



**MEGA URANIUM LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2019**

## **MEGA URANIUM LTD.**

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

**Three and Six Months Ended March 31, 2019**

**Discussion Dated: May 13, 2019**

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

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### **Introduction**

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Mega Uranium Ltd. ("Mega" or the "Company") should be read in conjunction with Mega's unaudited condensed interim consolidated financial statements ("interim consolidated statements") and notes thereto as at and for the three and six months ended March 31, 2019. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 4 of the annual consolidated financial statements as at and for the year ended September 30, 2018.

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

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

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

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

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

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

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

### **Going Concern**

The 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. As at March 31, 2019, the Company has an accumulated deficit of \$317,332 (September 30, 2017 - \$314,480). The Company is in the exploration stage and is subject to risks and challenges similar to other companies in a comparable stage of exploration.

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

The Company will have to raise additional funds to continue operations. Although the Company is able to raise capital by selling securities it holds and issuing its own equity and has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future, or available on acceptable terms. If additional financing is raised by the issuance of shares from the treasury, control of the Company may change and shareholders may suffer dilution. 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.

The challenges of securing requisite funding beyond March 31, 2019 and the continued estimated operating losses cast significant doubt on the Company's ability to continue as a going concern.

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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.

### **Nature of the Business**

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

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

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

In addition to the Company's own exploration activities, Mega participates indirectly in the uranium sector through its securities holdings in other public companies, including its significant long-term investment in NexGen Energy Ltd. ("NexGen") (NXE:TSX), its equity investment in Toro Energy Limited ("Toro") (TOE:ASX), and marketable securities in other uranium-focused issuers. The Company classifies its investments in each of the three categories in accordance with IFRS based on various factors, including Mega's percentage interest in and ability to otherwise influence the entity and its trading intentions. The classifications are discussed in the notes to the Company's audited September 2018 consolidated financial statements.

### **Investment Strategies and Oversight**

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

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

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

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### **Operational Highlights**

On December 17 and 24, 2018, the Company completed the first and final tranches of a non-brokered private placement (the "Financing"), pursuant to which the Company raised aggregate gross proceeds of \$1,750 from the issuance and sale of 11,909,091 and 4,000,000 units, respectively at a price of \$0.11 per unit. Each unit was comprised of one common share and one common share purchase warrant of Mega. Each warrant entitles the holder to purchase one common share of the Company, at a price of \$0.15 per share, until expiry on December 17 and 24, 2020, respectively.

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

The Company increased its equity position in Uranium Royalty Corporation ("URC") during the quarter when it acquired an additional 750,000 common shares as consideration for an option granted to URC (discussed below under "Mineral Properties").

During the six months ended March 21, 2019, 1,100,000 stock options were exercised for gross proceeds of \$110.

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

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

### **Overall Performance**

As at March 31, 2019, the Company had a working capital surplus of \$3,779 as compared to a working capital surplus of \$2,307 as at September 30, 2018. The increase in working capital surplus is attributable to the proceeds from the Financing and exercise of stock options offset by spending on exploration activities, general and administrative expenses and payment of payables during the six months ended March 31, 2019.

The fair value of the Company's NexGen investment decreased by \$8,719 as the NexGen closing bid price decreased from \$2.60 on September 30, 2018 to \$2.15 on March 31, 2019.

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

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

### **Proposed Transactions**

There were no material proposed transactions as of the date of this MD&A.

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### Mineral Properties

The following details the exploration and evaluation expenditures of the Company's mineral properties for the six months ended March 31, 2019 and 2018:

	Ben Lomond Property (Queensland Australia)	Redport Properties (Western Australia)	Total
<b>Six months ended March 31, 2019</b>			
Consulting - geology and environmental	\$11	\$nil	\$11
Consulting fees	nil	20	20
Land licenses	151	21	172
Administration	1	nil	1
Stock-based compensation	nil	32	32
	<b>\$163</b>	<b>\$73</b>	<b>\$236</b>

	Ben Lomond Property (Queensland Australia)	Redport Properties (Western Australia)	Total
<b>Six months ended March 31, 2018</b>			
Consulting - geology and environmental	\$177	\$nil	\$177
Consulting fees	nil	44	44
Land licenses	13	36	49
Travel expenses	3	6	9
Administration	2	16	18
Miscellaneous	12	nil	12
Professional fees	1	nil	1
Stock-based compensation	nil	43	43
	<b>\$208</b>	<b>\$145</b>	<b>\$353</b>

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

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

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

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

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

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Following are the plans related to Mega's properties:

