MEGADO

ABN 74 632 150 817

Annual Report

31 December 2021

megadogold.com.au

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CORPORATE DIRECTORY

DIRECTORS

Bradley Drabsch (Non-Executive Chairman)

Michael Gumbley (Managing Director)

Chris Bowden (Executive Director)

Aaron Bertolatti (Finance Director)

Marta Luisa Ortiz Ortega (Non-Executive Director)

COMPANY SECRETARY

Aaron Bertolatti

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Level 12, 197 St Georges Terrace

PERTH WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

PERTH WA 6000

AUDITORS

Level 9 Mia Yellagonga Tower 2

5 Spring Street

PERTH WA 6000

STOCK EXCHANGE

Australian Securities Exchange (ASX)

(Home Exchange: Perth, Western Australia)

ASX Code: MEG

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 financial year ended 31 December 2021.

DIRECTORS

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

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

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

DIRECTORS' INFORMATION

Bradley Drabsch - BSc (Hons), FSEG, MAIG

Non-Executive Chairman – appointed 1 February 2020

Mr Drabsch is a qualified geologist with over 20 years' experience in the mineral exploration industry. Mr Drabsch has acted as Managing Director, Director and Exploration Manager along with technical roles in his earlier career. Mr Drabsch has previously acted as Managing Director of DiscovEx Resources Limited (ASX:DCX) and Trek Metals Ltd (ASX:TKM), is a founding Director of Centrepeak Resources Group Pty Ltd (CRG) a niche resources investment company which led the back door listing of gold development company Capricorn Metals Ltd (ASX:CMM). Mr Drabsch has previously worked as Exploration Manager for Doray Minerals Ltd (ASX:DRM), Montezuma Mining Company Limited (ASX:MZM) and Duketon Mining Ltd (ASX:DKM) and in key exploration roles for Ivanhoe Mines Ltd (TSX:IVN) in Mongolia and Independence Group NL (ASX:IGO).

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

Managing Director – appointed 8 March 2019

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

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

Executive Director – appointed 1 February 2020

Chris Bowden is a minerals industry professional with over 20 years' experience globally in exploration, deposit discovery, resource delineation, feasibility studies, and mining. Chris was the Exploration & General Manager of ASCOM Precious Metals Mining in East Africa for 5 years, based in Addis Ababa, Ethiopia. The role involved the exploration and development of orogenic gold, VMS gold and base metal projects in Ethiopia, Sudan and elsewhere in East and North Africa. He was responsible for the development of the Dish Mountain Gold Deposit from initial discovery, mapping, drilling, modelling, feasibility studies, and coordination of the overall African portfolio achieving a resource base approaching 2 million ounces of gold. Chris has had success in numerous roles, including: Exploration Manager in South Korea for Southern Gold Ltd (ASX: SAU); Senior Geologist for Auzex Resources Ltd (ASX: AZX); and Ivanhoe Mines Ltd throughout Mongolia and China (TSX: IVN). Chris has a deep understanding of the discovery, exploration and development of gold and mineral projects. Chris has a Bachelor of Science majoring in Geology and Chemistry, and a PhD in Economic Geology (both from James Cook University, QLD), as well as postgraduate finance and economics qualifications (GCMEE, Curtin University). Chris is a Fellow and Chartered Professional of the AusIMM (FAusIMM(CP)), and Fellow of the SEG (FSEG).

Aaron Bertolatti - B.Com, CA, ACG
Finance Director and Company Secretary – appointed 8 March 2019
Aaron Bertolatti is a qualified Chartered Accountant and Company Secretary with over 15 years' experience in the mining industry and accounting profession. Aaron has both local and international experience and provides assistance to a number of resource companies with financial accounting and stock exchange compliance. Aaron has significant experience in the administration of ASX listed companies, corporate governance and corporate finance.

Marta Luisa Ortiz Ortega - BA, LLB, Senior Management Program, Instituto de Empresa, Madrid
Non-Executive Director – appointed 27 August 2020
Marta Ortiz has 20 years of international business development experience in the consumer finance and payments industry, working for major banks in both the USA and Europe. She has a Bachelor of Law (LLB) and a Bachelor of Business Administration from ICADE, Universidad Pontificia de Comillas in Madrid, Spain (BA).

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Director	Company	Period of Directorship
Bradley Drabsch	Trek Metals Limited (ASX: TKM) Jade Gas Holdings Limited (ASX: JGH) Discovex Resources Limited (ASX: DCX)	Director from August 2016 to September 2019 Director since April 2019 to January 2022 Director since December 2019 to April 2021
Aaron Bertolatti	Future Metals NL (ASX: FME)	Director since June 2018

INTERESTS IN THE SECURITIES OF THE COMPANY

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

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

RESULTS OF OPERATIONS

The Company loss after providing for income tax amounted to $1,024,923 for the year ended 31 December 2021 (31 December 2020 $1,217,535).

DIVIDENDS

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

CORPORATE STRUCTURE

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

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

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

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

REVIEW OF OPERATIONS

Chakata Gold Project

Megado commenced its maiden drilling program at its flagship Chakata Gold Project in February. The initial drill plan was for ~10 holes for approximately 1,500m.

