

NOTICE TO READER

These consolidated financial statements for the three and nine months ended June 30, 2016 have been restated (the "Restated Consolidated Financial Statements") and are being refiled because the original consolidated financial statements, which were filed on SEDAR on August 15, 2016, did not record deferred income tax recovery in respect of the company's investments. These Restated Consolidated Financial Statements now include the effect of deferred income tax recovery on the company's investments for the period (see Note 6 for details). For consistency, these Restated Consolidated Financial Statements also reflect the retrospective application of the change in accounting policy for mineral properties and deferred exploration expenditures implemented by the company for the year ended September 30, 2016. The related Management's Discussion and Analysis for the three and nine months ended June 30, 2016, which was filed on SEDAR on August 15, 2016, has been revised (the "Revised MD&A") to reflect the effects of the restatement and include the disclosure of a material weakness in the company's internal control over financial reporting that existed at the end of the interim period in light of the restatement, and is being refiled with the Restated Consolidated Financial Statements.



RESTATED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED JUNE 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

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

MEGA URANIUM LTD.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

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

	As at June 30, 2016 (note 6) restated	As at September 30, 2015	As at September 30, 2014 (note 5) restated
ASSETS			
Current assets			
Cash and cash equivalents (note 7)	\$ 1,203	\$ 397	\$ 864
Receivables and prepaid expenses (note 8)	281	1,747	1,855
Marketable securities (note 9)	246	216	1,174
Total current assets	1,730	2,360	3,893
Non-current assets			
Restricted cash (note 10)	338	329	343
Equity investment (note 11)	15,701	18,487	40,106
Long-term investment (note 12)	50,184	12,787	-
Capital assets, net	140	166	282
Total non-current assets	66,363	31,769	40,731
Total assets	\$ 68,093	\$ 34,129	\$ 44,624
EQUITY AND LIABILITIES			
Current liabilities			
Amounts payable and other liabilities (notes 13 and 14)	\$ 218	\$ 1,732	\$ 1,888
Total liabilities	218	1,732	1,888
Capital and reserves			
Share capital (note 15)	271,741	271,744	270,998
Warrant reserve (note 18)	154	154	6,471
Share option reserve	64,630	64,259	63,987
Accumulated other comprehensive income	35,850	1,921	(38)
Deficit	(304,500)	(305,681)	(298,682)
Total equity	67,875	32,397	42,736
Total equity and liabilities	\$ 68,093	\$ 34,129	\$ 44,624

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

Going concern (note 2)

Commitments and obligations (note 22)



MEGA URANIUM LTD.

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

(Expressed in Canadian Dollars)

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016 (note 6) restated	2015 (note 5) restated	2016 (note 6) restated	2015 (note 5) restated
Operating expenses				
General and administrative expenses (note 20)	\$ 553	\$ 506	\$ 1,521	\$ 1,978
Exploration and evaluation expenditures (note 21)	156	82	632	636
Operating loss before the following items	(709)	(588)	(2,153)	(2,614)
Foreign exchange (loss) gain	(10)	(3)	11	(8)
Unrealized (loss) gain on marketable securities	(52)	(20)	28	4,975
Realized loss on marketable securities	-	-	-	(5,693)
Realized gain on long-term investment	-	-	225	-
Realized loss on equity investment	(98)	-	(111)	-
Interest income	3	4	7	10
Gain on sale of capital assets	-	-	-	17
Loss on equity investment	(1,339)	(300)	(2,134)	(4,947)
Loss on deemed disposition of equity investment	(2)	-	(14)	-
Other income	-	18	135	114
Net loss before taxes	(2,207)	(889)	(4,006)	(8,146)
Deferred tax recovery	2,182	-	5,184	-
Net income (loss) for the period	(25)	(889)	1,178	(8,146)
Other comprehensive (loss) income				
Exchange differences on translation of foreign operations	(79)	(30)	(9)	(81)
Change in fair value of long-term investment	14,287	9,803	33,938	9,803
Other comprehensive income	14,208	9,773	33,929	9,722
Total comprehensive income for the period	\$ 14,183	\$ 8,884	\$ 35,107	\$ 1,576
Basic and diluted loss per common share (note 17)	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.03)