Project/Property Name	Brief Description	Plans for Project	Planned Expenditure for Fiscal 2019	Expenditures Incurred in March 31, 2019
Ben Lomond	2 mining leases totaling 21.6 km <sup>2</sup> in Queensland, Australia.	Environmental and geological prefeasibility studies	\$275	\$163
Georgetown (including the Maureen uranium resource)	Uranium rights in the Georgetown area of Queensland, Australia.	Ground checking airborne radiometric anomalies; drill testing of various prospects if warranted	\$10	\$nil
Redport	Gold properties in Western Australia	Geological studies	\$150	\$41

### Quarterly information

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

Three Months Ended	Total Revenue (\$)	Working capital surplus (\$)	Net Income or (Loss)	
			Total (\$)	Per Share (\$)
March 31, 2019	nil	3,779	(1,359)	(0.00)
December 31, 2018	nil	4,244	(1,493)	(0.00)
September 30, 2018	nil	2,307	432	(0.00)
June 30, 2018	nil	472	(4,786)	(0.02)
March 31, 2018	nil	707	(3,908)	(0.01)
December 31, 2017	nil	1,287	302	0.00
September 30, 2017	nil	1,700	(193)	(0.00)
June 30, 2017	nil	1,875	(2,773)	(0.01)

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

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### Results of operations

For the three months ended March 31, 2019, compared with the three months ended March 31, 2018

For the three months ended March 31, 2019, the Company's net loss was \$1,359 compared to net loss of \$3,908 for the three months ended March 31, 2018. The decrease in net loss of \$2,549 is a result of the following:

- Loss on equity investment for the three months ended March 31, 2019 was \$100 compared to a loss of \$500 for the three months ended March 31, 2018. The decrease of \$400 in loss on equity investments reflects the Company's proportionate share of Toro's decreased operating loss for the three months ended March 31, 2019.
- During the three months ended March 31, 2018, the Company realized a loss of \$106 from the sale of marketable securities compared to \$nil during the three months ended March 31, 2019.
- Deferred tax expense for the three months ended March 31, 2019 was \$642 compared to \$2,542 for the three months ended March 31, 2018.
- During the three months ended March 31, 2019, the Company spent \$60 on exploration and evaluation compared to \$171 for the three months ended March 31, 2018.
- For the three months ended March 31, 2019, general and administrative expenses decreased by \$96 compared to the three months ended March 31, 2018.

A breakdown of general and administrative expenses for the three months ended March 31, 2019 and 2018 is provided below.

<b>Three Months Ended March 31,</b>	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Professional fees	24	16	8
Consulting and directors' fees	162	163	(1)
Shareholder relations and communications	nil	3	(3)
Transfer agent and filing fees	81	67	14
Travel and promotion	10	21	(11)
Salaries and office administration (a)	211	254	(43)
Stock-based compensation (b)	126	183	(57)
Amortization	6	9	(3)
	<b>620</b>	<b>716</b>	<b>(96)</b>

- (a) Salaries and office administration decreased by \$43 during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 reflecting decreased overhead costs in the current period.
- (b) There was a decrease of \$57 in stock-based compensation expense for the three months ended March 31, 2019 over the 2018 period. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date.



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For the six months ended March 31, 2019, compared with the six months ended March 31, 2018

For the six months ended March 31, 2019, the Company's net loss was \$2,852 compared to net loss of \$3,606 for the six months ended March 31, 2018. The decrease in net loss of \$754 is a result of the following:

- Loss on equity investment for the six months ended March 31, 2019 was \$418 compared to a loss of \$656 for the six months ended March 31, 2018. The decrease of \$238 in loss on equity investments reflects the Company's proportionate share of Toro's decreased operating loss for the six months ended March 31, 2019.
- The increase of \$131 in unrealized gain on marketable securities resulted from the fluctuation in the fair values of the marketable securities during the six month ended March 31, 2019 compared to the six months ended March 31, 2018.
- Deferred tax expense for the six months ended March 31, 2019 was \$1,155 compared to \$1,412 for the six months ended March 31, 2018.
- During the six months ended March 31, 2019, the Company spent \$236 on exploration and evaluation compared to \$353 for the six months ended March 31, 2018.
- For the six months ended March 31, 2019, general and administrative expenses decreased by \$282 compared to the six months ended March 31, 2018.

A breakdown of general and administrative expenses for the six months ended March 31, 2019 and 2018 is provided below.

