

For personal use only



**MEGADO**

ABN 74 632 150 817

# Annual Report

31 December 2020

[megadogold.com.au](http://megadogold.com.au)



## TABLE OF CONTENTS

Corporate Directory.....	2
Director’s Report .....	3
Consolidated Statement of Profit and Loss and Other Comprehensive Income .....	17
Consolidated Statement of Financial Position .....	18
Consolidated Statement of Changes in Equity .....	19
Consolidated Statement of Cash Flows.....	20
Notes to the Consolidated Financial Statements.....	21
Director’s Declaration.....	41
Auditor’s Independence Declaration .....	42
Independent Auditor’s Report .....	43
ASX Additional Information .....	47
Important Information and Disclaimers .....	50



## CORPORATE DIRECTORY

### DIRECTORS

Bradley Drabsch (Non-Executive Chairman)  
Michael Gumbley (Managing Director)  
Chris Bowden (Executive Director)  
Aaron Bertolatti (Finance Director)  
Marta Luisa Ortiz Ortega (Non-Executive Director)

### COMPANY SECRETARY

Aaron Bertolatti

### REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Level 12, 197 St Georges Terrace  
PERTH WA 6000

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
PERTH WA 6000

### AUDITORS

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### STOCK EXCHANGE

Australian Securities Exchange (ASX)  
(Home Exchange: Perth, Western Australia)  
ASX Code: MEG

### WEBSITE

[www.megadogold.com](http://www.megadogold.com)



## DIRECTORS REPORT

The Directors present their report for Megado Gold Limited (“Megado Gold” or “the Company”) and its subsidiaries (“the Group”) for the period ended 31 December 2020.

### DIRECTORS

The names of the Directors of Megado Gold during the financial period and to the date of this report are:

- Bradley Drabsch (Non-Executive Chairman) - appointed 1 February 2020
- Michael Gumbley (Managing Director)
- Chris Bowden (Executive Director) - appointed 1 February 2020
- Aaron Bertolatti (Finance Director & Company Secretary)
- Marta Luisa Ortiz Ortega (Non-Executive Director) - appointed 27 August 2020
- Anthony Hall (Non-Executive Director) - resigned 27 August 2020

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

### DIRECTORS' INFORMATION

#### **Bradley Drabsch - BSc (Hons), FSEG, MAIG**

Non-Executive Chairman – appointed 1 February 2020

Brad Drabsch is a Geologist with over 20 years' experience in the minerals exploration industry. Brad was recently Managing Director of Trek Metals Limited (ASX: TKM), exploring the Kroussou Zinc Project in Gabon. Brad has previously worked as Exploration Manager for Doray Minerals Limited (ASX: DRM) and Duketon Mining Limited (ASX: DKM) and in key exploration roles for Ivanhoe Mines (TSX: IVN) and Independence Group NL (ASX: IGO). Brad has a very strong technical background with a focus on remote greenfield mineral exploration.

#### **Michael Gumbley - B.Coms, B.S.F.S, M.Sc.**

Managing Director

Michael Gumbley holds a Bachelor of Commerce (Sydney), a Bachelor of Science in Foreign Service from Georgetown University, Washington, USA and has a Masters of Political Science from the Sorbonne University, Paris. Michael has over 18 years international finance experience as Chief Financial Officer and Operations Financial Manager with aid and not-for-profit organisations. Michael has a deep understanding and experience in negotiating, collaborating and delivering projects in developing nations in Africa and Asia, including in Ethiopia, where he collaborated with local partners, government, and other institutions to successfully deploy over US\$60 million in developing more than 6,000 charitable water projects.

#### **Chris Bowden - PhD, GCMEE, FAusIMM(CP), FSEG**

Executive Director – appointed 1 February 2020

Chris Bowden is a minerals industry professional with over 20 years' experience globally in exploration, deposit discovery, resource delineation, feasibility studies, and mining. Chris was the Exploration & General Manager of ASCOM Precious Metals Mining in East Africa for 5 years, based in Addis Ababa, Ethiopia. The role involved the exploration and development of orogenic gold, VMS gold and base metal projects in Ethiopia, Sudan and elsewhere in East and North Africa. He was responsible for the development of the Dish Mountain Gold Deposit from initial discovery, mapping, drilling, modelling, feasibility studies, and coordination of the overall African portfolio achieving a resource base approaching 2 million ounces of gold.

Chris has had success in numerous roles, including: Exploration Manager in South Korea for Southern Gold Ltd (ASX: SAU); Senior Geologist for Auzex Resources Ltd (ASX: AZX); and Ivanhoe Mines Ltd throughout Mongolia and China (TSX: IVN). Chris has a deep understanding of the discovery, exploration and development of gold and mineral projects. Chris has a Bachelor of Science majoring in Geology and Chemistry, and a PhD in Economic Geology (both from James Cook University, QLD), as well as postgraduate finance and economics qualifications (GCMEE, Curtin University). Chris is a Fellow and Chartered Professional of the AusIMM (FAusIMM(CP)), and Fellow of the SEG (FSEG).



### **Aaron Bertolatti - B.Com, CA, ACG**

Finance Director and Company Secretary

Aaron Bertolatti is a qualified Chartered Accountant and Company Secretary with over 15 years' experience in the mining industry and accounting profession. Aaron has both local and international experience and provides assistance to a number of resource companies with financial accounting and stock exchange compliance. Aaron has significant experience in the administration of ASX listed companies, corporate governance and corporate finance.

### **Marta Luisa Ortiz Ortega - BA, LLB, Senior Management Program, Instituto de Empresa, Madrid**

Non-Executive Director – appointed 27 August 2020

Marta Ortiz has 20 years of international business development experience in the consumer finance and payments industry, working for major banks in both the USA and Europe. She is a founding partner of Crau Group, a private Spanish company, promoting investment and economic development in Ethiopia. Current projects are focused on the mining and agricultural sectors. Her role has been to launch new ventures in Ethiopia through the negotiation of strategic partnerships and local execution of deals. She has a Bachelor of Law (LLB) and a Bachelor of Business Administration from ICADE, Universidad Pontificia de Comillas in Madrid, Spain (BA). Ms Ortiz also holds a Senior Management Program (SMP) qualification from the Instituto de Empresa (IE) (a Business School in Madrid, Spain).

### **Anthony Hall - BBus, LLB(Hons), ACG**

Non-Executive Director – resigned 27 August 2020

Anthony Hall is a qualified lawyer with 20 years' commercial experience in venture capital, risk management, strategy and business development. He was previously the Managing Director of ASX listed Highfield Resources Ltd (ASX: HFR) from 2011 to 2016. During his tenure the company's market cap grew to over \$500m and raised over \$140m to progress potash projects in Spain. The Muga Mine will be the first potash mine built in fifty years that is not owned by a major fertiliser company. Anthony holds a Bachelor of Laws (Hons), Bachelor of Business and a Graduate Diploma of Applied Finance and Investment.

### **DIRECTORSHIPS OF OTHER LISTED COMPANIES**

Directorships of other listed companies held by current directors in the 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of Directorship
Bradley Drabsch	Trek Metals Limited (ASX: TKM)	Director from August 2016 to September 2019
	High Grade Metals (ASX: HGM)	Director since April 2019
	Discovex Resources Limited (ASX: DCX)	Director since December 2019
Aaron Bertolatti	Red Emperor Resources NL (ASX: RMP)	Director since June 2018

### **INTERESTS IN THE SECURITIES OF THE COMPANY**

As at the date of this report, the interests of the Directors in the securities of Megado Gold are:

Director	Ordinary Shares	Options –\$0.20 each, expiring 27-Oct-2024
Michael Gumbley	2,305,001	1,400,000
Bradley Drabsch	600,000	750,000
Chris Bowden	585,000	2,500,000
Aaron Bertolatti	2,283,334	400,000
Marta Luisa Ortiz Ortega	3,745,763	-

### **RESULTS OF OPERATIONS**

The Company loss after providing for income tax amounted to \$1,217,535 for the period ended 31 December 2020 (31 December 2019 \$1,390,118).



## **DIVIDENDS**

No dividends were paid or declared. The directors do not recommend the payment of a dividend.

## **CORPORATE STRUCTURE**

Megado Gold is a company limited by shares, which is incorporated and domiciled in Australia.

## **NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

Megado Gold Ltd is an ASX listed company with five high-quality gold exploration assets covering 511km<sup>2</sup> and one licence application covering 227km<sup>2</sup> in southern and western Ethiopia with the geological potential to host gold deposits of significant scale. Ethiopia contains a world-class greenstone geological terrane and hosts part of the prolific Arabian-Nubian Shield (ANS).

The Megado Belt in southern Ethiopia is hosted within the broader Adola Belt, a granite-greenstone terrane that is part of the ANS, and is characterised by a dominant N-S trending suite of metamorphosed rocks hosting significant occurrences of gold mineralisation, including Ethiopia's only modern gold mines, Lega Dembi and Sakaro (+3.0Moz Au).

Megado has a premium land position immediately along strike to the north and south of the Lega Dembi and Sakaro deposits covering the same fertile greenstone host rocks and structural setting, in addition to an asset located proximal to Ethiopia's next gold mine, the +1.5Moz Tulu Kapi deposit (AIM-listed KEFI Minerals).

Megado has assembled a strong technical team with specific Ethiopian and gold exploration experience. Dr Chris Bowden, Executive Director, spent 5 years living in Ethiopia as General Manager for ASCOM Precious Metals Mining, where he was responsible for the discovery and subsequent drill out of the initial 1.5Moz Dish Mountain Gold deposit in western Ethiopia, a virgin greenfields discovery. Minimal modern exploration has been conducted in Ethiopia, in comparison to similar greenstone belts in West Africa, Canada and Western Australia where modern techniques have successfully delineated numerous gold deposits.

## **REVIEW OF OPERATIONS**

Megado listed on the ASX on 27 October 2020 after successfully raising A\$6.0m at \$0.20 per share for its initial public offering. Since launching, the Company has pursued an ambitious exploration program, having already announced several exciting developments to the market. This is particularly evidenced by the work conducted at the flagship Babicho and Chakata Gold Projects.