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



MEGA URANIUM LTD.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

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

	Nine Months Ended June 30,	
	2016 (note 6) restated	2015 (note 5) restated
Operating activities		
Net income (loss) for the period	\$ 1,178	\$ (8,146)
Adjustment for:		
Unrealized gain on marketable securities	(28)	(4,975)
Realized loss on marketable securities	-	5,693
Realized gain on long-term investment	(225)	-
Realized loss on equity investment	111	-
Amortization	31	78
Stock-based compensation	371	96
Gain on sale of capital assets	-	(17)
Loss on equity investment	2,134	4,947
Loss on deemed disposition of equity investment	14	-
Deferred tax recovery	(5,184)	-
Non-cash working capital items:		
Receivables and prepaid expenses	1,466	1,542
Amounts payable and other liabilities	(1,487)	(536)
Net cash used in operating activities	(1,619)	(1,318)
Financing activity		
Proceeds from private placement, net of offering costs	-	699
Net cash provided by financing activity	-	699
Investing activities		
Proceeds from sale of marketable securities	-	584
Purchase of marketable securities	-	(174)
Proceeds from sale of long-term investment	1,950	-
Proceeds from sale of equity investment	528	-
Purchase of capital assets	(6)	(10)
Proceeds from sale of capital assets	-	31
Net cash provided by investing activities	2,472	431
Effect of exchange rate changes on cash held in foreign currencies	(47)	(28)
Net change in cash and cash equivalents	806	(216)
Cash and cash equivalents, beginning of period	397	864
Cash and cash equivalents, end of period	\$ 1,203	\$ 648

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



MEGA URANIUM LTD.

Condensed Interim Consolidated Statements of Equity

(Expressed in Canadian Dollars)

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

	Number of common shares	Share capital	Warrant reserve	Share option reserve	Accumulated other comprehensive (loss) income (note 6) restated	Deficit (note 6) restated	Total Shareholders' equity
Balance, October 1, 2014	271,592,813	\$ 270,998	\$ 6,471	\$ 63,987	\$ (38)	\$ (298,682)	\$ 42,736
Common shares issued through private placement, net of share issuance cost	7,960,000	580	119	-	-	-	699
Stock-based compensation	-	-	-	96	-	-	96
Expiry of warrants	-	-	(6,471)	-	-	6,471	-
Net loss for the period	-	-	-	-	-	(8,146)	(8,146)
Other comprehensive income	-	-	-	-	9,722	-	9,722
Balance, June 30, 2015	279,552,813	\$ 271,578	\$ 119	\$ 64,083	\$ 9,684	\$ (300,357)	\$ 45,107
Balance, October 1, 2015	281,852,813	\$ 271,744	\$ 154	\$ 64,259	\$ 1,921	\$ (305,681)	\$ 32,397
Cancellation of shares	(3,485)	(3)	-	-	-	3	-
Stock-based compensation	-	-	-	371	-	-	371
Net income for the period	-	-	-	-	-	1,178	1,178
Other comprehensive income	-	-	-	-	33,929	-	33,929
Balance, June 30, 2016	281,849,328	\$ 271,741	\$ 154	\$ 64,630	\$ 35,850	\$ (304,500)	\$ 67,875

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



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

1. Nature of business

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

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

Mega is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related expenditures is dependent upon various factors, including: the future selling price of uranium; the existence of economically recoverable reserves; the ability of the Company to obtain the necessary financing to complete exploration and development; government permitting policies and regulations; and future profitable production or proceeds from disposition of such properties.

In addition to the Company's own exploration 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 interest in Toro Energy Limited ("Toro") (TOE:ASX), and marketable securities in other uranium-focused issuers.

These unaudited condensed interim consolidated financial statements ("interim consolidated statements") were approved by the Company's board of directors on January 24, 2019.

2. Going concern

These interim consolidated statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has earned net income for the nine months ended June 30, 2016 of \$1,178 (restated) (nine months ended June 30, 2015 - loss of \$8,146) and has an accumulated deficit of \$304,500 (restated) (September 30, 2015 - \$305,681). The Company is in the exploration and development stage and is subject to risks and challenges similar to other companies in a comparable stage of exploration.