Six Months Ended March 31,	2019 (\$)	2018 (\$)	Variance (\$)
Professional fees	42	33	9
Consulting and directors' fees (a)	325	463	(138)
Shareholder relations and communications	9	3	6
Transfer agent and filing fees	99	97	2
Travel and promotion	29	31	(2)
Salaries and office administration (b)	355	397	(42)
Stock-based compensation (c)	239	350	(111)
Amortization	12	18	(6)
	<b>1,110</b>	<b>1,392</b>	<b>(282)</b>

- (a) Consulting and directors' fees decreased by \$138 during the six months ended March 31, 2019 compared to the six months ended March 31, 2018, the difference being primarily attributable to a bonus awarded to an executive officer in the 2018 period.
- (b) Salaries and office administration decreased by \$42 during the six months ended March 31, 2019 compared to the six months ended March 31, 2018 reflecting decreased overhead costs in the current period.
- (c) There was a decrease of \$111 in stock-based compensation expense for the six months ended March 31, 2019 over the 2018 period. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date.

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### Segmented information

The Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. 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 and six months ended March 31, 2019 and 2018 and as at March 31, 2019 and September 30, 2018:

Country/Region	Three Months Ended March 31, 2019 Net Loss (\$)	Three Months Ended March 31, 2018 Net Loss (\$)	Six Months Ended March 31, 2019 Net Loss (\$)	Six Months Ended March 31, 2018 Net Loss (\$)
Canada	(1,230)	(3,684)	(2,538)	(3,141)
Australia	(129)	(224)	(314)	(465)
	<b>(1,359)</b>	<b>(3,908)</b>	<b>(2,852)</b>	<b>(3,606)</b>

#### As at March 31, 2019

Country/Region	Capital assets \$	Cash and cash equivalents \$	Other assets \$	Total assets \$
Canada	nil	2,074	52,468	54,542
Australia	45	196	108	349
	<b>45</b>	<b>2,270</b>	<b>52,576</b>	<b>54,891</b>

#### As at September 30, 2018

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

The Company has no inter-segment revenues.

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### Marketable Securities

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

	March 31, 2019 \$	September 30, 2018 \$
Investments at fair value	1,769	1,147
Cost	3,808	3,433

### Liquidity and Capital Resources

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

The Company has no operating revenues and therefore must utilize its current cash reserves, funds obtained from the exercise of warrants and stock options and other financing transactions to maintain its capacity to meet ongoing operating activities. As of March 31, 2019, the Company had 31,150,000 options and 37,670,645 warrants outstanding, which would raise \$10,318, if exercised in full by the holders. The exercise of stock options and warrants by holders is outside of the Company's control and dependent upon various factors, including the future trading prices of the underlying common shares, which cannot be predicted. Accordingly, Mega cannot rely on the availability of this source of funds with any degree of certainty.

As at March 31, 2019, the Company had cash and cash equivalents of \$2,270 to settle its amounts payable and other liabilities of \$463. The Company's cash and cash equivalents as of March 31, 2019, is sufficient to pay these liabilities.

During the six months ended March 31, 2019, the Company used \$1,017 of cash on its operations. During the six months ended March 31, 2019, receivables and prepaid expenses increased by \$16 and amounts payable and other liabilities decreased by \$72 due to fluctuations in the normal course of business.

For the six months ended March 31, 2019, the Company received \$1,669 of net proceeds from the private placement and \$110 from the exercise of stock options during the period.

As at March 31, 2019, the Company's marketable securities and long-term investment in NexGen shares were valued at \$1,769 and \$41,659, respectively. The Company could sell investments to generate funds required to settle its obligations as they arise, however, management intends to hold the Company's marketable securities and long-term investments until it becomes advantageous to sell the investments or liquidity concerns necessitate such sale.

The Company's use of cash is currently and is expected to continue to be focused on two principal areas, namely the funding of its general and administrative expenditures and the funding of its investment activities. Investing activities include the cash components of the cost of acquiring and exploring the Company's mineral properties. For the twelve-month period ending March 31, 2020, corporate head office

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costs are estimated to average \$300 per quarter for salaries, office administration, consulting fees, travel and promotion, professional fees and reporting issuer costs.

