MEGADO GOLD LIMITED

ABN 74 632 150 817

Financial Report

For the Financial Period

8 March 2019 to 31 December 2019

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CORPORATE DIRECTORY

Directors
Bradley Drabsch (Non-Executive Chairman)
Michael Gumbley (Managing Director)
Chris Bowden (Executive Director)
Aaron Bertolatti (Finance Director)
Anthony Hall (Non-Executive Director)

Company Secretary
Aaron Bertolatti

Registered Office & Principal Place of Business
Level 24, Allendale Square
77 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

Website
www.megadogold.com

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 2019.

DIRECTORS

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

- Michael Gumbley (Managing Director) – appointed 8 March 2019
- Anthony Hall (Executive Director) – appointed 8 March 2019
- Aaron Bertolatti (Finance Director & Company Secretary) – appointed 8 March 2019
- Bradley Drabsch (Non-Executive Chairman) – appointed 1 February 2020
- Chris Bowden (Executive Director) – appointed 1 February 2020

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

DIRECTORS' INFORMATION

Michael Gumbley
Managing Director
Michael Gumbley holds qualifications in Commerce (Sydney), 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.

Anthony Hall
Non-Executive Director
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.

Aaron Bertolatti
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.

Bradley Drabsch
Non-Executive Chairman
Brad Drabsch is a Geologist and 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.

Chris Bowden
Executive Director
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 and 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).

MEETINGS OF DIRECTORS
During the period, in addition to frequent Board discussions, the Directors met regularly to discuss all matters associated with the IPO strategy, status of the Ethiopian acquisitions, 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	-	-
Anthony Hall	-	-
Aaron Bertolatti	-	-
Bradley Drabsch	-	-
Chris Bowden	-	-

CORPORATE INFORMATION
Megado Gold is a company limited by shares and is domiciled in Australia.

PRINCIPAL ACTIVITIES
During the reporting period the company was focussed on activities in preparation for listing on the Australian Securities Exchange.

RESULTS OF OPERATIONS
The company loss after providing for income tax amounted to $1,390,118 for the period ended 31 December 2019.

REVIEW OF OPERATIONS
During the period the Company entered into a binding sale and purchase agreement to acquire mineral licenses / leases in Southern and Western Ethiopia. In order to facilitate the acquisition, the Company was involved in preparation activities for listing on the Australian Securities Exchange ("ASX").

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD
- On 14 January 2020, the Company issued 2,565,000 shares at A$0.10 to raise A$257k.
- On 31 January 2020, the Company issued 1,000,000 shares at A$0.16 to raise A$160k.
- On 1 February 2020, the Company appointed Bradley Drabsch as Non-Executive Chairman and Chris Bowden as an executive Director.

- On 31 January 2020, the Company acquired an 80% interest in Babicho Mining Plc and an 80% interest in Chochi Mining Plc.
- The World Health Organisation announced that the new coronavirus disease (COVID-19) has become a pandemic on 11 March 2020. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown. At the date of this report, it is uncertain what the effect will be on the Group as the Group is currently still ascertaining the impact of COVID-19 on its operating and financing activities.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Groups' 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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes to the state of affairs, subsequent to the end of the reporting period, other than what has been reported in other parts of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company is in the process of obtaining insurance to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the Company.

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.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20 of this financial report.

AUDITOR

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

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
5 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the period ended 31 December 2019

	Note	31-Dec-19 $
Continuing Operations		
Interest income		48
Gain on foreign exchange		4,497
Expenses		
Professional and consulting fees		(145,174)
Director and employee costs	3	(318,333)
Other expenses		(48,594)
Share-based payments expense	18(a)	(625,548)
Travel and accommodation		(76,740)
Exploration Expenditure		(180,274)
Loss before income tax		**(1,390,118)**
Income tax expense		-
Net loss for the period		**(1,390,118)**
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations		-
Other comprehensive income for the period, net of tax		**-**
Total comprehensive loss for the period		**(1,390,118)**
Loss per share		
Loss per share (cents)	16	(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 2019*

