

DECEMBER 2020 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Maiden drilling program commenced at the Babicho Gold Project**
- **Five holes drilled for more than 1,200m testing the >2km coherent gold-in-soil anomaly and historical trench sample anomalism**
- **Geology, alteration, quartz veining and visible sulphides observed in drill core consistent with that reportedly found along strike at >3Moz Lega Dembi and Sakaro Gold Mines**
- **1,078m of trenching completed at Babicho Gold Project with assays from 1,306 samples due in Q1 CY2021**
- **Megado fieldwork has uncovered outcropping quartz veins with visible gold ahead of the maiden drill program at Chakata Gold Project**
- **Megado has strengthened the Ethiopian team by hiring local geologists and recruited a residential Exploration Manager, who will lead execution of the Company's exploration strategy**
- **Megado retains more than \$5m in cash to execute ambitious exploration strategy in CY2021**

Ethiopian focused gold explorer Megado Gold (ASX:MEG) (Megado or the Company) is pleased to provide its December 2020 Quarterly Activities Report.

Megado listed on the ASX on 27 October 2020. Since launching, the Company has pursued an ambitious exploration program, having already announced several exciting developments to the market. This is particularly evidenced by the work conducted at the flagship Babicho and Chakata Gold Projects.

At Babicho, the Company's maiden drilling program commenced within a month of ASX listing, with five drill holes for 1,207 metres having been completed to date with the rig now in the process of mobilising to Chakata for its imminent maiden drilling phase. Simultaneously, extensive trenching and sampling has continued with the team remaining extremely excited by the broad mineralisation evidenced and the potential to host gold deposits of significant scale. Laboratory results from all activities at Babicho are expected by Q2 CY2021. (Please see further details below).

The maiden drilling program has now turned attention to the Chakata Gold Project. The team remains enthusiastic about the abundant potential at Chakata. Megado's geologists devoted the quarter to exploring the tenement, sampling rocks, observing the geology at historical trenching and drilling sites, with specific attention to the GT prospect, and, most importantly, identifying the targets for the initial drilling phase. Three specific areas have been pinpointed for drilling, set to begin early in Q1 CY2021. Encouragingly, they have continued to sample rock chips hosting visible gold, with 458 rock chip samples currently under laboratory analysis. (Please see further details below).

EXPLORATION MANAGER AND ETHIOPIAN TEAM

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

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

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

FINANCIAL SUMMARY

Critically for the Company, despite the ambitious start, management remains prudent with its expenditure. Moving into CY2021, Megado retains more than \$5m to expend on future exploration. With this amount in the bank, management will have the flexibility to shape an aggressive exploration strategy based on what is hoped will be encouraging results from the first two drilling campaigns.