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

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

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

The challenges of securing requisite funding beyond June 30, 2016 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.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

3. Basis of preparation

a) Statement of compliance:

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

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

b) Basis of presentation:

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

c) Basis of consolidation:

These interim consolidated statements include the accounts of Mega's wholly-owned subsidiaries: Maple Resources Inc.; Uranium Mineral Ventures Inc. ("UMVI"); Mega Georgetown Pty Ltd.; Mega Hindmarsh Holdings Pty Ltd. ("Hindmarsh"); Mega Redport Holdings Pty Ltd.; Monster Copper Corporation ("Monster"); Nu Energy Uranium Corporation. ("Nu Energy"); and Northern Lorena Resources Ltd. ("Lorena").

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

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

d) Critical accounting judgments, estimates and assumptions:

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



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

3. Basis of preparation (continued)

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

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

(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) Impairment of assets:

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

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

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



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

3. Basis of preparation (continued)

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

(iii) 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.

(iv) 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.

(v) Deferred tax assets and liabilities:

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

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



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

4. Recent accounting pronouncements

New standards not yet adopted:

(a) Financial instruments:

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

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

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

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

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

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



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

5. 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 was that mineral properties and deferred exploration expenditures were capitalized in respect of each identifiable area of interest, once the legal right to explore had been acquired, 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, 2014 is as follows:

	As previously reported	Effect of change in accounting policy	Restated
STATEMENT OF FINANCIAL POSITION			
Mineral properties and deferred exploration expenditures	\$ 12,675	\$ (12,675)	\$ -
Total non-current assets	53,406	(12,675)	40,731
Total assets	57,299	(12,675)	44,624
Accumulated other comprehensive (loss) income	(2,089)	2,051	(38)
Deficit	(283,956)	(14,726)	(298,682)
Total equity	55,411	(12,675)	42,736
Total equity and liabilities	57,299	(12,675)	44,624

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

	As previously reported	Effect of change in accounting policy	Restated
STATEMENT OF FINANCIAL POSITION			
Mineral properties and deferred exploration expenditures	\$ 12,915	\$ (12,915)	\$ -
Total non-current assets	58,362	(12,915)	45,447
Total assets	59,557	(12,915)	46,642
Accumulated other comprehensive income	7,442	2,242	9,684
Deficit	(285,200)	(15,157)	(300,357)
Total equity	58,022	(12,915)	45,107
Total equity and liabilities	59,557	(12,915)	46,642



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

5. Change in Accounting Policy (continued)

The impact of this change on the consolidated statement of loss and comprehensive income for the three months ended June 30, 2015 is as follows:

	As previously reported	Effect of change in accounting policy	Restated
STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME			
Exploration and evaluation expenditures	\$ -	\$ (82)	\$ (82)
Loss for the period	(807)	(82)	(889)
Exchange differences on translation of foreign operations	(99)	69	(30)
Total comprehensive income for the period	8,897	(13)	8,884
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)

The impact of this change on the consolidated statement of loss and comprehensive income for the nine months ended June 30, 2015 is as follows:

STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME			
Exploration and evaluation expenditures	\$ -	\$ (636)	\$ (636)
Write-down of mineral properties and deferred exploration expenditures	(205)	205	-
Loss for the period	(7,715)	(431)	(8,146)
Exchange differences on translation of foreign operations	(272)	191	(81)
Total comprehensive income for the period	1,816	(240)	1,576
Basic and diluted loss per share	(0.03)	(0.00)	(0.03)

The impact of this change on the consolidated statement of cash flows for the nine months ended June 30, 2015 is as follows:

	As previously reported	Effect of change in accounting policy	Restated
STATEMENT OF CASH FLOWS			
Net loss for the period	\$ (7,715)	\$ (431)	\$ (8,146)
Write-down of mineral properties and deferred exploration expenditures	205	(205)	-
Stock based compensation	90	6	96
Amounts payable and other liabilities	(677)	141	(536)
Net cash used in operating activities	(829)	(489)	(1,318)
Expenditures on mineral properties and related exploration	(495)	495	-
Net cash (used in) provided by investing activities	(64)	495	431
Effect on foreign currencies on cash	(22)	(6)	(28)



