

## QUARTERLY ACTIVITIES AND CASHFLOW REPORT FOR THE PERIOD ENDED 31 MARCH 2021

### HIGHLIGHTS

- \* Maiden diamond drilling program commenced at the Chakata Gold Project, Ethiopia in February
- \* Visual mineralisation intersected, including copper (chalcopyrite, bornite, azurite) and quartz-tourmaline veining
- \* Diamond drilling program at Chakata doubled to 3,000m
- \* Secured an additional drill rig to increase drilling capacity
- \* Trenching programs initiated at Dragon & Elle Prospects
- \* Trenching at Dragon Prospect revealed highly mineralised quartz and rocks with evidence of visible gold

**Ethiopian-focused gold explorer Megado Gold** (ASX:MEG) (**Megado** or the **Company**) provides the following commentary on its activities and an Appendix 5B for the quarter ended 31 March 2021.

Since listing on the ASX less than six months ago, Megado has pursued an ambitious exploration program, having already announced several exciting developments to the market, including initiating maiden drilling campaigns at its flagship Babicho and Chakata Gold Projects.

Megado completed its first drill program at Babicho in January then transferred attention to the Chakata Gold Project whilst assays from Babicho are awaited. As the Company previously reported, historical exploration provided walk-up, drill-ready targets at Chakata. Historical trenching at Chakata's GT Prospect returned an impressive 47m @ 1.55g/t Au, including **25m @ 2.57g/t Au** ([refer to announcement 12 November 2020](#)), with no known drill testing at depth beneath the trench or down plunge. In addition, Megado's geologists delineated additional targets considered to be highly prospective. The CT Prospect, as well as newly identified targets - the Dragon and Elle Prospects - have been subjected to extensive rock chip sampling and, in the case of the latter two, trenching programs.



#### Megado Gold Ltd

ACN 635 895 082

ASX: MEG

#### Issued Capital

71.5m Shares

16.3m Options

#### Australian Registered Address

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#### Directors

Brad Drabsch (Non-Exec. Chair)

Michael Gumbley (MD and CEO)

Chris Bowden (Exec. Tech. Director)

Marta Ortiz (Non-Exec. Director)

Aaron Bertolatti (Finance Director)

Early observations from these works have shown these targets to host highly mineralised quartz and visible gold, providing the Company with the confidence to double the metreage of the first drilling program and secure an additional drill rig to test the various targets. The second and third drilling campaigns are expected to commence during Q2.

The Company looks forward to sharing further results with the market as soon as they become available.

## **FINANCIAL SUMMARY**

Critically for the Company, despite the ambitious start, management remains prudent with its expenditure. Moving into Q2 CY2021, Megado retains more than \$3.9m to continue implementing its aggressive exploration program. These funds provide ample resources to allow management the flexibility to shape an aggressive exploration strategy based on what is hoped will be encouraging results from the Company's initial drilling campaigns.

## **SPOTLIGHT: CHAKATA GOLD PROJECT**

Chakata is located in the Adola Gold Belt in southern Ethiopia, only five kilometres south along strike from the country's largest producing gold mines, Lega Dembi and Sakaro (+3Moz) (Figure 1). The structure that hosts the Lega Dembi/Sakaro trend extends to the south through Chakata for over 9km and is readily identifiable in geophysical imagery. Megado geologists' fieldwork has continued to confirm indications of significant occurrences of primary hard rock gold, including multiple rock samples containing visible gold.

Megado believes there is significant potential for repeat, blind, high-grade plunging shoots. Such shoots are characteristically similar to the Sakaro deposit, within a locally north-northeast divergent 2.5km+ strike length structural splay at the GT Prospect. Previous exploration efforts at Chakata do not appear to have adequately led to a full understanding of its mineralisation potential, resulting in minimal drilling of what appear to be obvious high priority prospects. Of the limited historical drilling previously conducted within the tenement, intercept highlights include: **2m @ 11.15g/t Au** and **0.6m @ 6.47g/t Au** ([refer to announcement 12 November 2020](#)). Megado has positioned itself well to build upon previous work and has consequently been swift to initiate an ambitious string of drilling programs in order to test these theses.