At Babicho, the Company's maiden drilling program commenced within a month of ASX listing, with five drill holes for 1,207 metres having been completed to date with the rig now in the process of mobilising to Chakata for its imminent maiden drilling phase. Simultaneously, extensive trenching and sampling has continued with the team remaining extremely excited by the broad mineralisation evidenced and the potential to host gold deposits of significant scale. Laboratory results from all activities at Babicho are expected by Q2 FY2021. (Please see further details below).

The maiden drilling program has now turned attention to the Chakata Gold Project. The team remains enthusiastic about the abundant potential at Chakata. Megado's geologists devoted Q4 2020 to exploring the tenement, sampling rocks, observing the geology at historical trenching and drilling sites, with specific attention to the GT prospect, and, most importantly, identifying the targets for the initial drilling phase. Three specific areas have been pinpointed for drilling, set to begin early in Q1 FY2021. Encouragingly, they have continued to sample rock chips hosting visible gold, with 458 rock chip samples currently under laboratory analysis. (Please see further details below).

## **Exploration Manager and Ethiopian Team**

Megado has continued to strengthen its team significantly. The Company is pleased to announce that it has recruited a residential, expatriate Exploration Manager, James Sullivan.



James comes to Megado with more than twenty years' experience, primarily in Africa, having lived and worked in DR Congo, Mali, Malawi, Zambia, and Tanzania. James has held senior managerial positions in other listed firms and has demonstrated success in area selection, project generation, evaluation and targeting with particular emphasis on Archaean greenstone gold and orogenic gold mineralisation style.

The Ethiopian team has also expanded to ten professionals, almost all of whom previously supported Dr. Chris Bowden in his discovery of 1.5Moz at Dish Mountain in western Ethiopia.

### **Spotlight: Babicho Gold Project**

As the Company announced on 5 November 2020, historical soil sampling at the Babicho Gold Project delineated a coherent and highly significant 2km long gold-in-soil anomaly. This anomaly coincides with the major N-S trending shear zone that hosts the Lega Dembi and Sakaro gold deposits (>3Moz Au mined). Previous work included four trenches and four shallow drill holes with standout results headlined by 10m @ 3.5g/t Au and 1m @ 35.3g/t Au.

Megado's preliminary fieldwork on the soil anomaly confirmed Babicho's potential to host significant gold mineralisation. Based on the Company's geologists' fieldwork and the historical data, Megado selected two specific targets at Babicho to conduct its maiden drilling program. The completed first phase program consisted of five drill holes for a total of 1,200 metres (see Figure 1).

### **Babicho's Maiden Drilling Program**

The first drill target focused on Trench 6, excavated by previous workers. This trench exposed the highest gold grades from the historical trenching program. A single drill hole was completed previously and was collared approximately 90m to the south of the trench. Recent mapping by Megado geologists indicates that this historical hole terminated in meta-basalt/volcanics in the synformal limb and did not penetrate into the more prospective hinge zone, which is interpreted as hosting the gold-bearing auriferous shear. Megado's drilling program has been designed to test the possible down-dip continuation of the mineralisation within the shear intersected in Trench 6.



Figure 1: First hole being drilled at the Babicho Gold Project



Figure 2: First trench at the Babicho Gold Project



The second target at Babicho is a shear zone located in the hinge of a WSW-ESE trending synform that is expressed at surface by a WNW-ESE-trending creek. The limbs of the folds are dominated by meta-basalts and/or other meta-volcanics. Within the meta-basalts/volcanics, cross-cutting and foliation-parallel quartz veins are present, these quartz veins are also present within the shear zone.

For personal use only

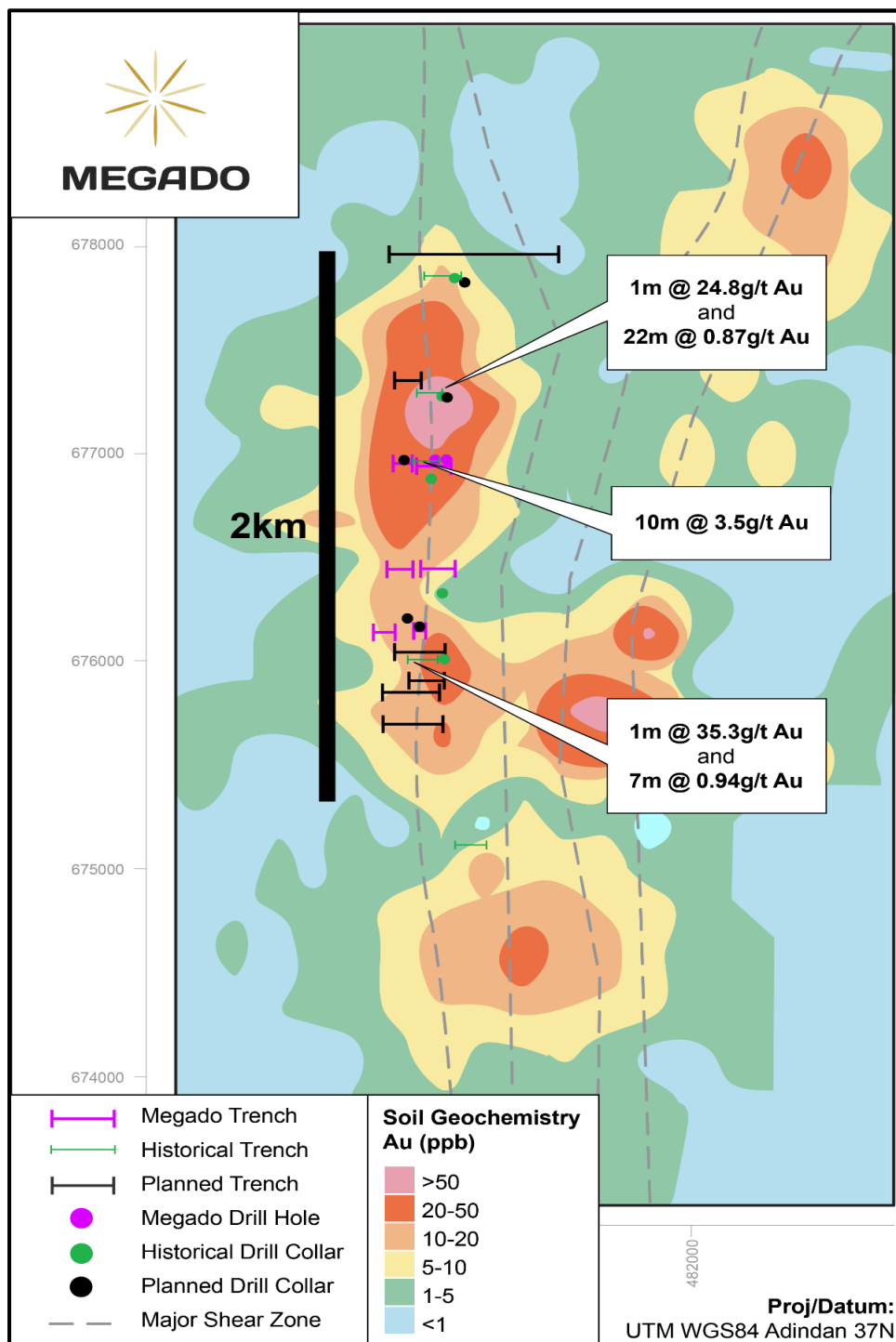


Figure 3: Location plan and cross-section for planned drill holes and trenching





### Early Drilling Program Observations

Drilling has continued at the Babicho Gold Project into early 2021. As noted in the ASX Announcement dated 1 December 2020, the program sought to confirm Babicho's potential to host significant gold mineralisation. To this end, the early observations of retrieved core have been encouraging. The core exhibits many of the attributes noted in the lithology, alteration and mineralisation of the Lega Dembi and Sakaro gold deposits (>3Moz Au), situated along strike to the south.

Most notably, observations indicated that a 40m wide zone contained quartz veining with visible pyrite, chalcopyrite and pyrrhotite mineralisation within highly altered meta-sediments that include graphitic schists (see Figure 5) with assays pending and expected in Q1 2021. This assemblage and lithology are very similar to that at the Lega Dembi gold mine and provides the Company with great encouragement. Given these early observations, the Company expects that this initial phase drilling program will serve as a catalyst to more extensive drilling in early FY 2021.

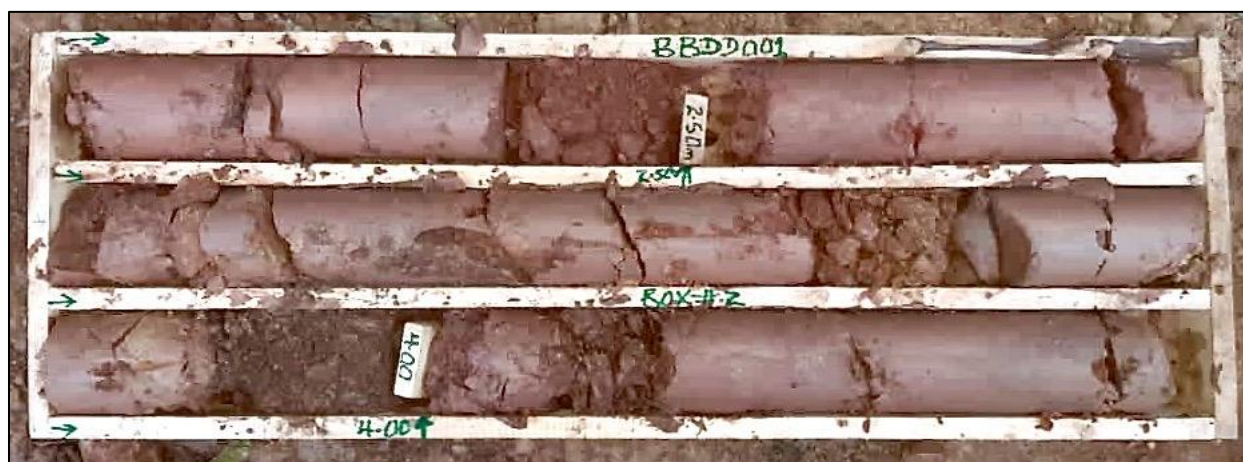


Figure 4: First core at the Babicho Gold Project



Figure 5: Drill core from Hole 1 (BBDD001), showing intervals of highly altered host rocks and quartz veining, both with significant visible sulphide mineralisation (pyrite, chalcopyrite, pyrrhotite). Left: ca. 101m Right: ca. 106m