	Note	31-Dec-19 $
Current Assets		
Cash and cash equivalents	4	241,605
Other assets		793
Receivables	5	29,167
Total Current Assets		271,565
Non-Current Assets		
Prepayments	6	282,988
Total Non-Current Assets		282,988
Total Assets		**554,553**
Current Liabilities		
Trade and other payables	7	448,620
Total Current Liabilities		448,620
Total Liabilities		448,620
Net Assets		**105,933**
Equity		
Issued capital	8	866,003
Reserves	9	630,048
Accumulated losses	10	(1,390,118)
Total Equity		**105,933**

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 2019*

	Issued capital $	Accumulated losses $	Share option reserve $	Total $
Balance at 8 March 2019	**-**	**-**	**-**	**-**
Total comprehensive loss for the period				
Loss for the period	-	(1,390,118)	-	(1,390,118)
Foreign currency translation	-	-	-	-
Total comprehensive loss for the period	-	(1,390,118)	-	(1,390,118)
Transactions with owners in their capacity as owners				
Shares issued during the period	866,003	-	-	866,003
Proceeds of issue of options	-	-	4,500	4,500
Share-based payments	-	-	625,548	625,548
Balance at 31 December 2019	**866,003**	**(1,390,118)**	**630,048**	**105,933**

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 2019*

	Note	31-Dec-19 $
Cash flows from operating activities		
Payments to suppliers and employees		(340,770)
Interest received		48
Net cash used in operating activities		**(340,722)**
Cash flows from investing activities		
Payments for exploration expenditure		(463,262)
Net cash used in investing activities		**(463,262)**
Cash flows from financing activities		
Proceeds from issue of shares		1,041,089
Proceeds from issue of options		4,500
Net cash provided by financing activities		**1,045,589**
Net decrease in cash and cash equivalents		241,605
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	4	**241,605**

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

1. Summary of Significant Accounting Policies

(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 subsidiary ('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) Going Concern

As disclosed in the financial statements, the Group incurred a loss of $1,390,118 and had net cash outflows from operating and investing activities of $340,722 and $463,262 respectively for the period ended 31 December 2019. As at that date, the Group had net current assets of $271,565.

The ability of the entity to continue as a going concern is dependent on the financial support from its shareholders to fund its working capital requirements and/or successfully raising capital by way of an IPO on the ASX. The World Health Organisation announced that the new coronavirus disease (COVID-19) has become a pandemic on 11 March 2020. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown. At the date of this report, it is uncertain what the effect will be on the Group as the Group is currently still ascertaining the impact of COVID-19 on its operating and financing activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

The entity has prepared the financial statements on a going concern basis based on the group having raised seed capital from investors during the year and subsequent to year end, enabling the group to progress through to an initial public offering expected within the 12 months following the date of this report. In addition, the directors continue to support the entity by not calling on payment of fees where required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(e) 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.

(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.

(f) Segment Reporting

For management purposes, the Company is organised into one main operating segment, which involves gold exploration. All of the Company's activities are interrelated, and discrete financial information is reported to the management (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(p) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(q) 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.

(r) Revenue Recognition

Revenue is recognised when or as the Group transfers control of good or services to a customer at the amount to which the company expects to be entitled.

(s) Other Income

Interest income

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

(t) 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.

(u) 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 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.

(v) 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

Exploration and evaluation expenditure includes prepaid project acquisition costs that have been capitalised on the basis that the Company will complete the acquisition of mineral licenses / leases where it has entered into a binding share purchase agreement. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

In addition, costs are only capitalised that are expected to be recovered through satisfaction of all conditions precedent to proceed with the acquisition. To the extent that capitalised costs are determined not to be recoverable in the future should the acquisition not proceed, they will be written off in the period in which this determination is made.

(w) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 16 Leases – AASB 16 Leases replaces AASB 117 Leases and some lease-related Interpretations. It largely retains the existing lessor accounting requirements in AASB 117. It provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases. It requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases. The Standard does not have a material impact on the transactions and balances recognised in the financial statements.