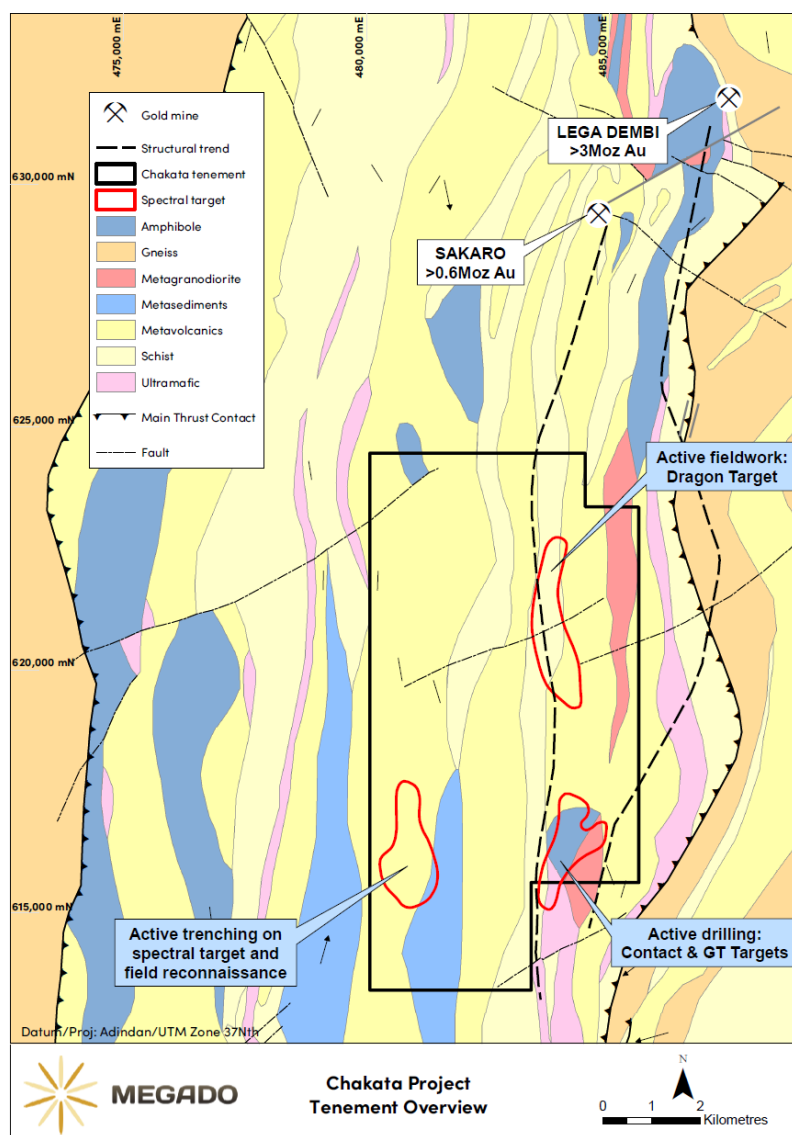


Figure 1 – Megado highly active at the Chakata Gold Project: initial drill program on the southern portion of the Chakata tenement; trenching in the west of the tenement; and, active fieldwork identifying new areas in the north and west of the tenement.

### Drilling Update: CT & GT Prospects

Drilling has been focused on the CT Prospect during Q1 CY2021 (Figure 4). Holes completed as part of the initial drilling program (Figure 2) have intercepted zones of several-metre-wide quartz veins with visible tourmaline-pyrite-chalcopyrite-galena mineralisation (Figures 3 & 4). The Company has been encouraged by this as gold rich zones at the nearby Lega Dembi and Sakaro gold deposits (>3Moz) display a similar assemblage and mineralisation. Drilling will continue at the CT Prospect and subsequently move to the GT Prospect (historical trench result of **25m @ 2.57g/t Au**) in Q2 CY2021.



Figure 2 – Detail from CKDD003 exhibiting silicified metagranodiorite highly mineralised with chalcopyrite at 36m



Figure 3 – Detail from CKDD002 at 37m showing tourmaline-pyrite mineralisation within quartz vein zone

### **GT Prospect: Upcoming Drilling Program in Focus**

*Megado has been excited to drill test a number of possible controls to gold mineralisation in this southern portion of the Chakata tenement during Q1 CY2021. As announced on 17 February 2021, Megado's fieldwork identified numerous structures and stockwork vein zones at the GT Prospect that trend parallel to historical drilling and trenching. This is significant, as previous works were focused on testing the north-northeast trending primary structure by trenching and drilling along east-southeast lines, whereas Megado field observations show mineralisation is locally trending east-southeast. Previous historical trenching and sporadic drilling parallel to these structures (see Figure 4) highly likely explains their erratic historical intercepts. Megado drilling at this target will orient drilling perpendicular to these local structures and test a much broader zone of mapped intense alteration and veining. In addition to this, drill targets also include follow-up to open historical trench and drill results (e.g. 25m @ 2.57g/t Au and 2m @ 11.15g/t Au respectively), as well as expanding on historical results at the CT Prospect.*