SPOTLIGHT: BABICHO GOLD PROJECT

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

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

Babicho's Maiden Drilling Program

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





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

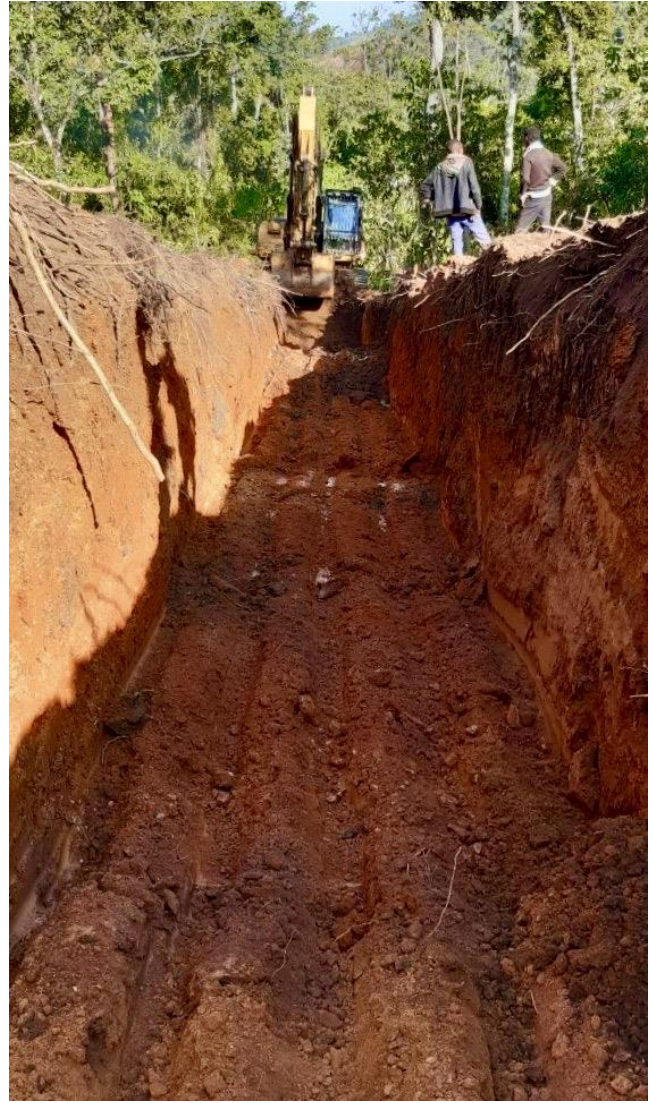


Figure 2: First trench at the Babicho Gold Project

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



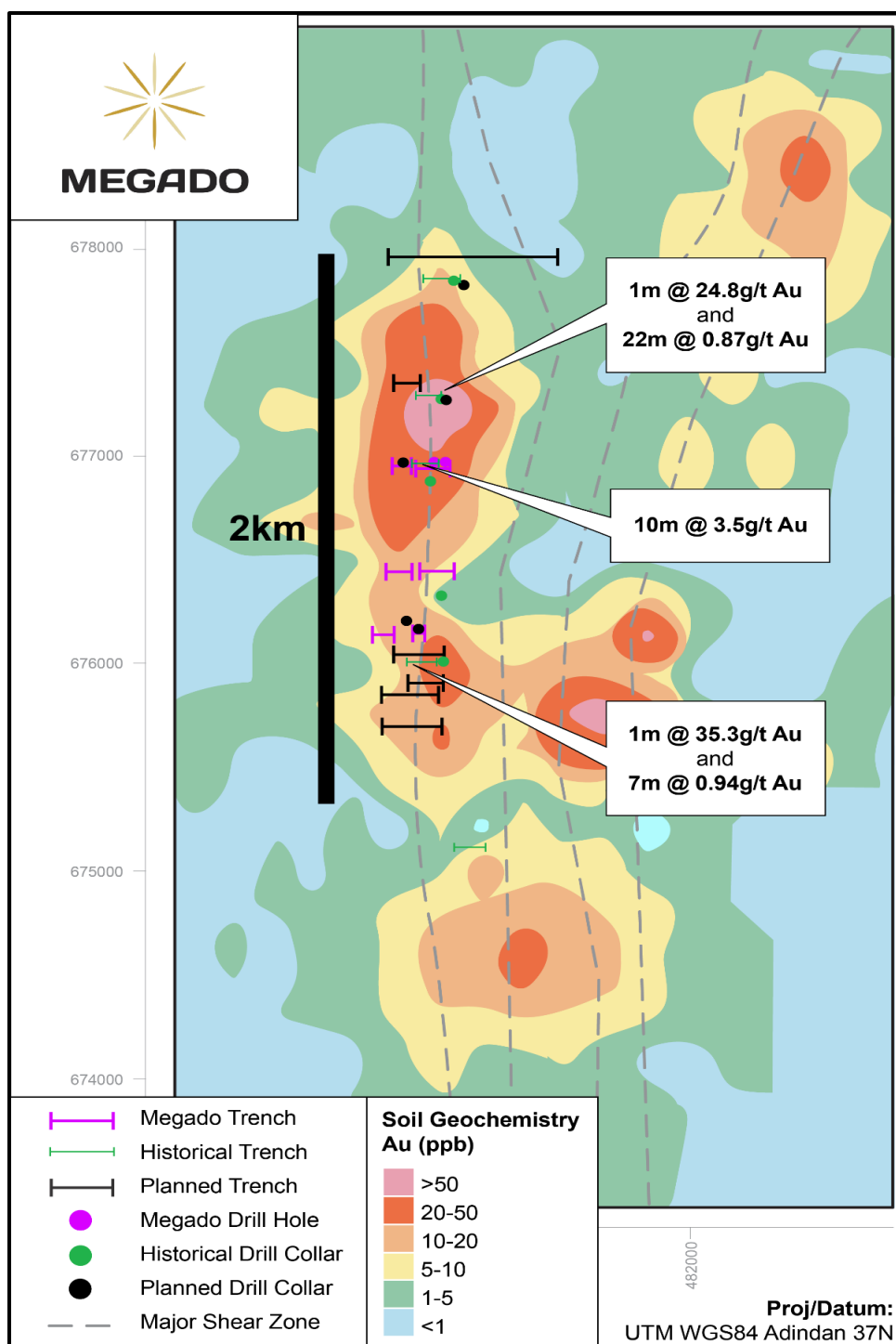


Figure 3: Location plan and cross-section for planned drill holes and trenching

Early Drilling Program Observations

Drilling has continued at the Babicho Gold Project into early 2021. As noted in the ASX Announcement dated 1 December 2020, the program sought to confirm Babicho's potential to host significant gold mineralisation. To this end, the early observations of retrieved core have been encouraging. The core exhibits many of the attributes noted in the lithology, alteration and mineralisation of the Lega Dembi and Sakaro gold deposits (>3Moz Au), situated along strike to the south. Most notably, observations indicated that a 40m wide zone contained quartz veining with visible pyrite, chalcopyrite and pyrrhotite mineralisation within highly altered meta-sediments that include graphitic schists (see Figure 5) with assays pending and expected in Q1 2021.



This assemblage and lithology are very similar to that at the Lega Dembi gold mine and provides the Company with great encouragement. Given these early observations, the Company expects that this initial phase drilling program will serve as a catalyst to more extensive drilling in early CY 2021.