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

<b>Contractual Obligations</b>	<b>Total</b>	<b>Up to 1 year</b>	<b>1 - 3 years</b>	<b>4 - 5 years</b>	<b>After 5 years</b>
	(\$)	(\$)	(\$)	(\$)	(\$)
Amounts payable and other liabilities	463	463	nil	nil	nil
Obligations on mineral properties (a)	2,085	417	834	834	nil
Office lease (b)	107	27	80	nil	nil
	<b>2,655</b>	<b>907</b>	<b>914</b>	<b>834</b>	<b>nil</b>

- (a) Obligations on mineral properties pertain to minimum expenditures required to be incurred to maintain those claims/tenements in Canada and Australia.
- (b) The Company has no long-term debt. The Company entered into a lease agreement in respect of its head office location for a five year period commencing March 15, 2016, which provides for a monthly cost of \$4.5 plus HST.
- (c) The Company is subject to management contracts with certain executive officers that provide for payments under circumstances involving a change of control of Mega and/or termination of the officer's services. As at March 31, 2019, these contracts require that additional payments of approximately \$2,181 be made upon the occurrence of a change of control. The minimum commitment upon termination of these contracts is approximately \$1,005. As a triggering event has not taken place, the contingent payments have not been reflected in the consolidated statements.
- (d) As part of his compensation package, the Company's Chief Executive Officer is entitled to a special bonus that is dependent upon the cash proceeds of disposition of the NexGen investment net of acquisition and disposition costs. The entitlement is payable at the discretion of the board of directors and is subject to a maximum bonus equal to 5% of the net cash proceeds. Up to fifty percent of the bonus may be settled in common shares of the Company (also at the discretion of the board and subject to regulatory approval).

### Equity investments

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

During the six months ended March 31, 2019, Mega's holdings in Toro were diluted from 19.68% to 18.28% as a result of the issuance of additional ordinary shares by Toro, resulting in a dilution loss of \$689.

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

Under the equity method, the Company's investments are initially recognized at cost, and the carrying amounts are increased or decreased to recognize the Company's share of the profit or loss after the date of acquisition. Loss on the equity investment was \$418 for the six months ended March 31, 2019.

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The carrying value of the equity investment in Toro was \$8,613 as at March 31, 2019 (September 30, 2018 - \$9,720).

The fair value of the equity investment in Toro was \$9,367 as at March 31, 2019 (September 30, 2018 - \$10,350) based on the applicable closing share price.

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

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

### Long-term investment

Mega held 19,376,265 shares of NexGen as at March 31, 2019. Mega acquired the shares in December 2012 as consideration for the sale to NexGen of the majority of its Canadian projects.

During the six months ended March 31, 2019, \$8,719 was recorded as an unrealized loss in other comprehensive loss as a result of the change in the fair value.

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

	March 31, 2019 (\$)	September 30, 2018 (\$)
Opening balance	50,378	53,285
Unrealized loss for the period ended recorded in other comprehensive loss	(8,719)	(2,907)
<b>Closing balance</b>	<b>41,659</b>	<b>50,378</b>

The closing bid price of NexGen was \$2.60 on September 30, 2018 compared to \$2.15 on March 31, 2019.

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

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### Outstanding Share Data

The number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Mega as at May 13, 2019 are as follows:

Securities	As at May 13, 2019
Common shares outstanding	326,391,094
Issuable under options	31,150,000
Issuable under warrants	37,670,645
<b>Total securities</b>	<b>395,211,739</b>

### 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, 2019 and 2018:

Type of service	Nature of relationship	Three Months Ended March 31, 2019 (\$)	Three Months Ended March 31, 2018 (\$)
Short-term compensation benefits <sup>(a)</sup>	Directors	40	40
Short-term compensation benefits <sup>(b)</sup>	Officers	136	139
Stock-based compensation benefits <sup>(c)</sup>	Directors and Officers	118	172
Administrative services <sup>(d)</sup>	Officers	6	6

Type of service	Nature of relationship	Six Months Ended March 31, 2019 (\$)	Six Months Ended March 31, 2018 (\$)
Short-term compensation benefits <sup>(a)</sup>	Directors	79	79
Short-term compensation benefits <sup>(b)</sup>	Officers	272	414
Stock-based compensation benefits <sup>(c)</sup>	Directors and Officers	223	328
Administrative services <sup>(d)</sup>	Officers	12	12

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

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

For the three and six months ended March 31, 2019, \$79 and \$158, respectively of the costs relating to these agreements (three and six months ended March 31, 2018 - \$80 and \$296, respectively) are

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included in general and administrative expenses and \$57 and \$114, respectively (three and six months ended March 31, 2018 - \$59 and \$118, respectively) are included in exploration and evaluation.

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

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

During the three and six months ended March 31, 2019, the Company provided office space and other occupancy services to Toro and earned \$65 and \$112, respectively (three and six months ended March 31, 2018 - \$nil) of income from Toro.

