# MEGA URANIUM LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2017

## 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, 2017. 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, 2016.

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, the Company's exploration and development activities, including expectations regarding drilling and other activities conducted to advance properties, receipt of regulatory and governmental approvals, the Company's future operating costs and working capital requirements, including its ability to satisfy such requirements through dispositions of securities or other means and the anticipated timing of dispositions of securities, the exposure of its financial instruments to various risks and its ability to manage those risks, the Company's ability to use tax resource pools and loss carry-forwards, fees to be incurred by foreign subsidiaries and changes in accounting policies.

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

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. The Company has incurred a loss for the six months ended March 31, 2017 of $1,551 (six months ended March 31, 2016 – loss of $1,799) and has an accumulated deficit of $306,191 (September 30, 2016 - $304,684). 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 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, 2017 and the continued estimated operating losses cast significant doubt on the Company's ability to continue as a going concern.

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

## 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 and development stage mineral resources company with properties in Australia and Canada and investments in uranium-focused public companies.

Mega is in the process of exploring its mineral properties and has not 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 and development 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 2016 consolidated financial statements.

## Investment Strategies and Oversight

Mega evaluates its NexGen and Toro investments and other investments based on available market data. Exit strategies include mergers or other significant milestones for the investee companies, dispositions of the securities in the secondary market, if and when warranted, and third-party bids for the securities that are beneficial to Mega, in the circumstances. Investments are actively managed, with involvement of Company management at the investee company board level where the size of the investment and other factors so warrant. Significant investment entities will be self-financing, however, Mega may participate in follow-up financing to its investee companies and the purchase of shares of public investee companies in the secondary market for investment purposes. Mega relies on the technical expertise of management and Board members to evaluate investment opportunities and to participate in the on-going monitoring of investee companies.

Notwithstanding the foregoing, the Board may authorize any particular investment or series of investments that may diverge from these strategies from time to time.

Management views the Company's business as cyclical; the value of its assets in the uranium sector may fluctuate with the demand and price for the underlying commodities as well as the market for securities in the uranium sector.

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

## Overall Performance

As at March 31, 2017, the Company had a working capital surplus of $1,290 as compared to a working capital surplus of $1,405 as at September 30, 2016. The decrease in working capital surplus is attributable to spending on exploration activities, general and administrative expenses and payment of payables offset by the proceeds from the exercise of warrants and stock options during the six months ended March 31, 2017.

The fair value of the Company's NexGen investment increased by $21,895 as the NexGen share price (bid) increased from $1.97 on September 30, 2016 to $3.10 (the closing price of NexGen shares on the TSX) on March 31, 2017.

## Change in Accounting Policy

During the year ended September 30, 2016, the Company changed its accounting policy for mineral properties and deferred exploration expenditures to recognize these costs in the statements of loss and comprehensive income in the period incurred, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources. Management believes that the change in accounting policy will result in clearer and more relevant financial information.

The previous accounting policy capitalized mineral properties and deferred exploration expenditures in respect of each identifiable area of interest, once the legal right to explore is acquired and until the technical feasibility and commercial viability of extracting a mineral resource are demonstrated.

The impact of this change on the consolidated statement of financial position as at September 30, 2015 is as follows:

| Statement of Financial Position | As previously reported ($) | Effect of change in accounting policy ($) | Restated ($) |
|---|---|---|---|
| Mineral properties and deferred exploration expenditures | 7,552 | (7,552) | nil |
| Total non-current assets | 48,595 | (7,552) | 41,043 |
| Total assets | 50,955 | (7,552) | 43,403 |
| Accumulated other comprehensive loss | (567) | 2,488 | 1,921 |
| Deficit | (286,367) | (10,040) | (296,407) |
| Total equity | 49,223 | (7,552) | 41,671 |
| Total equity and liabilities | 50,955 | (7,552) | 43,403 |

