



**MEGA URANIUM LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended September 30, 2012 and 2011**  
**(Prepared in Canadian Dollars)**

**Notice to Reader**

Enclosed are amended consolidated financial statements of Mega Uranium Ltd. for the years ended September 30, 2012 and 2011. The original unamended consolidated financial statements were filed under SEDAR Project No. 01999215. The only amendment to the financial statements is the deletion of a comment included in error on page 26 in the section entitled "Minerals Properties and Related Expenditures".

## **Consolidated Financial Statements of**



**For the years ended September 30, 2012 and 2011  
(Prepared in Canadian Dollars)**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of

### **Mega Uranium Ltd.**

We have audited the accompanying consolidated financial statements of **Mega Uranium Ltd.** (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2012 and 2011, and October 1, 2010, and the consolidated statements of comprehensive loss, changes in cash flows and equity for the years ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mega Uranium Ltd. as at September 30, 2012 and 2011, and October 1, 2010, and its financial performance and its cash flows for the years ended September 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

Toronto, Canada  
December 18, 2012

"ERNST & YOUNG LLP"  
Chartered Accountants  
Licensed Public Accountants

# MEGA URANIUM LTD.

## Consolidated Statements of Financial Position

As at September 30, 2012, September 30, 2011 and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

	Notes	September 30, 2012	September 30, 2011 <sup>1</sup>	October 1, 2010 <sup>1</sup>
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents		\$ 2,022	\$ 1,988	3,839
Short-term investments	5	9,719	24,647	46,079
Prepaid expenses and receivables		1,998	1,383	1,987
		<b>13,739</b>	28,018	51,905
<b>Mineral properties and deferred exploration expenditures</b>	4	<b>129,116</b>	135,065	225,021
<b>Long-term investments</b>	6	<b>6,852</b>	7,090	6,566
<b>Restricted cash</b>	7	<b>357</b>	286	347
<b>Capital assets, net</b>	8	<b>1,356</b>	1,870	2,217
		<b>\$ 151,420</b>	\$ 172,329	286,056
<b>Liabilities and Shareholders' Equity</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		\$ 970	\$ 1,727	3,051
Income taxes payable		122	341	337
Flow through share premium liability	10	726	1,416	-
		<b>1,818</b>	3,484	3,388
<b>Long term income tax payable</b>		<b>14</b>	53	93
<b>Deferred tax liabilities</b>	18	<b>-</b>	125	125
		<b>1,832</b>	3,662	3,606
<b>Shareholders' equity</b>				
Share capital	11	<b>270,337</b>	266,895	260,017
Warrant reserve	12	<b>35,488</b>	38,752	37,986
Share option reserve	13	<b>63,280</b>	62,671	61,112
Accumulated other comprehensive income		<b>3,821</b>	3,414	-
Deficit		<b>(223,338)</b>	(203,065)	(76,665)
		<b>149,588</b>	168,667	282,450
		<b>\$ 151,420</b>	\$ 172,329	286,056

1. Refer to Note 20 for the effects of the adoption of IFRS.

See accompanying notes to the consolidated financial statements.

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**MEGA URANIUM LTD.****Consolidated Statements of Comprehensive Loss****Years ended September 30,****(In thousands of Canadian dollars, except for securities and per share amounts)**

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	<b>Note</b>	<b>2012</b>	<b>2011 <sup>1</sup></b>
<b>Operating Expenses</b>			
General and administrative expenses	<b>15</b>	<b>6,548</b>	9,465
		<b>(6,548)</b>	(9,465)
Foreign exchange gain (loss)		<b>(8)</b>	108
Write-down of mineral properties and related expenditures		<b>(18,509)</b>	(115,606)
Unrealized loss on investments		<b>(856)</b>	(4,494)
Realized gain on investments		<b>130</b>	1,444
Interest income		<b>666</b>	914
Loss on sale of capital asset		<b>-</b>	(12)
Other income		<b>1,236</b>	711
<b>Net loss before income taxes</b>		<b>(23,889)</b>	(126,400)
<b>Recovery of income taxes</b>	<b>12,18</b>	<b>(3,616)</b>	-
<b>Net loss for the year</b>		<b>(20,273)</b>	(126,400)
<b>Other comprehensive Income</b>			
Exchange differences on translation of foreign operations		<b>407</b>	3,414
<b>Net comprehensive loss for the year</b>		<b>(19,866)</b>	(122,986)
<b>Net loss per common share</b>			
Basic and diluted	<b>\$</b>	<b>(0.08)</b>	<b>\$ (0.50)</b>
<b>Weighted average number of common shares outstanding</b>			
Basic and diluted		<b>263,103,998</b>	254,207,205

1. Refer to Note 20 for the effects of the adoption of IFRS

See accompanying notes to the consolidated financial statements.

**MEGA URANIUM LTD.**  
**Years ended September 30,**  
**Consolidated Statements of Cash Flows**  
**(In thousands of Canadian dollars)**

	<b>2012</b>	<b>2011 <sup>1</sup></b>
<b>Cash used in</b>		
Net loss for the year	\$ (20,273)	\$ (126,400)
Items not affecting cash:		
Realized gains on investments	(130)	(1,444)
Unrealized losses on investments	856	4,494
Amortization	578	622
Amortization of premium on purchase of short term investment	280	680
Stock-based compensation	433	1,587
Write-down of mineral properties and related expenditures	18,509	115,606
Loss on sale of capital asset	-	12
Other income	(690)	(208)
Recovery of income taxes	(3,616)	-
Unrealized foreign exchange gains	(3)	(9)
	<b>(4,056)</b>	<b>(5,060)</b>
Changes in non-cash working capital balances from operations		
Prepaid expenses and receivables	(409)	752
Accounts payable and accrued liabilities	(1,145)	(408)
Income taxes payable	(218)	4
	<b>(5,828)</b>	<b>(4,712)</b>
<b>Cash flows from financing activities</b>		
Proceeds from private placement, net of offering costs	-	9,192
Proceeds pursuant to exercise of options and warrants	-	49
	<b>-</b>	<b>9,241</b>
<b>Cash flows from investing activities</b>		
Expenditures on mineral properties and related exploration	(8,103)	(23,153)
Proceeds from sale of investments	14,166	25,120
Purchase of investments	(209)	(8,089)
Purchase of capital assets	(60)	(274)
Proceeds from disposition of capital assets	-	79
	<b>5,794</b>	<b>(6,317)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(34)</b>	<b>(1,788)</b>
<b>Effect of changes in foreign exchange rate</b>	<b>68</b>	<b>(63)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,988</b>	<b>3,839</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,022</b>	<b>\$ 1,988</b>
<b>Supplemental Cash Flows Information</b>		
Payment of tax	\$ 39	\$ 22
Refund of tax	\$ 9	\$ -
Issue of share capital pursuant to acquisition of properties (note 4 (ii))	\$ 3,450	\$ -

1. Refer to Note 20 for the effects of the adoption of IFRS  
See accompanying notes to the consolidated financial statements.

**MEGA URANIUM LTD**
**Consolidated Statements of Changes in Equity**
**Years ended September 30, 2012 and 2011**
**(In thousands of Canadian dollars, except for securities and per share amounts)**

	Number of shares #	Share capital	Deficit	Accumulated other comprehensive income	Warrants reserve	Share option reserve	Total Shareholders' equity
		\$	\$	\$	\$	\$	\$
<b>Balance at 1 October 2011</b>	257,093,069	266,895	(203,065)	3,414	38,752	62,671	168,667
Net loss for the period	-	-	(20,273)	-	-	-	(20,273)
Other Comprehensive income	-	-	-	407	-	-	407
Share-based compensation under Employee Stock Option Plan	-	-	-	-	-	609	609
Common shares issued for acquiring properties	10,000,000	3,450	-	-	-	-	3,450
Share issuance cost	-	(8)	-	-	-	-	(8)
Deferred tax on expired warrants	-	-	-	-	(3,264)	-	(3,264)
<b>Balance at 30 September 2012</b>	<b>267,093,069</b>	<b>270,337</b>	<b>(223,338)</b>	<b>3,821</b>	<b>35,488</b>	<b>63,280</b>	<b>149,588</b>
<b>Balance at 1 October 2010 <sup>1</sup></b>	246,026,509	260,017	(76,665)	-	37,986	61,112	282,450
Net loss for the period	-	-	(126,400)	-	-	-	(126,400)
Other comprehensive income	-	-	-	3,414	-	-	3,414
Share-based compensation under employee stock option plan	-	-	-	-	-	1,587	1,587
Exercised stock options	66,560	76	-	-	-	(28)	48
Common shares issued pursuant to flow through offerings	11,000,000	8,426	-	-	-	-	8,426
Flow through share premium liability	-	(1,624)	-	-	-	-	(1,624)
Warrants issued pursuant to flow through offering	-	-	-	-	766	-	766
<b>Balance at 30 September 2011</b>	<b>257,093,069</b>	<b>266,895</b>	<b>(203,065)</b>	<b>3,414</b>	<b>38,752</b>	<b>62,671</b>	<b>168,667</b>

1. Refer to Note 20 for the effects of the adoption of IFRS

See accompanying notes to the consolidated financial statements

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **1. Nature of 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 at 130 King St. West, Suite 2500, Toronto, Ontario, Canada, M5X 2A2.