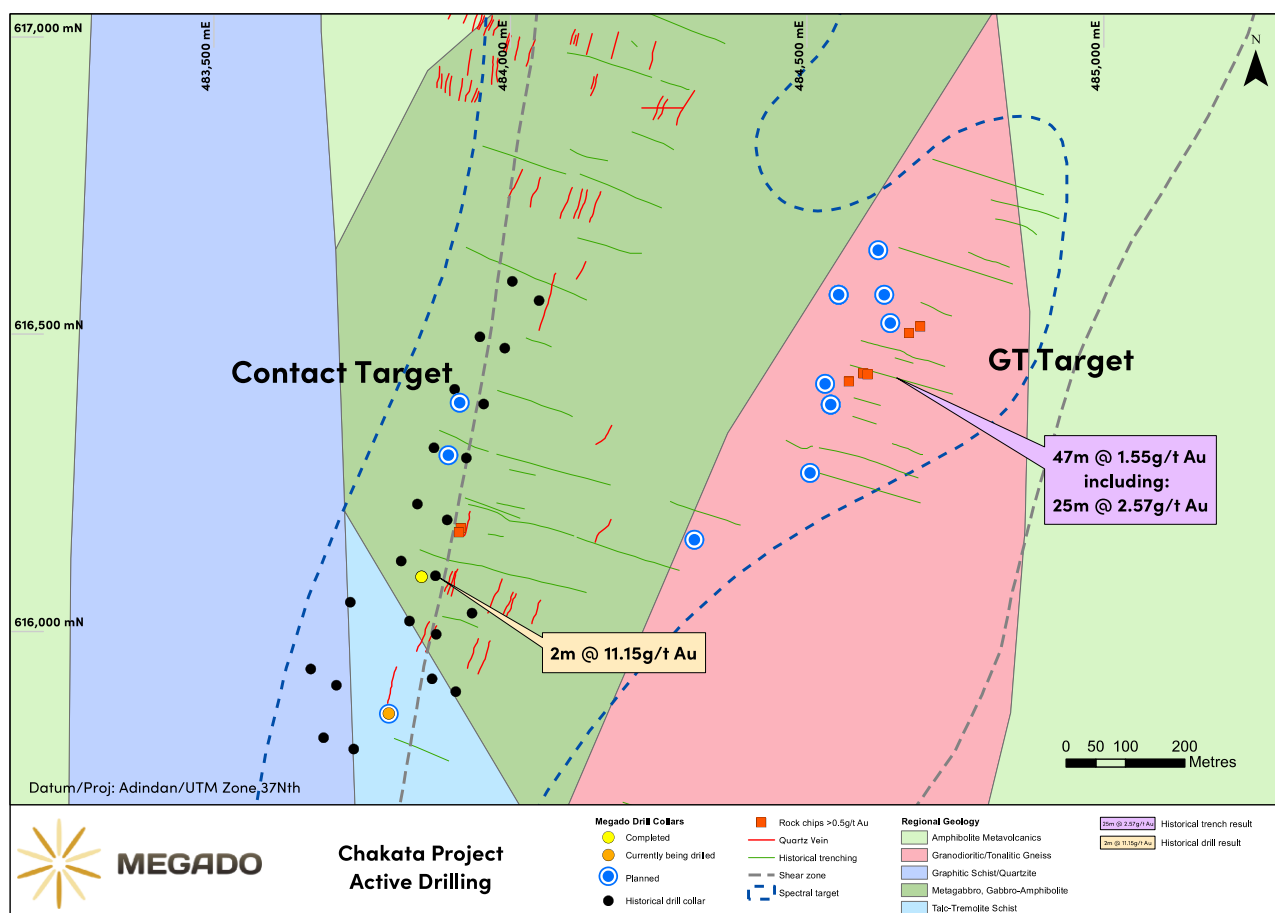


Figure 4 - Megado's current drilling activities focused in the south-east corner, at the Contact and GT Prospects, Chakata Gold Project

## Dragon Prospect Update

During the quarter Megado also launched an extensive trenching campaign at Chakata's Dragon Prospect in the north of the tenement (Figure 5). The first trench revealed highly mineralised quartz veins and instances of rocks with visible gold (Figure 6). Nine trenches for a total of 2,400m over 1km strike length have been planned with the first trench already completed at 220m.