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

6. Restatement

During the external audit of the Company's financial statements for the year ended September 30, 2018, the Company identified that it had not recorded, on a quarterly basis, the correct balance for deferred income tax recovery in respect of its investment in NexGen. The effect of the deferred tax error was that it required the restatement of the Company's consolidated financial statements for the first three quarters of its 2016, 2017 and 2018 financial years. For the three and nine months ended June 30, 2016 the effect of this error is an understatement of recovery \$2,182 and \$5,184, respectively and an overstatement of change in fair value of long-term investment, net of tax of \$2,182 and \$5,184, respectively).

The impact of the restatement on the consolidated financial statements as at and for the three and nine months ended June 30, 2016 is as follows:

	As previously reported	Adjustment	Restated
STATEMENT OF EQUITY - JUNE 30, 2016			
Accumulated other comprehensive income	\$ 41,034	\$ (5,184)	\$ 35,850
Deficit	(309,684)	5,184	(304,500)
STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME - THREE MONTHS ENDED JUNE 30, 2016			
Deferred tax recovery	\$ -	\$ 2,182	\$ 2,182
Net (loss) income for the period	(2,207)	2,182	(25)
Change in fair value of long-term investment, net of tax	16,469	(2,182)	14,287
Total comprehensive income for the period	14,183	-	14,183
Basic and diluted (loss) income per share	(0.01)	0.01	(0.00)
STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME - NINE MONTHS ENDED JUNE 30, 2016			
Deferred tax recovery	\$ -	\$ 5,184	\$ 5,184
Net (loss) income for the period	(4,006)	5,184	1,178
Change in fair value of long-term investment, net of tax	39,122	(5,184)	33,938
Total comprehensive income for the period	35,107	-	35,107
Basic and diluted (loss) income per share	(0.01)	0.02	0.00
STATEMENT OF CASH FLOWS - NINE MONTHS ENDED JUNE 30, 2016			
Net (loss) income for the period	\$ (4,006)	\$ 5,184	\$ 1,178
Deferred tax recovery	-	(5,184)	(5,184)



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

7. Cash and cash equivalents

	As at June 30, 2016	As at September 30, 2015
Cash	\$ 1,193	\$ 387
Short-term deposits in bank	10	10
Cash and cash equivalents	\$ 1,203	\$ 397

8. Receivables and prepaid expenses

	As at June 30, 2016	As at September 30, 2015
Sundry receivables	\$ 189	\$ 1,619
Sales tax receivables	42	122
Prepaid expenses	50	6
	\$ 281	\$ 1,747

9. Marketable securities

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

	As at June 30, 2016	As at September 30, 2015
Investments at fair value	\$ 246	\$ 216
Cost	\$ 3,571	\$ 3,571

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

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

10. Restricted cash

As at June 30, 2016, the Company pledged AUD\$350 (\$338) (September 30, 2015 – \$329) of cash held in a Guaranteed Investment Certificate ("GIC") as collateral for a letter of guarantee issued to the State of Queensland, Australia, related to the mining leases for the Ben Lomond Property. The letter of guarantee is automatically renewable annually for an indefinite period of time and, accordingly, the pledged GIC is expected to continue to be renewed annually.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

11. Equity investment

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

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

In November 2013, Mega acquired 415 million ordinary shares of Toro, representing approximately 20.70% of Toro's outstanding shares at the date of acquisition. The shares were received as consideration for the sale of the Lake Maitland properties and certain associated rights and assets valued at \$34,337.

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

During the nine months ended June 30, 2016, Mega's holdings in Toro were diluted from 20.74% to 20.20% as a result of the issuance of additional ordinary shares by Toro, resulting in a dilution loss of \$14 (nine months ended June 30, 2015 - \$nil), and the sale of 9,904,613 shares of Toro by Mega for cash proceeds of \$528, resulting in a loss of \$111 (nine months ended June 30, 2015 - \$nil).

