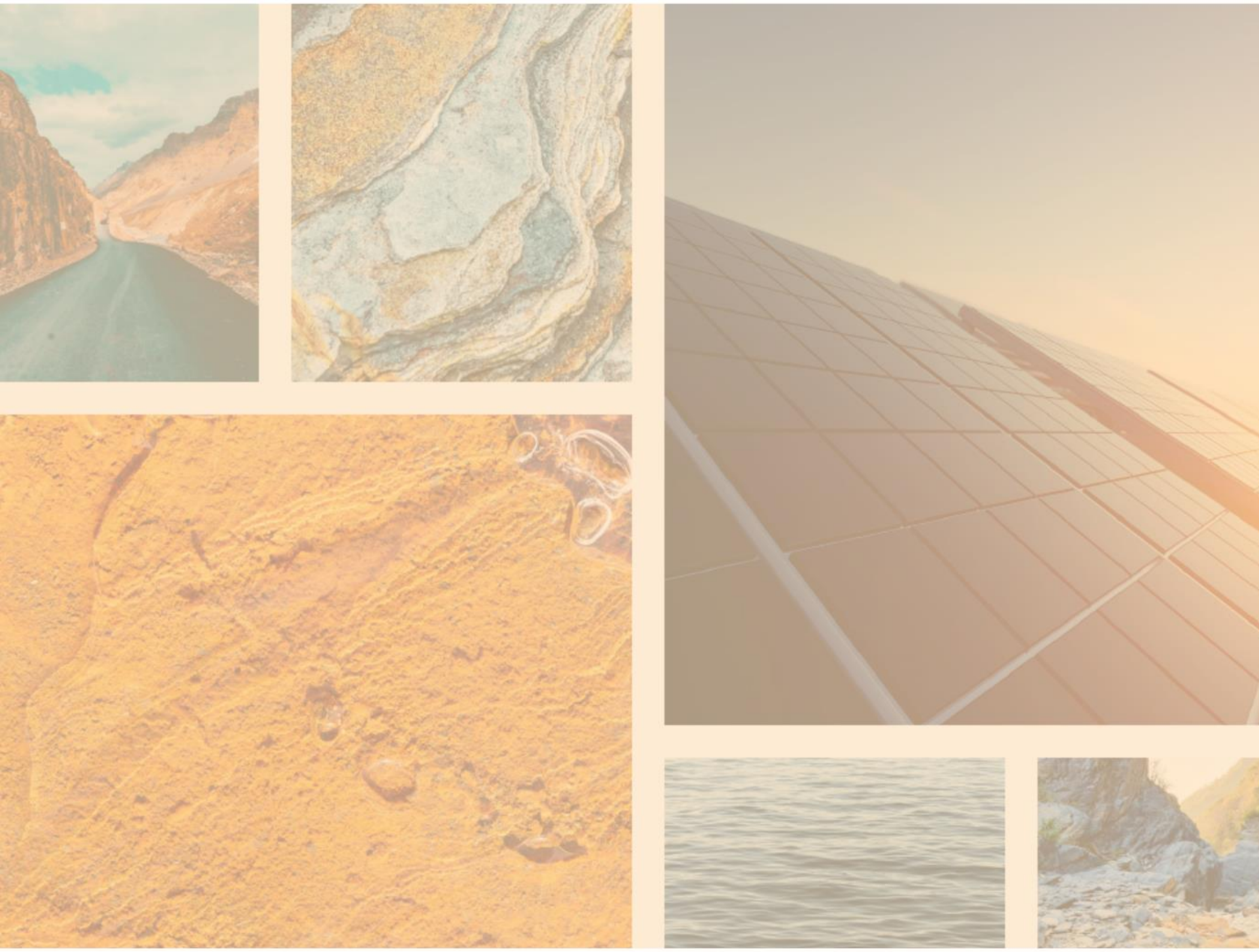
Megado
MINERALS
ABN 74 632 150 817

Annual Report

31 December 2022



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CORPORATE DIRECTORY

DIRECTORS AND OFFICERS

Bradley Drabsch (Non-Executive Chairman)
Ben Pearson (Managing Director and Chief Executive Officer)
Aaron Bertolatti (Finance Director and Company Secretary)
Michael Gumbley (Non-Executive Director)