Mega Uranium Ltd. ("Mega" or the "Company") is an exploration and development stage mineral resources company with a focus on uranium properties in Australia, Cameroon and Canada. Mega is in the process of exploring its mineral properties and has not as 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 selling price of uranium at the time the Company intends to mine its properties; the existence of economically recoverable reserves; the ability of the Company to obtain the necessary financing to complete exploration and development; government policies and regulations; and future profitable production or proceeds from disposition of such properties.

These consolidated financial statements were approved by the Board of Directors on December 18, 2012.

### **2. Basis of preparation:**

#### **a) Statement of Compliance:**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") which the Company has adopted in its annual consolidated financial statements as at and for the year ended September 30, 2012. Previously, the Company prepared its annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP"). The significant accounting policies are presented in Note 3 and have been consistently applied in each of the years presented. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these consolidated financial statements are presented below.

The Company's date of transition to IFRS and its opening IFRS consolidated statement of financial position are as at October 1, 2010 (the "Transition Date"). An explanation of how the transition to IFRS on the Transition Date has affected the reported financial position and financial performance of the Company is provided in Note 20, which includes reconciliations of Mega's consolidated statements of financial position, comprehensive loss and equity for comparative periods prepared and previously reported in accordance with CGAAP, to those prepared and reported in these consolidated financial statements in accordance with IFRS.

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **2. Basis of preparation (continued):**

b) Basis of presentation:

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

c) Basis of consolidation:

These consolidated financial statements of Mega include the accounts of its wholly-owned subsidiaries: Maple Resources Inc.; Uranium Mineral Ventures Inc. ("UMVI"); Mega Georgetown Pty Ltd; Mega Hindmarsh Holdings Pty Ltd. ("Hindmarsh"); Mega Redport Holdings Pty Ltd.; Twenty-Seven Capital Corp. ("TSC"); Monster Copper Corporation ("Monster"); Nu Energy Uranium Corporation ("Nu Energy"); and Northern Lorena Resources Ltd. ("Lorena").

Subsidiaries are all entities over which the Company controls, either directly or indirectly, where control is defined as the power to govern the 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 are currently exercisable or convertible 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. They are de-consolidated from the date on which control ceases.

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

d) Critical accounting judgments, estimates and assumptions:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. 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 can differ from these estimates. The information about significant judgments, estimates and assumption that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below:

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **2. Basis of preparation (continued):**

#### **(a) Judgments**

##### **(i) Going concern:**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

##### **(ii) 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 assessment of the factors in IAS 21, primarily those that influence labour, material and other costs of goods or services received by its subsidiaries, management determined that the functional currency for the parent company is Canadian Dollars and the Australian Dollar and Cameroon Franc for the Company's subsidiaries located in Australia and Cameroon, respectively.

##### **(iii) Mineral properties and deferred exploration expenditures:**

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available. The carrying value of these assets is detailed at Note 4.

#### **(b) Estimates and assumptions**

##### **(i) Impairment of assets:**

At each financial position reporting date, the carrying amounts of the Company's assets 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 estimated 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 estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **2. Basis of preparation (continued):**

risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the net income or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but 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.

#### **(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.

### **3. Significant accounting policies:**

#### **(a) Foreign currency translation:**

Functional currency, as described in IAS 21 is the currency of the primary economic environment in which the Company operates. Each entity in the company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of Mega Uranium Corp., TSC, Monster, Nu Energy and Lorena is the Canadian dollar. The functional currency of UMVI, Mega Georgetown Pty Ltd, Hindmarsh, and Mega Redport Holdings Pty Ltd is the Australian dollar and the functional currency of Mega Cameroon, a wholly-owned subsidiary of Nu Energy, is the Cameroon Franc.

#### **Transactions and balances**

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recorded in the foreign exchange gain or loss in the consolidated statement of comprehensive income (loss) under foreign exchange gain/loss.

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **3. Significant accounting policies (continued):**

#### Translation of foreign operations

The results and financial position of Mega's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
2. Share capital is translated using the exchange rate at the date of the transaction;
3. Revenue and expenses for each statement of comprehensive income (loss) are translated at average exchange rates; and
4. All resulting exchange differences are recognized as a separate component of equity and as an exchange difference on translation of foreign operations in other comprehensive income (loss) in the consolidated statement of comprehensive income (loss).

The Company treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment which is recorded as an exchange difference on translation of foreign operations in other comprehensive income (loss) in the consolidated statement of comprehensive income (loss). When a foreign entity is sold, such exchange differences are recognized in the statement of comprehensive income (loss) as part of the gain or loss on sale.

#### (b) Cash and cash equivalents currency translation:

Cash and cash equivalents consist of deposits in banks and guaranteed investment certificates ("GICs") that are readily convertible to cash with a remaining term at the date of acquisition of less than 90 days.

#### (c) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are subsequently measured as described below.

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **3. Significant accounting policies (continued):**

#### Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments; and
- available-for-sale financial assets.

The category determines how the asset is subsequently measured and whether any resulting income or expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets has been impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

Financial assets at fair value comprise short-term investments and long term investments.

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined for example by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

The Company currently does not have any financial assets in this category.

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# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

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### 3. Significant accounting policies (continued):

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method is recognized in profit or loss.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized. The Company currently does not have any financial assets in this category.

#### Financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognized in profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities measured at amortized cost include trade payables and accrued liabilities. The Company currently does not have any financial liabilities held for trading or designated at fair value through profit or loss.

#### (d) Revenue recognition:

Interest income and other income are recorded on an accrual basis. Realized and unrealized gains and losses on disposal of long term investments and short term investments are reflected in the consolidated statement of comprehensive income (loss). Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. Dividend income is recorded on the ex-dividend date.

#### (e) Stock-based compensation plans:

The Company has stock-based compensation plans which are described in note 11 (b). The Company grants stock options to acquire common shares to directors, officers and consultants ("equity-settled transactions"). The board of directors determines the specific grant terms within

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**3. Significant accounting policies (continued):**

the limits set by the Company's stock option plan. The Company's stock option plan does not provide for cash settlement of options. Any consideration received on the exercise of stock options is credited to share capital. The cost of equity-settled transactions is recognized, together with a corresponding increase in share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant option holder become fully entitled to the award ("the vesting date").

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The Company records compensation expense and credits share option reserve for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period. Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. Where the terms of an equity-settled award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified.

An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Company or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments to nonemployees are measured at the fair value of the goods or services received.

**(f) Capital assets:**

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided at rates designed to amortize the cost of capital assets over their estimated useful lives as follows:

	Rate	Basis
Mining equipment	5 to 15 years	Straight line
Computer equipment	35%	Declining balance
Furniture and equipment	20%	Declining balance
Motor vehicles	10-12 years	Straight line
Software	20%	Straight line

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **3. Significant accounting policies (continued):**

An item of capital assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. When an item of capital assets comprises major components with different useful lives, the components are accounted for as separate items of capital assets.