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

	Amount
Investments as at September 30, 2015	\$ 18,487
Mega's share of the loss for the period ended June 30, 2016	(2,134)
Loss on deemed disposition of equity investments in Toro	(14)
Disposition of equity investment in Toro	(638)
Investments as at June 30, 2016	\$ 15,701

The carrying value of the equity investment in Toro as at June 30, 2016 is \$15,701 (September 30, 2015 - \$18,487).

The fair value of the equity investment in Toro is \$19,586 (September 30, 2015 - \$20,290) as at June 30, 2016 based on the applicable closing share price.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

11. Equity investment (continued)

The following table summarizes certain unaudited financial information of Toro for the nine months ended June 30, 2016 and 2015:

	Nine Months Ended June 30,	
	2016	2015
Total assets	\$ 142,111	\$ 152,985
Total liabilities	12,136	18,853
Revenue	648	1,710
Net loss	(11,852)	(18,512)

12. Long-term investment

Mega holds 19,376,265 shares of NexGen as at June 30, 2016. Mega acquired the shares in December 2012 as consideration for the sale to NexGen of the majority of its Canadian projects. The transaction also included the right of Mega to appoint two nominees to NexGen's board for so long as Mega's equity interest in NexGen is at least 10%.

During the quarter ended June 30, 2015, NexGen raised capital and issued approximately 55,654,359 common shares, which resulted in the dilution of Mega's ownership below 10% 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.

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

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

	As at June 30, 2016	As at September 30, 2015
Opening balance	\$ 12,787	\$ -
Transfer on reclassification from equity investments	-	6,749
Net unrealized gain on initial recognition as long-term investment	-	3,973
Fair value reversed on disposal of investment in NexGen	(1,725)	-
Fair value unrealized gain for the period end recorded in other comprehensive income	39,122	2,065
Closing balance	\$ 50,184	\$ 12,787



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

13. 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 nine months ended June 30, 2016 and 2015:

Type of service	Nature of relationship	Nine Months Ended June 30,	
		2016	2015
Salaries	Directors	\$ 79	\$ 67
Consulting fees (a)	Officers	\$ 439	\$ 879
Stock-based compensation expense	Directors and officers	\$ 277	\$ 83

Type of service	Nature of relationship	Three Months Ended June 30,	
		2016	2015
Salaries	Directors	\$ 31	\$ 20
Consulting fees (a)	Officers	\$ 139	\$ 217
Stock-based compensation expense	Directors and officers	\$ 84	\$ 50

(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 nine months ended June 30, 2016, the costs relating to these agreements of \$80 and \$264, respectively are included in general and administrative expenses and \$58 and \$175, respectively are included in exploration and evaluation.

Included in amounts payable and other liabilities are fees owing to officers and directors of \$34 as at June 30, 2016 (September 30, 2015 - \$1,208). The Company entered into an agreement with Gerry Feldman, former Chief Financial Officer, in respect of consulting fees owing to him upon his departure from the Company effective December 31, 2015. All consulting fees payable to him were settled as at June 30, 2016. Mr. Feldman was replaced by Carmelo Marrelli.

14. Amounts payable and other liabilities

	As at June 30, 2016	As at September 30, 2015
Trade payables	\$ 108	\$ 438
Due to related parties	34	1,208
Accrued liabilities	76	86
	\$ 218	\$ 1,732

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



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

15. Share capital

a) Authorized share capital

At June 30, 2016, the authorized share capital consisted of an unlimited number of common shares.

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

b) Common shares issued

At June 30, 2016, the issued share capital amounted to \$271,741. The change in issued share capital for the periods was as follows:

	Number of common shares	Amount
Balance, September 30, 2014	271,592,813	\$ 270,998
Issue of securities, net of transaction costs (i)(ii)	10,260,000	746
Balance, September 30, 2015	281,852,813	271,744
Cancellation of shares (iii)	(3,485)	(3)
Balance, June 30, 2016	281,849,328	\$ 271,741

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

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

(iii) On May 4, 2016, 3,485 common shares were returned to the Company and cancelled for nil consideration.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