Included in amounts payable and other liabilities are fees owing to officers and directors of \$68 as at March 31, 2019 (September 30, 2018 - \$413).

During the six months ended March 31, 2019, officers and directors of Mega exercised 1,100,000 stock options.

### **Contractual Obligations**

Refer to the commitment table under the section "Liquidity and Capital Resources" above for details regarding the Company's contractual obligations as at March 31, 2019.

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

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

However, actual outcomes may differ from these estimates. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which is described in note 2 of the interim consolidated statements. The information about significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue and expenses are discussed below:

(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.

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(ii) Share-based payments:

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense. The Black-Scholes model requires six key inputs to determine a value for an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain 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.

(iii) Significant influence:

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

(iv) Deferred tax assets and liabilities:

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

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

(v) Going concern

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

(vi) Impairment of equity investment

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



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### **Risks**

Mega's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. A detailed discussion of these risks can be found on pages 19 to 22 under "Risks" in our MD&A for the financial year ended September 30, 2018 (available on SEDAR at [www.sedar.com](http://www.sedar.com)) and elsewhere in this MD&A, including under "Financial Instruments", among other sections, where we discuss the concentration of our investments in NexGen and Toro, which represent the majority our assets (on a fair value basis), and the impact that material changes in their fair values could have on our financial condition and ability to carry on business.

### **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 \$2,270. The cash equivalents consist of highly liquid short-term deposits with the bank. The Company has working capital surplus as at March 31, 2019 of \$3,779. 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 "Going Concern" section above. 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 be vulnerable to market fluctuations.

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The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended March 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 March 31, 2019:

<b>Percentage of change in closing bid price</b>	<b>Change in net after-tax income (loss) from % increase in closing bid price</b>	<b>Change in net after-tax income (loss) from % decrease in closing bid price</b>
	<b>\$</b>	<b>\$</b>
2%	26	(26)
4%	52	(52)
6%	78	(78)
8%	104	(104)
10%	130	(130)

(c) Interest rate risk:

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

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

(d) Currency risk:

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

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

<b>Percentage of change in closing exchange rate</b>	<b>Change in net after-tax income (loss) from % increase in closing exchange rate</b>	<b>Change in net after-tax income (loss) from % decrease in closing exchange rate</b>
	<b>\$</b>	<b>\$</b>
2%	(2)	2
4%	(4)	4
6%	(6)	6
8%	(9)	9
10%	(11)	11

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(e) Credit risk:

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

(f) Concentration risks:

The Company is exposed to concentration risks as its investment portfolio is concentrated primarily in NexGen and Toro, two uranium companies which, together, have a total asset value of \$50,372 as at March 31, 2019 and \$60,098 as at September 30, 2018 and pose the risk of producing losses large enough to threaten the ability of the Company to continue operating as a going concern. Neither entity is revenue-generating.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended March 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 March 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%	612	(612)
4%	1,225	(1,225)
6%	1,837	(1,837)
8%	2,450	(2,450)
10%	3,062	(3,062)

(g) Fair value:

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

The carrying values of cash and cash equivalents, restricted cash, receivables and amounts payable and other liabilities, approximate their fair values due to the short-term nature of these instruments. Marketable securities and long term investments are fair valued using the bid price on the closing date for the underlying investment.

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

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### Management of Capital

The Company includes the following items in its managed capital as at March 31, 2019 and September 30, 2018:

	March 31, 2019 (\$)	September 30, 2018 (\$)
<b>Shareholders' equity comprises of:</b>		
Share capital	276,192	274,838
Warrants	1,372	887
Share option reserve	66,163	65,952
Accumulated other comprehensive income	28,033	35,591
Deficit	(317,332)	(314,480)
	<b>54,428</b>	<b>62,788</b>

The Company's objectives when managing capital are:

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

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

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

The Company is not subject to any capital requirements imposed by a regulator. To date, the Company has not declared any cash dividends to its shareholders. The Company's management is responsible for the management of capital and reviews its capital management approach on an ongoing basis through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, changes in property holdings and related obligations and exploration activities and believes that this approach, given the relative size of the Company, is reasonable. The properties in which the Company currently has an interest are in the exploration stage; as such the 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, 2019 and the Company is not subject to any externally imposed capital requirements.

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### New accounting standard adopted

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

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

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

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

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

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

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

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

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

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

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

### **New standards not yet adopted:**

(a) Leases ("IFRS 16")

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

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

### **Additional Information**

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