As announced on 23 March 2021, field observations noted sheared and highly altered metagranodiorite with amphibolite and mica schists hosting 20-30m wide shear zone related quartz veins with tourmaline-pyrite-chalcopyrite-(+/-bornite,+/-azurite)-galena mineralisation (Figures 7 & 8). The Megado team's expectation is that the Dragon Target sits on a structure identical to that which hosts the high-grade Sakaro deposit.





Figure 5 – Trenching begins at the Dragon Target



Figure 6 – Mineralised quartz from Dragon Target's first trench, CKTR003



Figure 7 – Visible gold from from Dragon Target's first trench, CKTR003

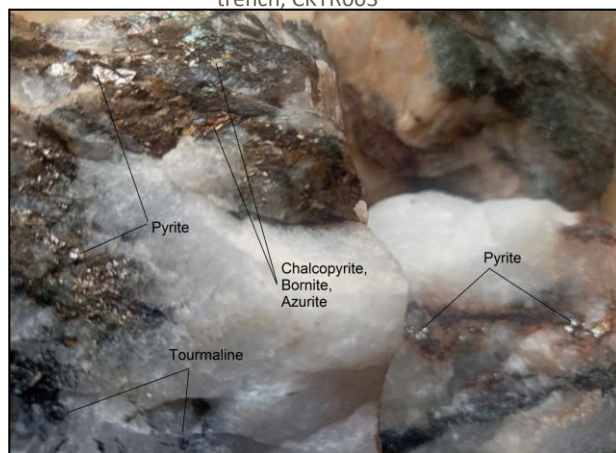


Figure 8 – Close-up of vein from CKTR003 – tourmaline and sulphide bearing quartz vein with relicts of host rock

### **New Target: Elle Prospect**

The Megado field team continued its extensive canvassing of the Chakata tenement in Q1 CY2021. In the west of the tenement, Megado's geologists identified targets at what has become known as the Elle Prospect. Two trenches totalling 221m were excavated at Elle and 136 rock chips sampled. Results from these works are expected early in Q2 CY2021.

### **FINANCIAL COMMENTARY**

The Quarterly Cashflow Report (Appendix 5B) for the period ending 31 March 2021 provides an overview of the Company's financial activities.

- The Company remains in a strong financial position with A\$3.9 million in cash at the end of the quarter. This is considered sufficient to fund corporate costs into the second half of 2021 and also facilitate the continued acceleration of exploration programmes at the Company's gold assets in southern and western Ethiopia.
- Expenditure on exploration during the reporting period amounted to A\$592k, and included expense items such as drilling, sample analysis and consultant geologist fees.
- Payments for administration and corporate costs amounted to \$334K and related to costs for and associated with listing and compliance, marketing/promotion, investor relations and consulting fees. The aggregate amount of payments to related parties and their associates included in the current quarter cash flows from operating activities was \$153k (refer to Table 1).

### **Statement of Commitments**

The current quarter is covered by the Statement of Commitments<sup>1</sup> outlined in the Prospectus dated 4 September 2020. A summary of expenditure to date is outlined below:



**Table 1: Statement of Commitments**

DESCRIPTION	YEAR 1 September 2020 to August 2021	YEAR 2 September 2021 to August 2022	TOTAL	ACTUAL (September 2020 to March 2021)
Acquisitions	-	-	-	-
Sampling Costs	389,919	336,482	726,401	74,075
Remote Sensing	7,917	-	7,917	-
Field Work	52,777	54,888	107,665	152,757
Trenching	98,957	32,986	131,942	15,952
Drilling	1,220,564	1,255,045	2,475,609	749,578
Daily Labourers	5,481	5,846	11,327	-
Field Office	10,951	11,083	22,034	25,881
Geological Consulting	9,946	7,308	17,254	8,630
Community Investment	66,063	33,078	99,141	21,117
Tenement Fees	18,555	18,555	37,110	25,000
<b>SUB-TOTAL</b>	<b>1,881,130</b>	<b>1,755,270</b>	<b>3,636,400</b>	<b>1,072,991</b>
Estimated expenses of the Offer	587,276	-	587,276	527,994
Directors' fees	646,000	646,000	1,292,000	292,835
General administration fees & working capital	340,682	343,641	684,323	471,440
<b>TOTAL</b>	<b>3,455,089</b>	<b>2,744,911</b>	<b>6,200,000</b>	<b>2,365,260</b>

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

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

Item	Current Quarter (A\$)	Previous Quarter (A\$)
<b>Directors' Remuneration</b>		
Managing Director's Fees	62,500	46,875
Non-Executive Chairman's Fees	10,000	15,000
Executive Director Fees	70,500	78,750
Non-Executive Director Fees	10,000	-
<b>Total payments to related parties of the entity and their associates</b>	<b>153,000</b>	<b>140,625</b>