Previous fieldwork by the Company had uncovered outcropping quartz veins with visible gold. At the **GT prospect**, historical trench sampling returned 47m @ 1.55g/t Au, including 25m @ 2.57g/t Au (Trench TR-1). In Q3, Megado received encouraging gold results at its GT Prospect. Assay results received from the diamond drill core included:

- CKDD010: 11m @ 2.88 g/t Au from 22m (including 5m @ 3.42 g/t Au)
- CKDD008: 4m @ 0.75 g/t Au 23m (including 1m @ 2.24 g/t Au) and 1m @ 1.45 g/t Au from 34m
- CKDD009: 1m @ 1.47 g/t Au from 69m
- CKDD011: 1.1m @ 0.72 g/t Au from 22m

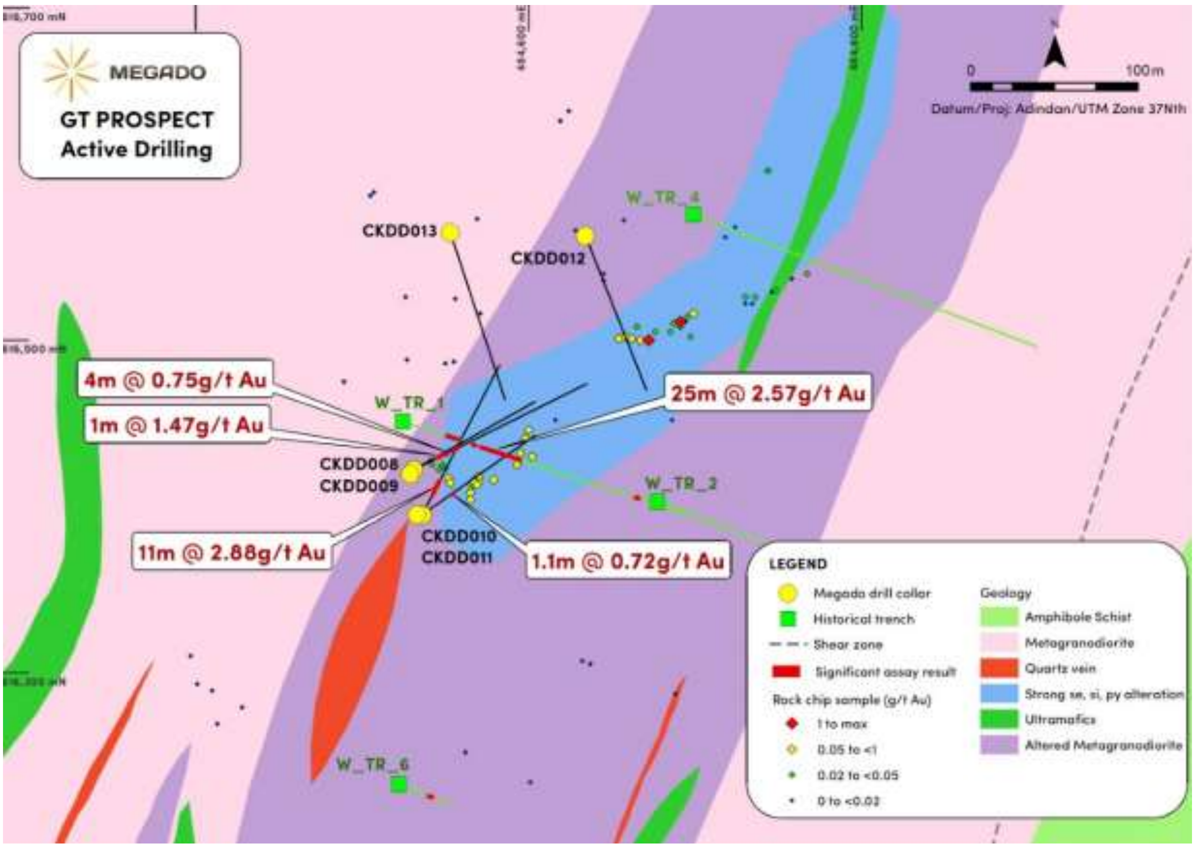

Figure 1 - Megado's drilling activities and results at the GT Prospect, in the Chakata Gold Project's south-east corner

Limited historical drilling elsewhere within the Chakata Gold Project area returned highly significant results including 2m @ 11.15g/t Au from 48.25m (WCDH01) and 0.6m @ 6.47g/t Au from 190.8m (DDH5).

The drilling program at Chakata progressed through March with encouraging visual drill intercepts. The following month, Megado reported that visual mineralisation was intersected, including copper (chalcopyrite, bornite, azurite) and quartz-tourmaline veining. The Company was encouraged by this as gold rich zones at the nearby Lega Dembi and Sakaro gold deposits (>3Moz) display a similar assemblage and mineralisation.

In Q1, ongoing systematic fieldwork identified a highly prospective new area, the **Dragon Prospect**, in the northern zone of the Chakata. Field observations showed sheared and highly altered metagranodiorite with amphibolite and mica schists hosting 20-30m wide shear zone related quartz veins with tourmaline-pyritechalcopyrite-(+/-bornite, +/- azurite) -galena mineralisation. (See Figure 2.)

The Company followed up this fieldwork with trenching operations in April: trenching was completed at the Dragon Target with visible gold evidenced in the first trench. Trench observations made in June continued to note broad zones of up to 20m wide of strongly sheared, altered and quartz veined intercepts, with occurrences of visible gold. Rocks from this newly defined Prospect have returned an impressive 5.94g/t Au, 4.21g/t Au, and 2.35g/t Au.

Figure 2 - Dragon Target: several metre-wide quartz vein with significant tourmaline and hematite within highly oxidised and kaolinized metagranodiorite

The Megado field team continued its extensive canvassing of the Chakata tenement and in April. A new target, the **Elle Prospect,** in the west of the tenement was identified, with first pass trenching and rock sampling completed. Two trenches totalling 221m were excavated at Elle and 136 rock chips were sampled and sent to Perth for testing.

Initial drilling at **Contact Prospect** concluded in June with seven holes for a total of 1,208m. Drilling repeatedly intercepted broad zones of quartz veins, which at surface have returned significant gold in rocks, up to 15.55g/t Au – analogous to the geological setting at the Sakaro Gold Mine. In June, Megado received extremely encouraging results in which peak rock results returned 15.55g/t Au, 5.10g/t Au, and 3.73g/t Au. This is also where a historical drill program from the 1990's returned 2m @ 11.15g/t Au.