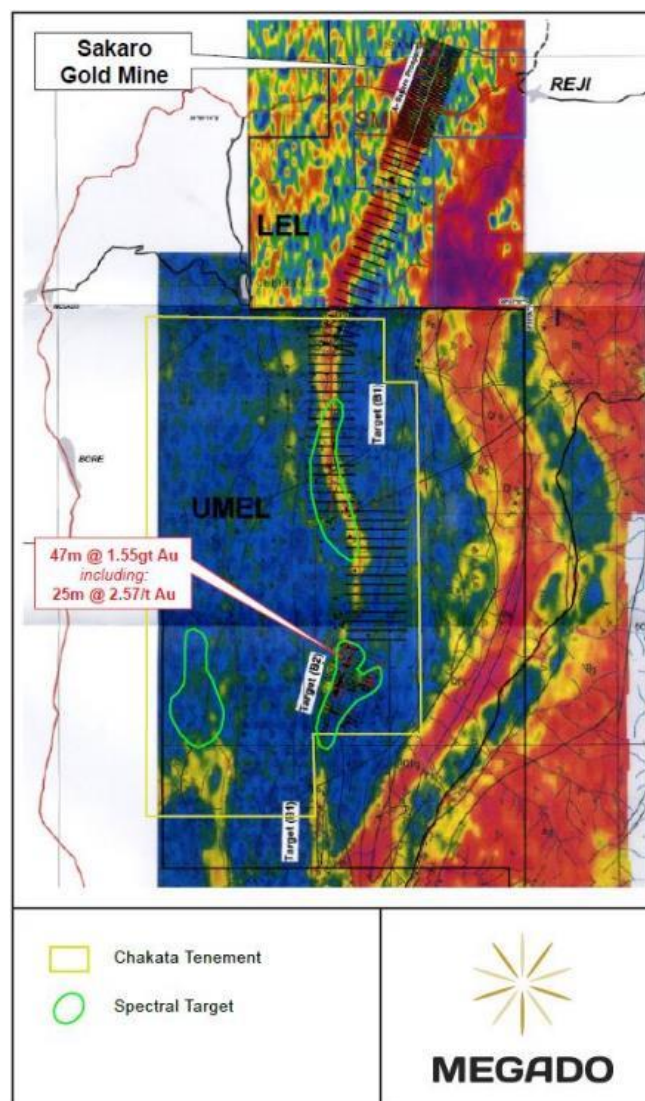
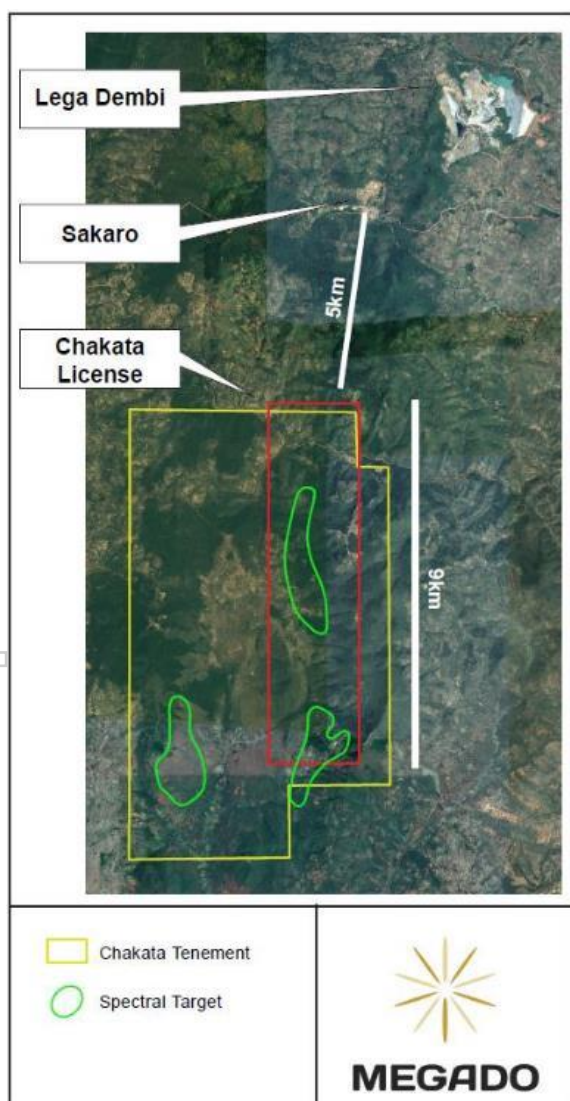
### Trenching

Other important works proceeded rapidly in parallel to the drilling program. In particular, the Company conducted an extensive trenching program of more than 1,000m to delineate further drill targets. Megado is testing the high-order soil anomaly at Babicho along its length and also into previously ignored areas of the anomaly. This target generation phase of work will lead to continued drilling into FY2021; and the trenching program will enhance the Company's understanding of the terrane and structural setting of the evident mineralisation as well as identifying future drilling targets. 1,306 trench samples from this work have been sent for analysis.

### Spotlight: Chakata Gold Project

Chakata is located in the Adola Gold Belt in southern Ethiopia, only five kilometres south along strike from the country's largest producing gold mines, Lega Dembi and Sakaro (+3Moz Au mined) (Figure 6). The structure that hosts the Lega Dembi/Sakaro trend, extends to the south through Chakata for over 9km and is readily identifiable in geophysical and satellite imagery (see Figure 7).

458 rock chip samples have been taken and submitted for analysis. In addition, Megado geologists' early observations report an extensive quartz tourmaline vein to the southwest of the GT Prospect at Chakata, which will be a critical element when drilling to test the Company's high priority targets.





Megado believes there is significant potential at Chakata for repeat, blind, high-grade plunging shoots, characteristically similar to the Sakaro deposit. Previous exploration does not appear to have adequately led to a full understanding of Chakata's mineralisation potential, resulting in minimal drilling of what appear to be obvious high priority prospects. For example, historical trenching returned 47m @ 1.55g/t Au, including 25m @ 2.57g/t Au, with no known drill testing at depth beneath the trench or along strike. Of the limited historical drilling previously conducted within the tenement, intercept highlights include: 2m @ 11.15g/t Au and 0.6m @ 6.47g/t Au. Megado is well-positioned to build upon this previous work and looks forward to sharing results with the market once they have been received.



Figure 8: Artisanal miners exploring the granodiorite target

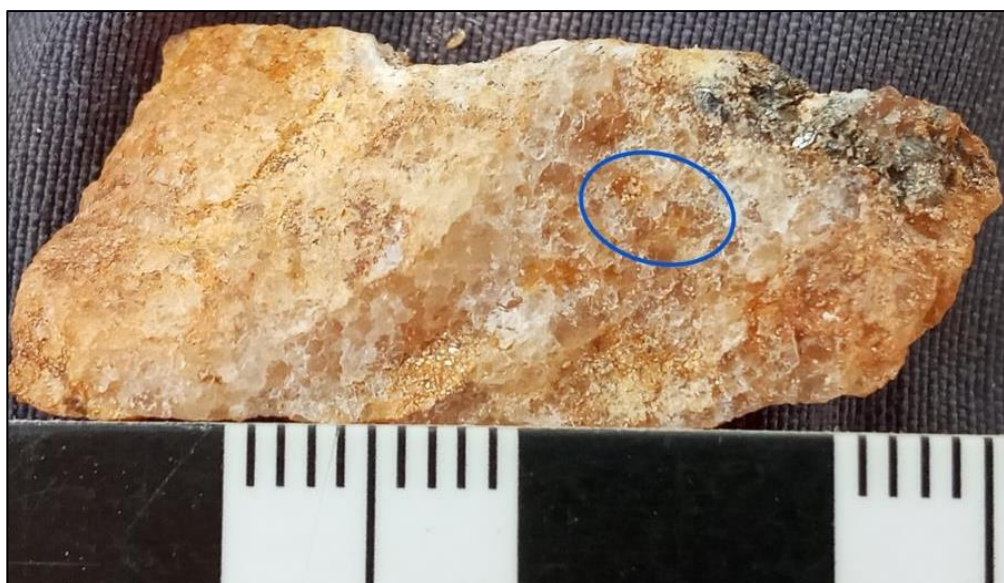


Figure 9: Visible gold in quartz extracted from milky white quartz vein at Chakata

#### Related ASX Announcements

- 20201217 Quartz Veining with Visible Sulphides Intersected at Babicho*
- 20201201 Maiden Drilling Program Underway at Babicho Gold Project*
- 20201112 High-Grade Gold Indicated at Chakata Gold Project Ethiopia*
- 20201105 Surface Sampling at Babicho Highlights Anomalous Gold Trend*



## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Megado listed on the ASX on 27 October 2020 after successfully raising A\$6.0m at \$0.20 per share for its initial public offering.

There have been no significant changes in the state of affairs of the Group during the financial year, other than as set out in this report.

## **SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

### **Option Award**

On 27 January 2021, the Company issued 800,000 unlisted options exercisable at \$0.35 on or before 31 January 2025 to Exploration Manager, James Sullivan.

### **Coronavirus (COVID-19) Pandemic**

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## **ENVIRONMENTAL ISSUES**

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State Law. The operations of the Group are presently subject to environmental regulation under the laws of Ethiopia. The Group is, to the best of its knowledge, at all times in full environmental compliance with the conditions of its licences.

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act 2001. The indemnification specifically excludes wilful acts of negligence.

## **INDEMNIFICATION AND INSURANCE OF AUDITOR**

The Company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the company or related entity.

## **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

## **MEETINGS OF DIRECTORS**

During the year, in addition to frequent Board discussions, the Directors met regularly to discuss all matters associated with the Ethiopian Projects, and other Company matters on an informal basis. Circular resolutions were passed as necessary to execute formal Board decisions.



Name	Number Eligible to Attend	Number Attended
Michael Gumbley	2	2
Bradley Drabsch	2	2
Chris Bowden	2	2
Aaron Bertolatti	2	2
Marta Luisa Ortiz Ortega	2	2
Anthony Hall	-	-

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Megado Gold support and adhere to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Megado Gold complies to the extent possible with those guidelines, which are of importance and add value to the commercial operation of an ASX listed resources company.