#### **(g) Net income (loss) per common share:**

Basic earnings (loss) per common share has been determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow, if any. The Company follows the "treasury stock" method in the calculation of diluted earnings per share. Under this method, the calculation of diluted earnings per share assumes that outstanding options and warrants which are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the company at the average market price of the shares for the period. The treasury stock method is not used to calculate diluted loss per share because the result would be anti-dilutive. Loss per share (basic) and loss per share (diluted) are equivalent measures and calculated on a non-dilutive basis.

#### **(h) Income taxes:**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**3. Significant accounting policies (continued):**

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority

(i) Flow-through Shares:

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Company separates the flow through share into i) a flow-through share premium, equal to the estimated premium, if any investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon expenses being incurred, the Company derecognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. To the extent that eligible deferred income tax assets are available, the Company will reduce the deferred income tax liability and record a deferred income tax recovery.

Proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration within a period of two years. Failure to expend such funds as required under the Canadian income tax legislation will result in a Part XII.6 tax to the Company on flow-through proceeds renounced under the "Look-back" Rule. When applicable, this tax is accrued as a financial expense until paid.

(j) Short term and long term investments:

At the end of each financial reporting period, the Company's management estimates the fair value of investments (which are classified as held-for-trading) based on the criteria below and reflects such valuations in the consolidated financial statements.

1. Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing bid prices at the consolidated balance sheet dates or the closing bid price on the last day the security traded if there were no trades on the consolidated balance sheet dates.

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# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

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### 3. Significant accounting policies (continued):

2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%.

In determining the discount for such investments, the Company considers the nature and length of the restriction.

3. For securities which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated balance sheet date of the underlying security less the exercise price of the warrant and zero.

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

The Company records exploration and evaluation assets, which consists of the costs of acquiring licenses for the right to explore and costs associated with exploration and evaluation activity, at cost. All direct and indirect costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized to the property.

The exploration and evaluation assets are capitalized until the exploration and evaluation assets to which they relate are placed into production, disposed of through sale or where management has determined there to be impairment. If an exploration and evaluation property interest is abandoned, both the acquisition costs and the exploration and evaluation cost will be written off to operations in the period of abandonment.

On an ongoing basis, exploration and evaluation assets are reviewed on a property by- property basis to consider if there is any indicator of impairment. If any indication of impairment exists, an estimate of the exploration and evaluation assets' recoverable amount is calculated. The recoverable amount is determined as the fair value less costs to sell for the exploration and evaluation property interest and their value in use. The fair value less costs to sell and the value in use are determined for an individual exploration and evaluation property interest, unless the exploration and evaluation property interest does not generate cash inflows that are largely independent of other exploration and evaluation property interests. If this is the case, the exploration and evaluation property interests are grouped together into cash generating units ("CGUs") for impairment purposes.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

The Company's determination for impairment is also based on:

- (i) whether the exploration programs on the exploration and evaluation assets have significantly changed, such that previously identified resource targets are no longer being pursued;

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**3. Significant accounting policies (continued):**

- (ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; and
- (iii) whether remaining claim tenure terms are insufficient to conduct necessary studies or exploration work.

Where impairment subsequently reverses the carrying amount of the asset is increased to the revised estimate and its recoverable amount, up to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized in the period in which that determination was made in profit or loss.

**(m) Related party transactions:**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant control over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

**Future accounting changes:**

Unless otherwise noted, the following new or revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

**IFRS 9 Financial Instruments**

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments—Recognition and Measurement, except that fair value changes due to credit risk for designated at fair value through profit and loss would generally be recorded in other comprehensive income.

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **3. Significant accounting policies (continued):**

#### **IFRS 10 Consolidated Financial Statements**

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

#### **IFRS 11 Joint Arrangements**

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Venturers.

#### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

#### **IFRS 13 Fair Value Measurement**

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

#### **Amendments to other standards**

In addition, there have been other amendments to existing standards, including IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 4. Mineral properties and related expenditures:

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

The following is a detailed list of the Company's mineral properties as at September 30, 2012:

	September 30, 2011		September 30, 2012		
	Net Book Value	Net Expenditures/ (Recoveries)	Impairment	Foreign currency translation	Net Book Value
<b>AUSTRALIA - Western Australia</b>					
<b>Redport Properties</b>					
Lake Maitland					
Acquisition and exploration expenditures	\$ 81,339	\$ 3,119	\$ -	\$ 672	\$ 85,130
<b>Kintyre Rocks</b>					
Acquisition and exploration expenditures	3,944	66	-	81	4,091
<b>Total Western Australian properties</b>	<b>85,283</b>	<b>3,185</b>	<b>-</b>	<b>753</b>	<b>89,221</b>
<b>AUSTRALIA - South Australia &amp; Northern Territory</b>					
<b>Hindmarsh Property</b>					
Western South Australia					
Acquisition and exploration expenditures	315	31	-	8	354
Central South Australia					
Acquisition and exploration expenditures	298	1,270	(148)	(16)	1,404
Eastern South Australia					
Acquisition and exploration expenditures	148	19	-	(3)	164
Northern Territory					
Acquisition and exploration expenditures	145	-	-	5	150
<b>Total South Australia &amp; Northern Territory properties</b>	<b>906</b>	<b>1,320</b>	<b>(148)</b>	<b>(6)</b>	<b>2,072</b>

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**4. Mineral properties and related expenditures(continued):**

	September 30, 2011		September 30, 2012	
	Net Book Value	Net Expenditures/ (Recoveries)	Foreign currency Impairment translation	Net Book Value
<b>AUSTRALIA - Queensland</b>				
<b>Ben Lomond Property</b>				
Acquisition and exploration expenditures	\$ 10,787	\$ 487	\$ -	\$ 97
		-		\$ 11,371
<b>Future Metals and Energy Properties</b>				
Acquisition and exploration expenditures	5,100	-	-	71
				5,171
<b>Georgetown Properties</b>				
Acquisition and exploration expenditures	5,100	234	-	23
				5,357
<b>Total Queensland properties</b>	<b>20,987</b>	<b>721</b>	<b>-</b>	<b>191</b>
				<b>21,899</b>
<b>Total Australian properties</b>	<b>107,176</b>	<b>5,226</b>	<b>(148)</b>	<b>938</b>
				<b>113,192</b>

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 4. Mineral properties and related expenditures(continued):

	September 30, 2011		September 30, 2012		
	Net Book Value	Net Expenditures/ (Recoveries)	Impairment	Foreign Currency Translation	Net Book Value
<b>CAMEROON (AFRICA)</b>					
<b>Kitongo/Lolodorf Property</b>					
Acquisition and exploration expenditures	\$ 5,082	\$ 488	\$ -	\$ (496)	\$ 5,074
<b>CANADA</b>					
<b>Ontario Properties</b>					
Acquisition and exploration expenditures	2,991	8	-	-	2,999
<b>Thelon Basin</b>					
Acquisition and exploration expenditures	5,368	2,201	(4,314)	-	3,255
<b>South Fork Properties (Uranium Power)</b>					
Acquisition and exploration expenditures	1,602	1	(964)	-	639
<b>Central Minerla Belt properties (Virginia Energy)</b>					
Acquisition and exploration expenditures	-	-	-	-	-
<b>Maurice Point Properties (Forum Uranium)</b>					
Acquisition and exploration expenditures	-	-	-	-	-
<b>Athabasca Properties (Cameco and Forum Uranium)</b>					
Acquisition and exploration expenditures	252	1,233	(858)	-	627
<b>Athabasca Properties</b>					
Acquisition and exploration expenditures	-	2,677	(1,332)	-	1,345
<b>Twenty-Seven Yukon Properties</b>					
Acquisition and exploration expenditures	3,100	47	(3,147)	-	-
<b>Monster Labrador Properties</b>					
Acquisition and exploration expenditures	9,494	237	(7,746)	-	1,985
<b>Total Canadian properties</b>	22,807	6,404	(18,361)	-	10,850
<b>Total mineral properties and related expenditures</b>	\$ 135,065	\$ 12,118	\$ (18,509)	442	129,116

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 4. Mineral properties and related expenditures(continued):

The following is a detailed list of the Company's mineral properties as at September 30, 2011:

	October 1, 2010		September 30, 2011		
	Net Book Value	Net Expenditures/ (Recoveries)	Impairment	Foreign currency translation	Net Book Value
<b>AUSTRALIA - Western Australia</b>					
<b>Redport Properties</b>					
Lake Maitland					
Acquisition and exploration expenditures	\$ 100,084	\$ 15,471	\$ (36,071)	\$ 1,855	\$ 81,339
<b>Kintyre Rocks</b>					
Acquisition and exploration expenditures	26,296	555	(23,636)	729	3,944
<b>Total Western Australian properties</b>	<b>126,380</b>	<b>16,026</b>	<b>(59,707)</b>	<b>2,584</b>	<b>85,283</b>
<b>AUSTRALIA - South Australia &amp; Northern Territory</b>					
<b>Hindmarsh Property</b>					
Western South Australia					
Acquisition and exploration expenditures	2,998	5	(2,800)	112	315
Central South Australia					
Acquisition and exploration expenditures	2,146	250	(2,183)	85	298
Eastern South Australia					
Acquisition and exploration expenditures	1,073	58	(1,022)	38	147
Northern Territory					
Acquisition and exploration expenditures	1,916	-	(1,845)	75	146
<b>Total South Australia &amp; Northern Territory properties</b>	<b>8,133</b>	<b>313</b>	<b>(7,850)</b>	<b>310</b>	<b>906</b>

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**4. Mineral properties and related expenditures(continued):**

	October 1, 2010	September 30, 2011			
	Net Book Value	Net Expenditures/ (Recoveries)	Write off	Foreign Currency Translation	Net Book Value
<b>AUSTRALIA - Queensland</b>					
<b>Ben Lomond Property</b>					
Acquisition and exploration expenditure	\$ 10,130	\$ 511	\$ -	\$ 146	\$ 10,787
<b>Future Metals and Energy Properties</b>					
Acquisition and exploration expenditure	8,997	-	(4,088)	191	5,100
<b>Georgetown Properties</b>					
Acquisition and exploration expenditure	11,243	278	(6,636)	215	5,100
<b>Glengarry Properties</b>					
Acquisition and exploration expenditure	71	21	(92)	-	-
<b>Total Queensland properties</b>	<b>30,441</b>	<b>810</b>	<b>(10,816)</b>	<b>552</b>	<b>20,987</b>
<b>Total Australian properties</b>	<b>164,954</b>	<b>17,149</b>	<b>(78,373)</b>	<b>3,446</b>	<b>107,176</b>

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 4. Mineral properties and related expenditures(continued):

	October 1, 2010		September 30, 2011		
	Net Book Value	Net Expenditures/ (Recoveries)	Write off	Foreign Currency Translation	Net Book Value
<b>Kitongo/Lolodorf Property</b>					
Acquisition and exploration expenditure	\$ 13,860	\$ 951	\$ (9,696)	\$ (33)	\$ 5,082
<b>Ontario Properties</b>					
Acquisition and exploration expenditure	2,426	565	-	-	2,991
<b>Central Mineral Belt Properties (Virginia Energy)</b>					
Acquisition and exploration expenditure	2,176	-	(2,176)	-	-
<b>Thelon Basin (Titan Uranium)</b>					
Acquisition and exploration expenditure	5,294	74	-	-	5,368
<b>South Fork Properties (Uranium Power)</b>					
Acquisition and exploration expenditure	1602	-	-	-	1602
<b>Maurice Point Properties (Forum Uranium)</b>					
Acquisition and exploration expenditure	4,059	59	(4,118)	-	-
<b>Athabasca Properties (Cameco and Forum Uranium)</b>					
Acquisition and exploration expenditure	-	252	-	-	252
<b>Twenty-Seven Yukon Properties</b>					
Acquisition and exploration expenditure	20,244	45	(17,189)	-	3,100
<b>Monster Labrador Properties</b>					
Acquisition and exploration expenditure	10,406	3,142	(4,054)	-	9,494
<b>Total Canadian properties</b>	46,207	4,137	(27,537)	-	22,808
<b>Total mineral properties and related expenditures</b>	225,021	22,237	(115,606)	3,413	135,065

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 4. Mineral properties and related expenditures(continued):

Included in the exploration expenditures is stock-based compensation of \$176 (\$Nil -2011).

For details about Mega's commitments related to its mineral properties, please refer to note 16

The following are the transactions and impairment on the Company's properties for the year ended September 30, 2012.

- (i) On October 10, 2011, the Company optioned its Greenwich Lake property to Magma Metals Ltd. Magma Metals Ltd. has to spend \$3,000,000 on the project within five years to earn a 60 percent interest.
- (ii) On February 23, 2012, the Company acquired all of the Canadian exploration properties of Titan Uranium Inc. As consideration for the purchase of the properties, Mega issued 10,000,000 common shares to Titan. The portfolio of mineral properties includes 23 projects, covering 1.2 million acres located in the Athabasca Basin of Saskatchewan, the Thelon Basin project located in Nunavut, which is now wholly-owned by Mega (Mega and Titan were previously 51/49 joint venture partners), and the South Fork project in Southwestern Saskatchewan, in which Mega now holds a 50% interest (Mega and Titan previously each held a 25% interest). The Athabasca Basin projects include the Castle North, Castle South, R-Seven, Thorburn Lake, Border Block, Bishop I and Bishop II, Virgin Trend, Rook I and Rook II, Sand Hill Lake, Carlson Creek, Meanwell and Fleming projects.
- (iii) During the year Mega entered into a letter of intent with Nex Gen Energy Ltd ("Nex Gen") under which it was proposed that Nex Gen will acquire the Company's uranium projects located in the Athabasca Basin, Saskatchewan, and the Thelon Basin, Nunavut. Subsequent to year end (see note 21), Mega closed this transaction and received 21,876,265 shares of Nex Gen as consideration. The fair value of the shares received was less than the carrying value of the properties that were sold this resulted in an impairment of \$7,468 recorded as at September 30, 2012 as follows:

Location	Property Name/Description	Impaired Amount
Nunavat, Canada	Thelon basin	4,314
Saskatchewan, Canada	South Fork properties	964
Saskatchewan, Canada	Athabasca Basin (JV with Forum Uranium and Cameco)	858
Saskatchewan, Canada	Athabasca properties	1,332

- (iv) During the year ended September 30, 2012, total impairment charges of \$ 11,041 were recognized in respect of the properties shown in table below. The impairment resulted primarily from the abandonment of Iron Knob/Wartaka tenements in Australia and YUP JV properties in Canada, a lack of planned substantive expenditure for further exploration for Byron Bay & Cape Harrison, deferral of planned exploration activity in the near future for Bruce River & Mustang Lake and Aillik East in Labrador, Canada and general unfavourable market conditions.

In assessing whether an impairment is required for the carrying value of mineral properties, their carrying value is compared with the recoverable amount which is the higher of asset's Fair Value Less Costs To Sell (FVLCTS) and value in use. Given the Company's properties are in exploratory phase, information on value-in-use calculations is difficult to estimate. Consequently, the recoverable amount used in assessment of impairment is based on FVLCTS.

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 4. Mineral properties and related expenditures(continued):

Location	Property Name/Description	Impaired Amount
South Australia	Iron Knob and Wartaka Tenements	148
Labrador, Canada	Byron bay, and Cape Harrison	968
Yukon, Canada	YUP JV properties	3,147
Labrador, Canada	Bruce river and mustang lake	2,797
Labrador, Canada	Aillik east	3,981

The Company's assessment of whether the carrying values of its mineral properties and related expenditures are impaired is based on management's assessment of potential indicators of impairment, best estimates of likely courses of action by the Company and FVLCTS, which was determined using a variety of valuation methods, the selection of which was based on the appropriateness of the method as most applicable to each property. These methods included comparable transactions, value per unit of metal and value per unit of area. The calculation of FVLCTS is most sensitive to determination of resource estimates, availability of comparable company analysis or precedent transactions. This assessment and the determination of FVLCTS are subject to significant measurement uncertainty and further material write-downs of these assets could occur if actual results differed from the estimates and assumptions used and/or if alternative valuation methods were applied.