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Level 12, 197 St Georges Terrace
PERTH WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
PERTH WA 6000

AUDITORS

BDO Audit (WA) Pty Ltd
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.megadominerals.com

DIRECTORS REPORT

The Directors present their report for Megado Minerals Limited (formerly "Megado Gold Limited") ("Megado" or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2022.

DIRECTORS

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

- Bradley Drabsch (Non-Executive Chairman)
- Ben Pearson (Managing Director) - appointed 16 February 2023
- Aaron Bertolatti (Finance Director and Company Secretary)
- Michael Gumbley (Non-Executive Director)
- Chris Bowden (Non-Executive Director) - resigned 16 February 2023
- Greg Schifrin (Non-Executive Director) – appointed 15 June 2022, resigned 16 February 2023
- Marta Luisa Ortiz Ortega ("Marta Ortiz") (Non-Executive Director) – resigned 31 May 2022

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
Brad is a qualified geologist with over 20 years' experience in the mineral exploration industry. Brad 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) and was a founding Director of Centrepeak Resources Group Pty Ltd (CRG).

Ben Pearson - MAppSc
Managing Director – appointed 16 February 2023
Ben has 17 + years' experience in industry specialising in ESG, environmental and social impact assessment, pollution control and environmental remediation. His management experience involves senior positions with non-government organisations, environmental regulators, consultancy, academia, and private industry. Ben has project managed several large-scale infrastructure projects throughout his environmental career including regional water supply schemes, open cut and underground coal mines, wastewater treatment facilities and major road projects. In 2018, Ben established Oteba Pty Ltd to provide specialist ESG advice for junior mining companies.

Aaron Bertolatti - B.Com, CA, ACG
Finance Director and Company Secretary – appointed 8 March 2019
Aaron is a qualified Chartered Accountant and Company Secretary with over 16 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.

Michael Gumbley - B.Com, B.S.F.S, M.Sc.
Managing Director – appointed 8 March 2019
Michael has over 19 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, 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, resigned 16 February 2023
Chris is a geologist with over 25 years working globally, throughout Asia, Africa, and the Americas. Chris is focused on front end discovery and definition and has been involved in a number of successful mineral deposit discoveries, generating positive value growth for stakeholders.

Greg Schifrin
Non-Executive Director – appointed 15 June 2022, resigned 16 February 2023
Greg has extensive experience in the North American exploration and mining space having led numerous listed and private ventures over his extensive career. Greg has worked as a geologist and manager for over 30 years in the mining and mineral exploration industry and has provided technical services and project management for major and junior mining companies. He is a registered professional geologist in the State of Washington.

Marta Ortiz - BA, LLB, Senior Management Program, Instituto de Empresa, Madrid
Non-Executive Director – appointed 27 August 2020, resigned 31 May 2022
Marta 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	Jade Gas Holdings Limited (ASX: JGH) Discovex Resources Limited (ASX: DCX)	Director from April 2019 to January 2022 Director from December 2019 to April 2021
Aaron Bertolatti	Future Metals NL (ASX: FME) Fin Resources Limited (ASX: FIN)	Director from June 2018 to July 2022 Director since February 2023

INTERESTS IN THE SECURITIES OF THE COMPANY

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

Director	Ordinary Shares	Options –$0.20 each, expiring 27-Oct-2024	Options –$0.15 each, expiring 30-Jun-2027
Bradley Drabsch	725,000	750,000	-
Ben Pearson	-	-	2,500,000
Aaron Bertolatti[1]	2,595,834	400,000	-
Michael Gumbley	2,800,834	1,400,000	-

[1] Aaron Bertolatti is Director and minority shareholder (<3.5%) of Profusion Discovery Fund Limited which holds 3,500,000 Ordinary Shares.