The Company has established a set of corporate governance policies and procedures and these can be found on the Company's website: [www.megadogold.com](http://www.megadogold.com).

## AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Megado Gold with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included within the annual report.

### *Non-Audit Services*

Details of amounts paid or payable to the auditor for non-audit services provided are outlined in note 13 to the financial statements. Non-audit services during the period included the preparation of an independent accountant's report. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

### **Officers of the Company who are Former Partners of BDO Audit (WA)**

There are no officers of the company who are former partners of BDO Audit (WA) Pty Ltd

### **Auditor**

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

## AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel of Megado Gold for the financial year ended 31 December 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.



## Details of Directors and Key Management Personnel

- Bradley Drabsch (Non-Executive Chairman) - appointed 1 February 2020
- Michael Gumbley (Managing Director)
- Chris Bowden (Executive Director) - appointed 1 February 2020
- Aaron Bertolatti (Finance Director & Company Secretary)
- Marta Luisa Ortiz Ortega (Non-Executive Director) - appointed 27 August 2020
- Anthony Hall (Non-Executive Director) - resigned 27 August 2020

## Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. The expected outcome of this remuneration structure is to retain and motivate Directors. As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter and Remuneration Policy. The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its board meetings.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. Non-executive directors do not receive performance-based pay.

Level	FY2020		
	Cash Remuneration	Short Term Incentive	Long Term Incentive
Chairman	\$60,000	-	750,000 share options
Managing Director	\$250,000	Up to 40% of cash remuneration	1,400,000 share options
Executive Director	Up to \$150,000	Up to 30% of cash remuneration	Up to 2,500,000 share options
Non-Executive Director	\$30,000	-	-

## Additional Fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

## Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director of the Group for the year ended 31 December 2020 are as follows:

Name	Short term			Share -Based Payments		Total \$	Share and Option related %
	Directors' Fees \$	Consulting Fees \$	Incentive Award \$	Equity \$	Options \$		
Michael Gumbley	-	214,500	-	31,250 <sup>4</sup>	38,318	284,068	24.5
Bradley Drabsch <sup>1</sup>	38,000	-	-	-	-	38,000	-
Chris Bowden <sup>1</sup>	-	115,500	-	16,500 <sup>4</sup>	-	132,000	12.5
Aaron Bertolatti	-	115,000	-	-	8,843	123,843	7.1
Marta Luisa Ortiz Ortega <sup>2</sup>	10,000	-	-	-	-	10,000	-
Anthony Hall <sup>3</sup>	-	15,000	-	-	20,633	35,633	57.9
<b>Total</b>	<b>48,000</b>	<b>460,000</b>	<b>-</b>	<b>47,750</b>	<b>67,794</b>	<b>623,544</b>	



<sup>1</sup> Bradley Drabsch and Chris Bowden were appointed on 1 February 2020.

<sup>2</sup> Marta Luisa Ortiz Ortega was appointed on 27 August 2020.

<sup>3</sup> Anthony Hall resigned on 27 August 2020.

<sup>4</sup> Chris Bowden and Michael Gumbley agreed to reduce Director's fees for the period from 1 April to 30 September 2020. As a result, Messrs Bowden and Gumbley received shares in lieu of cash equal to the amount of the fee reduction for the period based on a share price of \$0.10 per share.

There were no other executive officers of the Company during the financial year ended 31 December 2020.

Details of the nature and amount of each element of the remuneration of each Director of the Group for the period ended 31 December 2019 are as follows:

Name	Short term			Share -Based Payments		Total \$	Share and Option related %
	Directors' Fees \$	Consulting Fees \$	Incentive Award \$	Equity \$	Options \$		
Michael Gumbley	-	208,333	-	-	45,292	253,625	17.9
Aaron Bertolatti	-	60,000	-	-	15,097	75,097	20.1
Anthony Hall	-	50,000	-	-	45,292	95,292	47.5
<b>Total</b>	-	<b>318,333</b>	-	-	<b>105,681</b>	<b>424,014</b>	-

#### Shareholdings of Directors

The number of shares in the Company held during the financial year by Directors of the Group, including their personally related parties, is set out below.

Name	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Michael Gumbley	450,001	312,500 <sup>1</sup>	-	1,542,500	2,305,001
Bradley Drabsch	600,000	-	-	-	600,000
Chris Bowden	-	165,000 <sup>1</sup>	-	420,000	585,000
Aaron Bertolatti	1,633,334	-	-	650,000	2,283,334
Marta Luisa Ortiz Ortega	1,085,000	-	2,660,763 <sup>2</sup>	-	3,745,763
Anthony Hall	900,001	-	-	(900,001) <sup>3</sup>	-

<sup>1</sup> Chris Bowden and Michael Gumbley agreed to reduce Director's fees for the period from 1 April to 30 September 2020. As a result, Messrs Bowden and Gumbley received shares in lieu of cash equal to the amount of the fee reduction for the period based on a share price of \$0.10 per share.

<sup>2</sup> Marta Luisa Ortiz Ortega received consideration shares in relation to the Asset Purchase Agreement completed on 27 August 2020 with Crau Mining, S.L.

<sup>3</sup> Anthony Hall resigned on 27 August 2020.

All equity transactions with Directors other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.



## Option Holdings of Directors

The numbers of options over ordinary shares in the Company held during the financial year by each Director of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Michael Gumbley	750,000	650,000	-	-	1,400,000	1,400,000	-
Bradley Drabsch	-	-	-	750,000 <sup>1</sup>	750,000	750,000	-
Chris Bowden	-	-	-	2,500,000 <sup>1</sup>	2,500,000	2,500,000	-
Aaron Bertolatti	250,000	150,000	-	-	400,000	400,000	-
Marta Luisa Ortiz Ortega	-	-	-	-	-	-	-
Anthony Hall <sup>1</sup>	750,000	350,000	-	(1,100,000) <sup>2</sup>	-	-	-

<sup>1</sup> Bradley Drabsch and Chris Bowden were appointed on 1 February 2020.

<sup>2</sup> Anthony Hall resigned on 27 August 2020.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. Options granted as part of remuneration have been valued using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

Options granted under the plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 17.

## Options Affecting Remuneration

The terms and conditions of options affecting remuneration in the current or future reporting years are as follows:

Name	Grant Date	Grant Number	Expiry date	Exercise price per option	Value of options at grant date <sup>1</sup>	Number of options vested	Vested	Max value yet to vest
Michael Gumbley	23/06/2020	650,000	27/10/2024	\$0.20	38,318	650,000	38,318	-
Aaron Bertolatti	23/06/2020	150,000	27/10/2024	\$0.20	8,843	150,000	8,843	-
Anthony Hall	23/06/2020	350,000	27/10/2024	\$0.20	20,633	350,000	20,633	-
<b>Total</b>		<b>1,150,000</b>			<b>67,794</b>	<b>1,150,000</b>	<b>67,794</b>	-

<sup>1</sup> The value at grant date has been calculated in accordance with AASB 2 Share-based payments.

## Service Agreements

Managing Director, Michael Gumbley, is engaged under the terms of an Executive Employment Agreement dated 14 July 2020. Under the agreement Mr. Gumbley is paid an annual fee of \$250,000. Mr. Gumbley also has the opportunity to participate in short term and long-term incentive schemes that the Company may put in place in the future. The Agreement may be terminated by the Company without notice or without cause by giving three months' notice in writing or payment in lieu of notice. The Agreement may also be terminated by Mr. Gumbley by providing three months' notice in writing.





Executive Director, Chris Bowden, is engaged under an Executive Consulting Agreement dated 1 June 2020. Under the agreement Dr. Bowden is paid an annual fee of \$120,000. Dr. Bowden also has the opportunity to participate in short term and long-term incentive schemes that the Company may put in place in the future.

Finance Director, Aaron Bertolatti, is engaged under an Executive Consulting Agreement dated 8 March 2019. Under the agreement Mr. Bertolatti is paid an annual fee of \$150,000. Mr. Bertolatti also has the opportunity to participate in short term and long-term incentive schemes that the Company may put in place in the future.

#### Non-Executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director. The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

#### Loans to Directors and Executives

There were no loans to Directors and key management personnel during the financial year ended 31 December 2020.

#### Additional Information

The earnings of the consolidated entity since incorporation to 31 December 2020 are summarised below:

	2020	2019
Interest income	\$1,488	\$48
EBITDA	(\$1,217,535)	(\$1,390,118)
EBIT	(\$1,217,535)	(\$1,390,118)
Profit/(loss) after income tax	(\$1,217,535)	(\$1,390,118)

The factors that are considered to affect total shareholders return ("TSR") are summarised below:

	2020	2019 <sup>1</sup>
Share price at financial year end (\$)	\$0.205	-
Total dividends declared (cents per share)	-	-
Basic earnings per share (cents per share)	(3.59)	-

<sup>1</sup> Megado Gold was incorporated in Australia on 8 March 2019 and commenced trading on the Australian Securities Exchange on 27 October 2020.

#### END OF AUDITED REMUNERATION REPORT

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Signed on behalf of the Directors.