### 5. Short term investments:

Short term investments are classified as held-for-trading, are stated at their fair values and consist of the following for the period indicated:

	September 30, 2012	September 30, 2011	October 1, 2010
Corporate bonds (a)	\$ 9,719	\$ 24,647	\$ 46,079
	\$ 9,719	\$ 24,647	\$ 46,079

(a) As at September 30, 2012, corporate bonds consist of liquid "A+" bonds with yields ranging from 4.64% to 5.25%, with average yield being approximately 5.24%, and with maturity date of November 1, 2012.

### 6. Long term investments:

Long term investments consisted of equity investments in publically traded junior or small cap mining companies for the following period indicated:

	September 30, 2012	September 30, 2011	October 1, 2010
Investments at fair value	\$ 6,852	\$ 7,090	6,566
Cost	\$ 11,840	\$ 11,627	6,995

### 7. Restricted cash:

As at September 30, 2012, the Company had pledged AUS \$350 (CAD - \$357) (September 30, 2011 - CAD \$286) (October 1, 2010 - CAD-\$347) 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 uranium project. 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 the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 8. Capital assets:

Capital assets consist of the following for the period indicated:

	Mining equipment	Computer Equipment	Furniture and Equipment	Motor Vehicles	Software	Total
<b>Cost</b>						
Balance - October 1, 2010	1,819	266	1,050	1,082	437	4,654
Additions	140	-	75	-	59	274
Disposals	-	-	-	(79)	-	(79)
Foreign currency translation	19	(0)	18	9	8	54
Balance - September 30, 2011	1,978	266	1,143	1,012	504	4,903
Additions	10	11	31	-	8	60
Foreign currency translation	(5)	(11)	(3)	(44)	4	-59
Balance - September 30, 2012	1,983	266	1,171	968	516	4,904
<b>Accumulated depreciation</b>						
Balance - October 1, 2010	(1,030)	(214)	(548)	(565)	(80)	(2,437)
Depreciation	(167)	(24)	(182)	(86)	(114)	(573)
Foreign currency translation	(7)	(1)	(10)	(3)	(2)	(23)
Balance - September 30, 2011	(1,204)	(239)	(740)	(654)	(196)	(3,033)
Depreciation	(205)	(23)	(131)	(95)	(122)	(576)
Foreign currency translation	3	9	4	46	(1)	61
Balance - September 30, 2012	(1,406)	(253)	(867)	(703)	(319)	(3,548)
<b>Net carrying value</b>						
At October 1, 2010	789	52	502	517	357	2,217
At September 30, 2011	774	27	403	358	308	1,870
<b>At September 30, 2012</b>	<b>577</b>	<b>13</b>	<b>304</b>	<b>265</b>	<b>197</b>	<b>1,356</b>

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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### 9. 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 during the year ended September 30:

Type of service	Nature of relationship	2012	2011
Salaries	Directors	<b>77</b>	76
Consulting fees (a)	Officers	<b>1,426</b>	1,979
Stock based compensation	Directors and officers	<b>326</b>	720

- a) Consulting agreements are with the Company's Chief Executive Officer, Executive Vice President-Corporate Affairs, President, Executive Vice President-Australia and Chief Financial Officer. The costs relating to these agreements are included in operating, general and administrative expenses and capitalized to mineral properties.

At September 30, 2012 \$19 (2011-\$35) and as at October 1, 2010 \$32, were due to related parties.

### 10. Flow through share premium liability:

Balance October 1, 2010	\$ -
Recognition of flow through share premium liability	1,624
Reduction of flow-through share liability on expenditures made	(208)
Balance, September 30, 2011	1,416
Reduction of flow-through share liability on expenditures made	(690)
<b>Balance, September 30, 2012</b>	<b>\$ 726</b>

During the year ended September 30, 2011, Mega completed a flow-through private placement of 6,000,000 units at a price of \$1.10 per unit, resulting in total gross proceeds of \$6,600 (net proceeds of \$6,180 after issuance costs). Each unit was comprised of one flow-through common share and one-half of one non-flow-through common share purchase warrant of the Company. The premium received on the flow through shares issued was determined to be \$1,624 and has been recorded as a share capital reduction. The flow through share premium liability is reduced as the exploration expenditures are incurred.

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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(In thousands of Canadian dollars, except for securities and per share amounts)

### 11. Share capital:

(a) Share capital:

Authorized: unlimited number of common shares.

Common shares issued and outstanding:

	# of Shares	Amount
<b>Balance, October 1, 2010</b>	246,026,509	\$ 260,017
Issued pursuant to exercise of options	66,560	77
Issued pursuant to flow through offerings	11,000,000	8,425
Transfer of flow through premium on flow through issue		(1,624)
<b>Balance, September 30, 2011</b>	<b>257,093,069</b>	<b>\$ 266,895</b>
Issued for acquiring mineral properties (note 4(ii))	<b>10,000,000</b>	<b>3,450</b>
Share issuance cost		<b>(8)</b>
<b>Balance, September 30, 2012</b>	<b>267,093,069</b>	<b>270,337</b>

(b) Stock option plans:

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

All of the stock options granted and currently outstanding vest in three-month intervals over an 18-month period from the date of grant and have a term of 5 years.

A summary of the status of the Company's stock options outstanding as at September 30, 2012 and September 30, 2011 and changes during the years then ended is presented below:

	September 30, 2012		September 30, 2011	
	# of Options	Weighted average exercise price	# of Options	Weighted average exercise price
<b>Outstanding, at beginning of year</b>	13,606,739	\$ 2.84	22,994,600	\$ 3.17
Granted	8,100,000	0.19	860,000	1.09
Exercised	-	-	(66,560)	(0.73)
Cancelled/Expired	(6,127,499)	(5.33)	(10,181,301)	(3.49)
<b>Outstanding, at end of year</b>	<b>15,579,240</b>	<b>0.48</b>	<b>13,606,739</b>	<b>2.84</b>
<b>Exercisable, at end of year</b>	<b>8,717,548</b>	<b>\$ 0.71</b>	<b>12,208,890</b>	<b>\$ 3.08</b>

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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(In thousands of Canadian dollars, except for securities and per share amounts)

### 11. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2012:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
25,000	25,000	4.30	November 15, 2012
100,000	100,000	2.34	February 17, 2013
5,000	5,000	2.31	July 1, 2013
95,000	95,000	1.63	September 1, 2013
1,398,400	1,398,400	1.03	March 1, 2014
3,065,000	3,065,000	0.76	January 1, 2015
2,500,840	2,500,840	0.49	August 31, 2015
440,000	440,000	1.09	January 1, 2016
3,265,000	1,088,308	0.20	January 1, 2017
4,685,000	-	0.18	August 31, 2017
<b>15,579,240</b>	<b>8,717,548</b>		

The following table summarizes the Stock options granted during the year ended September 30, 2012:

Date Granted	Options granted	Exercise Price	Expiry date
January 2, 2012	3,415,000	0.20	January 1, 2017
September 1, 2012	4,685,000	0.18	August 31, 2017
<b>Total Granted</b>	<b>8,100,000</b>		

These stock options were issued to employees, directors, and consultants and were accounted for using the fair value method and expensed over the option's vesting periods in the consolidated statements of comprehensive loss and credited to share option reserve.

The fair value of stock options granted to employees and directors during the period was estimated at the date of the grant using the Black-Scholes Option Pricing Model. The expected life of an option of the Company is 3.5 years with an expected dividend yield of 0% since the Company has never distributed cash dividends. Volatility is calculated using three and a half years of share data prior to the date the option was granted. The Company uses the Bank of Canada bank rate as the risk-free interest rate.

The fair value of the options granted during the year ended September 30, 2012 was estimated at the date of grant using the following assumptions:

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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(In thousands of Canadian dollars, except for securities and per share amounts)

### 11. Share capital (continued):

<b>Black –Scholes assumption used</b>	
<b>Expected volatility</b>	71.96%- 98.01%
<b>Expected dividend yield</b>	0.0%
<b>Risk-free interest rate</b>	1.06% - 1.32%
<b>Expected average option life in years</b>	3.2- 4.8
<b>Fair value per stock option granted on January 2, 2012</b>	0.14
<b>Fair value per stock option granted on September 1, 2012</b>	0.11

The fair value of the options granted during the year ended September 30, 2011 was estimated at the date of grant using the following assumptions:

<b>Black –Scholes assumption used</b>	
<b>Expected volatility</b>	102.85%
<b>Expected dividend yield</b>	0.0%
<b>Risk-free interest rate</b>	2.005%
<b>Expected average option life in years</b>	3.2- 4.4
<b>Fair value per stock option granted</b>	0.74

For the year ended September 30, 2012, included in the consolidated statement of comprehensive loss was stock-based compensation expense of \$301 (2011– \$470) relating to the fair value of stock options granted during the year and \$132 (2011-\$1,117) relating to the fair value of stock option granted during prior years.