Babicho Gold Project

At its other flagship project, Babicho, the Company reported significant gold intercepts from its maiden drilling program in May. The peak drilling result returned: 11m @ 0.81g/t Au (inc. 4.1m @ 1.97g/t Au) from BBDD001 (from 98m), underneath Megado trench BBTR001 that ran 11.1m @ 3.21g/t Au; and peak trenching returned: 30m @ 1.27g/t Au (inc. 11.1m @ 3.21g/t Au) from BBTR002, along strike from historical trench TR-C6 which returned 10m @ 3.5g/t Au.

Geological observations from drillholes indicate similar alteration and mineralisation to that observed at Lega Dembi and Sakaro deposits to the south. Quartz veining and shear zones with gold mineralisation at surface were continuous and open over a 3km strike length.

In Q3, Babicho's second phase trenching program returned significant gold mineralisation, highlighted by:

- BBTR011 - 10m @ 2.04g/t Au (within 30m @ 0.84g/t Au)
- BBTR012 – 11m @ 2.55g/t Au (within 21m @ 1.46g/t Au) & 6m @ 1.75g/t Au
- BBTR016 - 6m @ 3.03g/t Au (within 30m @ 1.06g/t Au)
- BBTR015 - 6m @ 2.13g/t Au (within 14m @ 1.09g/t Au)
- BBTR025: 2m @ 7.14g/t Au (within 12m @ 1.24g/t Au)
- BBTR018: 6m @ 1.34g/t Au (within 16m @ 0.77g/t Au)

Quartz veining with visible sulphides (pyrite) up to 7m wide within broad alteration zones 20-30m wide were observed in all trenches of the campaign. The Company expects its second phase drilling program to commence post-rainy season.

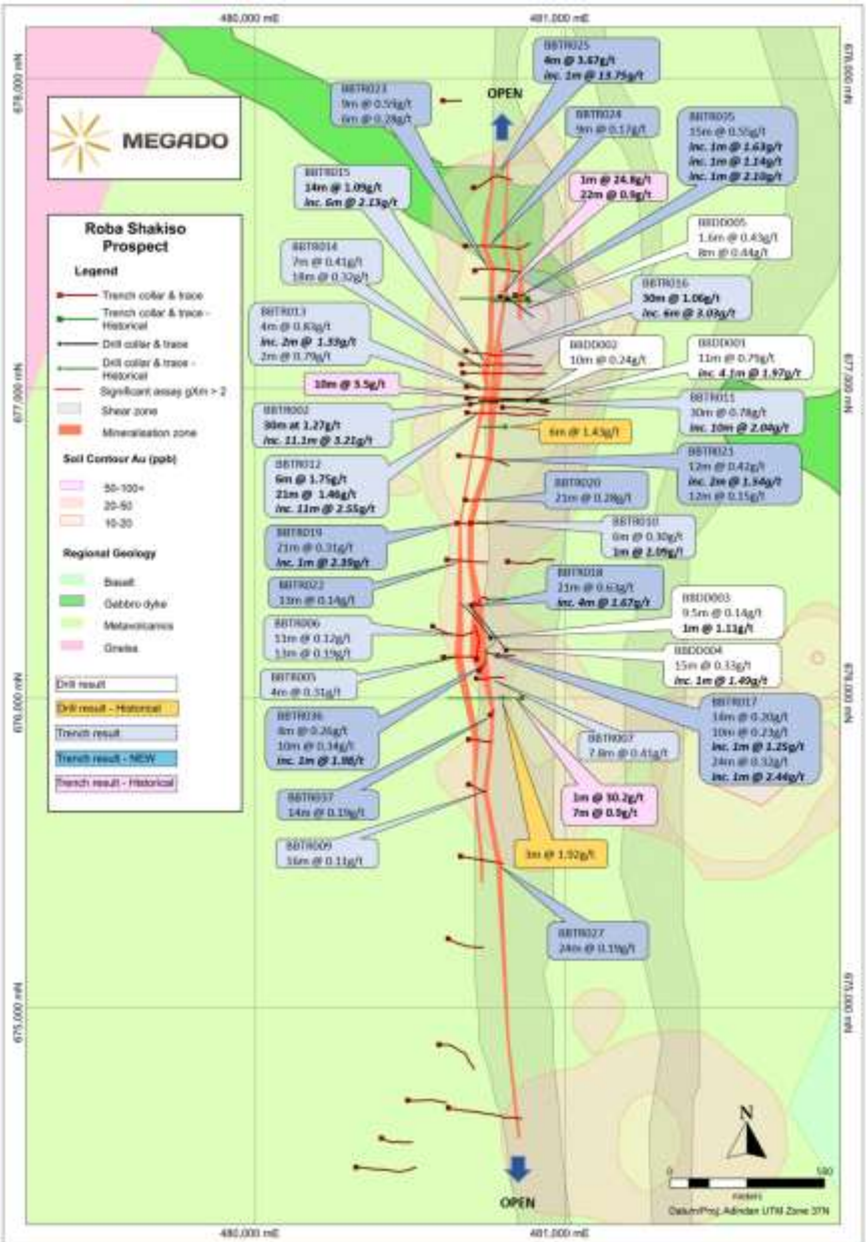

Figure 3 - Phase 2 trenching results at the Babicho Gold Project

Situation in Ethiopia

In November, the Company acknowledged the State of Emergency announced by the Federal Democratic Republic of Ethiopia. Despite this announcement, Megado continued to advance exploration activities unhindered across its four gold projects in the Adola Gold Belt (Babicho, Chakata, Dawa, and Mormora). These tenements are several days' drive from the principal points of conflict. Megado's workforce is almost entirely comprised of Ethiopian experts who are embedded in, and supported by, the communities in which we work. The Company continues to monitor the situation as it pertains to Megado's operations while pursuing an uncompromising commitment to safety.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

ENVIRONMENTAL ISSUES

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

INDEMNIFICATION AND INSURANCE OF AUDITOR

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

PROCEEDINGS ON BEHALF OF COMPANY

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

MEETINGS OF DIRECTORS

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

Name	Number Eligible to Attend	Number Attended
Michael Gumbley	3	3
Bradley Drabsch	3	3
Chris Bowden	3	3
Aaron Bertolatti	3	3
Marta Luisa Ortiz Ortega	3	3

CORPORATE GOVERNANCE

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

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

AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Megado Gold with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included within the annual report. There were no non-audit services provided by the Company's auditor.