**Michael Gumbley**  
**Managing Director**  
 Brooklyn, New York  
 23 March 2021



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2020

	Note	31-Dec-20 \$	8-Mar-19 to 31-Dec 2019 \$
<b>Continuing Operations</b>			
Interest income		1,488	48
<b>Expenses</b>			
Professional and consulting fees		(284,899)	(145,174)
Director and employee costs		(496,907)	(318,333)
Other expenses		(122,426)	(48,594)
Share-based payments expense	17(a)	(166,156)	(625,548)
Loss on foreign exchange		(22,258)	4,497
Travel and accommodation		(35,385)	(76,740)
Impairment of exploration expenditure		(90,992)	(180,274)
<b>Loss before income tax</b>		<b>(1,217,535)</b>	<b>(1,390,118)</b>
Income tax expense		-	-
<b>Net loss for the year/period</b>		<b>(1,217,535)</b>	<b>(1,390,118)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit and loss</b>			
Exchange differences on translation of foreign operations		276,683	-
<b>Other comprehensive income for the year/period, net of tax</b>		<b>276,683</b>	<b>-</b>
<b>Total comprehensive loss for the year/period</b>		<b>(940,852)</b>	<b>(1,390,118)</b>
<b>Loss for the year attributable to:</b>			
Members of the parent entity		(1,217,535)	(1,390,118)
Non-controlling interests		-	-
		<b>(1,217,535)</b>	<b>(1,390,118)</b>
<b>Total comprehensive loss for the year attributable to:</b>			
Members of the parent entity		(940,852)	(1,390,118)
Non-controlling interests		-	-
		<b>(940,852)</b>	<b>(1,390,118)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents)	14	(3.59)	(23.00)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31-Dec-20 \$	31-Dec 2019 \$
<b>Current Assets</b>			
Cash and cash equivalents	4	5,021,401	241,605
Other assets	5	34,275	793
Receivables	6	67,136	29,167
<b>Total Current Assets</b>		<b>5,122,812</b>	<b>271,565</b>
<b>Non-Current Assets</b>			
Other assets	7	-	282,988
Deferred exploration and evaluation expenditure	8	3,855,566	-
<b>Total Non-Current Assets</b>		<b>3,855,566</b>	<b>282,988</b>
<b>Total Assets</b>		<b>8,978,378</b>	<b>554,553</b>
<b>Current Liabilities</b>			
Trade and other payables	9	358,635	448,620
<b>Total Current Liabilities</b>		<b>358,635</b>	<b>448,620</b>
<b>Total Liabilities</b>		<b>358,635</b>	<b>448,620</b>
<b>Net Assets</b>		<b>8,619,743</b>	<b>105,933</b>
<b>Equity</b>			
Issued capital	10	9,389,259	866,003
Reserves	11	1,288,137	630,048
Accumulated losses	12	(2,607,653)	(1,390,118)
<b>Capital and Reserves Attributable to Owners of the parent entity</b>		<b>8,069,743</b>	<b>105,933</b>
Non-controlling interest	8	550,000	-
<b>Total Equity</b>		<b>8,619,743</b>	<b>105,933</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020

	Issued capital \$	Accumulated losses \$	Foreign exchange translation reserve \$	Share option reserve \$	Total attributable to owners of the parent entity \$	Non- controlling interest \$	Total \$
<b>Balance at 8 March 2019</b>	-	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>							
Loss for the period	-	(1,390,118)	-	-	(1,390,118)	-	(1,390,118)
<b>Total comprehensive loss for the period</b>	-	(1,390,118)	-	-	(1,390,118)	-	(1,390,118)
<b>Transactions with owners in their capacity as owners</b>							
Shares issued during the period	866,003	-	-	-	866,003	-	866,003
Proceeds of issue of options	-	-	-	4,500	4,500	-	4,500
Share-based payments	-	-	-	625,548	625,548	-	625,548
<b>Balance at 31 December 2019</b>	<b>866,003</b>	<b>(1,390,118)</b>	-	<b>630,048</b>	<b>105,933</b>	-	<b>105,933</b>
<b>Balance at 1 January 2020</b>	<b>866,003</b>	<b>(1,390,118)</b>	-	<b>630,048</b>	<b>105,933</b>	-	<b>105,933</b>
<b>Total comprehensive loss for the year</b>							
Loss for the period	-	(1,217,535)	-	-	(1,217,535)	-	(1,217,535)
Foreign currency translation	-	-	276,683	-	276,683	-	276,683
<b>Total comprehensive loss for the year</b>	-	(1,217,535)	276,683	-	(940,852)	-	(940,852)
<b>Transactions with owners in their capacity as owners</b>							
Non-controlling interest recognised on acquisition (note 8)	-	-	-	-	-	550,000	550,000
Shares issued during the year	9,269,250	-	-	(2,750)	9,266,500	-	9,266,500
Cost of issue	(745,994)	-	-	218,000	(527,994)	-	(527,994)
Share-based payments (note 17(a))	-	-	-	166,156	166,156	-	166,156
<b>Balance at 31 December 2020</b>	<b>9,389,259</b>	<b>(2,607,653)</b>	<b>276,683</b>	<b>1,011,454</b>	<b>8,069,743</b>	<b>550,000</b>	<b>8,619,743</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2020

	Note	31-Dec-20	8-Mar-19 to 31-Dec 2019
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,098,889)	(340,770)
Interest received		1,488	48
<b>Net cash used in operating activities</b>		<b>(1,097,401)</b>	<b>(340,722)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration expenditure		(463,965)	(463,262)
<b>Net cash used in investing activities</b>		<b>(463,965)</b>	<b>(463,262)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		6,891,414	1,041,089
Proceeds from issue of options		-	4,500
Payments for share issue costs		(527,994)	-
<b>Net cash provided by financing activities</b>		<b>6,363,420</b>	<b>1,045,589</b>
Net increase in cash and cash equivalents		4,802,054	241,605
Cash and cash equivalents at the beginning of the year/period		241,605	-
Effect of exchange rate fluctuations on cash		(22,258)	-
<b>Cash and cash equivalents at the end of the year/period</b>	4	<b>5,021,401</b>	<b>241,605</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

The financial report of Megado Gold Limited (“Megado Gold” or “the Company”) for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 23 March 2021. Megado Gold is a company limited by shares incorporated in Australia whose shares commenced public trading on the Australian Securities Exchange on 27 October 2020. The nature of the operations and the principal activities of the Company are described in the Directors’ Report.

### 2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Basis of Preparation

The financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

#### b) Compliance Statement

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

#### c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Megado Gold Limited (‘the Company’) and its subsidiaries (‘the Group’). Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position respectively.

#### d) Foreign Currency Translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Company’s controlled entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The functional and presentation currency of Megado Gold Limited is Australian dollars. The functional currency of the US subsidiary is the US Dollar. The functional currency of the Ethiopian subsidiaries is the Ethiopian Birr.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.



**(iii) Group entities**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- 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;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income, as part of the gain or loss on sale where applicable.

**e) Segment Reporting**

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the annual financial report have been included.

**f) Changes in accounting policies and disclosures**

The Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for future reporting periods. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and therefore, no change will be necessary to Company accounting policies.

**g) Exploration and evaluation expenditure**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).



Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

#### **h) Income Tax**

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when:

- the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when:

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be recognised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is recognised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.





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

**i) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Government. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Government is included as part of receivables or payables in the statement of financial position. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which is receivable from or payable to the Government, are disclosed as operating cash flows.

**j) Impairment of non-financial assets other than goodwill**

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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 risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**k) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



## I) Financial Instruments

### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised 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 derecognised when it is extinguished, discharged, cancelled or expires.

### **Financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the entities business model for managing the financial asset.

### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

### **Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, gains and losses arising on changes in fair value that are recognised in profit or loss.

### Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.



#### **m) Issued capital**

Ordinary shares are classified as equity.

#### **n) Current and Non-Current Classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

#### **o) Other Income**

##### Interest income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

#### **p) Earnings per share**

Basic earnings/loss per share is calculated as net profit/loss attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### **q) Share-based payment transactions**

##### *(i) Equity settled transactions:*

The Company provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Company in the form of share-based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee. The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula.

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting year has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date.



No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Profit or Loss and Other Comprehensive Income charge or credit for a year represents the movement in cumulative expense recognised at the beginning and end of the year. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. 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 award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share.

(ii) *Cash settled transactions:*

The Company may also provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash. The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the year until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

**r) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the year in which the estimate is revised if it affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Share-based payment transactions

The Company measures the cost of equity-settled transactions and cash-settled share-based payments with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at the grant date is determined using the Black and Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. During the period the group issued performance options with non-market based vesting conditions. As such management have used significant judgement in assessing the probability of the performance criteria being met.

Deferred Exploration and evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

Acquisition of 80% interest in Chochi Mining Plc and Babicho Mining Plc

The transaction is not deemed a business combination as the assets acquired did not meet the definition of a business. When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies.



No goodwill arose on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset. The non-controlling interest is recognised at fair value.

***Coronavirus (COVID-19) pandemic***

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

**s) New and amended standards adopted by the Group**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The impact on the financial performance and position of the Company from the adoption of the new or amended Accounting Standards and Interpretations was not material. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

	31-Dec-2020 \$	8-Mar-19 to 31-Dec 2019 \$
<b>3. Income tax</b>		
<b>(a) Income tax expense</b>		
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	-	-
<b>(b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate.</b>		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:		
Loss from continuing operations before income tax expense	(1,217,535)	(1,390,118)
Tax at the Australian rate of 30%	(365,261)	(417,035)
Share-based payments	49,847	187,664
Share issue costs	(13,428)	-
Non-deductible legal expenses	37,913	24,465
Unavailable tax loss	283,352	202,506
Income tax benefit not brought to account	7,577	2,400
Income tax expense	-	-
<b>(c) Deferred tax</b>		
The following deferred tax balances have not been brought to account:		
<b>Assets</b>		
Losses available to offset against future taxable income	-	-
Unrealised foreign exchange	6,677	-
Share issue costs	53,712	-
Accrued expenses	3,300	2,400
Net deferred tax asset not recognised	<b>63,689</b>	<b>2,400</b>



	31-Dec-2020 \$	31-Dec-2019 \$
<b>4. Cash and cash equivalents</b>		
<b>Reconciliation of cash</b>		
Cash comprises of:		
Cash at bank	<b>5,021,401</b>	<b>241,605</b>
<b>Reconciliation of operating loss after tax to net cash flow from operations</b>		
Loss after tax	(1,217,535)	(1,390,118)
Non-cash items		
Exploration expenditure written off	90,992	180,274
Foreign exchange loss	22,258	-
Share based payments	166,156	625,548
Change in assets and liabilities		
(Increase)/decrease in trade, other receivables and other assets	(71,601)	(29,809)
Increase/(decrease) in trade and other payables	(87,671)	273,383
<b>Net cash flow used in operating activities</b>	<b>(1,097,401)</b>	<b>(340,722)</b>

**Non-cash investing and financing activities**

During the year ended 31 December 2019, the Company issued 11,000,000 ordinary shares as consideration for the acquisition of their 80% interest in Chochi Mining Plc and Babicho Mining Plc. Refer to Note 8 for further details.

