September 30, 2015, \$2,065 was also recorded as fair value gain in other comprehensive income. During the six months ended March 31, 2016, Mega sold 2,500,000 NexGen shares for cash proceeds of \$1,950.



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### 11. Long-term investment (continued)

The change in investment in NexGen is detailed as follows:

	As at March 31, 2016	As at September 30, 2015
Opening balance	\$ 12,787	\$ -
Transfer on reclassification from equity investments	-	6,749
Net unrealized gain on initial recognition as long-term investment	-	3,973
Fair value reversed on disposal of investment in NexGen	(1,725)	-
Fair value unrealized gain for the period end recorded in other comprehensive income	22,653	2,065
Closing balance	\$ 33,715	\$ 12,787

### 12. 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, 2016 and 2015:

Type of service	Nature of relationship	Six Months Ended March 31,	
		2016	2015
Salaries	Directors	\$ 48	\$ 47
Consulting fees (a)	Officers	\$ 301	\$ 662
Stock-based compensation expense	Directors and officers	\$ 193	\$ 33

Type of service	Nature of relationship	Three Months Ended March 31,	
		2016	2015
Salaries	Directors	\$ 24	\$ 23
Consulting fees (a)	Officers	\$ 163	\$ 328
Stock-based compensation expense	Directors and officers	\$ 107	\$ 11

(a) Consulting agreements are with the Company's Chief Executive Officer, Executive Vice President-Australia, former Chief Financial Officer and current Chief Financial Officer. For the three and six months ended March 31, 2016, the costs relating to these agreements of \$104 and \$184, respectively are included in general and administrative expenses and \$59 and \$117, respectively are capitalized to mineral properties.

Included in accounts payable and accrued liabilities are fees owing to officers and directors of \$247 as at March 31, 2016 (September 30, 2015 - \$1,208). The Company has entered into an agreement with Gerry Feldman, former Chief Financial Officer, who resigned effective December 31, 2015, to settle his consulting fees payable in installments by July 15, 2016. Mr. Feldman was replaced by Carmelo Marrelli.





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#### 13. Accounts payable and accrued liabilities

	As at March 31, 2016	As at September 30, 2015
Trade payables	\$ 141	\$ 438
Due to related parties	247	1,208
Accrued liabilities	64	86
	<b>\$ 452</b>	<b>\$ 1,732</b>

As at March 31, 2016, \$nil (September 30, 2015 - \$1,189) of accounts payable and accrued liabilities has been outstanding for more than 90 days, which represents nil% (September 30, 2015 - 68%) of the Company's accounts payable and accrued liabilities.

#### 14. Share capital

##### a) Authorized share capital

At March 31, 2016, 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 March 31, 2016, the issued share capital amounted to \$271,744. The change in issued share capital for the periods was as follows:

	Number of common shares	Amount
Balance, September 30, 2014	271,592,813	\$ 270,998
Issue of securities, net of transaction costs (i)(ii)	10,260,000	746
<b>Balance, September 30, 2015 and March 31, 2016</b>	<b>281,852,813</b>	<b>\$ 271,744</b>

(i) On June 10, 2015, Mega completed the first tranche of a non-brokered private placement of 7,960,000 units at a price of \$0.09 per unit resulting in gross proceeds of \$716 (net proceeds of \$699 after share issuance cost). The closing price of Mega's common shares on the TSX on June 10, 2015 was \$0.09. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each full purchase warrant (a "Warrant") entitles the holder to acquire one additional common share at a price of \$0.14 per share until expiry on December 10, 2016. Each full Warrant was valued at \$0.03 and each share at \$0.075. As a result of the offering, \$580 was allocated to share capital and \$119 was allocated to warrants.

(ii) On July 13, 2015, Mega closed the second and final tranche of its non-brokered private placement, pursuant to which Mega raised additional gross proceeds of \$207 (net proceeds of \$201 after share issuance cost), from the issuance and sale of 2,300,000 units at a price of \$0.09 per unit. Each unit was comprised of one common share and one-half of one common share purchase warrant of Mega. Each whole warrant entitles the holder to purchase one common share of the Company, at a price of \$0.14 per share, until expiry on January 13, 2017. Each full Warrant was valued at \$0.03 and each share at \$0.075. As a result of the offering, \$166 was allocated to share capital and \$35 was allocated to warrants.