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

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

Auditor

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

AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel of Megado Gold for the financial year ended 31 December 2021. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

Details of Directors and Key Management Personnel

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

Remuneration Policy

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

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

	FY2021		
Level	Cash Remuneration	Short Term Incentive	Long Term Incentive
Chairman	$60,000	-	-
Managing Director	$250,000	Up to 40% of cash remuneration	-
Executive Director	Up to $150,000	Up to 30% of cash remuneration	-
Non-Executive Director	$30,000	-	-

Additional Fees

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

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director of the Group for the year ended 31 December 2021 are as follows:

	Short term			Share -Based Payments			
Name	Directors' Fees $	Consulting Fees $	Incentive Award $	Equity $	Options $	Total $	Share and Option related %
Michael Gumbley	-	250,000	-	-	-	250,000	-
Bradley Drabsch	60,000	-	-	-	-	60,000	-
Chris Bowden	-	132,000	-	-	-	132,000	-
Aaron Bertolatti	-	150,000	-	-	-	150,000	-
Marta Luisa Ortiz Ortega	30,000	-	-	-	-	30,000	-
Total	**90,000**	**532,000**	**-**	**-**	**-**	**622,000**	**-**

There were no other executive officers of the Company during the financial year ended 31 December 2021.

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

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

[1] Bradley Drabsch and Chris Bowden were appointed on 1 February 2020.

[2] Marta Luisa Ortiz Ortega was appointed on 27 August 2020.

[3] Anthony Hall resigned on 27 August 2020.

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

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

Shareholdings of Directors

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

Name	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Michael Gumbley	2,305,001	-	-	-	2,305,001
Bradley Drabsch	600,000	-	-	-	600,000
Chris Bowden	585,000	-	-	-	585,000
Aaron Bertolatti	2,283,334	-	-	-	2,283,334
Marta Luisa Ortiz Ortega	3,745,763	-	-	-	3,745,763

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

Option Holdings of Directors

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

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Michael Gumbley	1,400,000	-	-	-	1,400,000	1,400,000	-
Bradley Drabsch	750,000	-	-	-	750,000	750,000	-
Chris Bowden	2,500,000	-	-	-	2,500,000	2,500,000	-
Aaron Bertolatti	400,000	-	-	-	400,000	400,000	-
Marta Luisa Ortiz Ortega	-	-	-	-	-	-	-

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

Options granted under the plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 16.

Service Agreements

Managing Director, Michael Gumbley, is engaged under the terms of an Executive Employment Agreement dated 14 July 2020. Under the agreement Mr. Gumbley is paid an annual fee of $250,0000. Mr. Gumbley also has the opportunity to participate in short term and long-term incentive schemes that the Company may put in place in the future. The Agreement may be terminated by the Company without notice or without cause by giving three months' notice in writing or payment in lieu of notice. The Agreement may also be terminated by Mr. Gumbley by providing three months' notice in writing.

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

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

Non-Executive Directors

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

Loans to Directors and Executives

There were no loans to Directors and key management personnel during the financial year ended 31 December 2021.

Additional Information

The earnings of the consolidated entity since incorporation to 31 December 2021 are summarised below:

	2021	2020	2019
Interest income	$6,644	$1,488	$48
EBITDA	($1,024,923)	($1,217,535)	($1,390,118)
EBIT	($1,024,923)	($1,217,535)	($1,390,118)
Profit/(loss) after income tax	($1,024,923)	($1,217,535)	($1,390,118)

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

	2021	2020	2019[1]
Share price at financial year end ($)	$0.083	$0.205	-
Total dividends declared (cents per share)	-	-	-
Basic earnings per share (cents per share)	(1.43)	(3.59)	-

[1] Megado Gold was incorporated in Australia on 8 March 2019 and commenced trading on the Australian Securities Exchange on 27 October 2020.

END OF AUDITED REMUNERATION REPORT

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

Signed on behalf of the Directors.

Michael Gumbley
Managing Director
Brooklyn, New York
18 March 2022

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	31-Dec-21 $	31-Dec-20 $
Continuing Operations			
Interest income		6,644	1,488
Expenses			
Professional and consulting fees		(228,343)	(284,899)
Director and employee costs		(515,320)	(496,907)
Other expenses		(209,803)	(122,426)
Share-based payments expense	16(a)	(44,356)	(166,156)
Loss on foreign exchange		(13,050)	(22,258)
Travel and accommodation		(20,695)	(35,385)
Impairment of exploration expenditure		-	(90,992)
Loss before income tax		**(1,024,923)**	**(1,217,535)**
Income tax expense		-	-
Net loss for the year		**(1,024,923)**	**(1,217,535)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(472,011)	276,683
Other comprehensive income for the year, net of tax		**(472,011)**	**276,683**
Total comprehensive loss for the year		**(1,496,934)**	**(940,852)**
Loss for the year attributable to:			
Members of the parent entity		(1,024,923)	(1,217,535)
Non-controlling interests		-	-
		(1,024,923)	**(1,217,535)**
Total comprehensive loss for the year attributable to:			
Members of the parent entity		(1,386,097)	(940,852)
Non-controlling interests		(110,837)	-
		(1,496,934)	**(940,852)**
Loss per share			
Basic and diluted loss per share (cents)	13	(1.43)	(3.59)