<b>5. Other assets – current</b>		
Prepayments - Insurance	34,275	793
	<b>34,275</b>	<b>793</b>
<b>6. Receivables</b>		
GST receivable	67,136	29,017
Other	-	150
	<b>67,136</b>	<b>29,167</b>

Debtors, other debtors and GST receivable are non-interest bearing and generally receivable on 30-day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

<b>7. Other assets – non-current</b>		
Opening balance	282,988	-
Loans issued during the period	-	282,988
Transfer of prepaid acquisition costs	(282,988)	-
Closing balance	-	<b>282,988</b>

As part of consideration for the acquisition outlined in note 8, the group paid USD\$150,000 to Crau Mining SL to enable the establishment of an Ethiopian office. This amount paid has now been included as part of the consideration applicable to the acquisition.



	31-Dec-2020	31-Dec-2019
	\$	\$
<b>8. Deferred exploration and evaluation expenditure</b>		
<b><i>Exploration and Evaluation phase - at cost</i></b>		
Opening balance	-	-
Acquisition of exploration tenements <sup>1</sup>	2,750,000	-
Exploration and evaluation expenditure incurred during the year	545,865	-
Foreign exchange translation difference	276,713	-
Capitalisation of prepaid acquisition costs to exploration assets	282,988	-
Closing balance	<b>3,855,566</b>	-

<sup>1</sup> At 31 December 2020 the deferred exploration and evaluation balance included an amount of \$2,750,000 being the identifiable exploration assets acquired following the acquisition of an 80% interest in Chochi Mining Plc (“Chochi”) and Babicho Mining Plc (“Babicho”) which hold a number of tenements in Ethiopia.

The acquisitions of Babicho and Chochi are not deemed to be business combinations as neither entity is considered to be a business under AASB 3 Business Combinations. Therefore, these transactions are asset acquisitions and the fair value of the underlying exploration assets held by Babicho and Chochi is equal to the fair value of consideration paid.

	\$
<b>Purchase consideration:</b>	
11,000,000 Ordinary shares at a deemed issue price of \$0.20 per share	2,200,000
<b>Identifiable assets acquired:</b>	
Exploration tenements	2,750,000
Non-Controlling Interest (20%)	(550,000)
	<b>2,200,000</b>

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

	31-Dec-2020	31-Dec-2019
	\$	\$
<b>9. Trade and other payables</b>		
Trade payables	347,635	265,384
Accruals	11,000	8,000
Other payables	-	175,236 <sup>1</sup>
	<b>358,635</b>	<b>448,620</b>

<sup>1</sup> During the reporting period ended 31 December 2019, the Company received funds totaling \$175,236 for shares to be issued to seed investors. Shares however were not allotted until 14 January 2020.

Trade creditors and other creditors are non-interest bearing and generally payable on 30-day terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.



	31-Dec-2020	31-Dec-2019
	\$	\$
<b>10. Issued Capital</b>		
<b>(a) Issued and paid-up capital</b>	<b>9,389,259</b>	<b>866,003</b>

	31-Dec-2020		31-Dec-2019	
	No. shares	\$	No. shares	\$
Opening balance	15,435,003	866,003	-	-
Issue of shares - founder shares	-	-	3	3
Issue of shares - vendor shares	5,500,000	2,750	5,000,000	2,500
Issue of shares - \$0.06 seed shares	-	-	4,500,000	270,000
Issue of shares - \$0.10 seed shares	7,587,500	758,750	5,935,000	593,500
Issue of shares - \$0.16 seed shares	1,000,000	160,000	-	-
Issue of shares - \$0.20 pre-IPO shares	500,000	100,000	-	-
Issue of shares - Directors <sup>1</sup>	477,500	47,750	-	-
Shares issued as consideration for acquisition <sup>2</sup>	11,000,000	2,200,000	-	-
Issue of shares - IPO	30,000,000	6,000,000	-	-
Transaction costs on share issue	-	(745,994)	-	-
<b>Closing balance</b>	<b>71,500,003</b>	<b>9,389,259</b>	<b>15,435,003</b>	<b>866,003</b>

<sup>1</sup> Directors Chris Bowden and Michael Gumbley agreed to reduce Director's fees for the period from 1 April to 30 September 2020. As a result, Messrs Bowden and Gumbley received shares in lieu of cash equal to the amount of the fee reduction for the period based on a share price of \$0.10 per share.

<sup>2</sup> 11,000,000 fully paid ordinary shares were issued to Crau Mining SL as consideration for the acquisition of their 80% interest in Chochi Mining Plc and Babicho Mining Plc which hold a number of tenements in Ethiopia. The deemed issue price was \$0.20 per share (refer note 8).

#### (b) Ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

#### (c) Capital risk management

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of \$8,619,743 at 31 December 2020 (2019: \$105,933). The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders.

The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 18 for further information on the Company's financial risk management policies.

#### (d) Share options

As at 31 December 2020, there were 16,250,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
10,450,000	\$0.20	on or before 27 October 2024.
3,800,000	\$0.25	on or before 27 October 2022.
1,000,000	\$0.25	on or before 30 June 2023.
1,000,000	\$0.30	on or before 30 June 2023.
<b>16,250,000</b>		





No option holder has any right under the options to participate in any other share issue of the Company or any other entity. 7,000,000 Performance A options and 2,000,000 Performance B options were cancelled during the reporting period. No options were exercised during or since the period ended 31 December 2020.

	31 Dec 2020	31 Dec 2019
	\$	\$
<b>11. Reserves</b>		
Share based payment and option reserve	1,011,454	630,048
Foreign exchange translation reserve	276,683	-
	<b>1,288,137</b>	<b>630,048</b>
<b>Movements in Reserves</b>		
<i>Share based payment and option reserve</i>		
Opening balance	630,048	-
Share-based payments	166,156	625,548
Cancellation of Performance A and B Options	(2,750)	-
Transaction costs on share issue	218,000	-
Proceeds from option issue	-	4,500
Closing balance	<b>1,011,454</b>	<b>630,048</b>

The Share capital, share based payment and option reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their goods and services and to record the premium paid on the issue of unlisted options.

<i>Foreign exchange translation reserve</i>		
Opening balance	-	-
Foreign exchange translation difference	276,683	-
Closing balance	<b>276,683</b>	-

The foreign exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

## 12. Accumulated losses

Movements in accumulated losses were as follows:

Opening balance	(1,390,118)	-
Loss for the period	(1,217,535)	(1,390,118)
Closing balance	<b>(2,607,653)</b>	<b>(1,390,118)</b>

## 13. Auditor's remuneration

The auditor of Megado Gold Limited is BDO Audit (WA) Pty Ltd.

*Amounts received or due and receivable by the parent auditor for:*

- an audit of the financial report	22,500	9,500
<i>Other services:</i>		
- Preparation of Independent Accountant's Report	12,000	-
	<b>34,500</b>	<b>9,500</b>



	31 Dec 2020 \$	8-Mar-19 to 31-Dec 2019 \$
<b>14. Loss per Share</b>		
Loss used in calculating basic and dilutive EPS	(1,217,535)	(1,390,118)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic loss per share:	33,930,565	6,043,124
<b>Effect of dilution:</b>		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	33,930,565	6,043,124

There is no impact from 17,050,000 options outstanding at 31 December 2020 on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements

#### 15. Directors and Key Management Personnel Disclosures

##### (a) Remuneration of Directors and Key Management Personnel

Details of the nature and amount of each element of the emolument of each Director and key management personnel of the Company for the financial year are as follows:

	31 Dec 2020 \$	31 Dec 2019 \$
Short term employee benefits	508,000	318,333
Share based payments	115,544	105,681
<b>Total remuneration</b>	<b>623,544</b>	<b>424,014</b>

##### (b) Other transactions with key management personnel

Keystone Resources Consulting Pty Ltd, company in which Mr. Chris Bowden is a director, charged the Company consulting fees of \$115,500. The consulting fee is included in note 15(a) "Compensation of key management personnel". Nil was outstanding at year end.

Mr. Bowden agreed to reduce his fees for the period from 1 April to 30 September 2020 and received shares in lieu of cash equal to the amount of the fee reduction for the period based on a share price of \$0.10 per share (\$16,500).

Mr. Michael Gumbley agreed to reduce his fees for the period from 1 April to 30 September 2020 and received shares in lieu of cash equal to the amount of the fee reduction for the period based on a share price of \$0.10 per share (\$31,250).

Geocopter Pty Ltd, company in which Mr. Brad Drabsch is a director, charged the Company consulting fees of \$38,000. The consulting fee is included in note 15(a) "Compensation of key management personnel". \$5,000 was outstanding at year end.

1918 Consulting Pty Ltd, company in which Mr. Aaron Bertolatti is a director, charged the Company consulting fees of \$115,000. The consulting fee is included in note 15(a) "Compensation of key management personnel". Nil was outstanding at year end.



Ms. Marta Luisa Ortiz Ortega received 2,660,763 consideration shares in relation to the Asset Purchase Agreement completed on 27 August 2020 with Crau Mining, S.L. (refer note 8). Ms. Ortega is a shareholder of Crau Mining S.L.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms.

There were no other transactions with key management personnel for the year ended 31 December 2020.

## 16. Related Party Disclosures

### (a) Key management personnel

For Director related party transactions please refer to note 15 "Key Management Personnel Disclosures".

### (b) Subsidiaries

The consolidated financial statements include the financial statements of Megado Gold Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Holding	
		31 December 2020	31 December 2019
Megado Gold Inc.	USA	100%	100%
Babicho Mining Plc	Ethiopia	80%	-
Chochi Mining Plc	Ethiopia	80%	-

## 17. Share based payments

### (a) Recognised share based payment transactions

Share based payment transactions recognised either as operational expenses in the statement of profit or loss and other comprehensive income or as capital raising costs in the equity during the period were as follows:

	31 Dec 2020	31 Dec 2019
	\$	\$
Employee and Director share based payments	67,794	307,158
Share based payments to suppliers	316,362	318,390
	<b>384,156</b>	<b>625,548</b>

Share-based payment transactions have been recognised within the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial positions as follows:

Share-based payment expense	166,156	625,548
Issued capital – transaction costs on share issue	218,000	-
	<b>384,156</b>	<b>625,548</b>

### (b) Employee and Director share based payments

The fair value at grant date of options granted during the reporting period was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option.