	31-Dec-2019 $
2. Income Tax	
(a) Income tax expense	
Major component of tax expense for the year:	
Current tax	-
Deferred tax	-
	-
(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.	
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	(1,390,118)
Tax at the Australian rate of 30%	(417,035)
Share-based payments	187,664
Non-deductible legal expenses	24,465
Unavailable tax loss	202,506
Income tax benefit not brought to account	2,400
Income tax expense	-
(c) Deferred tax	
The following deferred tax balances have not been bought to account:	
Assets	
Losses available to offset against future taxable income	
Accrued expenses	2,400
Net deferred tax asset not recognised	**2,400**

	8-Mar-19 to 31-Dec 2019
3. Expenses	
(a) Director and employee costs	
Directors remuneration	**318,333**
4. Cash and cash equivalents	
Reconciliation of cash	
Cash comprises of:	
Cash at bank	**241,605**
Reconciliation of operating loss after tax to net cash flow from operations	
Loss after tax	(1,390,118)
Non-cash items	
Exploration expenditure written off	180,274
Share based payments	625,548
Change in assets and liabilities	
(Increase)/decrease in trade, other receivables and other assets	(29,809)
Increase/(decrease) in trade and other payables	273,383
Net cash flow used in operating activities	**(340,722)**

	31-Dec-2019 $

5. Trade and other receivables

GST receivable	29,017
Other	150
	29,167

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.

6. Prepayments

Opening balance	-
Loans issued during the period	282,987
Closing balance	**282,987**

As part of consideration for the acquisition outlined in note 13, the group paid USD$150,000 to Crau Mining SL to enable the establishment of an Ethiopian office. This amount paid will form part of the consideration applicable to the acquisition.

7. Trade and other payables

Trade payables	265,384
Accruals	8,000
Other payables[1]	175,236
	448,620

[1] During the reporting period the Company received funds totalling $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.

8. Issued capital

(a) Issued and paid up capital

Issued and fully paid	**866,003**

	2019 Number of shares	$
Opening balance	-	-
Issue of shares - founder shares	3	3
Issue of shares - vendor shares	5,000,000	2,500
Issue of shares - $0.06 seed shares	4,500,000	270,000
Issue of shares - $0.10 seed shares	5,935,000	593,500
Transaction costs on share issue	-	-
Closing balance	**15,435,003**	**866,003**

(b) Share options

As at the date of this report there were 20,450,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price $	Expiry Date
7,000,000	$0.00001	5 years from the date that the Company successfully list on the ASX
2,000,000	$0.00001	5 years from the date that the Company successfully list on the ASX
8,250,000	$0.20	4 years from the date that the Company successfully lists on the ASX
3,200,000	$0.25	2 years from the date that the Company successfully lists on the ASX
20,450,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No options lapsed unexercised during the reporting period. No options were exercised during or since the period ended 31 December 2019.

	31-Dec-2019 $
9. Reserves	
Share capital, share based payment and option reserve	630,048
	630,048
Movements in Reserves	
Share option reserve	
Opening balance	-
Share-based payments	625,548
Proceeds from option issue	4,500
Closing balance	**630,048**

The share 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.

10. Accumulated losses	
Movements in accumulated losses were as follows:	
Opening balance	-
Loss for the period	(1,390,118)
Closing balance	**(1,390,118)**
11. 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	9,500

12. Contingent assets and liabilities

There are no known contingent assets or liabilities as at 31 December 2019.

13. Significant events after the reporting date

- On 14 January 2020, the Company issued 2,565,000 shares at A$0.10 to raise A$257k.
- On 31 January 2020, the Company issued 1,000,000 shares at A$0.16 to raise A$160k.
- On 31 January 2020, the Company acquired an 80% interest in Babicho Mining Plc and an 80% interest in Chochi Mining Plc.
- On 1 February 2020, the Company appointed Bradley Drabsch as Non-Executive Chairman and Chris Bowden as an executive Director.

- The World Health Organisation announced that the new coronavirus disease (COVID-19) has become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown. At the date of this report, it is uncertain what the effect will be on the Group as the Group is currently still ascertaining the impact of COVID-19 on its operating and financing activities.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Groups' state of affairs in future financial years.

	31-Dec-2019 $
14. Loss per share	
Loss used in calculating basic and dilutive EPS	(1,390,118)

	Number of Shares
Weighted average number of ordinary shares used in calculating basic loss per share:	6,043,124
Effect of dilution:	
Share options	
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	6,043,124

There is no impact from 20,450,000 options outstanding at 31 December 2019 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. Commitments

Asset Purchase Agreement

The Group has entered into an Asset Purchase Agreement with CRAU Mining S.L ("CRAU")., a limited liability company incorporated in Spain. Pursuant to that agreement, upon completion, Megado will acquire CRAU's principle mining assets in Ethiopia. Completion will take place when ownership of the assets has been successfully transferred to Megado's Ethiopian sub-branch.