16. Stock options

The following table reflects the continuity of stock options for the periods ended June 30, 2016 and 2015:

	Number of stock options	Weighted average exercise price (\$)
Balance, September 30, 2014	15,965,840	0.32
Granted	8,150,000	0.09
Cancelled / forfeited	(4,130,000)	0.14
Expired	(2,710,000)	0.76
Balance, June 30, 2015	17,275,840	0.18
Exercisable, at the end of period	8,718,333	0.24
Balance, September 30, 2015	15,630,000	0.14
Granted (i)(ii)(iii)	6,250,000	0.10
Cancelled / forfeited	(1,750,000)	0.13
Expired	(325,000)	1.09
Balance, June 30, 2016	19,805,000	0.10
Exercisable, at the end of period	11,713,315	0.12

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

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

(iii) On June 1, 2016, the Company granted 2,750,000 stock options to employees, directors and consultants of the Company at an exercise price of \$0.14 per share. The fair value of these options at the date of grant of \$0.09 was estimated using the Black-Scholes valuation model with the following assumptions: a 3.8 year expected life; a 85% expected volatility based on historical trends; risk free interest rate of 0.74%; share price at the date of grant of \$0.14; an expected dividend yield of 0%; and forfeiture rate of 5%. The grant date fair value assigned to these options was \$256.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

16. Stock options (continued)

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2016:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
January 1, 2017	0.20	0.51	1,540,000	1,540,000	-
August 31, 2017	0.18	1.17	2,420,000	2,420,000	-
December 31, 2018	0.10	2.50	1,945,000	1,945,000	-
May 31, 2020	0.09	3.92	7,650,000	5,099,988	2,550,012
December 31, 2021	0.07	5.51	1,975,000	329,163	1,645,837
February 28, 2021	0.085	4.67	1,525,000	254,164	1,270,836
May 31, 2021	0.14	4.92	2,750,000	125,000	2,625,000
		3.53	19,805,000	11,713,315	8,091,685

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

For the three and nine months ended June 30, 2016, included in the unaudited condensed interim consolidated statements of loss and comprehensive income was stock-based compensation expense of \$135 and \$343, respectively (three and nine months ended June 30, 2015 - \$53 and \$90, respectively) relating to the fair value of stock options granted during the current and prior periods and \$12 and \$28, respectively (three and nine months ended June 30, 2015 - \$4 and \$6, respectively) was expensed to exploration and evaluation.

17. Loss per common share

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016 (note 6) restated	2015	2016 (note 6) restated	2015
Weighted average number of common shares outstanding - basic	281,850,630	273,342,264	281,852,088	272,175,963
Dilutive effect of stock options and warrants	-	-	1,727,591	-
Weighted average number of common shares outstanding - diluted	281,850,630	273,342,264	283,579,679	272,175,963

Basic and diluted (loss) income per share is calculated based on the weighted average number of common shares issued and outstanding during the period.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

18. Warrants

	Number of warrants	Grant date fair value
Balance, September 30, 2014	29,412,000	\$ 6,471
Issued	3,980,000	119
Expired	(29,412,000)	(6,471)
Balance, June 30, 2015	3,980,000	\$ 119
Balance, September 30, 2015	5,130,000	\$ 154
Balance, June 30, 2016	5,130,000	\$ 154

The fair value of the share purchase warrants issued during the nine month period ended June 30, 2015 were estimated using the Black-Scholes valuation model with the following assumptions: average expected volatility of 101.88%; dividend yield of 0%; risk-free interest rate of 0.88%; and an expected life of 1.5 year.

The following table reflects the warrants issued and outstanding as of June 30, 2016:

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

19. Segmented information

The Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been defined as the Chief Executive Officer.

The Company's significant segments are divided into three distinct geographic areas. The Canadian operations, which are mainly in Ontario and Newfoundland and Labrador, are managed from the Company's head office in Toronto. The Australian operations are managed from Perth.