The table below summarises options granted during the year ended 31 December 2020:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
23/06/2020	27/10/2024	\$0.20	-	1,150,000	-	-	1,150,000	1,150,000
			-	<b>1,150,000</b>	-	-	<b>1,150,000</b>	<b>1,150,000</b>

The expense recognised in respect of the above options granted during the year was \$67,794 which represents the fair value of the options.

The model inputs, not included in the table above, for options granted during the year ended 31 December 2020 included:

- Options were issued for nil consideration;
- expected life of the options is 4 years;
- share price at grant date was \$0.10;
- expected volatility of 100%;
- expected dividend yield of nil; and
- a risk-free interest rate of 1.25%.

The table below summarises options granted during the period ended 31 December 2019:

Grant Date	Expiry date	Exercise price per option	Balance at start of the period	Granted during the period	Exercised during the period	Expired during the period	Balance at end of the period	Exercisable at end of the period
			Number	Number	Number	Number	Number	Number
07/12/2019	<sup>-1</sup>	\$0.00001	-	3,250,000	-	-	3,250,000	<sup>-3</sup>
07/12/2019	<sup>-1</sup>	\$0.00001	-	800,000	-	-	800,000	<sup>-4</sup>
13/12/2019	<sup>-2</sup>	\$0.20	-	5,000,000	-	-	5,000,000	5,000,000
			-	<b>9,050,000</b>	-	-	<b>9,050,000</b>	<b>5,000,000</b>

<sup>1</sup> Options will expire at 5.00pm WST 5 years from the date that the Company successfully list on the ASX.

<sup>2</sup> Options will expire at 5.00pm WST 4 years from the date that the Company successfully list on the ASX.

<sup>3</sup> The options vest on satisfaction on the delineation of a JORC compliant Mineral Resource Estimate of at least 1million ounces at 1.5g/t Au equivalent with a minimum of 50% at Measured and Indicated confidence level cumulative across all Megado Ethiopian mining projects.

<sup>4</sup> The options vest on satisfaction of the Company securing a majority ownership in an additional Ethiopian mining project where drilling results in a minimum of 100 metres are at 2g/t Au equivalent or greater.

The model inputs, not included in the table above, for options granted during the period ended 31 December 2019 included:

- options issue price ranged from nil to \$0.0005 each;
- expected lives of the options 2.0 to 5 years from the date that the Company successfully lists on the ASX;
- share price at grant date was \$0.10;
- expected volatility of 100%;
- expected dividend yield of nil; and
- a risk-free interest rate of 1.25%.



### (c) Share based payment to suppliers

The Company issued unlisted options to provide consideration to brokers, consultants and corporate advisors for services rendered during the year ended 31 December 2020. These options were valued using the Black-Scholes option pricing model as the value of the work performed could not be reliably determined.

The table below summarises options granted during the year ended 31 December 2020:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
23/06/2020	27/10/2024	\$0.20	-	1,050,000	-	-	1,050,000	1,050,000
23/06/2020	27/10/2022	\$0.25	-	350,000	-	-	350,000	350,000
30/06/2020	27/10/2022	\$0.25	-	250,000	-	-	250,000	250,000
13/08/2020	30/06/2023	\$0.25	-	1,000,000	-	-	1,000,000	1,000,000
13/08/2020	30/06/2023	\$0.30	-	1,000,000	-	-	1,000,000	1,000,000
			-	<b>3,650,000</b>	-	-	<b>3,650,000</b>	<b>3,650,000</b>

The expense recognised in respect of the above options granted during the year was \$316,362 which represents the fair value of the options. The model inputs, not included in the table above, for options granted during the year ended 31 December 2020 included:

- Options were issued for nil consideration;
- expected life of the options ranged from 3 to 4 years;
- share price at grant date ranged from \$0.10 to \$0.20;
- expected volatility of 100%;
- expected dividend yield of nil; and
- a risk-free interest rate of 1.25%.

The table below summarises options granted during the period ended 31 December 2019:

Grant Date	Expiry date	Exercise price per option	Balance at start of the period	Granted during the period	Exercised during the period	Expired during the period	Balance at end of the period	Exercisable at end of the period
			Number	Number	Number	Number	Number	Number
07/12/2019	<sup>-1</sup>	\$0.00001	-	3,750,000	-	-	3,750,000	<sup>-4</sup>
07/12/2019	<sup>-1</sup>	\$0.00001	-	1,200,000	-	-	1,200,000	<sup>-5</sup>
13/12/2019	<sup>-2</sup>	\$0.20	-	3,250,000	-	-	3,250,000	3,250,000
13/12/2019	<sup>-3</sup>	\$0.25	-	3,200,000	-	-	3,200,000	3,200,000
				<b>11,400,000</b>	-	-	<b>11,400,000</b>	<b>6,450,000</b>

<sup>1</sup> Options will expire at 5.00pm WST 5 years from the date that the Company successfully list on the ASX.

<sup>2</sup> Options will expire at 5.00pm WST 4 years from the date that the Company successfully list on the ASX.

<sup>3</sup> Options will expire at 5.00pm WST 2 years from the date that the Company successfully list on the ASX.

<sup>4</sup> The options vest on satisfaction on the delineation of a JORC compliant Mineral Resource Estimate of at least 1million ounces at 1.5g/t Au equivalent with a minimum of 50% at Measured and Indicated confidence level cumulative across all Megado Ethiopian mining projects.

<sup>5</sup> The options vest on satisfaction of the Company securing a majority ownership in an additional Ethiopian mining project where drilling results in a minimum of 100 metres are at 2g/t Au equivalent or greater.



The model inputs, not included in the table above, for options granted during the period ended 31 December 2019 included:

- a) options issue price ranged from nil to \$0.0005 each;
- b) expected lives of the options 2.0 to 5 years from the date that the Company successfully lists on the ASX;
- c) share price at grant date was \$0.10;
- d) expected volatility of 100%;
- e) expected dividend yield of nil; and
- f) a risk-free interest rate of 1.25%.

## 18. Financial Risk Management

The Group's activities expose it to a variety of financial risks including interest rate risk, price risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments; however the Group uses different methods to measure different types of risk to which it is exposed.

These methods include sensitivity analysis in the case of interest rate and other price risks and aging analysis for credit risk. Risk management is carried out by the Board of Directors with assistance from suitably qualified external and internal advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Group.

### (a) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at the reporting date the Group had sufficient cash reserves to meet its requirements. The Group therefore had no credit standby facilities or arrangements for further funding in place.

The financial liabilities of the Group at the reporting date were trade payables incurred in the normal course of business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments. The Group does not consider this to be material to the Group and have therefore not undertaken any further analysis of risk exposure.

### (b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash. The Company manages the risk by investing in short term deposits.

### Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss and Other Comprehensive Income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$)	Effect on equity including retained earnings (\$) Increase/(Decrease)	Effect on Post Tax Loss (\$)	Effect on equity including retained earnings (\$) Increase/(Decrease)
	2020		2019	
Increase 75 basis points	37,661	37,661	1,812	1,812
Decrease 75 basis points	(37,661)	(37,661)	(1,812)	(1,812)



A sensitivity of 75 basis points has been used as this is considered reasonable given the current level of both short term and long-term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

### (c) Credit Risk Exposures

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

	2020	2019
	\$	\$
Cash and cash equivalents	5,021,401	241,605
Receivables	67,136	29,167

### (d) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital includes ordinary share capital, partly paid shares and financial liabilities, supported by financial assets.

The Group's capital includes mainly ordinary share capital and financial liabilities supported by financial assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

## 19. Significant events after the reporting date

### Option Award

On 27 January 2021, the Company issued 800,000 unlisted options exercisable at \$0.35 on or before 31 January 2025 to Exploration Manager, James Sullivan.

### Coronavirus (COVID-19) Pandemic

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



## 20. Parent Entity Information

The following details information related to the parent entity, Megado Gold Limited, at 31 December 2020. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	31 Dec 2020 \$	31 Dec 2019 \$
Current assets	5,122,698	271,565
Total assets	8,149,694	554,553
Current liabilities	(358,635)	(448,620)
Total liabilities	(358,635)	(448,620)
Net assets	<b>7,791,059</b>	<b>105,933</b>
Issued capital	9,389,259	866,003
Reserves	1,011,453	630,048
Accumulated losses	(2,609,653)	(1,390,118)
	<b>7,791,059</b>	<b>105,933</b>

	31 Dec 2020 \$	8 Mar 2019 to 31 Dec 2019 \$
Loss of the parent entity	(1,219,535)	(1,390,118)
Total comprehensive loss of the parent entity	<b>(1,219,535)</b>	<b>(1,390,118)</b>

### Other Commitments and Contingent Liabilities

The Company had no commitments and no contingent liabilities as at 31 December 2020.

## 21. Segment Information

The Group has identified its operating segments based on the internal reports that are reported to the Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Group operates predominately in one industry, being the exploration of Gold. The main geographic areas that the entity operates in are Australia and Ethiopia. The parent entity is registered in Australia. The Group's exploration assets are located in the Ethiopia. The following table present revenue, expenditure and certain asset and liability information regarding geographical segments for the year ended 31 December 2020:

	Australia \$	Ethiopia \$	Total
<b>Year ended 31 December 2020</b>			
Other income	1,488	-	1,488
Interest income	-	-	-
<b>Segment revenue</b>	<b>1,488</b>	<b>-</b>	<b>1,488</b>
Result			
Loss before tax	(1,126,543)	(90,992)	(1,217,535)
Income tax expense	-	-	-
<b>Loss for the year</b>	<b>(1,126,543)</b>	<b>(90,992)</b>	<b>(1,217,535)</b>
Asset and liabilities			
Segment assets	5,115,365	3,863,012	8,978,377
Segment liabilities	358,635	-	358,635





## **22. Dividends**

No dividend was paid or declared by the Company in the year ended 31 December 2020 or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2020.

## **23. Contingent assets and liabilities**

There are no known contingent assets or liabilities as at 31 December 2020.

## **24. Commitments**

There are no known commitments as at 31 December 2020.

For personal use only



## DIRECTORS DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors.

**Michael Gumbley**  
**Managing Director**

Brooklyn, New York  
23 March 2021

**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MEGADO GOLD LIMITED**

As lead auditor of Megado Gold Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Megado Gold Limited and the entities it controlled during the period.