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

The impact of this change on the consolidated financial statement as at and for the three and six months ended March 31, 2016 is as follows:

| March 31, 2016 - Statement of Financial Position | As previously reported ($) | Effect of change in accounting policy ($) | Restated ($) |
|---|---|---|---|
| Mineral properties and deferred exploration expenditures | 8,462 | (8,462) | nil |
| Total non-current assets | 69,467 | (8,462) | 61,005 |
| Total assets | 71,733 | (8,462) | 63,271 |
| Accumulated other comprehensive loss | 22,590 | 2,054 | 24,644 |
| Deficit | (287,690) | (10,516) | (298,206) |
| Total equity | 71,281 | (8,462) | 62,819 |
| Total equity and liabilities | 71,733 | (8,462) | 63,271 |

| Statement of Loss and Comprehensive Loss Six Months Ended March 31, 2016 | As previously reported ($) | Effect of change in accounting policy ($) | Restated ($) |
|---|---|---|---|
| Exploration and evaluation expenditures | nil | (476) | (476) |
| Loss for the period | (1,323) | (476) | (1,799) |
| Exchange differences on translation of foreign operations | 504 | (434) | 70 |
| Total comprehensive income for the period | 21,834 | (910) | 20,924 |
| Basic and diluted loss per share | (0.00) | (0.00) | (0.01) |

| Statement of Loss and Comprehensive Loss Three Months Ended March 31, 2016 | As previously reported ($) | Effect of change in accounting policy ($) | Restated ($) |
|---|---|---|---|
| Exploration and evaluation expenditures | nil | (177) | (177) |
| Loss for the period | (154) | (177) | (331) |
| Exchange differences on translation of foreign operations | (110) | 100 | (10) |
| Total comprehensive income for the period | 20,081 | (77) | 20,004 |
| Basic and diluted loss per share | (0.00) | (0.00) | (0.00) |

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

The impact of this change on the consolidated statement of cash flows for the six months ended March 31, 2016 is as follows:

| Statement of Cash Flows Six Months Ended March 31, 2016 | As previously reported ($) | Effect of change in accounting policy ($) | Restated ($) |
|---|---|---|---|
| Loss for the period | (1,323) | (476) | (1,799) |
| Amounts payable and other liabilities | (1,033) | (232) | (1,265) |
| Net cash provided by operating activities | (230) | (708) | (938) |
| Exploration and evaluation expenditures | (708) | 708 | nil |
| Net cash provided by investing activities | 1,392 | 708 | 2,100 |

## Mineral Properties

The following details the exploration and evaluation expenditures of the Company's mineral properties for the six months ended March 31, 2017 and 2016:

| Properties | Six months ended March 31, 2017 ($) | Six months ended March 31, 2016 ($) |
|---|---|---|
| **AUSTRALIA – Western Australia** | | |
| **Redport Properties** | **256** | **309** |
| **Total Western Australia properties** | **256** | **309** |
| **AUSTRALIA – Queensland** | | |
| **Ben Lomond Property** | **76** | **164** |
| **Georgetown Property** | **11** | **3** |
| **Total Queensland properties** | **87** | **167** |
| **Total Australian properties** | **343** | **476** |
| **Total exploration and evaluation expenditures** | **343** | **476** |

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

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

Following are the plans related to Mega's significant properties:

| Project/Property Name | Brief Description | Plans for Project | Planned Expenditure for Calendar 2017 | Expenditures Incurred to March 31, 2017 |
|---|---|---|---|---|
| Ben Lomond | 2 mining leases totaling 21.6 $km^2$ in Queensland, Australia. | Environmental and geological prefeasibility studies | $290 | $76 |
| 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 | $50 | $11 |
| Redport | Gold properties in Western Australia | Geological studies | $125 | $256 |

## 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 proposed transactions as of the date of this MD&A.

## 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 ($) | Working capital surplus (deficit) ($) | Net Income or (Loss) Total ($) | Net Income or (Loss) Per Share ($) |
|---|---|---|---|---|
| March 31, 2017 | nil | 1,290 | (293) | (0.00) |
| December 31, 2016 | nil | 940 | (1,258) | (0.00) |
| September 30, 2016 | nil | 1,405 | (4,271) | (0.02) |
| June 30, 2016 | nil | 1,512 | (2,210) | (0.01) |
| March 31, 2016 | nil | 1,814 | (331) | (0.00) |
| December 31, 2015 | nil | 50 | (1,468) | (0.01) |
| September 30, 2015 | nil | 628 | 3,950 | 0.01 |
| June 30, 2015 | nil | (340) | (684) | (0.00) |

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

The Company is an exploration and development stage mineral resources company. At this time, any issues of seasonality or commodity market fluctuations have no direct impact on our results or operations but can impact upon our exploration activities and our ability to grow through acquisition. 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.