The following is segmented information of operations for the three and nine months ended June 30, 2016 and as at June 30, 2016:

	Three Months Ended June 30, 2016 (note 6) (restated)	Nine Months Ended June 30, 2016 (note 6) (restated)
Country/Region	Net income (loss)	Net income (loss)
Canada	\$ 175	\$ 1,760
Australia	(200)	(582)
	\$ (25)	\$ 1,178



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

19. Segmented information (continued)

As at June 30, 2016 (restated)

Country/Region	Capital assets	Cash and cash equivalents	Other assets	Total assets
Canada	\$ -	\$ 1,139	\$ 66,352	\$ 67,491
Australia	140	64	398	602
	\$ 140	\$ 1,203	\$ 66,750	\$ 68,093

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

	Three Months Ended June 30, 2015 (note 5) (restated)	Nine Months Ended June 30, 2015 (note 5) (restated)
Country/Region	Net loss	Net loss
Canada	\$ (733)	\$ (6,832)
Australia	(156)	(1,314)
	\$ (889)	\$ (8,146)

As at September 30, 2015

Country/Region	Capital assets	Cash and cash equivalents	Other assets	Total assets
Canada	\$ -	\$ 240	\$ 31,824	\$ 32,064
Australia	166	157	1,742	2,065
	\$ 166	\$ 397	\$ 33,566	\$ 34,129

The Company has no inter-segment revenues.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

20. General and administrative expenses

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Professional fees	\$ 25	\$ 58	\$ 113	\$ 241
Consulting and directors' fees	152	205	459	780
Shareholder relations and communications	2	4	22	38
Transfer agent and filing fees	8	5	91	94
Travel and promotion	15	14	23	28
Salaries and office administration	211	144	439	629
Stock-based compensation	135	53	343	90
Amortization	5	23	31	78
	\$ 553	\$ 506	\$ 1,521	\$ 1,978

21. Exploration and evaluation expenditures

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

The Company's key exploration properties are located in Western Australia, Queensland Australia and Ontario, Canada. The Company incurred \$156 and \$632, respectively in exploration expenditures during the three and nine months ended June 30, 2016 (three and nine months ended June 30, 2015 - \$82 and \$636, respectively).

22. Commitments and obligations

The Company has the following commitments and obligations as at June 30, 2016:

(i) On the Ben Lomond Properties located in Queensland, there is a yearly commitment and obligation of \$280 (AUD\$290) towards the care and maintenance costs and environmental obligation of the project for the next five years.

(ii) On the Georgetown properties located in Queensland, there is a yearly commitment of \$48 (AUD\$50), towards the care and maintenance costs of the properties for the next five years.

(iii) On the Redport gold properties located in Western Australia there is a yearly commitment of \$121 (AUD\$125), towards the care and maintenance costs of the properties for the next five years.

(iv) The Company is subject to management contracts with certain executive officers that provide for payments under circumstances involving a change of control of Mega or termination of the officer's services. As at June 30, 2016, these contracts require that additional payments of approximately \$2,208 be made upon the occurrence of a change of control. The minimum commitment upon termination of these contracts is approximately \$1,014. As a triggering event has not taken place, the contingent payments have not been reflected in these interim consolidated statements.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

22. Commitments and obligations (continued)

(v) 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 and subject to a maximum bonus equal to 5% of the net cash proceeds. Fifty percent of the bonus may be settled in common shares of the Company at the discretion of the board of directors.

The NexGen investment is classified as a long-term investment. The Company has no current intention to dispose of the position. If the bonus was payable as at June 30, 2016, assuming a sale price per share of \$2.66 (the closing price of the NexGen shares on the Toronto Stock Exchange on June 30, 2016) and ignoring disposition costs, the maximum amount of the bonus payable would be estimated to be \$2,278.

23. Management of capital

The Company includes the following items in its managed capital:

	As at June 30, 2016 restated	As at September 30, 2015
Shareholders' equity comprises of:		
Share capital	\$ 271,741	\$ 271,744
Warrants	154	154
Share option reserve	64,630	64,259
Accumulated other comprehensive income	35,850	1,921
Deficit	(304,500)	(305,681)
	\$ 67,875	\$ 32,397

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



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

23. Management of capital (continued)

(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 nine months ended June 30, 2016 and the Company is not subject to any externally imposed capital requirements.