**Table 3: Schedule of Tenements**

Tenements	Licence Number	Grant Date	Regional State	Land Area (Km <sup>2</sup> )	Interest (%)
<b>Babicho</b>	EL\00106\2019	26/09/2019	Oromia	131.96	80%
<b>Chakata</b>	MOM\EL\00556\2019	19/08/2020	Oromia	62.08	100%
<b>Chochi</b>	MOM\EL\2013\276	06/01/2014	Benishangul-Gumuz	137.28	80%
<b>Dawa</b>	MOM\EL\00813\2019	19/08/2020	Oromia	41.22	100%
<b>Dermi Dama</b>	MOM\EL\00175\2020	<i>In Application</i>	Oromia	227.32	100%
<b>Mormora</b>	EL\00313\2019	26/09/2019	Oromia	138.98	100%

**Mining Tenements disposed:** Nil

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

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

### **Related ASX Announcements**

**20210421**     [Visible Mineralisation Intersected at the Chakata Gold Project](#)  
**20210414**     [Babicho Gold Project Update](#)  
**20210323**     [Megado Accelerates Exploration Activities at Chakata Gold Project](#)  
**20210217**     [Drilling Commences at the Chakata Gold Project](#)  
**20201217**     [Quartz Veining with Visible Sulphides Intersected at Babicho](#)  
**20201201**     [Maiden Drilling Program Underway at Babicho Gold Project](#)  
**20201112**     [High-Grade Gold Indicated at Chakata Gold Project Ethiopia](#)

**-ENDS-**

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

**For further information on the Company and our projects, please visit:** [www.megadogold.com](http://www.megadogold.com)

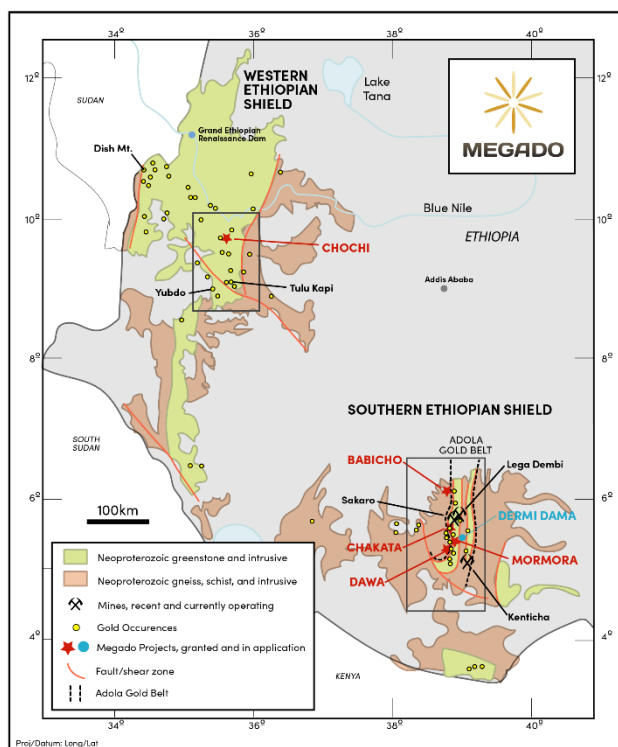
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## About Megado Gold

Megado Gold Ltd is an ASX listed company with five high-quality gold exploration assets covering 511km<sup>2</sup> and one licence application covering 227km<sup>2</sup> in southern and western Ethiopia with the geological potential to host gold deposits of significant scale.



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

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

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

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

### **Forward Looking Statements**

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

### **Competent Person Statement**

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

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



## Appendix 5B

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

Name of entity

MEGADO GOLD LIMITED

ABN

74 632 150 817

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(161)	(161)
	(e) administration and corporate costs	(334)	(334)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(491)</b>	<b>(491)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(592)	(592)
	(e) investments	-	-
	(f) other non-current assets	-	-



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	- reclamation bond	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(592)</b>	<b>(592)</b>

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

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,021	5,021
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(491)	(491)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(592)	(592)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(11)	(11)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,927</b>	<b>3,927</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	422	1,520
5.2	Call deposits	3,505	3,501
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,927</b>	<b>5,021</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	153
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>- Payment of Directors Fees and Remuneration - \$153k</p>		

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

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

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(491)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(592)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,083)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,927
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	3,927
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	3.6
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A		
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A		
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A		
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>		

## Compliance statement

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

Date: 27 April 2021



Authorised by: Aaron Bertolatti – Director & Company Secretary

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

## Notes

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