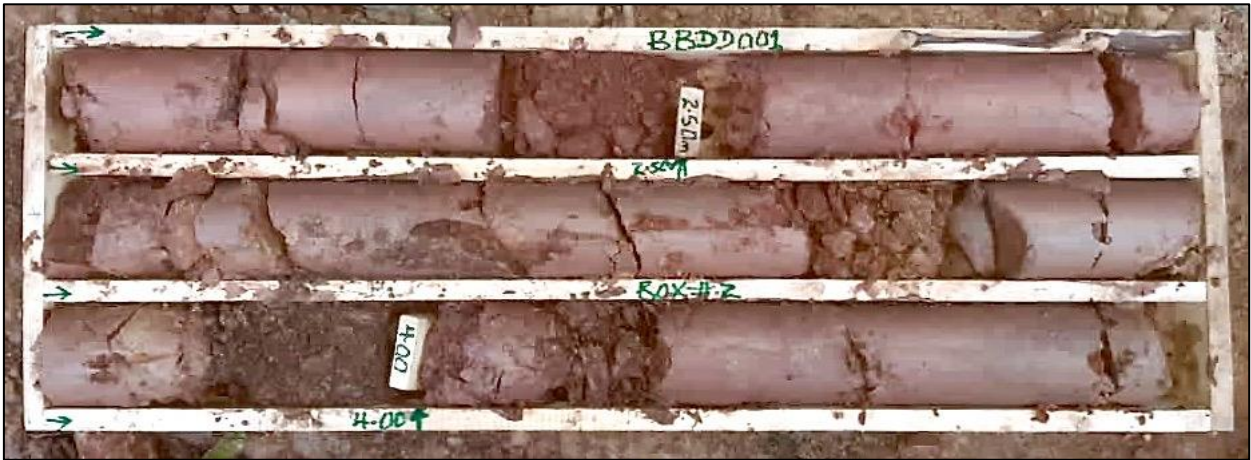


Figure 4: First core at the Babicho Gold Project



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

Trenching

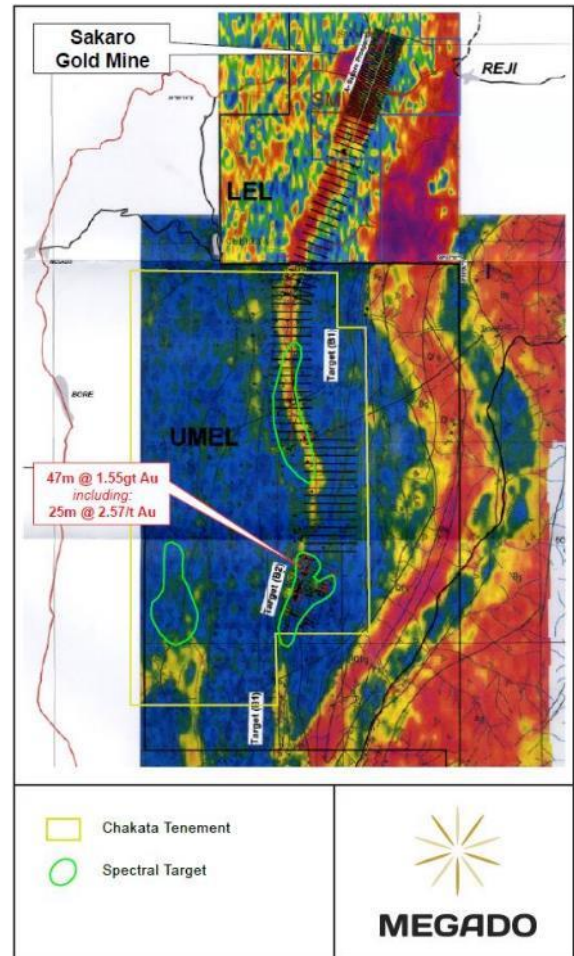
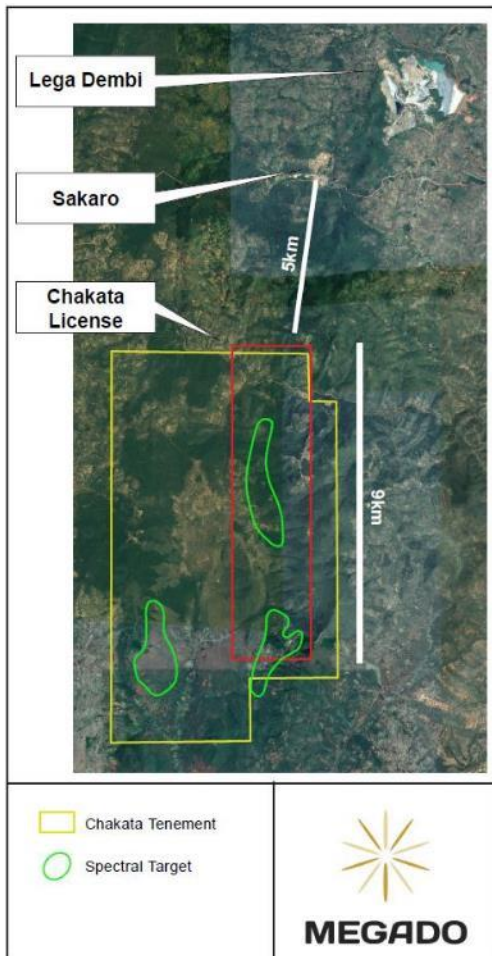
Other important works proceeded rapidly in parallel to the drilling program. In particular, the Company conducted an extensive trenching program of more than 1,000m to delineate further drill targets. Megado is testing the high-order soil anomaly at Babicho along its length and also into previously ignored areas of the anomaly. This target generation phase of work will lead to continued drilling into CY2021; and the trenching program will enhance the Company's understanding of the terrane and structural setting of the evident mineralisation as well as identifying future drilling targets. 1,306 trench samples from this work have been sent for analysis.