## Results of operations

For the three months ended March 31, 2017, compared with the three months ended March 31, 2016

For the three months ended March 31, 2017, the Company's net loss was $293 compared to a net loss of $331 for the three months ended March 31, 2016. The decrease in net loss of $38 is a result of the following:

- Loss on equity investments for the three months ended March 31, 2017 was $169 compared to a loss of $83 for the three months ended March 31, 2016. The increase of $86 in loss on equity investments reflects the Company's proportionate share of Toro's operating loss for the three months ended March 31, 2017.

- The increase of $43 in unrealized gain on marketable securities resulted from the fluctuation in the fair values of the marketable securities during the quarter.

- During the three months ended March 31, 2017, the Company recorded research and development rebate of $573 and royalty income of $115 compared to royalty income of $135 for the three months ended March 31, 2016.

- Realized gain on long term investment for the three months ended March 31, 2016 was $225 from the disposition of 2,500,000 shares of NexGen. There was no disposition during the current period.

- For the three months ended March 31, 2017, general and administrative expenses increased by $256.

| **Three Months Ended March 31,** | **2017 ($)** | **2016 ($)** | **Variance ($)** |
|---|---|---|---|
| Professional fees (a) | 14 | 58 | (44) |
| Consulting and directors' fees | 163 | 165 | (2) |
| Research and development | 61 | nil | 61 |
| Shareholder relations and communications | nil | 19 | (19) |
| Transfer agent and filing fees | 76 | 64 | 12 |
| Travel and promotion | 15 | 4 | 11 |
| Salaries and office administration (b) | 187 | 88 | 99 |
| Stock-based compensation (c) | 244 | 107 | 137 |
| Amortization | 13 | 12 | 1 |
| | **773** | **517** | **256** |

A breakdown of general and administrative expenses for the three months ended March 31, 2017 and 2016 is provided below.

(a) Professional fees decreased by $44 during the three months ended March 31, 2017 compared to the three months ended March 31, 2016, primarily due to a reduction in advisory services used by the Canadian corporate office and Australian subsidiaries during the current period.

(b) Salaries and office administration increased by $99 during the three months ended March 31, 2017 compared to the three months ended March 31, 2016, reflecting increased costs for head office premises and personnel. Previously, the Company was a party to an office and services sharing arrangement with another entity, which was terminated by that party in the prior period.

(c) There was an increase of $137 in stock-based compensation expense for the three months ended March 31, 2017 over the 2016 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. Stock-based compensation expense increased primarily due to 6,050,000 options granted during the three months ended March 31, 2017 as compared to 3,500,000 granted during the three months ended March 31, 2016.

For the six months ended March 31, 2017, compared with the six months ended March 31, 2016

For the six months ended March 31, 2017, the Company's net loss was $1,551 compared to a net loss of $1,799 for the six months ended March 31, 2016. The decrease in net loss of $248 is a result of the following:

- Loss on equity investments for the six months ended March 31, 2017 was $500 compared to a loss of $795 for the six months ended March 31, 2016. The decrease of $295 in loss on equity investments reflects the Company's proportionate share of Toro's operating loss for the six months ended March 31, 2017.

- The increase of $92 in unrealized loss on marketable securities resulted from the fluctuation in the fair values of the marketable securities during the six months ended March 31, 2017.

- During the six months ended March 31, 2017, the Company recorded a loss on deemed disposition of equity investment of $22 compared to $12 for the six months ended March 31, 2016. This is the result of the dilutive effect of Toro's issuance of additional common shares on Mega's percentage equity interest in Toro.

- During the six months ended March 31, 2017, the Company recorded research and development rebate of $573 and royalty income of $115 compared to royalty income of $135 for the six months ended March 31, 2016.

