



MEGADO GOLD LIMITED

ABN 74 632 150 817

Interim Financial Report

30 June 2020

megadogold.com



CONTENTS	PAGE
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8
Directors' Declaration	13
Independent Auditor's Review Report	14

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 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

Website

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 half-year ended 30 June 2020 (the "Period").

DIRECTORS

The persons who were directors of Megado Gold during the half-year and up to the date of this report are:

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

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.

REVIEW OF OPERATIONS

The Company has 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").

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No other matter or circumstance has arisen since 30 June 2020 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.

AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of the Company with an Independence Declaration in relation to their review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this Directors' report for the half-year ended 30 June 2020.

AUDITOR

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

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.

Signed on behalf of the board in accordance with a resolution of the Directors.

Michael Gumbley
Managing Director

Brooklyn, New York
11 August 2020

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

As lead auditor for the review of Megado Gold Limited for the half-year ended 30 June 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 11 August 2020



Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 30 June 2020

	Note	30-Jun-20 \$	30-Jun-19 \$
Continuing Operations			
Interest income		33	27
Expenses			
Professional and consulting fees		(119,027)	(3,421)
Director and employee costs		(196,125)	(94,334)
Exploration Expenditure		(90,992)	(103,180)
Other expenses		(34,910)	(3,514)
Loss on foreign exchange		(13,863)	-
Share-based payments expense	10	(166,156)	-
Travel and accommodation		(25,534)	(10,519)
Loss before income tax		(646,574)	(214,941)
Income tax expense		-	-
Net loss for the year		(646,574)	(214,941)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(646,574)	(214,941)
Loss per share			
Loss per share (cents)		(3.41)	(6.13)

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 30 June 2020*

	Note	30-Jun-20 \$	31-Dec-19 \$
Current Assets			
Cash and cash equivalents		430,459	241,605
Prepayments		1,743	793
Receivables		8,276	29,167
Total Current Assets		440,478	271,565
Non-Current Assets			
Prepayments	2	283,537	282,988
Total Non-Current Assets		283,537	282,988
Total Assets		724,015	554,553
Current Liabilities			
Trade and other payables	3	32,000	448,620
Total Current Liabilities		32,000	448,620
Total Liabilities		32,000	448,620
Net Assets		692,015	105,933
Equity			
Issued capital	4	1,935,253	866,003
Reserves	5	793,454	630,048
Accumulated losses	6	(2,036,692)	(1,390,118)
Total Equity		692,015	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 half-year ended 30 June 2020

	Issued capital \$	Accumulated losses \$	Share option reserve \$	Total \$
Balance at 8 March 2019	-	-	-	-
Total comprehensive loss for the year				
Loss for the year	-	(214,941)	-	(214,941)
Total comprehensive loss for the year	-	(214,941)	-	(214,941)
Transactions with owners in their capacity as owners				
Shares issued by placement	460,003	-	-	460,003
Balance at 30 June 2019	460,003	(214,941)	-	245,062
Balance at 1 January 2020	866,003	(1,390,118)	630,048	105,933
Total comprehensive loss for the year				
Loss for the year	-	(646,574)	-	(646,574)
Total comprehensive loss for the year	-	(646,574)	-	(646,574)
Transactions with owners in their capacity as owners				
Shares issued during the year	1,069,250	-	(2,750)	1,066,500
Share-based payments (note 10)	-	-	166,156	166,156
Balance at 30 June 2020	1,935,253	(2,036,692)	793,454	692,015

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


Consolidated Statement of Cash Flows for the half-year ended 30 June 2020

	Note	30-Jun-20 \$	30-Jun-19 \$
Cash flows from operating activities			
Payments to suppliers and employees		(611,051)	(261,265)
Payments for exploration expenditure		(91,542)	(7,774)
Interest received		33	27
Net cash used in operating activities		(702,560)	(269,012)
Cash flows from financing activities			
Proceeds from issue of shares		891,414	430,003
Net cash provided by financing activities		891,414	1,045,589
Net decrease in cash and cash equivalents		188,854	160,991
Cash and cash equivalents at the beginning of the year		241,605	-
Cash and cash equivalents at the end of the year		430,459	160,991

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



Megado Gold Limited

Notes to the Consolidated Financial Statements for the half-year ended 30 June 2020

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

This Report for the half-year ended 30 June 2020 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. This Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

The Report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

(a) 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.

(b) Compliance Statement

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below

(b) New or amended Accounting Standards and Interpretations adopted

The Company 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.

(c) Going Concern

As disclosed in the financial statements, the Group incurred a loss of \$646,574 and had net cash outflows from operating of \$702,560 for the half year ended 30 June 2020. As at that date, the Group had net current assets of \$408,478.

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.



Megado Gold Limited

Notes to the Consolidated Financial Statements for the half-year ended 30 June 2020

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, enabling the group to progress through to an initial public offering expected within the next three months following the date of this report.