RESULTS OF OPERATIONS

The Company loss after providing for income tax amounted to $7,761,851 for the year ended 31 December 2022 (31 December 2021: $1,024,923).

DIVIDENDS

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

CORPORATE STRUCTURE

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

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Megado is an ASX listed mineral exploration company with a portfolio of exploration assets that underpin growth and provide exceptional opportunities for the Company with a focus on adding value through cost effective exploration and discovery. Concurrent with progressing its North American projects, the Company is continually evaluating additional exploration and development projects globally to add to its current portfolio.

REVIEW OF OPERATIONS

North Fork Rare Earth Project

In June 2022, Megado completed the acquisition 100% of the rights, title and interest in the North Fork Rare Earth Project ('North Fork'), located in the mining-friendly Idaho Cobalt Belt region of Idaho, USA (Figure 1). The consideration paid by the Company for the acquisition of North Fork included:

1. 32,000,000 fully paid ordinary shares in Megado and 5,000,000 options with an exercise price of $0.15 and expiring on 31 December 2024 (Securities); and
2. The reimbursement of expenses incurred up to A$700,000 cash.

About North Fork

- The North Fork claims are located approximately 40km (25 miles) northwest of Salmon, Idaho and consist of 499 unpatented/patented BLM mining lode claims. The North Fork Project has seven (7) historical prospect areas warranting further exploration in the initial exploration phase.
- North Fork 499 claims (granted and in application) cover approximately 10,309 acres (42km2) with outcropping, high-grade, rare-earth element (REE) mineralised rock.
- North Fork contains multiple carbonatite-hosted, high-grade, REE mineralised veins that have been observed at surface across numerous prospects over 10km along strike.
- Previous exploration has returned exceptional grades in channel samples (see previous ASX release):
    - Silver King Prospect: 2m @ 10.3% TREO incl. 1.2% CREO; and 2m @ 5.8% TREO; and 1.52m @ 17.7% TREO
    - Jackpot Prospect: 0.76m @ 21.5% TREO; and 0.76m @ 14.5% TREO
    - Monazite Queen Prospect: 0.91m @ 21% TREO; and 3m @ 2.16% TREO

For more information on North Fork, refer to ASX Announcement 14 April 2022 *"Megado Secures Transformational Acquisition of High-Grade Rare Earth Element Project in Idaho, USA"* and subsequent MEG announcements related to North Fork.

Exploration Activities at North Fork

Following acquisition of North Fork (refer to ASX Announcement 14 April 2022), the Company conducted an on-site workshop to review the Company's approach at North Fork and to determine the optimal pathway for U.S. exploration and development (ASX Announcement 29 August 2022).

In addition to ongoing field activities, the Company investigated several value accretive opportunities in the U.S. consistent with a REE/critical minerals narrative. Megado also continues to explore options for U.S. Government support in relation to domestic critical minerals supply and how it may take advantage of this to assist with future exploration and development at North Fork and beyond.

During the year, the Company commenced a broad scale sampling and initial mapping program at North Fork (ASX Announcement 15 June 2022). Outcropping carbonatite veins, up to 3m wide were identified – ongoing mapping and sampling will evaluate the significance of these findings in future releases.

Exploration activities at North Fork were delayed by a major bushfire during August and September 2022 (known locally as the Moose Fire). Despite the unforeseen delays due to the fire, the Company completed several work programs before the Summer/Autumn field season concluded. These included:

- Broad scale surface sampling to generate future targets for more detailed exploration.
- First pass geological mapping and rock sampling aided by handheld scintillometers, and portable XRF (pXRF) instruments. These devices will enable the rapid identification of areas of thorium enrichment and pathfinder elements that may indicate the potential presence of REE bearing veins.
- Commencing the permitting process to allow drilling at Silver King as soon at the onset of the 2023 field season.
- Identification and evaluation of new U.S based project opportunities.