- Realized gain on long term investment for the six months ended March 31, 2016 was $225 from the disposition of 2,500,000 shares of NexGen. There was no disposition during the current period.

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

- For the six months ended March 31, 2017, general and administrative expenses increased by $400.

| Six Months Ended March 31, | 2017 ($) | 2016 ($) | Variance ($) |
|---|---|---|---|
| Professional fees (a) | 23 | 88 | (65) |
| Consulting and directors' fees (b) | 463 | 307 | 156 |
| Research and development | 61 | nil | 61 |
| Shareholder relations and communications | nil | 20 | (20) |
| Transfer agent and filing fees | 98 | 83 | 15 |
| Travel and promotion | 21 | 8 | 13 |
| Salaries and office administration (c) | 354 | 228 | 126 |
| Stock-based compensation (d) | 323 | 208 | 115 |
| Amortization | 25 | 26 | (1) |
| | **1,368** | **968** | **400** |

A breakdown of general and administrative expenses for the six months ended March 31, 2017 and 2016 is provided below.

(a) Professional fees decreased by $65 during the six months ended March 31, 2017 compared to the six months ended March 31, 2016, primarily due to a reduction in advisory services used by the Canadian corporate office and Australian subsidiaries during the current period.

(b) Consulting and directors' fees increased by $156 during the six months ended March 31, 2017 compared to the six months ended March 31, 2016 due to the increase in consulting fees paid to the Chief Executive Officer from a renegotiated consulting agreement in June 2016 as well as a CEO bonus accrual.

(c) Salaries and office administration increased by $126 during the six months ended March 31, 2017 compared to the six months ended March 31, 2016, reflecting increased costs for head office premises and personnel. Previously, the Company was a party to an office and services sharing arrangement with another entity, which was terminated by that party in the prior period.

(d) There was an increase of $115 in stock-based compensation expense for the six months ended March 31, 2017 over the 2016 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. Stock-based compensation expense increased primarily due to 6,050,000 options granted during the six months ended March 31, 2017 as compared to 3,500,000 granted during the six months ended March 31, 2016.

## 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.

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

The following is segmented information of operations for the three and six months ended March 31, 2017 and 2016 and as at March 31, 2017 and September 30, 2016:

| Country/Region | Three Months Ended March 31, 2017 Net Loss (Income) ($) | Three Months Ended March 31, 2016 Net Loss (Income) ($) | Six Months Ended March 31, 2017 Net Loss (Income) ($) | Six Months Ended March 31, 2016 Net Loss (Income) ($) |
|---|---|---|---|---|
| Canada | 739 | 347 | 1,622 | 1,417 |
| Australia | (446) | (16) | (71) | 382 |
| | **293** | **331** | **1,551** | **1,799** |

**As at March 31, 2017**

| Country/Region | Capital assets $ | Cash and cash equivalents $ | Other assets $ | Total assets $ |
|---|---|---|---|---|
| Canada | nil | 159 | 77,272 | 77,431 |
| Australia | 117 | 382 | 623 | 1,122 |
| | **117** | **541** | **77,895** | **78,553** |

**As at September 30, 2016**

| Country/Region | Capital assets $ | Cash and cash equivalents $ | Other assets $ | Total assets $ |
|---|---|---|---|---|
| Canada | nil | 488 | 55,702 | 56,190 |
| Australia | 136 | 246 | 642 | 1,024 |
| | **136** | **734** | **56,344** | **57,214** |

The Company has no inter-segment revenues.

## Marketable Securities

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

| | March 31, 2017 $ | September 30, 2016 $ |
|---|---|---|
| Investments at fair value | 723 | 601 |
| Cost | 3,725 | 3,596 |

## 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 sale 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, 2017, the Company had 24,621,666 options outstanding, which would raise $2,831, if exercised in full by the holders. No warrants remained outstanding. The exercise of stock options 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, 2017, the Company had cash and cash equivalents of $541 to settle its amounts payable and other liabilities of $293. The Company's cash and cash equivalents as of March 31, 2017, is sufficient to pay these liabilities.