24. Financial instruments

Part of Mega's business includes the acquisition of short-term investments in marketable securities and in some cases, long-term equity investments in public companies. The use of financial instruments can expose the Company to several risks, including interest rate, foreign exchange and market risks. A discussion of the Company's use of financial instruments and their associated risks is provided below:

(a) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investment declines, resulting in lesser proceeds on disposition and losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from disposition of its marketable securities and long-term investments in addition to interest income earned on its investment. The Company has cash and cash equivalents of approximately \$1,203. The cash equivalents consist of highly liquid short-term deposits with the bank (see note 7). The Company has working capital surplus as at June 30, 2016 of \$1,512. The funds are available as needed to fund the Company's ongoing expenditures. The Company regularly evaluates these holdings to ensure preservation and security of capital as well as maintenance of liquidity. Also refer to note 2 on the Company's going concern assessment. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests.



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

24. Financial instruments (continued)

(b) Market risk:

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

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended June 30, 2016 from a change in the closing bid price of the Company's investments in marketable securities with all other variables held constant as at June 30, 2016:

Percentage of change in closing bid price	Change in net after-tax income (loss) from % increase in closing bid price	Change in net after-tax income (loss) from % decrease in closing bid price
2%	\$ 4	\$ (4)
4%	7	(7)
6%	11	(11)
8%	14	(14)
10%	18	(18)

(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 \$6.

(d) Currency risk:

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



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

24. Financial instruments (continued)

(d) Currency risk (continued):

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the period ended June 30, 2016 from a change in all foreign currencies (Australian dollars, and U.S. dollars) with all other variables held constant as at June 30, 2016:

Percentage of change in closing exchange rate	Change in net after-tax income (loss) from % increase in exchange rate	Change in net after-tax income (loss) from % decrease in exchange rate
2%	\$ 8	\$ (8)
4%	16	(16)
6%	24	(24)
8%	32	(32)
10%	39	(39)

(e) Credit risk:

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

(f) Concentration risks:

The Company is exposed to concentration risks as its investment portfolio is concentrated significantly in NexGen and Toro, two uranium companies which have total asset carrying value in aggregate of \$65,885 as at June 30, 2016 and \$31,274 as at September 30, 2015 and possess the risk to produce losses large enough so as to threaten the ability of the Company to continue operating as a going concern.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the period ended June 30, 2016 from a change in the closing bid price of the Company's investment in NexGen with all other variables held constant as at June 30, 2016:

Percentage of change in closing bid price	Change in net after-tax income (loss) from % increase in closing bid price of NexGen	Change in net after-tax income (loss) from % decrease in closing bid price of NexGen
2%	\$ 738	\$ (738)
4%	1,475	(1,475)
6%	2,213	(2,213)
8%	2,951	(2,951)
10%	3,689	(3,689)



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

24. Financial instruments (continued)

(g) Fair value:

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

The consolidated statement of financial position carrying amounts for cash and cash equivalents, receivables and amounts payable and other liabilities approximate to fair value due to their short-term nature. Marketable securities and long-term investment 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 (see note 11).

Fair Value Analysis

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

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

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

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

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

The Company's financial assets measured at fair value through profit or loss have used Level 1 valuation techniques during the nine months period ended June 30, 2016 and 2015. The carrying values of the Company's financial assets and liabilities approximate to their fair values as at June 30, 2016. During the nine months period ended June 30, 2016, there were no transfers between levels.

As at June 30, 2016 and September 30, 2015, the fair values of cash and cash equivalents, restricted cash, receivables and amounts payable and other liabilities approximate their carrying values because of the short-term nature of these instruments. Financial assets and financial liabilities measured at fair value on a recurring basis include:

As at June 30, 2016

	Level 1	Level 2	Level 3	Total Fair Value
Marketable securities	\$ 246	\$ -	\$ -	\$ 246
Long-term investments	50,184	-	-	50,184
	\$ 50,430	\$ -	\$ -	\$ 50,430



MEGA URANIUM LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended June 30, 2016

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

(Expressed in Canadian Dollars)

24. Financial instruments (continued)

Fair Value Analysis (continued)

As at September 30, 2015

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