In consideration for sale of the Assets, Megado will issue to CRAU, or its Nominee(s), the following Consideration Shares and Options in Megado;

(i) 4,500,000 Ordinary Shares;
(ii) 5,500,000 Performance Options A (refer to note 18(b) for Performance Option A terms); and
(iii) 3,000,000 Performance Options B (refer to note 18(b) for Performance Option B terms).

16. 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 2019
Megado Gold Inc.	USA	100%

17. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2019 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 2019.

18. 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-2019 $
Employee and Director share based payments	307,158
Share based payments to suppliers	318,390
	625,548

(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 2019:

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
07/12/2019	-[1]	$0.00001	-	3,250,000	-	-	3,250,000	-[3]
07/12/2019	-[1]	$0.00001	-	800,000	-	-	800,000	-[4]
13/12/2019	-[2]	$0.20	-	5,000,000	-	-	5,000,000	5,000,000
				9,050,000	**-**	**-**	**9,050,000**	**5,000,000**

[1] Options will expire at 5.00pm WST 5 years from the date that the Company successfully list on the ASX.

[2] Options will expire at 5.00pm WST 4 years from the date that the Company successfully list on the ASX.

[3] 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.

[4] 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 expense recognised in respect of the above options granted during the year was $307,158 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 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%.

(c) Share based payment to suppliers

The Company issued unlisted options to provide consideration to consultants and corporate advisors for services rendered during the year ended 31 December 2019. These options were valued using the Black-Scholes option pricing model as the value of the work performed could not be reliably determined.

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
07/12/2019	-[1]	$0.00001	-	3,750,000	-	-	3,750,000	-[4]
07/12/2019	-[1]	$0.00001	-	1,200,000	-	-	1,200,000	-[5]
13/12/2019	-[2]	$0.20	-	3,250,000	-	-	3,250,000	3,250,000
13/12/2019	-[3]	$0.25	-	3,200,000	-	-	3,200,000	3,200,000
				11,400,000	**-**	**-**	**11,400,000**	**6,450,000**

[1] Options will expire at 5.00pm WST 5 years from the date that the Company successfully list on the ASX.

[2] Options will expire at 5.00pm WST 4 years from the date that the Company successfully list on the ASX.

[3] Options will expire at 5.00pm WST 2 years from the date that the Company successfully list on the ASX.

[4] 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.

[5] 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 expense recognised in respect of the above options granted during the year was $318,390 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 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%.

19. 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 profits 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 ($) Increase/(Decrease)	Effect on equity including retained earnings ($) Increase/(Decrease)
	2020	
Increase 75 basis points	1,812	1,812
Decrease 75 basis points	(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.

	31-Dec-2019 $
Cash and cash equivalents AA-	241,605

(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.

The Group currently has $241,605 of cash and cash equivalents and no debt.

20. Parent Entity Information

The following details information related to the parent entity, Megado Gold Limited, at 31 December 2019. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	31 December 2019 $
Current assets	271,565
Total assets	554,553
Current liabilities	(448,620)
Total liabilities	(448,620)
Net assets	**105,933**
Issued capital	866,003
Reserves	630,048
Accumulated losses	(1,390,118)
	105,933
Loss of the parent entity	(1,390,118)
Other comprehensive income for the year	-
Total comprehensive loss of the parent entity	(1,390,118)

The parent entity does not provide financial guarantees over leases and other commitments held by its subsidiaries.

Directors' Declaration

The directors of Megado Gold Limited have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:

    a) comply with Accounting Standards to the extent as stated in Note 1; and

    b) give a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the period 8 March 2019 to 31 December 2019 in accordance with the accounting policies described in Note 1.

2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Michael Gumbley
Managing Director
Brooklyn, New York
5 May 2020

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Australia

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

As lead auditor of Megado Gold Limited for the period ended 31 December 2019, 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 made in respect of Megado Gold Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 5 May 2020

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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), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period 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 Megado Gold Limited, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the period ended on that date; and

(ii) Complying with Australian Accounting Standards to the extent described in Note 1, 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 Company in accordance with the auditor independence requirements of 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 (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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the exstence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of matter – Basis of accounting a

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' report for the period ended 31 December 2019, 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have 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 at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 5 May 2020