In September 2022, the Company announced rock sample results from reconnaissance sampling at Dutchler Mountain and the Silver King Prospect (see Table 1 and Figure 1) (ASX Announcement 15 September 2022). All elements assayed are included on the US Government's 2022 List of Critical Minerals. Samples from the newly discovered Dutchler Prospect, approximately 300m east of Silver King, returned up to 2.41% TREO including 0.58% Nd-Pr. The extent of the outcropping mineralised vein network at Dutchler is not yet known. Further mapping and sampling activities will be undertaken to better define its extent.

Silver King is known to consist of two (2) dike/sills (North & South) of 210m and 170m in strike length which are exposed at surface. Historic channel sampling at Silver King returned elevated concentrations of TREO with the North and South vein returning assay grades of 10.3% and 5.8% TREO respectively (refer MEG ASX announcement 15 June 2022).

Historic exploration suggests that these 2 dikes/sills may be the same vein, offset by faulting. The relationship between these veins will be clarified by future exploration.

Table 1: Selected Assay Results from North Fork Project

Sample	Easting	Northing	TREO (%)	Nd-Pr (%)	Prospect
1692536	715498	5036811	2.90	0.48	Silver King North
1692535	715814	5036031	2.41	0.58	Dutchler
1692520	715814	5036031	1.93	0.47	Dutchler
1692518	715498	5036811	0.73	0.14	Silver King North
1692504	715590	5035949	0.58	0.11	Silver King South
1692528	720864	5033853	0.45	0.10	Jackpot
1692509	714736	5035459	0.05	0.01	Reconnaissance
1692503	714656	5035076	0.02	0.00	Reconnaissance
1692501	714734	5034831	0.01	0.00	Reconnaissance
1692502	714734	5034961	0.01	0.00	Reconnaissance
1692506	718203	5034560	0.00	0.00	Reconnaissance
1692507	713989	5034179	0.01	0.00	Reconnaissance
1692508	714742	5035361	0.01	0.00	Reconnaissance
1692519	715824	5036071	0.01	0.00	Dutchler
1692526	720741	5033901	0.01	0.00	Jackpot
1692527	720898	5033856	0.01	0.00	Jackpot

In Q4 2022, the Company acquired previously unpublished data (see ASX Announcement 17 January 2023). The historical rock sample assay data (35 samples in total) was identified and is understood to have been collected by US Rare Earths LLC as part of exploration activities conducted in 2013. The assay data is mapped in Figure 2. An abridged version of the data showing only results >1% Total Rare Earth Elements (TREE) is included in Table 2.

The data set includes several rock samples collected around Lower Lee Buck and Upper Lee Buck. These assays reveal a corridor that looks highly prospective (Figure 2). Sampling this corridor will be a priority for the next field season in preparation for an inaugural drill program. The data and high TREE results at Silver King further strengthens the case for a drill program in 2023. A Plan of Operation for a proposed drilling program at Silver King was submitted to the U.S. Forest Service for their consideration and approval.