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 2021

	Note	31-Dec-21 $	31-Dec 20 $
Current Assets			
Cash and cash equivalents	4	1,238,301	5,021,401
Other assets	5	38,167	34,275
Receivables	6	20,961	67,136
Total Current Assets		1,297,429	5,122,812
Non-Current Assets			
Deferred exploration and evaluation expenditure	7	6,034,352	3,855,566
Total Non-Current Assets		6,034,352	3,855,566
Total Assets		7,331,781	8,978,378
Current Liabilities			
Trade and other payables	8	164,616	358,635
Total Current Liabilities		164,616	358,635
Total Liabilities		164,616	358,635
Net Assets		**7,167,165**	**8,619,743**
Equity			
Issued capital	9	9,389,259	9,389,259
Reserves	10	971,319	1,288,137
Accumulated losses	11	(3,632,576)	(2,607,653)
Capital and Reserves Attributable to Owners of the parent entity		**6,728,002**	**8,069,743**
Non-controlling interest		439,163	550,000
Total Equity		**7,167,165**	**8,619,743**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Issued capital $	Accumulated losses $	Foreign exchange translation reserve $	Share option reserve $	Total attributable to owners of the parent entity $	Non-controlling interest $	Total $
Balance at 1 January 2020	**866,003**	**(1,390,118)**	**-**	**630,048**	**105,933**	**-**	**105,933**
Total comprehensive loss for the year							
Loss for the period	-	(1,217,535)	-	-	(1,217,535)	-	(1,217,535)
Foreign currency translation	-	-	276,683	-	276,683	-	276,683
Total comprehensive loss for the year	-	(1,217,535)	276,683	-	(940,852)	-	(940,852)
Transactions with owners in their capacity as owners							
Non-controlling interest recognised on acquisition	-	-	-	-	-	550,000	550,000
Shares issued during the year	9,269,250	-	-	(2,750)	9,266,500	-	9,266,500
Cost of issue	(745,994)	-	-	218,000	(527,994)	-	(527,994)
Share-based payments (note 16(a))	-	-	-	166,156	166,156	-	166,156
Balance at 31 December 2020	**9,389,259**	**(2,607,653)**	**276,683**	**1,011,454**	**8,069,743**	**550,000**	**8,619,743**
Balance at 1 January 2021	**9,389,259**	**(2,607,653)**	**276,683**	**1,011,454**	**8,069,743**	**550,000**	**8,619,743**
Total comprehensive loss for the year							
Loss for the period	-	(1,024,923)	-	-	(1,024,923)	-	(1,024,923)
Foreign currency translation	-	-	(361,174)	-	(361,174)	(110,837)	(472,011)
Total comprehensive loss for the year	**-**	**(1,024,923)**	**(361,174)**	**-**	**(1,386,097)**	**(110,837)**	**(1,496,934)**
Transactions with owners in their capacity as owners							
Share-based payments (note 16(a))	-	-	-	44,356	44,356	-	44,356
Balance at 31 December 2021	**9,389,259**	**(3,632,576)**	**(84,491)**	**1,055,810**	**6,728,002**	**439,163**	**7,167,165**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	31-Dec-21	31-Dec-20
Cash flows from operating activities			
Payments to suppliers and employees		(1,007,804)	(1,098,889)
Interest received		6,644	1,488
Net cash used in operating activities		**(1,001,160)**	**(1,097,401)**
Cash flows from investing activities			
Payments for exploration expenditure		(2,768,890)	(463,965)
Net cash used in investing activities		**(2,768,890)**	**(463,965)**
Cash flows from financing activities			
Proceeds from issue of shares		-	6,891,414
Payments for share issue costs		-	(527,994)
Net cash provided by financing activities		**-**	**6,363,420**
Net (decrease)/ increase in cash and cash equivalents		(3,770,050)	4,802,054
Cash and cash equivalents at the beginning of the year		5,021,401	241,605
Effect of exchange rate fluctuations on cash		(13,050)	(22,258)
Cash and cash equivalents at the end of the year	4	**1,238,301**	**5,021,401**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Megado Gold Limited ("Megado Gold" or "the Company") for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 18 March 2022. Megado Gold is a company limited by shares incorporated in Australia whose shares commenced public trading on the Australian Securities Exchange on 27 October 2020. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

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

a) Basis of Preparation

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

b) Compliance Statement

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

c) Basis of Consolidation

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

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

d) Going Concern

As disclosed in the financial statements, the Company incurred a loss of $1,024,923 (2020: $1,217,535) and had net cash outflows from operating and investing activities of $1,001,160 (2020: 1,097,401) and $2,768,890 (2020: 463,965) respectively for year ended 31 December 2021. As at that date, the Company had net current assets of $1,132,813.

The ability of the entity to continue as a going concern is dependent on the Company successfully raising capital in the near future to fund ongoing operations. This condition indicates 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. The Group may need to raise additional capital via an equity raising from investors and if need be, reduce current levels of expenditure.

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. The functional currency of the Ethiopian subsidiaries is the Ethiopian Birr.