### 12. Warrants:

A summary of the status of the Company's warrants as at September 30, 2012 and changes during the years then ended is presented below:

	<b># of Warrants</b>	<b>Weighted average exercise price</b>	<b>Warrant value using Black-Scholes valuation</b>
Balance, October 1, 2010	38,438,879	\$ 2.32	\$ 37,986
Warrants issued pursuant to flow-through issues	6,260,000	0.94	766
<b>Balance, September 30, 2011</b>	<b>44,698,879</b>	<b>\$ 2.12</b>	<b>\$ 38,752</b>
Warrants expired during the year	(11,926,879)	(4.86)	-
Deferred tax on expired warrants (i)	-	-	<b>(3,264)</b>
<b>Balance, September 30, 2012</b>	<b>32,772,000</b>	<b>\$ 1.13</b>	<b>35,488</b>

- (i) On expiry of 11,926,879 warrants, an income tax liability of \$3,264 arose on the unexercised expired warrants. As the Company has sufficient unrecognized non capital losses tax pool to offset the tax liability, deferred income taxes of \$3,624 was recorded in warrant reserve on the recognition of this deferred tax liability.

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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(In thousands of Canadian dollars, except for securities and per share amounts)

### 12. Warrants (continued):

The following table summarizes the warrants outstanding as at September 30, 2012:

Number of warrants	Exercise price	Expiry date	Warrant value using Black-Scholes valuation
3,360,000	1.10	March 14, 2013	360
29,412,000	1.13	October 26, 2014 (i)	6,471
32,772,000			\$ 6,831

- (i) If the closing price of Mega's shares exceeds \$2.50 for 20 consecutive days, after October 26, 2012, the warrants will expire 30 days following written notice to the holders of the warrants.

### 13. Share option reserve :

Share option reserve transactions for the respective years are as follows:

	Amount
Balance, October 1, 2010	\$ 61,112
Stock based compensation	1,587
Exercised stock options	(28)
Balance, September 30, 2011	\$ 62,671
Stock based compensation	609
<b>Balance, September 30, 2012</b>	<b>\$ 63,280</b>

### 14. Segmented information:

The Company's significant segments are divided into three distinct geographic areas. The Canadian operations, which are mainly in Ontario, Yukon Territory, Saskatchewan and Newfoundland and Labrador, are managed from the Company's head office in Toronto. The Australian operations are managed from offices in Brisbane, Adelaide and Perth. The African operations are located in Cameroon where the exploration activities are locally managed from an office in Yaounde under the overall supervision of Brisbane office.

The following is segmented information of operations as at and for the year ended September 30, 2012:

Country/Region	For the year ended September 30, 2012	As at September 30, 2012	
	Net comprehensive income (loss)	Capital assets	Mineral properties and related expenditures
Canada	\$ (17,849)	\$ 51	\$ 10,850
Australia	(733)	1,198	113,192
Africa	(1,284)	107	5,074
<b>Total</b>	<b>\$ (19,866)</b>	<b>\$ 1,356</b>	<b>\$ 129,116</b>

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 14. Segmented information (continued):

The following is segmented information of operations as at and for the year ended September 30, 2011:

Country/Region	For the year ended September 30, 2011	As at September 30, 2011	
	Net comprehensive income (loss)	Capital assets	Mineral properties and related expenditures
Canada	\$ (30,732)	\$ 95	\$ 22,807
Australia	(81,631)	1,561	107,176
Africa	(10,623)	214	5,082
<b>Total</b>	<b>\$ (122,986)</b>	<b>\$ 1,870</b>	<b>\$ 135,065</b>

The Company has no inter-segment revenues.

### 15. General and administrative expenses:

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

	Year ended September 30,	
	2012	2011
<b>Professional fees</b>	\$ 680	\$ 823
<b>Consulting and directors' fees</b>	1,653	2,814
<b>Shareholder relations and communications</b>	95	92
<b>Transfer agent and filing fees</b>	173	240
<b>Travel and promotion</b>	231	323
<b>Office and general</b>	2,705	2,964
<b>Stock based Compensation</b>	433	1,587
<b>Amortization</b>	578	622
	<b>\$ 6,548</b>	<b>\$ 9,465</b>

### 16. Commitments and Option Obligations:

The Company has the following commitments and obligations as at September 30 2012:

- (i) On the Harris tenement of the Corunna Project located in South Australia, Mega's subsidiary, Mega Hindmarsh Pty Ltd, has met the expenditure requirement to earn a 51% interest and can increase its interest to 75% by further expenditure of Aus \$450 by October 18, 2013.
- (ii) In March 2011, Mega entered into an option agreement with Cameco Corporation and Forum Uranium Corp. Mega and Forum may jointly earn a 60% participating interest in the Athabasca project located in Saskatchewan by committing to \$750 in exploration within 15 months of the closing date (which Mega and Forum are obligated to spend

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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### 16. Commitments and Option Obligations (continued):

regardless of their intentions regarding earning the interest), and incurring additional optional expenditures of \$250 by the second anniversary of the agreement and a further \$3,000 on or before the fourth anniversary of the agreement, for a total expenditure of \$4,000. In addition, in order to earn the interest Forum and Mega must make option payments of \$80 by the first anniversary, \$110 by the second anniversary and \$150 by the third anniversary, for a total of \$340 in cash option payments. As of September 30, 2012 Mega has spent \$1,485 on the property and met the first year expenditure commitment.

- (iii) On March 14, 2011, Mega completed a private placement of 6,000,000 flow through units, consisting of 6,000,000 flow-through shares and 3,000,000 non-flow-through common shares purchase warrants, at a price of \$1.10 per unit, for aggregate gross proceeds of \$6,600. In accordance with the terms of the flow-through share agreements, the Company is obligated to spend \$6,570 (the portion of the gross proceeds attributable to the flow-through shares) on eligible Canadian exploration activities before December 31, 2012. As of September 30, 2012 Mega has spent \$3,689 on the Canadian properties.

### 17. Management of capital:

The Company includes the following in its capital as follows:

	September 30, 2012	September 30, 2011
Shareholders' equity comprised of		
Share capital	\$ 270,337	\$ 266,895
Warrants	35,488	38,752
Share option reserve	63,280	62,671
Accumulated other comprehensive income	3,821	3,414
Deficit	(223,338)	(203,065)
	<b>\$ 149,588</b>	<b>\$ 168,667</b>

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 & 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 which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the 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:

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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### 17. Management of capital (continued):

- 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 Company's current capital resources are sufficient to discharge its liabilities as at September 30, 2012.

### 18. Income tax recovery and deferred taxes :

- (a) Income tax recovery attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.88% (2011 – 28.75%) to pre-tax loss as a result of the following:

	2012	2011
Loss before income taxes	\$ (23,889)	\$ (126,400)
Computed "expected" income tax recovery	(6,421)	(36,340)
Rate differences attributable to foreign operations	(116)	(2,036)
Non-deductible stock based compensation expense	116	468
Non-deductible/ (taxable) portion of capital losses/ (gains)	97	438
Impairment of exploration and evaluation assets not tax benefitted	4,733	34,451
Change in tax rates	53	-
Recovery of tax on warrants	(3,264)	-
Other differences	1,186	3,019
<b>Recovery of income taxes</b>	<b>\$ (3,616)</b>	<b>\$ -</b>

The 2012 statutory tax rate of 26.88% differs from the 2011 statutory tax rate of 28.75% because of the reduction in both federal and Ontario substantively enacted tax rates.