During the six months ended March 31, 2017, the Company used $595 of cash on its operations. During the six months ended March 31, 2017, receivables and prepaid expenses increased by $52 and amounts payable and other liabilities increased by $96 due to fluctuations in the normal course of business.

For the six months ended March 31, 2017, the Company received $534 from financing activities. This resulted from the exercise of warrants and stock options during the period.

For the six months ended March 31, 2017, the Company used $133 for investing activities to purchase capital assets and marketable securities.

As at March 31, 2017, the Company's marketable securities and long-term investment in NexGen shares were valued at $723 and $60,066, 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, 2018, corporate head office costs are estimated to average $300 per quarter. The $300 covers salaries, office administration, consulting fees, shareholder relations costs, 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.

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

| Contractual Obligations | Total | Up to 1 year | 1 - 3 years | 4 - 5 years | After 5 years |
|---|---|---|---|---|---|
| | ($) | ($) | ($) | ($) | ($) |
| Amounts payable and other liabilities | 293 | 293 | nil | nil | nil |
| Obligations on mineral properties (a) | 2,425 | 473 | 972 | 980 | nil |
| Office lease (b) | 214 | 27 | 107 | 80 | nil |
| | **2,932** | **793** | **1,079** | **1,060** | **nil** |

(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, 2017, these contracts require that additional payments of approximately $2,280 be made upon the occurrence of a change of control. The minimum commitment upon termination of these contracts is approximately $1,038. As a triggering event has not taken place, the contingent payments have not been reflected in the interim 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 20.74% of Toro's outstanding shares.

During the six months ended March 31, 2017, Mega's holding in Toro was diluted from 20.74% to 20.17% as a result of the additional issuance of ordinary shares by Toro. The issuance of ordinary shares by Toro resulted in a dilution loss of $22 (six months ended March 31, 2016 - $12).

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 these equity investments was $500 for the six months period ended March 31, 2017.

The carrying value of the equity investment in Toro is $16,431 as at March 31, 2017 (September 30, 2016 - $16,953).

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

The fair value of the Company's equity investment in Toro is $16,486 based on the closing share price, as at March 31, 2017.

## Long-term investment

Mega holds 19,376,265 shares of NexGen as at March 31, 2017. 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 year 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% and the decrease in its board nominee rights to one person. As a result, the Company determined that it no longer had significant influence in NexGen and ceased accounting for its investment using the equity method and classified its investment as a long-term investment, effective May 26, 2015.

During the six months ended March 31, 2017, $21,895 was recorded as fair value unrealized gain in other comprehensive income.

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

| | March 31, 2017 ($) | September 30, 2016 ($) |
|---|---:|---:|
| Opening balance | 38,171 | 12,787 |
| Fair value reversed on disposal of long-term investment | nil | (1,250) |
| Fair value unrealized gain for the period ended recorded in other comprehensive income | 21,895 | 26,634 |
| **Balance** | **60,066** | **38,171** |

The share price of NexGen ranged from $1.97 on September 30, 2016 to $3.10 (the closing price of NexGen shares on the TSX) on March 31, 2017.

During periods of significant broader market volatility or volatility experienced by the uranium sector, the value of the Company's NexGen investment can be vulnerable to market fluctuations.

## 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 12, 2017 are as follows:

| Securities | As at May 12, 2017 |
|---|:---:|
| Common shares outstanding | 285,674,328 |
| Issuable under options | 24,621,666 |
| **Total securities** | **310,295,994** |

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

## 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, 2017 and 2016:

| Type of service | Nature of relationship | Three Months Ended March 31, 2017 ($) | Three Months Ended March 31, 2016 ($) |
|---|---|---|---|
| Salaries | Directors | 40 | 24 |
| Consulting (a)(b) | Officers | 145 | 163 |
| Stock-based compensation | Directors and Officers | 231 | 107 |

| Type of service | Nature of relationship | Six Months Ended March 31, 2017 ($) | Six Months Ended March 31, 2016 ($) |
|---|---|---|---|
| Salaries | Directors | 79 | 48 |
| Consulting (a)(b) | Officers | 428 | 301 |
| Stock-based compensation | Directors and Officers | 302 | 193 |

(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, 2017 $85 and $308, respectively of the costs relating to these agreements (three and six months ended March 31, 2016 - $104 and $184, respectively) are included in general and administrative expenses and $60 and $120, respectively (three and six months ended March 31, 2016 - $59 and $117, respectively) are included in exploration and evaluation.