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

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

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

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

f) Segment Reporting

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

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) Issued capital

Ordinary shares are classified as equity.

o) 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.

p) Other Income

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

q) 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.

r) Share-based payment transactions

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

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

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

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

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

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

(ii) Cash settled transactions:

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

s) Critical accounting estimates and judgements

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

Share-based payment transactions

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

Deferred Exploration and evaluation Expenditure

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

Coronavirus (COVID-19) pandemic

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

t) New and amended standards adopted by the Group

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

	31-Dec-2021 $	31-Dec-2020 $
3. 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	(1,024,923)	(1,217,535)
Tax at the Australian rate of 30%	(307,477)	(365,261)
Share-based payments	13,307	49,847
Share issue costs	(13,428)	(13,428)
Non-deductible legal expenses	1,448	37,913
Unavailable tax loss	-	283,352
Income tax benefit not brought to account	306,150	7,577
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		-
Unrealised foreign exchange	10,592	6,677
Share issue costs	40,284	53,712
Accrued expenses	7,200	3,300
Tax losses	526,379	-
Net deferred tax asset not recognised	**584,454**	**63,689**

	31-Dec-2021 $	31-Dec-2020 $
4. Cash and cash equivalents		
Reconciliation of cash		
Cash comprises of:		
Cash at bank	**1,238,301**	**5,021,401**
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(1,024,923)	(1,217,535)
Non-cash items		
Exploration expenditure written off	-	90,992
Foreign exchange loss	13,050	22,258
Share based payments	44,356	166,156
Change in assets and liabilities		
(Increase)/decrease in trade, other receivables and other assets	42,282	(71,601)
Increase/(decrease) in trade and other payables	(75,925)	(87,671)
Net cash flow used in operating activities	**(1,001,160)**	**(1,097,401)**

5. Other assets – current		
Prepayments - Insurance	38,167	34,275
	38,167	**34,275**

6. Receivables		
GST receivable	20,961	67,136
	20,961	**67,136**

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.

7. Deferred exploration and evaluation expenditure		
Exploration and Evaluation phase - at cost		
Opening balance	3,855,566	-
Acquisition of exploration tenements	-	2,750,000
Exploration and evaluation expenditure incurred during the year	2,578,797	545,865
Foreign exchange translation difference	(400,011)	276,713
Capitalisation of prepaid acquisition costs to exploration assets	-	282,988
Closing balance	**6,034,352**	**3,855,566**

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

8. Trade and other payables		
Trade payables	140,616	347,635
Accruals	24,000	11,000
	164,616	**358,635**

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

	31-Dec-2021 $	31-Dec-2020 $
9. Issued Capital		
(a) Issued and paid-up capital	**9,389,259**	**9,389,259**

	31-Dec-2021		31-Dec-2020	
	No. shares	$	No. shares	$
Opening balance	71,500,003	9,389,259	15,435,003	866,003
Issue of shares - vendor shares	-	-	5,500,000	2,750
Issue of shares - $0.10 seed shares	-	-	7,587,500	758,750
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
Shares issued as consideration for acquisition	-	-	11,000,000	2,200,000
Issue of shares - IPO	-	-	30,000,000	6,000,000
Transaction costs on share issue	-	-	-	(745,994)
Closing balance	**71,500,003**	**9,389,259**	**71,500,003**	**9,389,259**

(b) Ordinary shares

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

(c) Capital risk management

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of $7,167,165 at 31 December 2021 (2020: $8,619,743). The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders.

The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 17 for further information on the Company's financial risk management policies.

(d) Share options

As at 31 December 2021, there were 17,050,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price $	Expiry Date
10,450,000	$0.20	on or before 27 October 2024.
3,800,000	$0.25	on or before 27 October 2022.
1,000,000	$0.25	on or before 30 June 2023.
1,000,000	$0.30	on or before 30 June 2023.
800,000	$0.30	on or before 30 June 2025.
17,050,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. 800,000 options lapsed during the reporting period. No options were exercised during or since the period ended 31 December 2021.

	31-Dec-2021 $	31-Dec-2020 $
10. Reserves		
Share based payment and option reserve	1,055,810	1,011,454
Foreign exchange translation reserve	(84,491)	276,683
	971,319	**1,288,137**
Movements in Reserves		
Share based payment and option reserve		
Opening balance	1,011,454	630,048
Share-based payments	44,356	166,156
Cancellation of Performance A and B Options	-	(2,750)
Transaction costs on share issue	-	218,000
Closing balance	**1,055,810**	**1,011,454**

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

Foreign exchange translation reserve		
Opening balance	276,683	-
Foreign exchange translation difference	(361,174)	276,683
Closing balance	**(84,491)**	**276,683**

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

11. Accumulated losses		
Movements in accumulated losses were as follows:		
Opening balance	(2,607,653)	(1,390,118)
Loss for the period	(1,024,923)	(1,217,535)
Closing balance	**(3,632,576)**	**(2,607,653)**
12. 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	40,500	22,500
Other services:		
- Preparation of Independent Accountant's Report	-	12,000
	40,500	**34,500**
13. Loss per Share		
Loss used in calculating basic and dilutive EPS	(1,024,923)	(1,217,535)

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic loss per share:	71,500,003	33,930,565
Effect of dilution:		
Share options		-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	71,500,003	33,930,565

There is no impact from 17,050,000 options outstanding at 31 December 2021 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

14. Directors and Key Management Personnel Disclosures

(a) Remuneration of Directors and Key Management Personnel

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

	31 Dec 2021 $	31 Dec 2020 $
Short term employee benefits	622,000	508,000
Share based payments	-	115,544
Total remuneration	**622,000**	**623,544**

(b) Other transactions with key management personnel

Keystone Resources Consulting Pty Ltd, company in which Mr. Chris Bowden is a director, charged the Company consulting fees of $132,000. The consulting fee is included in note 14(a) "Compensation of key management personnel". $13,750 was outstanding at year end (2020: nil).

Geocopter Pty Ltd, company in which Mr. Brad Drabsch is a director, charged the Company consulting fees of $60,000. The consulting fee is included in note 14(a) "Compensation of key management personnel". $6,250 was outstanding at year end (2020: $5,000).

1918 Consulting Pty Ltd, company in which Mr. Aaron Bertolatti is a director, charged the Company consulting fees of $150,000. The consulting fee is included in note 14(a) "Compensation of key management personnel". $15,625 was outstanding at year end (2020: nil).