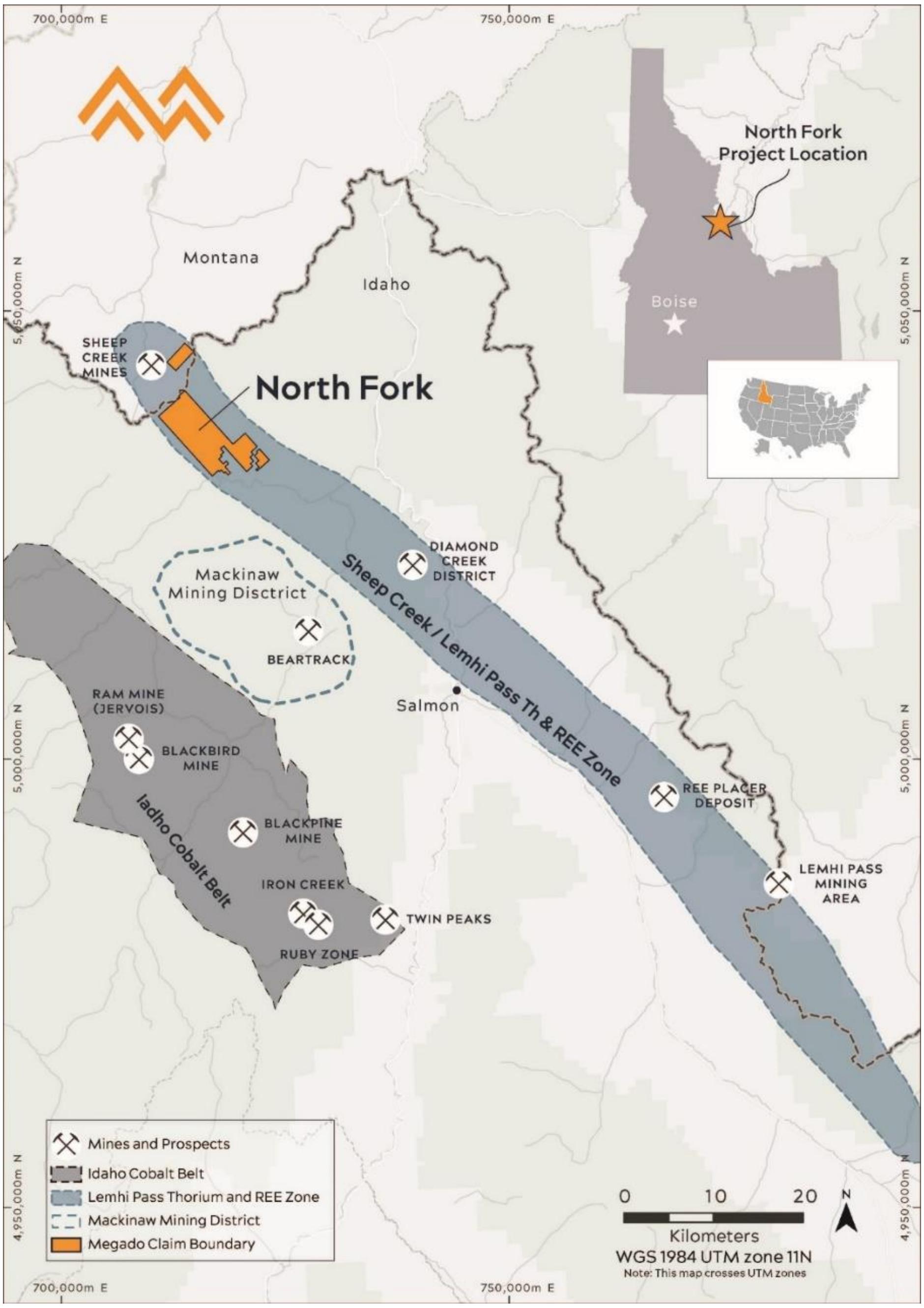

Figure 1: North Fork project, located within the highly prospective REE belt in Idaho.