SPOTLIGHT: CHAKATA GOLD PROJECT

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

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



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





Figure 8: Artisanal miners exploring the granodiorite target



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

FINANCIAL COMMENTARY

The Quarterly Cashflow Report (Appendix 5B) for the period ending 31 December 2020 provides an overview of the Company's financial activities.

- The Company successfully commenced trading on the Australian Securities Exchange on 27 October 2020 after successfully raising A\$6.0m at \$0.20 per share for its initial public offering.
- The Company is now in a strong financial position with A\$5.0 million in cash at the end of the quarter. This is considered sufficient to fund corporate costs well into 2021 and also facilitate the acceleration of exploration programmes at the Company's gold assets in southern and western Ethiopia.



- Expenditure on exploration during the reporting period amounted to A\$308k, and included expense items such as drilling, sample analysis and consultant geologist fees.
- Payments for administration and corporate costs amounted to \$379K and related to costs for and associated with listing and compliance, marketing/promotion, investor relations, insurance and consulting fees.
- The aggregate amount of payments to related parties and their associates included in the current quarter cash flows from operating activities was \$141k (refer to Table 1).

Statement of Commitments

The current quarter is covered by the Statement of Commitments¹ outlined in the Prospectus dated 4 September 2020. A summary of expenditure to date is outlined below:

Table 1: Statement of Commitments

DESCRIPTION	YEAR 1 September 2020 to August 2021	YEAR 2 September 2021 to August 2022	TOTAL	ACTUAL (September to December 2020)
Acquisitions	-	-	-	-
Sampling Costs	389,919	336,482	726,401	12,597
Remote Sensing	7,917	-	7,917	-
Field Work	52,777	54,888	107,665	59,583
Trenching	98,957	32,986	131,942	7,966
Drilling	1,220,564	1,255,045	2,475,609	293,763
Daily Labourers	5,481	5,846	11,327	-
Field Office	10,951	11,083	22,034	23,340
Geological Consulting	9,946	7,308	17,254	-
Community Investment	66,063	33,078	99,141	16,603
Tenement Fees	18,555	18,555	37,110	25,000
SUB-TOTAL	1,881,130	1,755,270	3,636,400	438,853
Estimated expenses of the Offer	587,276	-	587,276	527,994
Directors' fees	646,000	646,000	1,292,000	204,625
General administration fees and working capital	340,682	343,641	684,323	261,450
TOTAL	3,455,089	2,744,911	6,200,000	1,432,922

¹ The above table is a statement of current intentions. Investors should note that the allocation of funds set out in the above table may change depending on a number of factors including the results of exploration, outcome of development activities, regulatory developments and market and general economic conditions. In light of this the Board reserves the right to alter the way the funds are applied.



Table 2: Payments to Related Parties of the Entity and their Associates

Item	Current Quarter (A\$)	Previous Quarter (A\$)
Directors' Remuneration		
Managing Director's Fees	46,875	-
Non-Executive Chairman's Fees	15,000	10,000
Executive Director Fees	78,750	54,000
Non-Executive Director Fees	-	-
Total payments to related parties of the entity and their associates	140,625	64,000

Table 3: Schedule of Tenements

TENEMENTS	LICENCE NUMBER	GRANT DATE	REGIONAL STATE	LAND AREA (KM ²)	INTEREST (%)
BABICHO	EL\00106\2019	26/09/2019	Oromia	131.96	80%
CHAKATA	MOM\EL\00556\2019	19/08/2020	Oromia	62.08	100%
CHOCHI	MOM\EL\2013\276	06/01/2014	Benishangul-Gumuz	137.28	80%
DAWA	MOM\EL\00813\2019	19/08/2020	Oromia	41.22	100%
DERMI DAMA	MOM\EL\00175\2020	<i>In Application</i>	Oromia	227.32	100%
MORMORA	EL\00313\2019	26/09/2019	Oromia	138.98	100%

Mining Tenements disposed: Nil

Beneficial percentage interests held in farm-in or farm-out agreements: Nil

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed: Nil

Related ASX Announcements

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

-ENDS-

Authorised for release by: Michael Gumbley, MD and CEO.