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

There were no other transactions with key management personnel for the year ended 31 December 2021.

15. Related Party Disclosures

(a) Key management personnel

For Director related party transactions please refer to note 14 "Key Management Personnel Disclosures".

(b) Subsidiaries

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

		Equity Holding	
Name of Entity	Country of Incorporation	31 December 2021	31 December 2020
Megado Gold Inc.	USA	100%	100%
Babicho Mining Plc	Ethiopia	80%	80%
Chochi Mining Plc	Ethiopia	80%	80%

16. 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 2021 $	31 Dec 2020 $
Employee and Director share based payments	44,356	67,794
Share based payments to suppliers	-	316,362
	44,356	**384,156**

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

Share-based payment expense	44,356	166,156
Issued capital – transaction costs on share issue	-	218,000
	44,356	**384,156**

(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 year ended 31 December 2021:

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
10/05/2021	30/06/2025	$0.30	-	800,000	-	-	800,000	-[1]

[1] Options vest on 1 July 2022 provided that the employee remains continuously employed during that time.

The expense recognised in respect of the above options granted during the year was $44,356 which represents the fair value of the options.

The model inputs, not included in the table above, included:

a) Options were issued for nil consideration;
b) expected life of the options is 4 years;
c) share price at grant date was $0.165;
d) expected volatility of 100%;
e) expected dividend yield of nil; and

a risk-free interest rate of 0.75%.

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

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

The model inputs, not included in the table above, included:

a) Options were issued for nil consideration;
b) expected life of the options is 4 years;
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

There were no unlisted options issued to suppliers during the year ended 31 December 2021.

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

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

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

The model inputs, not included in the table above, included:

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

17. 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.

	Effect on Post Tax Loss ($)	Effect on equity including retained earnings ($) Increase/(Decrease)	Effect on Post Tax Loss ($)	Effect on equity including retained earnings ($) Increase/(Decrease)
Change in Basis Points	**2021**		**2020**	
Increase 75 basis points	9,287	9,287	37,661	37,661
Decrease 75 basis points	(9,287)	(9,287)	(37,661)	(37,661)

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.

	2021 $	**2020** $
Cash and cash equivalents	1,238,301	5,021,401
Receivables	20,961	67,136

(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.

18. Significant events after the reporting date

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

19. Parent Entity Information

The following details information related to the parent entity, Megado Gold Limited, at 31 December 2021. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	31 Dec 2021 $	31 Dec 2020 $
Current assets	1,297,333	5,122,698
Total assets	6,975,110	8,149,694
Current liabilities	(164,616)	(358,635)
Total liabilities	(164,616)	(358,635)
Net assets	**6,810,494**	**7,791,059**
Issued capital	9,389,259	9,389,259
Reserves	1,055,810	1,011,453
Accumulated losses	(3,634,576)	(2,609,653)
	6,810,493	**7,791,059**
Loss of the parent entity	(1,024,923)	(1,219,535)
Total comprehensive loss of the parent entity	**(1,024,923)**	**(1,219,535)**

Other Commitments and Contingent Liabilities

The Company had no commitments and no contingent liabilities as at 31 December 2021.

20. Segment Information

The Group has identified its operating segments based on the internal reports that are reported to the Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Group operates predominately in one industry, being the exploration of Gold. The main geographic areas that the entity operates in are Australia and Ethiopia. The parent entity is registered in Australia. The Group's exploration assets are located in the Ethiopia. The following table present revenue, expenditure and certain asset and liability information regarding geographical segments for the year ended 31 December 2021 and 31 December 2020:

	Australia $	Ethiopia $	Total
Year ended 31 December 2021			
Other income	6,644	-	6,644
Interest income	-	-	-
Segment revenue	**6,644**	**-**	**6,644**
Result			
Loss before tax	(1,024,923)	-	(1,024,923)
Income tax expense	-	-	-
Loss for the year	**(1,024,923)**	**-**	**(1,024,923)**
Asset and liabilities			
Segment assets	1,225,115	6,106,666	7,331,781
Segment liabilities	164,616	-	164,616
Year ended 31 December 2020			
Other income	1,488	-	1,488
Interest income	-	-	-
Segment revenue	**1,488**	**-**	**1,488**
Result			
Loss before tax	(1,126,543)	(90,992)	(1,217,535)
Income tax expense	-	-	-
Loss for the year	**(1,126,543)**	**(90,992)**	**(1,217,535)**
Asset and liabilities			
Segment assets	5,115,365	3,863,012	8,978,377
Segment liabilities	358,635	-	358,635

21. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2021 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 2021.

22. Contingent assets and liabilities

There are no known contingent assets or liabilities as at 31 December 2021.

23. Commitments

There are no known commitments as at 31 December 2021.

DIRECTORS DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors.

Michael Gumbley
Managing Director
Brooklyn, New York
18 March 2022

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

As lead auditor of Megado Gold Limited for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 18 March 2022

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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) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Material uncertainty relating to going concern

We draw attention to Note 2(d) 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.

Key audit matters

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

Accounting for Exploration and Evaluation Assets

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2021, we note that the carrying value of the Deferred Exploration and Evaluation Asset is significant to the financial statements, as disclosed in note 7. As a result, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering whether any facts of circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 7 of the Financial Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Megado Gold Limited, for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 18 March 2022

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 11 March 2022.