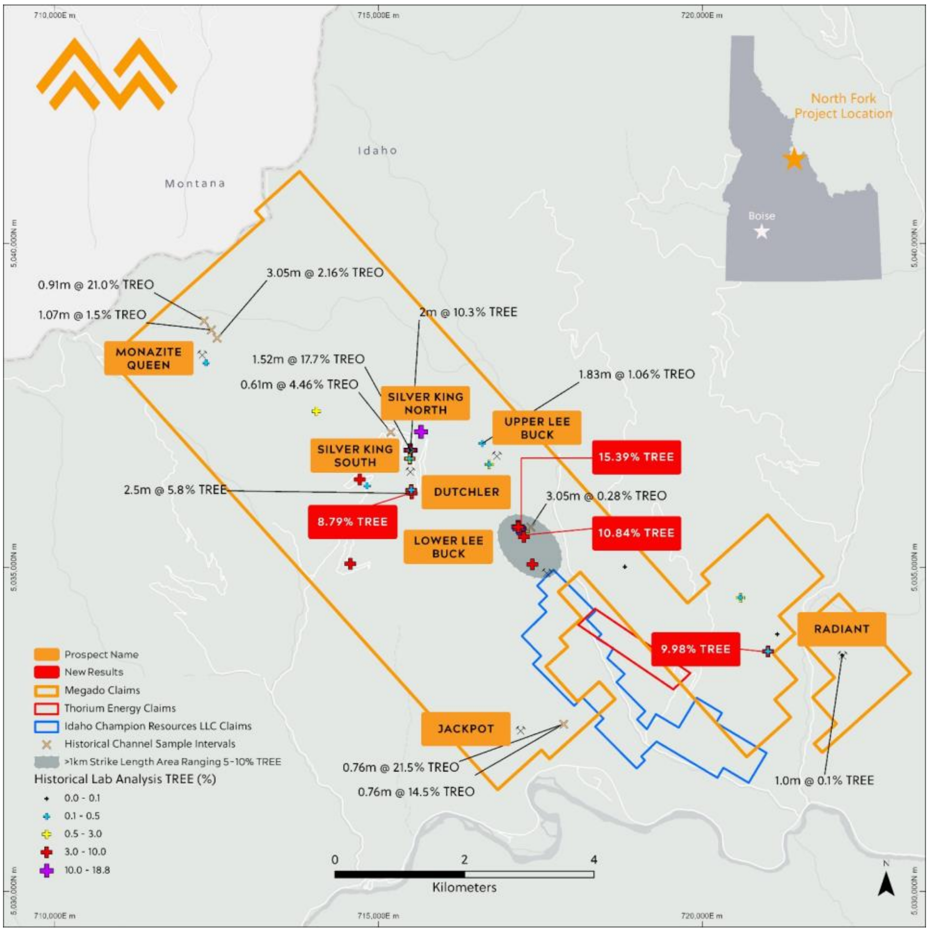

Figure 2: North Fork project detail. Historical results thematically mapped, showing high grades, and strike extents to REE mineralisation. Note: Coordinates system WGS84 Zone 11N

Table 2: Previously Unpublished Historical Rock Sample Assays Collected in 2013.
(Sample assays < 1.0 % TREE have been excluded)

Easting	Northing	TREE (%)	Prospect
717158.6	5035628	15.39	Lower Lee Buck
717176.2	5035602	10.84	Lower Lee Buck
721019.8	5033703	9.98	Radiant
715506.5	5036194	8.79	Silver King
715483.8	5036679	8.47	Silver King
714566.7	5035054	8.00	Unnamed Prospect
721019.8	5033703	7.44	Radiant
721019.8	5033703	7.44	Radiant
721019.8	5033703	7.43	Radiant
715483.8	5036679	7.05	Silver King
717158.6	5035628	6.54	Lower Lee Buck
717244.5	5035470	5.68	Lower Lee Buck
721019.8	5033703	5.58	Radiant
717379.9	5035045	5.10	Lower Lee Buck
714711.1	5036359	3.56	Silver King
715483.8	5036679	2.27	Silver King
720506.7	5034547	1.47	Radiant
714000.5	5037398	1.43	Unnamed Prospect

Note: Coordinates system WGS84 Zone 11N

Ethiopian Gold Projects

Following a review by directors during the year, it was decided that exploration and evaluation expenditure in relation to the Company's Ethiopian projects would be written down to nil. The Board has taken this approach as a result of the resumption of conflict in Northern Ethiopia, underwhelming exploration results received to date and a shift in focus to the North Fork Project. Megado continues to investigate divestment options for the Ethiopian suite of Projects.