- (b) Significant components of the recovery of income taxes are as follows:

	2012	2011
Current income tax recovery	\$ (3,491)	\$ -
Deferred income tax recovery	(125)	-
<b>Recovery of income taxes</b>	<b>\$ (3,616)</b>	<b>\$ -</b>

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**18. Income taxes (continued):**

- (c) The following deferred tax assets are not recognized in the consolidated financial statements due to the unpredictability of future income.

	2012	2011
Non capital losses carry-forward	\$ (38,514)	\$ (36,607)
Exploration and evaluation asset tax pool	(9,822)	(7,066)
Investments	(744)	(612)
Share issuance cost and other differences	(2,111)	(1,895)
	\$ (51,191)	\$ (46,180)

At September 30, 2012, the Company had incurred approximately \$10,393 (2011 - \$9,412) of Canadian non-capital losses which expire between 2015 and 2032. The Company has incurred tax losses in Australia of approximately \$226,438 and in Cameroon of approximately \$4,889. The Australian tax losses may be carried forward indefinitely while Cameroon non-capital loss will expire between 2013 and 2016.

**19. Financial Instruments:**

Part of Mega's business includes the acquisition of short term investments in marketable securities and in some cases, long term investments in equity, in public companies. These assets represent a small portion of the Company's overall business. However, 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 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 of disposition and losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from disposition of its investment and Short term investments, in addition to interest income earned on its investment. The Company has cash and cash equivalents and short term investment consisting of marketable securities of approximately \$11,741. The short term investments consist of highly liquid "A+" bonds (see note 4). 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.

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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### 19. 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 risks as a result of its investments in publicly-traded companies and Short term investments. 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 September 30, 2012 from a change in the closing bid price of the Company's investments in public companies with all other variables held constant as at September 30, 2012:

Percentage of Change in Closing Bid Prices	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%	\$ 117	\$ (117)
4%	234	(234)
6%	352	(352)
8%	469	(469)
10%	587	(587)

- (c) Interest rate risk: Interest rate risk is the impact that changes in interest rates could have on the Company's earnings 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 and short term investments being invested in interest-bearing instruments.

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the period ended September 30, 2012 from a change in the interest rate on the interest bearing assets with all other variables held constant as at September 30, 2012:

Change in Interest Rate	Change in Net After-tax Income (Loss) From an Increase in Interest Rate	Change in Net After- tax Income (Loss) From a Decrease in Interest Rate
0.25%	\$ 17	\$ (17)
0.50%	34	(34)
0.75%	51	(51)
1.00%	68	(68)

- (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 Canadian 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 the Consolidated Financial Statements

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### 19. Financial Instruments (continued):

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the period ended September 30, 2012 from a change in all foreign currencies (Australian dollars, Cameroon franc and U.S. dollars) with all other variables held constant as at September 30, 2012:

Percentage of Change in Foreign Currencies	Change in Net After-tax Income (Loss) From % Increase in Foreign Currencies	Change in Net After -Tax Income (Loss) From a Decrease in % in Foreign Currencies
2%	\$ 33	\$ (33)
4%	67	(67)
6%	100	(100)
8%	133	(133)
10%	167	(167)

- (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 ordinary course of business is not significant. The Company holds corporate bonds issued by Canada's Schedule I banks. They are highly liquid "A+" bonds and the Company believes that the credit risk associated with these bonds is minimal.

- (f) Fair value:

The Company has determined the fair value of its financial instruments as follows:

- (i) The carrying values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments and capital assets are carried at amounts in accordance with the Company's accounting policies.

#### Fair Value Analysis

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

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

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

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

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### 19. Financial Instruments (continued):

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

	Level 1	Level 2	Level 3
<b>Held-for trading financial assets</b>			
<b>As at September 30, 2012</b>			
Cash and cash equivalent	\$ 2,022	\$ -	\$ -
Short term investments	\$ -	\$ 9,719	\$ -
Long term investments	\$ 6,852	\$ -	\$ -
<b>As at September 30, 2011</b>			
Cash and cash equivalent	\$ 1,988	\$ -	\$ -
Short term investments	\$ -	\$ 24,647	\$ -
Long term investments	\$ 7,090	\$ -	\$ -

There were no transfers between Level 1 and Level 2 in the year.

There were no financial assets which are measured at fair value as at September 30, 2012 that applied Level 3 fair value measurements.

### 20. First time adoption of International Financial Reporting:

For all periods up to and including the year ended September 30, 2011, the Company prepared its consolidated financial statements in accordance with CGAAP. The consolidated financial statements as at and for the year ended September 30, 2012 are the first annual financial audited statements which the Company has prepared in accordance with IFRS.

In preparing these consolidated financial statements, the opening consolidated statement of financial position was prepared as at October 1, 2010, the Company's Transition Date.

This note explains the principal adjustments made in restating the previous CGAAP consolidated balance sheet as at October 1, 2010 and its previously published CGAAP consolidated financial statements as at and for the year ended September 30, 2011.

The guidance for the first time adoption of IFRS is set out in IFRS 1 'First-time Adoption of International Financial Reporting Standards'. Under IFRS 1 the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP charged to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated October 1, 2010:

#### (a) Business Combinations

IFRS1 indicates that a first-time adopter may elect not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **20. First time adoption of International Financial Reporting:**

to business combinations that occur on or after October 1, 2010. There is no adjustment required to the October 1, 2010 statement of financial position on the transition date.

#### **(b) Share-based Payment**

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2010.

#### **(c) Consolidated and Separate Financial Statements**

In accordance with IFRS 1, if a company elects to apply IFRS 3 'Business Combinations' retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

#### **(d) Foreign Currency Translation**

In accordance with IFRS 1, a Company may elect to deem all foreign currency translation differences that arose prior to the date of transition in respect of foreign operations to be nil at the date of transition. The Company has elected to apply this exemption.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated October 1, 2010:

#### **Estimates**

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of October 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, some differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of comprehensive income, statement of financial position for the year ended September 30, 2011 have been reconciled to IFRS, with the resulting differences explained, below.

An explanation of how the transition from previous Canadian GAAP to IFRS has effected the Company's financial position, financial performance is set out in the following tables.

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**20. First time adoption of International Financial Reporting (continued):**

Reconciliations:

The reconciliations between the previously reported financial results under CGAAP and the current reported financial results under IFRS are provided as follows:

- (i) Reconciliation of the consolidated statement of financial position and equity as at October 1, 2010, and September 30, 2011; and
- (ii) Reconciliation of the consolidated statement of comprehensive loss for the year ended September 30, 2011.

No reconciliation is presented for the consolidated statement of cash flows as there are no significant differences.

# Mega Uranium Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2012 and 2011, and October 1, 2010

(In thousands of Canadian dollars, except for securities and per share amounts)

### 20. First time adoption of International Financial Reporting Standards(continued) :

- (i) The following is a reconciliation of the consolidated statement of financial position and equity as at October 1, 2010 and September 30, 2011:

	Notes	As at October 1, 2010			As at September 30, 2011		
		Canadian GAAP	Effect of Transition of IFRS	IFRS	Canadian GAAP	Effect of Transition of IFRS	IFRS
		\$	\$	\$	\$	\$	\$
Assets							
Current							
Cash and cash equivalents		3,839	-	3,839	1,988	-	1,988
Short-term investments		46,079	-	46,079	24,647	-	24,647
Prepaid expenses and receivables		1,987	-	1,987	1,383	-	1,383
		51,905	-	51,905	28,018	-	28,018
Mineral properties and deferred exploration expenditures	(i) and (iv)	251,700	(26,679)	225,021	135,763	(698)	135,065
Long-term Investments		6,566	-	6,566	7,090	-	7,090
Restricted cash		347	-	347	286	-	286
Capital assets, net	(i)	2,233	(16)	2,217	1,855	15	1,870
		312,751	(26,695)	286,056	173,012	(683)	172,329
Liabilities and Shareholders' Equity							
Current							
Accounts payable and accrued liabilities		3,051	-	3,051	1,727	-	1,727
Income taxes payable		337	-	337	341	-	341
Flow through share premium liability	(iii)	-	-	-	-	1,416	1,416
		3,388	-	3,388	2,068	1,416	3,484
Long term income tax payable		93	-	93	53	-	53
Deferred tax liabilities	(iv)	7,877	(7,752)	125	1,984	(1,859)	125
		11,358	(7,752)	3,606	4,105	(443)	3,662
Shareholders' equity							
Share capital	(iii) and (iv)	257,540	2,477	260,017	265,237	1,658	266,895
Warrants reserve		37,986	-	37,986	38,752	-	38,752
Share option reserve	(ii)	60,298	814	61,112	61,897	774	62,671
Accumulated other comprehensive gain	(i)	-	-	-	-	3,414	3,414
Deficit	(i), (ii), (iii) and (iv)	(54,431)	(22,234)	(76,665)	(196,979)	(6,086)	(203,065)
		301,393	(18,943)	282,450	168,907	(240)	168,667
		312,751	(26,695)	286,056	173,012	(683)	172,329