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.

	30-Jun-2020 \$	31-Dec-2019 \$
2. Prepayments – Non-Current		
Prepaid acquisition costs ¹	283,537	282,987
	283,537	282,987

¹ 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 will form part of the consideration applicable to the acquisition.

3. Trade and other payables		
Trade payables	22,000	265,384
Accruals	10,000	8,000
Other payables ¹	-	175,236 ¹
	32,000	448,620

¹ 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.

4. Issued capital

(a) Issued and paid up capital

Issued and fully paid	1,935,253	866,003
-----------------------	------------------	----------------



Megado Gold Limited

Notes to the Consolidated Financial Statements for the half-year ended 30 June 2020

	30-Jun-2020		31-Dec-2019	
	Shares	\$	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	477,500	47,750 ¹	-	-
Transaction costs on share issue	-	-	-	-
Closing balance	30,500,003	1,935,253	15,435,003	866,003

¹ 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.

(b) Share options

As at the date of this report there were 14,250,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
10,450,000	\$0.20	4 years from the date that the Company successfully lists on the ASX
3,800,000	\$0.25	2 years from the date that the Company successfully lists on the ASX
14,450,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. 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 half-year ended 30 June 2020.

	30-Jun-2020	31-Dec-2019
	\$	\$
5. Reserves		
Share capital, share based payment and option reserve	793,454	630,048
	793,454	630,048

Movements in Reserves

Share option reserve

Opening balance	630,048	-
Share-based payments	166,156	625,548
Cancellation of Performance A and B Options	(2,750)	-
Proceeds from option issue	-	4,500
Closing balance	793,454	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.



Megado Gold Limited

Notes to the Consolidated Financial Statements for the half-year ended 30 June 2020

	30-Jun-2020	31-Dec-2019
	\$	\$
6. Accumulated losses		
Movements in accumulated losses were as follows:		
Opening balance	(1,390,118)	-
Loss for the period	(646,574)	(1,390,118)
Closing balance	(2,036,692)	(1,390,118)

7. Contingent assets and liabilities

There are no known contingent assets or liabilities as at 30 June 2020.

8. 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. In consideration for sale of the Assets, Megado will issue to CRAU, or its Nominee(s) 11,000,000 Ordinary Shares in Megado.

9. 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	
		30 June 2020	31 December 2019
Megado Gold Inc.	USA	100%	100%

10. 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:

	30-Jun-2020	30-Jun-2019
	\$	\$
Employee and Director share based payments	67,794	-
Share based payments to suppliers	98,362	-
	166,156	-

(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 half year ended 30 June 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	- ¹	\$0.20	-	1,150,000	-	-	1,150,000	1,150,000
				1,150,000	-	-	1,150,000	1,150,000

¹ Options will expire at 5.00pm WST 4 years from the date that the Company successfully list on the ASX.



Megado Gold Limited

Notes to the Consolidated Financial Statements for the half-year ended 30 June 2020

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 half year ended 30 June 2020 included:

- Options were issued for nil consideration;
- expected life of the options is 4 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%.

There were no unlisted options issued to employees and directors during the half year ended 30 June 2019.

(c) Share based payment to suppliers

The Company issued unlisted options to provide consideration to consultants and corporate advisors for services rendered during the half year ended 30 June 2020. 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
23/06/2020	- ¹	\$0.20	-	1,050,000	-	-	1,050,000	1,050,000
23/06/2020	- ²	\$0.25	-	350,000	-	-	350,000	350,000
30/06/2020	- ²	\$0.25	-	250,000	-	-	250,000	250,000
				1,650,000	-	-	1,650,000	1,650,000

¹ Options will expire at 5.00pm WST 4 years from the date that the Company successfully list on the ASX.

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

The expense recognised in respect of the above options granted during the year was \$98,362 which represents the fair value of the options. The model inputs, not included in the table above, for options granted during the half year ended 30 June 2020 included:

- Options were issued for nil consideration;
- expected lives of the options 2 to 4 years from the date that the Company successfully lists on the ASX;
- 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%.

There were no unlisted options issued to suppliers during the half year ended 30 June 2019.

11. Dividends

No dividends have been paid or provided for during the half-year.

12. Significant Events After the Reporting Date

No other matter or circumstance has arisen since 30 June 2020 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.



Directors' Declaration

The directors of Megado Gold Limited declare that:

1. The financial statements and notes, as set out on pages 4 to 12, are in accordance with the Corporations Act 2001 and the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a) a. Comply with Accounting Standard and AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) b. give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the period ended on that date.
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 Board of Directors and is signed for and on behalf of the Directors by.

A handwritten signature in black ink, appearing to read 'Michael Gumbley'.

Michael Gumbley
Managing Director
Brooklyn, New York
11 August 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Megado Gold Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Megado Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating 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 existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO
A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch

Director

Perth, 11 August 2020