Corporate

A$2.4m Share Placement Completed

In June 2022, Megado announced it had successfully completed a A$2.4M (before costs) placement to institutional and sophisticated investors. The Placement, which comprised 30 million shares at an issue price of $0.08 per share, was approved by shareholders at the company's AGM held on 31 May 2022. The Placement was conducted by CPS Securities Limited (CPS) as Lead Manager and was strongly supported by existing and new institutional and high net worth investors. The funds raised will enable Megado to complete an initial exploration program at the North Fork Rare Earth Project.

Key Board and Management Changes

Ben Pearson was appointed as CEO on 13 June 2022. Ben has over 17 years' experience in industry specialising in ESG, environmental and social impact assessment and pollution control. His management experience involves senior positions with non-government organisations, environmental regulators, consultancies, academia and private industry. In addition, Greg Schifrin was appointed Non-Executive Board Director, effective 15 June 2022.

In June 2022, the Company announced that Michael Gumbley, would step aside as Managing Director and CEO. He continues with the Company as a Non-Executive Director. Chris Bowden stepped back from his role as Technical Director but remained engaged with Megado as both a Non-Executive Director and consultant on an as needed basis.

Marta Ortiz resigned as a Non-Executive Director of the Company effective Tuesday, 31 May 2022.

Change of Name

Following shareholder approval at the Company's Annual General Meeting held on 31 May 2022, the Company changed its name from Megado Gold Limited to Megado Minerals Limited. The effective date for the change of Company Name on the ASX was 7 July 2022. There was no change to the Company's ASX listing code (ASX: MEG).

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

Cyclone Lithium Project

Megado entered into a formal and binding agreement with DG Resource Management Ltd (**DGRM**) to acquire the Cyclone Lithium Project in Quebec, Canada (**Cyclone Project** or **Project**) (collectively, the **Acquisition**) on 17 February 2023. The Cyclone Project is in Quebec's James Bay region and is centred on approximately 130km^2 of the Aquilon Greenstone Belt. The Project area has had limited historical exploration for lithium and is also highly prospective for massive nickel sulphides and orogenic style gold deposits. The James Bay region is fast emerging as Canada's, and perhaps one of the worlds, premier hard rock lithium districts.

About Cyclone

The Cyclone Project is in Quebec's James Bay region and centred on the Aquilon Greenstone Belt (Figures 3 & 4). The Project encompasses 130km^2 (13,166 ha) and includes 304 claims (Figure 5). Located within Category-III lands, the Cyclone Project does not carry any restrictions relating to mining or exploration according to the James Bay Agreement. The Project area is easily accessible year-round via the Trans Taiga Road, which transects the southern part of the Project area. The north-western portion of the Project area is proximal to the La Forge 1 Road.

The James Bay region is rapidly developing into a world class lithium, caesium, tantalum (LCT) pegmatite district. Patriot Battery Metals Inc (TSX-V:PMET) (Corvette), Winsome Resources Limited (ASX: WR1) (Adina & Cancet Projects) and Cosmos Exploration Limited (ASX: C1X) (Corvette Far East), among others, are all actively exploring in the area. The Cyclone Project is immediately adjacent to Sirios Resources (TSX-V: SOI) (Aquilon Gold Project).