(b) Gerry Feldman, the former Chief Financial Officer, ceased to be a related party upon his departure from the Company effective December 31, 2015. All consulting fees owing to him were settled as at September 30, 2016. Carmelo Marrelli succeeded Mr. Feldman as Chief Financial Officer.

Included in amounts payable and other liabilities are fees owing to officers and directors of $119 as at March 31, 2017 (September 30, 2016 - $2).

## 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, 2017.

## Disclosure Controls and Procedures

Management has designed and evaluated the effectiveness of the Company's disclosure controls and procedures and the internal controls on financial reporting and has concluded that, based on its evaluation, they are sufficiently effective as of March 31, 2017, to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

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

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

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

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

Management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the design of the Company's internal controls over financial reporting as of March 31, 2017, pursuant to the requirements of Multilateral Instrument 52-109. Management follows the Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company has designed appropriate ICFR for the nature and size of its business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with applicable accounting standards.

There have been no changes in ICFR during the six months ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## Critical accounting judgements, estimates and assumptions

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

However, actual outcomes may differ from these estimates. 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 currencies for the Company's subsidiaries in Australia and Cameroon are the Australian Dollar and Cameroon Franc, respectively.

(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.

## 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 15 to 22 of our current Annual Information Form, under "Risks" in our MD&A for the financial year ended September 30, 2016 (available on SEDAR at **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 $541. The cash equivalents consist of highly liquid short-term deposits with the bank. The Company has working capital surplus as at March 31, 2017 of $1,290. 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.

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

(b) Market risk:

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

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended March 31, 2017 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, 2017:

| 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% | 11 | (11) |
| 4% | 21 | (21) |
| 6% | 32 | (32) |
| 8% | 43 | (43) |
| 10% | 53 | (53) |

(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 $4.

(d) Currency risk:

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

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

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the six months ended March 31, 2017 from a change in all foreign currencies (Australian dollars, and U.S. dollars) with all other variables held constant as at March 31, 2017:

| Percentage of change in closing exchange rate | Change in net after-tax income (loss) from % increase in closing exchange rate $ | Change in net after-tax income (loss) from % decrease in closing exchange rate $ |
|---|---|---|
| 2% | (16) | 16 |
| 4% | (32) | 32 |
| 6% | (48) | 48 |
| 8% | (64) | 64 |
| 10% | (80) | 80 |

(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 $76,497 as at March 31, 2017 and $55,124 as at September 30, 2016 and pose the risk of producing losses large enough 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, 2017 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, 2017:

| 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% | 883 | (883) |
| 4% | 1,766 | (1,766) |
| 6% | 2,649 | (2,649) |
| 8% | 3,532 | (3,532) |
| 10% | 4,415 | (4,415) |

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

(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.

## Management of Capital

The Company includes the following items in its managed capital as at March 31, 2017 and September 30, 2016:

| | March 31, 2017 ($) | September 30, 2016 ($) |
|---|---|---|
| **Shareholders' equity comprises of:** | | |
| Share capital | **272,396** | **271,741** |
| Warrants | **nil** | **154** |
| Share option reserve | **65,126** | **64,784** |
| Accumulated other comprehensive income | **46,929** | **25,022** |
| Deficit | **(306,191)** | **(304,684)** |
| | **78,260** | **57,017** |

The Company's objectives when managing capital are:

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

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

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

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

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

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

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

There were no changes in the Company's approach to capital management during the six months ended March 31, 2017 and the Company is not subject to any externally imposed capital requirements.

## New standards not yet adopted:

(a) Financial Instruments ("IFRS 9")

In July 2014, the IASB published the final version of IFRS 9. 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, 2018 and earlier application is permitted.

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

(c) 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.

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.