For more information:

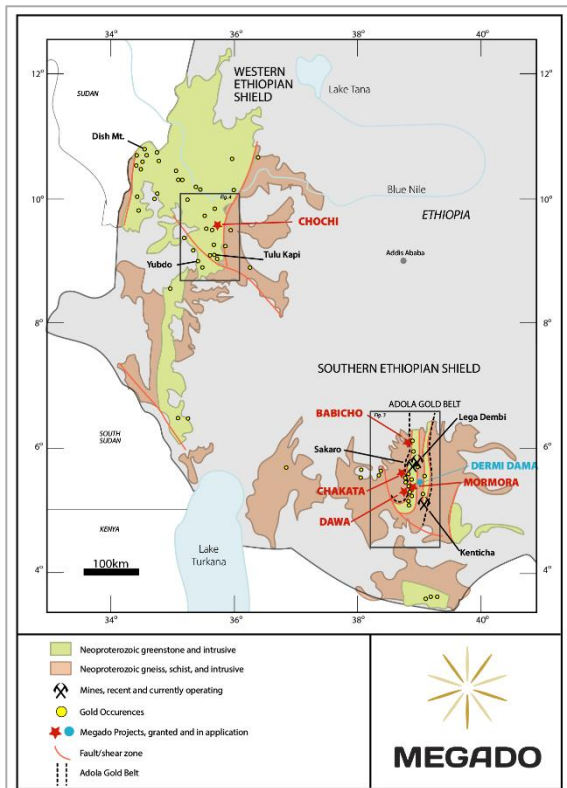
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About Megado Gold

Megado Gold Ltd is an ASX listed company with five granted high-quality gold exploration assets covering 511km² and one licence application covering 227km² in southern and western Ethiopia with the geological potential to host gold deposits of significant scale.



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

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

Megado has assembled a strong technical team with specific Ethiopian and gold exploration experience. Dr Chris Bowden, Executive Director, spent 5 years living in Ethiopia as General Manager for ASCOM Precious Metals Mining, where he was responsible for the discovery and subsequent drill out of the initial 1.5Moz Dish Mountain Gold deposit in western Ethiopia, a virgin greenfields discovery.

Minimal modern exploration has been conducted in Ethiopia, in comparison to similar greenstone belts in West Africa, Canada and Western Australia where modern techniques have successfully delineated numerous gold deposits.

Forward Looking Statements

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

Competent Person Statement

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

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



Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

MEGADO GOLD LIMITED

ABN

74 632 150 817

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(379)	(1,101)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(378)	(1,100)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(308)	(462)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	- reclamation bond	-	-
2.6	Net cash from / (used in) investing activities	(308)	(462)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,992	6,891
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(377)	(528)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	- Repayment of convertible debt securities	-	-
3.10	Net cash from / (used in) financing activities	5,615	6,363

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	114	242
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(378)	(1,100)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(308)	(462)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,615	6,363
4.5	Effect of movement in exchange rates on cash held	(22)	(22)
4.6	Cash and cash equivalents at end of period	5,021	5,021

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,520	114
5.2 Call deposits	3,501	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,021	114

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	141
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	
- Payment of Directors Fees and Remuneration - \$141k	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	
7.2	Credit standby arrangements	
7.3	Other (please specify)	
7.4	Total financing facilities	
7.5	Unused financing facilities available at quarter end	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9) (378)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) (308)
8.3	Total relevant outgoings (item 8.1 + item 8.2) (686)
8.4	Cash and cash equivalents at quarter end (item 4.6) 5,021
8.5	Unused finance facilities available at quarter end (item 7.5) -
8.6	Total available funding (item 8.4 + item 8.5) 5,021
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3) 7.3
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
Answer: N/A	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer: N/A	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021



Authorised by: Aaron Bertolatti – Director & Company Secretary

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.