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### 15. Stock options

The following table reflects the continuity of stock options for the periods ended March 31, 2016 and 2015:

	Number of stock options	Weighted average exercise price (\$)
Balance, September 30, 2014	15,965,840	0.32
Expired	(2,710,000)	(0.76)
Balance, March 31, 2015	13,255,840	0.23
Exercisable, at the end of period	11,927,490	0.25
Balance, September 30, 2015	15,630,000	0.14
Granted (i)(ii)	3,500,000	0.08
Cancelled / forfeited	(1,750,000)	0.13
Expired	(325,000)	1.09
<b>Balance, March 31, 2016</b>	<b>17,055,000</b>	<b>0.11</b>
Exercisable, at the end of period	<b>9,729,989</b>	<b>0.13</b>

(i) On January 1, 2016, the Company granted 1,975,000 stock options to employees, directors and consultants of the Company at an exercise price of \$0.07 per share. The fair value of these options at the date of grant of \$0.04 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected life of 3.8 years; a 85% volatility based on historical trends; risk free interest rate of 0.58%; share price at the date of grant of \$0.07; an expected dividend yield of 0%; and forfeiture rate of 5%. The grant date fair value assigned to these options was \$82.

(ii) On March 1, 2016, the Company granted 1,525,000 stock options to employees, director and consultants of the Company at an exercise price of \$0.085 per share. The fair value of these options at the date of grant of \$0.05 was estimated using the Black Scholes valuation model with the following assumptions: a 3.8 year expected term; a 85% expected volatility based on historical trends; risk free interest rate of 0.59%; share price at the date of grant of \$0.085; an expected dividend yield of 0%; and forfeiture rate of 5%. The grant date fair value assigned to these options was \$77.

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2016:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
January 1, 2017	0.20	0.76	1,540,000	1,540,000	-
August 31, 2017	0.18	1.42	2,420,000	2,420,000	-
December 31, 2018	0.10	2.75	1,945,000	1,945,000	-
May 31, 2020	0.09	4.17	7,650,000	3,824,989	3,825,011
December 31, 2021	0.07	5.76	1,975,000	-	1,975,000
February 28, 2021	0.085	4.92	1,525,000	-	1,525,000
		3.56	17,055,000	9,729,989	7,325,011



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### 15. Stock options (continued)

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

For the three and six months ended March 31, 2016, included in the unaudited condensed interim consolidated statement of comprehensive loss was stock based compensation expense of \$107 and \$208, respectively (three and six months ended March 31, 2015 - \$14 and \$37, respectively) relating to the fair value of stock options granted during the current and prior periods and \$9 and \$16, respectively (three and six months ended March 31, 2015 - \$1 and \$2, respectively) was capitalized to mineral properties.

### 16. Loss per common share

The calculation of basic and diluted loss per common share for the three and six months ended March 31, 2016 was based on the net loss of \$154 and \$1,323, respectively (three and six months ended March 31, 2015 - \$4,875 and \$6,908, respectively) and the weighted average number of common shares outstanding of 281,852,813 (three and six months ended March 31, 2015 - 271,592,813). Diluted loss per share did not include the effect of 17,055,000 (March 31, 2015 - 13,255,840) share purchase options and 5,130,000 (March 31, 2015 - nil) warrants as they are anti-dilutive.

### 17. Warrants

	Number of warrants	Grant date fair value
Balance, September 30, 2014	29,412,000	\$ 35,488
Expired	(29,412,000)	-
Balance, March 31, 2015	-	\$ 35,488
Balance, September 30, 2015	5,130,000	\$ 35,642
<b>Balance, March 31, 2016</b>	<b>5,130,000</b>	<b>\$ 35,642</b>

The following table reflects the warrants issued and outstanding as of March 31, 2016:

Expiry date	Exercise price (\$)	Warrants outstanding
December 10, 2016	0.14	3,980,000
January 13, 2017	0.14	1,150,000
		<b>5,130,000</b>



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### 18. 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 three 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, 2016 and as at March 31, 2016:

Country/Region	Three Months Ended	Six Months Ended
	March 31, 2016	March 31, 2016
	Net income (loss)	Net income (loss)
Canada	\$ (347)	\$ (1,417)
Australia	193	94
	<b>\$ (154)</b>	<b>\$ (1,323)</b>

#### As at March 31, 2016

Country/Region	Capital	Mineral	Cash and cash	Other	Total
	assets	properties and related expenditures	equivalents	assets	assets
Canada	\$ -	\$ 313	\$ 1,256	\$ 61,093	\$ 62,662
Australia	156	8,149	336	430	9,071
	<b>\$ 156</b>	<b>\$ 8,462</b>	<b>\$ 1,592</b>	<b>\$ 61,523</b>	<b>\$ 71,733</b>



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#### 18. Segmented information (continued)

The following is segmented information of operations for the three and six months ended March 31, 2015 and as at September 30, 2015:

Country/Region	Three Months Ended		Six Months Ended	
	March 31, 2015		March 31, 2015	
	Net loss		Net loss	
Canada	\$	(4,422)	\$	(6,289)
Australia		(453)		(619)
	\$	(4,875)	\$	(6,908)

#### As at September 30, 2015

Country/Region	As at September 30, 2015				
	Capital assets	Mineral properties and related expenditures	Cash and cash equivalents	Other assets	Total assets
Canada	\$ -	\$ 313	\$ 240	\$ 41,098	\$ 41,651
Australia	166	7,239	157	1,742	9,304
	\$ 166	\$ 7,552	\$ 397	\$ 42,840	\$ 50,955

The Company has no inter-segment revenues.