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**20. First time adoption of International Financial Reporting Standards(continued) :**

- (ii) The following is a reconciliation of the consolidated statement of comprehensive loss for the year ended September 30, 2011:

		Year ended September 30, 2011		
	Notes	Canadian GAAP	IFRS Adjustments	IFRS
		\$	\$	\$
Operating Expenses				
General and administrative expenses	(ii)	9,505	(40)	9,465
		(9,505)	40	(9,465)
Foreign exchange gain	(i)	45	63	108
Write-down of mineral properties and related expenditures	(i)	(138,174)	22,568	(115,606)
Unrealized gain (loss) on investments		(4,494)	-	(4,494)
Realized gain on investments		1,444	-	1,444
Interest income		914	-	914
Loss on sale of capital asset		(12)	-	(12)
Other income	(iii)	503	208	711
Net loss before income taxes		(149,279)	22,879	(126,400)
Provision (recovery) of income taxes	(iv)	(6,731)	6,731	-
Net loss for the year		(142,548)	16,148	(126,400)
Other Comprehensive Income				
Exchange differences on translation of foreign operations	(i)	-	3,414	3,414
Net Comprehensive loss for the year		(142,548)	19,562	(122,986)

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# **Mega Uranium Ltd.**

## **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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### **20. First time adoption of International Financial Reporting Standards (continued) :**

#### **Notes on GAAP – IFRS Reconciliations**

- (i) IFRS requires each entity consolidated within the financial statements to assess its functional currency. It was determined that the functional currency of the Parent Company is Canadian dollars, which is consistent with its functional currency under Canadian GAAP. However, it was determined that the functional currency of the Company's Australian subsidiaries, and Cameroon subsidiary which was Canadian dollars for both under Canadian GAAP, to be Australian dollars and Cameroon franc, respectively, under IFRS.

In accordance with IFRS 1, the Company elected to deem all foreign currency translation differences that arose prior to the date of transition to be nil at that date. However, several adjustments were required to effect the translation of the subsidiaries' financial position at the exchange rates on the date of the statements of financial position, and translation of the statements of operations and cash flow from the functional to presentation currency.

As at October 1, 2010, the Company recognized foreign exchange gain of \$19,324 on mineral properties and foreign exchange loss of \$16 on capital assets. The adjustment resulted in an increase in the mineral properties, a decrease in capital assets and a decrease of \$19,308 in deficit.

During the year ended September 30, 2011 the write down of mineral properties were reduced by \$22,568 as a result of the changes in carrying values of the mineral properties.

During the year ended September 30, 2011, the Company recognized foreign exchange gain of \$3,413 on mineral properties. The adjustment resulted in an increase in the mineral properties, an increase in capital assets and also got recorded in accumulated other comprehensive gain in the statement of equity.

There was also a transfer of translation loss of \$63 for the year ended September 30, 2011 from foreign exchange to accumulated other comprehensive income in the statement of equity.

- (ii) Stock based Compensation:

Previously, under Canadian GAAP, the Company used the straight-line method of calculating vested options and the share-based compensation arising there from.

Under this method, the fair value of share-based awards with vesting conditions was calculated as one grant and the resulting fair value was recognized on a straight line basis over the vesting period.

However, IFRS requires that each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is recognized over the vesting period of the respective tranches.

On transition to IFRS, adjustment were required for the unvested outstanding stock options at October 1, 2010 and for those that were granted during the year ended September 30, 2011 and the stock compensation recognized during the year ended September 30, 2011.

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**Mega Uranium Ltd.****Notes to the Consolidated Financial Statements****September 30, 2012 and 2011, and October 1, 2010****(In thousands of Canadian dollars, except for securities and per share amounts)**

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**20. First time adoption of International Financial Reporting Standards (continued) :**

As a result of these differences, the Company has adjusted its share-based payments. The amounts recorded in Share Option Reserve for share based compensation increased by \$814 as at October 1, 2010 and decreased by \$40 for the year ended September 30, 2011. The corresponding amounts were recorded as increase or decrease in deficit in respective periods.

(iii). Flow-through shares

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors, which are securities issued to investors, whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the Company. Under Canadian GAAP, in accordance with EIC-146 Flow-through Shares, a deferred tax liability is recognized on the date that the Company files renouncement documents with the Canadian tax authorities assuming there is reasonable assurance the expenditures will be made.

In accordance with IFRS, the issue of flow-through share is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position to recognize the obligation to incur and renounce eligible exploration and evaluation expenditures. Accordingly, the Company recognized a flow-through share premium of \$1,624 for the flow-through share issuances on March 14, 2011.

In 2008 and earlier years, the Company raised flow-through share proceeds for which the total tax effect recognized in share capital under Canadian GAAP was \$8,288. Under IFRS, the total flow-through premium was determined to be \$6,572 for which all related expenditures were incurred by December 31, 2008.

On the date of transition to IFRS, share capital was increased by the reversal of the Canadian GAAP tax effect and reduced by the flow-through share premium for a net increase of \$1,716 and deficit was increased by same amount.

As the Company has sufficient deferred tax assets to offset deferred tax liabilities, the corresponding adjustment was to the Company's deficit. In October 2010, the Company raised additional flow-through proceeds for which the flow-through premium under IFRS was determined to be \$Nil and the reversal of the Canadian GAAP tax effect of the 2010 flow-through proceeds recognized was \$805. In the latter part of 2011, the Company incurred qualifying flow-through expenditures resulting in the reversal of \$805 of deferred taxes under IFRS. In March 2011, the Company raised an additional flow-through proceeds for which the flow-through premium liability under IFRS was determined to be \$1,624.

The flow through share premium liability was reduced by \$208 on September 30, 2011 and was reflected under other income in the statement of comprehensive income (loss) on incurring expenditure on exploration activities during that period.

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## **Mega Uranium Ltd.**

### **Notes to the Consolidated Financial Statements**

**September 30, 2012 and 2011, and October 1, 2010**

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

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#### **20. First time adoption of International Financial Reporting Standards (continued) :**

(iv). Income taxes

Mineral property acquisitions:

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of mineral properties acquired other than in business combinations. IAS 21, *Income Taxes* does not permit the recognition of deferred taxes on such transactions. The impact of the derecognition of the deferred taxes was a reduction of \$7,752 to the deferred tax liability at October 1, 2010, and \$1,859 at September 30, 2011, a reduction of property, plant and equipment of \$46,003 as at October 1, 2010, an increase to deferred income tax expense of \$5,926 at September 30, 2011 as a reduction to the deferred income tax liability previously reversed.

In October 2010, the Company raised additional flow-through proceeds for which the flow-through premium under IFRS was determined to be \$Nil and the reversal of the Canadian GAAP tax effect of the 2010 flow-through proceeds recognized was \$805. In the latter part of 2011, the Company incurred qualifying flow-through expenditures which resulted in the reversal of recovery \$805 of deferred taxes under IFRS. This resulted in a decrease in retained earnings and increase in share capital. There was also an additional reversal of deferred tax liability recovery of \$7 which was already recovered on derecognition of deferred taxes liabilities as at October 1, 2010.

#### **21. Subsequent event:**

Subsequent to the letter of intent entered into previously with NexGen, Mega closed the transaction with NexGen on December 18, 2012, for the sale to NexGen of Mega's uranium projects in the Athabasca Basin, Saskatchewan and the Thelon Basin, Nunavut.

Mega will receive 21,876,265 shares of NexGen as consideration for the sale of the properties.