**Phillip Murdoch**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 23 March 2021

For personal use only

## INDEPENDENT AUDITOR'S REPORT

To the members of Megado Gold Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Megado Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

For personal use only

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Accounting for Exploration and Evaluation Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2020, we note that the carrying value of the Deferred Exploration and Evaluation Asset is significant to the financial statements, as disclosed in note 8.</p> <p>As a result, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular:</p> <ul style="list-style-type: none"> <li>• Whether the conditions for capitalisation are satisfied;</li> <li>• Which elements of exploration and evaluation expenditures qualify for recognition; and</li> <li>• Whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date;</li> <li>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6;</li> <li>• Considering whether any facts of circumstances existed to suggest impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 8 of the Financial Report.</li> </ul>

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Megado Gold Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO  


**Phillip Murdoch**

**Director**

Perth, 23 March 2021

For personal use only



## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 8 March 2021.

### Distribution of Share Holders

	Ordinary Shares		
	Number of Holders	Number of Shares	%
1 - 1,000	13	2,705	0.00
1,001 - 5,000	90	284,519	0.40
5,001 - 10,000	68	610,618	0.85
10,001 - 100,000	248	11,920,473	16.67
100,001 - and over	133	58,681,688	82.08
<b>TOTAL</b>	<b>552</b>	<b>71,500,003</b>	<b>100.00</b>

There were 63 holders of ordinary shares holding less than a marketable parcel.

### Top Twenty Share Holders (excluding restricted securities)

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Quoted Shares	%
Profusion Discovery Fund Ltd	2,000,000	4.90
Sol Sal Investments Pty Ltd <Sol Sal Investments A/C>	1,571,000	3.85
Norfolk Blue Pty Ltd <Norfolk Blue A/C>	974,558	2.39
Flourish Super Pty Ltd <Flourish S/F A/C>	896,500	2.20
Dorran Pty Ltd	857,386	2.10
National Nominees Limited <Db A/C>	750,000	1.84
Parry Capital Management Ltd <Parry Spec SIT SP Fund A/C>	750,000	1.84
Cs Third Nominees Pty Limited <HSBC CUST NOM AU Ltd 13 A/C>	700,000	1.72
JAWAF Enterprises Pty Ltd <Hall Family A/C>	584,552	1.43
Mr Justin Harmon	545,000	1.34
Mrs Marta Luisa Ortiz Ortega	542,500	1.33
Mr Arthur Laundry <Laundry S/Fund A/C>	500,000	1.23
Mr Derek Robert Mc Comber + Mrs Susan Mc Comber <Mc Comber Family S/Fund A/C>	500,000	1.23
RDA Asset Management Limited	500,000	1.23
Mr Francis Scott Funston + Mrs Victoria Alexis Suzanne Funston <The Funston Investment A/C>	495,778	1.22
Mr Aaron Dean Bertolatti <Bertolatti Family A/C>	477,501	1.17
Mr Michael Kenneth Francis Gumbley	456,001	1.12
HSBC Custody Nominees (Australia) Limited	420,000	1.03
Associated Metal Craft Pty Ltd	400,000	0.98
Mr Michael Pearce + Ms Elizabeth Hazleton Pearce <Pearce Family A/C>	360,000	0.88
<b>Total quoted top twenty share holders</b>	<b>14,280,776</b>	<b>35.03</b>
<b>Total remaining quoted holders balance</b>	<b>26,518,022</b>	<b>64.97</b>





## Restricted Securities

The Company has the following Restricted Securities on issue as at the date of this report.

### Securities restricted for 24 months from date of quotation

Securities	Restriction Period
28,451,205 Ordinary Fully Paid Shares	24 months from date of quotation
15,400,000 Options <sup>1</sup>	24 months from date of quotation

### Securities restricted for 12 months from date of issue

Securities	Restriction Period
2,250,000 Ordinary Fully Paid Shares	12 months from 26 June 2020
600,000 Options <sup>2</sup>	12 months from 13 December 2019
250,000 Options <sup>3</sup>	12 months from 23 June 2020

#### Notes:

- 10,450,000 Options exercisable at \$0.20 each and with an expiry date of 4 years from the date that the company lists on the ASX, 2,950,000 Options exercisable at \$0.25 each and with an expiry date of 2 years from the date that the company lists on the ASX, 1,000,000 options exercisable at \$0.25 each and with an expiry date of 30 June 2023 and 1,000,000 options exercisable at \$0.30 each and with an expiry date of 30 June 2023.
- 600,000 Options exercisable at \$0.25 each and with an expiry date of 2 years from the date that the company lists on the ASX.
- 250,000 Options exercisable at \$0.25 each and with an expiry date of 2 years from the date that the company lists on the ASX.

### Substantial Shareholders

Name	Shares	%
Profusion Discovery Fund Ltd	4,000,000	5.60
Mrs Marta Luisa Ortiz Ortega	3,745,763	5.24

### Unlisted Options

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at \$0.20 on or before 27 October 2024.	10,450,000	Keystone Resources Pty Ltd 2,500,000 Options
Options over ordinary shares exercisable at \$0.25 on or before 27 October 2022.	3,800,000	N/A
Options over ordinary shares exercisable at \$0.25 on or before 30 June 2023.	1,000,000	CG Nominees (Australia) Pty Ltd 1,000,000 Options
Options over ordinary shares exercisable at \$0.30 on or before 30 June 2023.	1,000,000	CG Nominees (Australia) Pty Ltd 1,000,000 Options
Options over ordinary shares exercisable at \$0.35 on or before 31 May 2025.	800,000	Mr James Sullivan 1,000,000 Options

### On-Market Buy Back

There is no current on-market buy back.



## Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

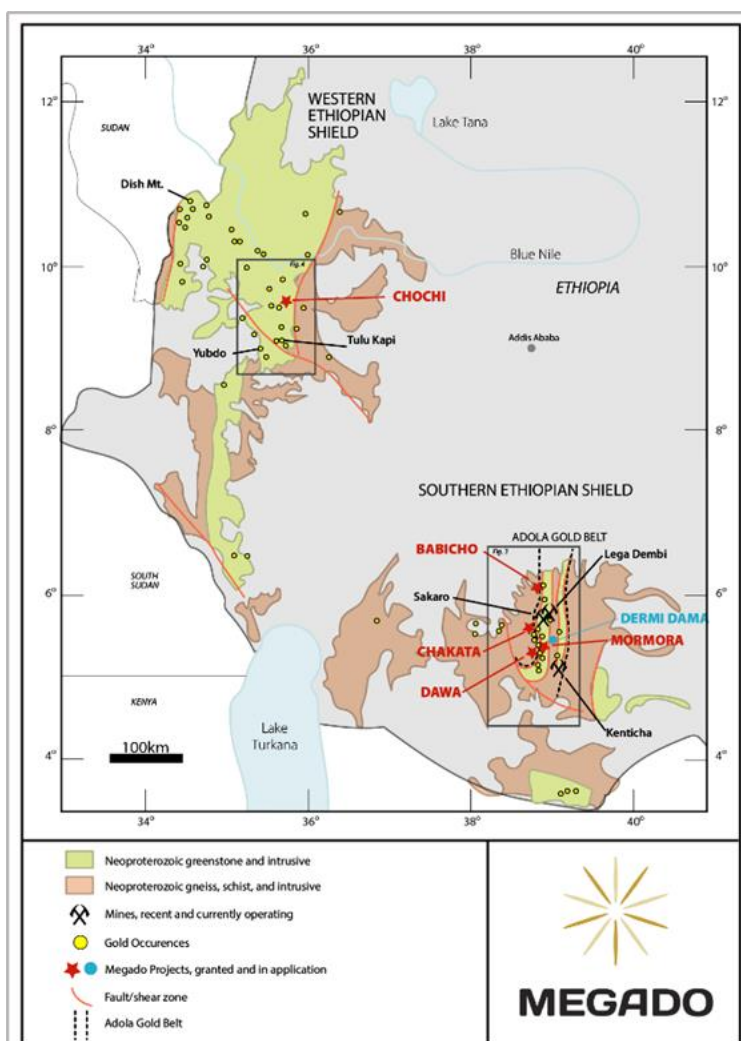
## Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 31 December 2020.

## Schedule of Tenements

TENEMENTS	LICENCE NUMBER	GRANT DATE	REGIONAL STATE	LAND AREA	LICENCE NUMBER
BABICHO	EL\00106\2019	26/09/2019	Oromia	131.96	80%
CHAKATA	MOM\EL\00556\2019	19/08/2020	Oromia	62.08	100%
CHOCHI	MOM\EL\2013\276	06/01/2014	Benishangul-Gumuz	137.28	80%
DAWA	MOM\EL\00813\2019	19/08/2020	Oromia	41.22	100%
DERMI DAMA	MOM\EL\00175\2020	In Application	Oromia	227.32	100%
MORMORA	EL\00313\2019	26/09/2019	Oromia	138.98	100%

## Ethiopian Project Locations





## IMPORTANT INFORMATION AND DISCLAIMERS

### **Forward Looking Statements**

This announcement contains 'forward-looking information' that is based on the Company's expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to the Company's business strategy, plans, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectations, mineral reserves and resources, results of exploration and related expenses. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as 'outlook', 'anticipate', 'project', 'target', 'potential', 'likely', 'believe', 'estimate', 'expect', 'intend', 'may', 'would', 'could', 'should', 'scheduled', 'will', 'plan', 'forecast', 'evolve' and similar expressions. Persons reading this announcement are cautioned that such statements are only predictions, and that the Company's actual future results or performance may be materially different. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information.

### **Competent Person Statement**

Information in this "ASX Announcement" relating to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves has been compiled by Dr Chris Bowden who is a Fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy and is an Executive Director of Megado Gold Ltd.

He has sufficient experience that is relevant to the types of deposits being explored for and qualifies as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code 2012 Edition). Dr Bowden has consented to the release of the announcement.

For personal use only



[megadoggold.com.au](http://megadoggold.com.au)

Level 12, 197 St Georges Terrace,  
Perth, Western Australia 6000

[Info@megadoggold.com.au](mailto:Info@megadoggold.com.au)