#### 19. General and administrative expenses

The following table summarizes the general and administrative expenses incurred for the periods ended as indicated below:

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2016	2015	2016	2015
Professional fees	\$ 58	\$ 119	\$ 88	\$ 183
Consulting and directors' fees	165	295	307	575
Shareholder relations and communications	19	32	20	34
Transfer agent and filing fees	64	56	83	89
Travel and promotion	4	12	8	14
Salaries and office administration	88	169	228	485
Stock based compensation	107	14	208	37
Amortization	12	23	26	55
	\$ 517	\$ 720	\$ 968	\$ 1,472



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### 20. Commitments and Option obligations

The Company has the following commitments and obligations as at March 31, 2016:

(i) On the Ben Lomond Properties located in Queensland, there is a yearly commitment and obligation of \$249 (AUD\$250) towards the care and maintenance costs and environmental obligation of the project for the next five years.

(ii) On the Georgetown properties located in Queensland, there is a yearly commitment of \$50 (AUD\$50), towards the care and maintenance costs of the properties for the next five years.

(iii) On the Redport gold properties located in Western Australia there is a yearly commitment of \$149 (AUD\$150), towards the care and maintenance costs of the properties for the next five years.

### 21. Management of capital

The Company includes the following items in its managed capital:

	As at March 31 2016	As at September 30, 2015
Shareholders' equity comprises of:		
Share capital	\$ 271,744	\$ 271,744
Warrants	35,642	35,642
Share option reserve	64,483	64,259
Accumulated other comprehensive income (loss)	22,590	(567)
Deficit	(323,178)	(321,855)
	\$ 71,281	\$ 49,223

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.

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



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### 21. Management of capital (continued)

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, 2016 and the Company is not subject to any externally imposed capital requirements.

### 22. 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 lesser 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 \$1,592. The cash equivalents consist of highly liquid short-term deposits with the bank (see note 5). The Company has working capital surplus as at March 31, 2016 of \$1,814. 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. Also refer to note 2 on 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 by 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.

#### (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.



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#### 22. Financial instruments (continued)

(b) Market risk: (continued)

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended March 31, 2016 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, 2016:

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%	\$ 4	\$ (4)
4%	9	(9)
6%	13	(13)
8%	18	(18)
10%	22	(22)

(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 value of the investment by approximately \$10.

(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 March 31, 2016 from a change in all foreign currencies (Australian dollars, and U.S. dollars) with all other variables held constant as at March 31, 2016:

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%	\$ 11	\$ (11)
4%	21	(21)
6%	32	(32)
8%	42	(42)
10%	53	(53)





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### 22. Financial instruments (continued)

(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 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 significantly in NexGen and Toro, two uranium companies which have total asset carrying value in aggregate of \$60,501 as at March 31, 2016 and \$40,548 as at September 30, 2015 and possess the risk to produce losses large 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 March 31, 2016 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, 2016:

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%	\$ 496	\$ (496)
4%	991	(991)
6%	1,487	(1,487)
8%	1,982	(1,982)
10%	2,478	(2,478)

(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, other receivables and amounts payable and other liabilities approximate to fair value due to their short-term nature. Marketable securities and long-term investments are fair valued using the bid price on the closing date for the underlying investment.

#### 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



# MEGA URANIUM LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2016

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

(Expressed in Canadian Dollars)

### 22. Financial instruments (continued)

#### Fair Value Analysis (continued)

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

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

The Company's financial assets measured at fair value through profit or loss have used Level 1 valuation techniques during the six months period ended March 31, 2016 and 2015. The carrying values of the Company's financial assets and liabilities approximate to their fair values as at March 31, 2016. During the six months period ended March 31, 2016, there were no transfers between levels.

As at March 31, 2016 and September 30, 2015, 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 March 31, 2016

	Level 1	Level 2	Level 3	Total Fair Value
Marketable securities	\$ 304	\$ -	\$ -	\$ 304
Long-term investments	33,715	-	-	33,715
	\$ 34,019	\$ -	\$ -	\$ 34,019

#### As at September 30, 2015

	Level 1	Level 2	Level 3	Total Fair Value
Marketable securities	\$ 216	\$ -	\$ -	\$ 216
Long-term investments	12,787	-	-	12,787
	\$ 13,003	\$ -	\$ -	\$ 13,003