Distribution of Share Holders

	Ordinary Shares		
	Number of Holders	Number of Shares	%
1 - 1,000	15	2,624	0.00
1,001 - 5,000	70	242,998	0.34
5,001 - 10,000	91	754,475	1.06
10,001 - 100,000	229	10,215,252	14.29
100,001 - and over	135	60,284,654	84.31
TOTAL	**540**	**71,500,003**	**100.00**

There were 98 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders (excluding restricted securities)

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

Name	Quoted Shares	%
PROFUSION DISCOVERY FUND LTD	4,000,000	5.59
MRS MARTA LUISA ORTIZ ORTEGA	3,745,763	5.24
JAWAF ENTERPRISES PTY LTD <HALL FAMILY A/C>	3,162,103	4.42
MR PABLO ARTINANO DEL RIO	3,138,164	4.39
SOL SAL INVESTMENTS PTY LTD <SOL SAL INVESTMENTS A/C>	2,821,500	3.95
MR MICHAEL KENNETH FRANCIS GUMBLEY	2,305,001	3.22
MR AARON DEAN BERTOLATTI <BERTOLATTI FAMILY A/C>	2,283,334	3.19
CROWN LUGGERS PTY LTD	2,008,667	2.81
ALSTER INVESTMENT LLC	1,860,955	2.60
MS LILLIAN RUTH RODRIGUEZ SIMS + MR PEDRO RODRIGUEZ FERNANDEZ	1,400,000	1.96
NORFOLK BLUE PTY LTD <NORFOLK BLUE A/C>	1,340,558	1.87
FLOURISH SUPER PTY LTD <FLOURISH S/F A/C>	1,296,500	1.81
MR ANDRES ARTINANO	1,141,314	1.60
CRAU MINING SL	1,100,781	1.54
FIKRU BIRHANU MOTUMA	1,012,816	1.42
DORRAN PTY LTD	1,000,000	1.40
E & E HALL PTY LTD <E & E HALL P/L S/F A/C>	833,333	1.17
LILLIAN RUTH RODRIGUEZ SIMS	795,889	1.11
MS PATRICIA FERNANDEZ-SANCHO BERNAL	710,980	0.99
MR BRADLEY JAMES DRABSCH <OCEANTOBUSH A/C>	600,000	0.84
Total quoted top twenty share holders	**36,557,658**	**51.12**
Total remaining quoted holders balance	**34,942,345**	**48.88**

Restricted Securities

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

Securities restricted for 24 months from date of quotation

Securities	Restriction Period
28,451,205 Ordinary Fully Paid Shares	24 months from date of quotation
15,400,000 Options[1]	24 months from date of quotation

Notes:

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

Substantial Shareholders

Name	Shares	%
PROFUSION DISCOVERY FUND LTD	4,000,000	5.59
MRS MARTA LUISA ORTIZ ORTEGA	3,745,763	5.24

Unlisted Options

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

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

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

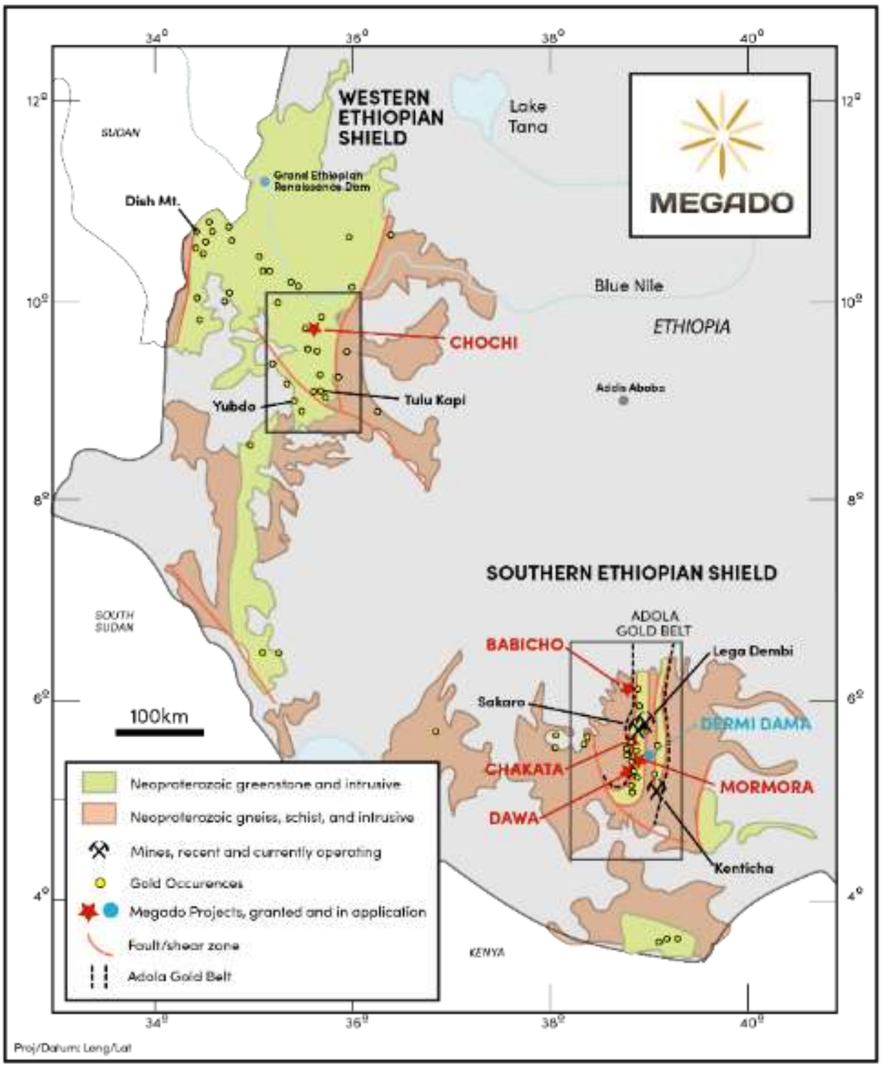
Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 31 December 2021.

Schedule of Tenements

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

Ethiopian Project Locations



IMPORTANT INFORMATION AND DISCLAIMERS

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

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

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

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