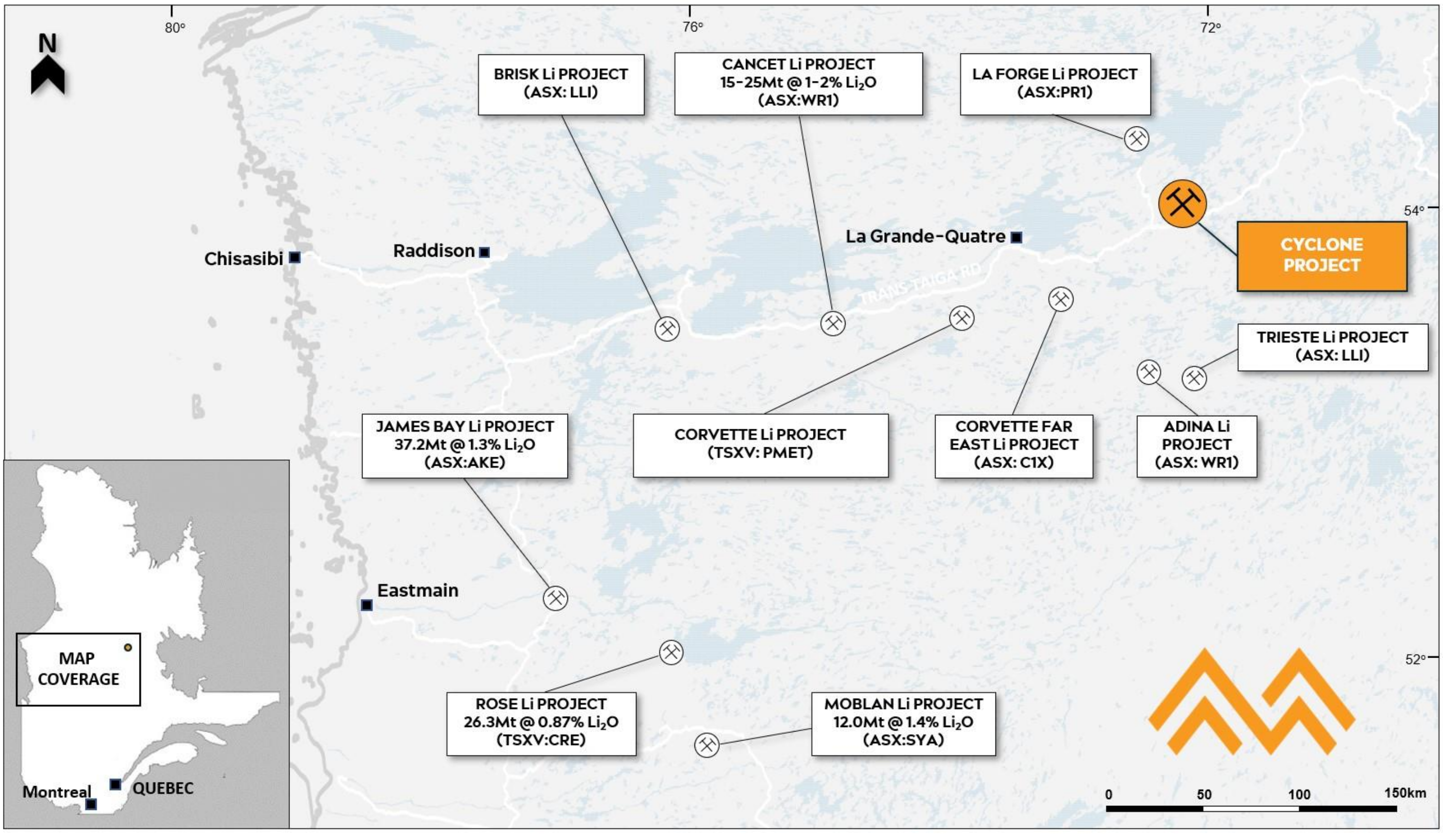

Figure 3: Location of the Cyclone Lithium Project in the James Bay region, Quebec, Canada.

Note: James Bay Li Project (ASX: AKE): Probable Ore Reserve (Dec 2021); Rose Li Project (TSXV: CRE): Probable Ore Reserve (27 May 2022); Moblan Li Project (ASX: SYA): non-JORC Compliant Foreign Mineral Resource Estimate (company presentation 10 Feb 2023); Cancet Li Project (ASX: WR1): Exploration Target.

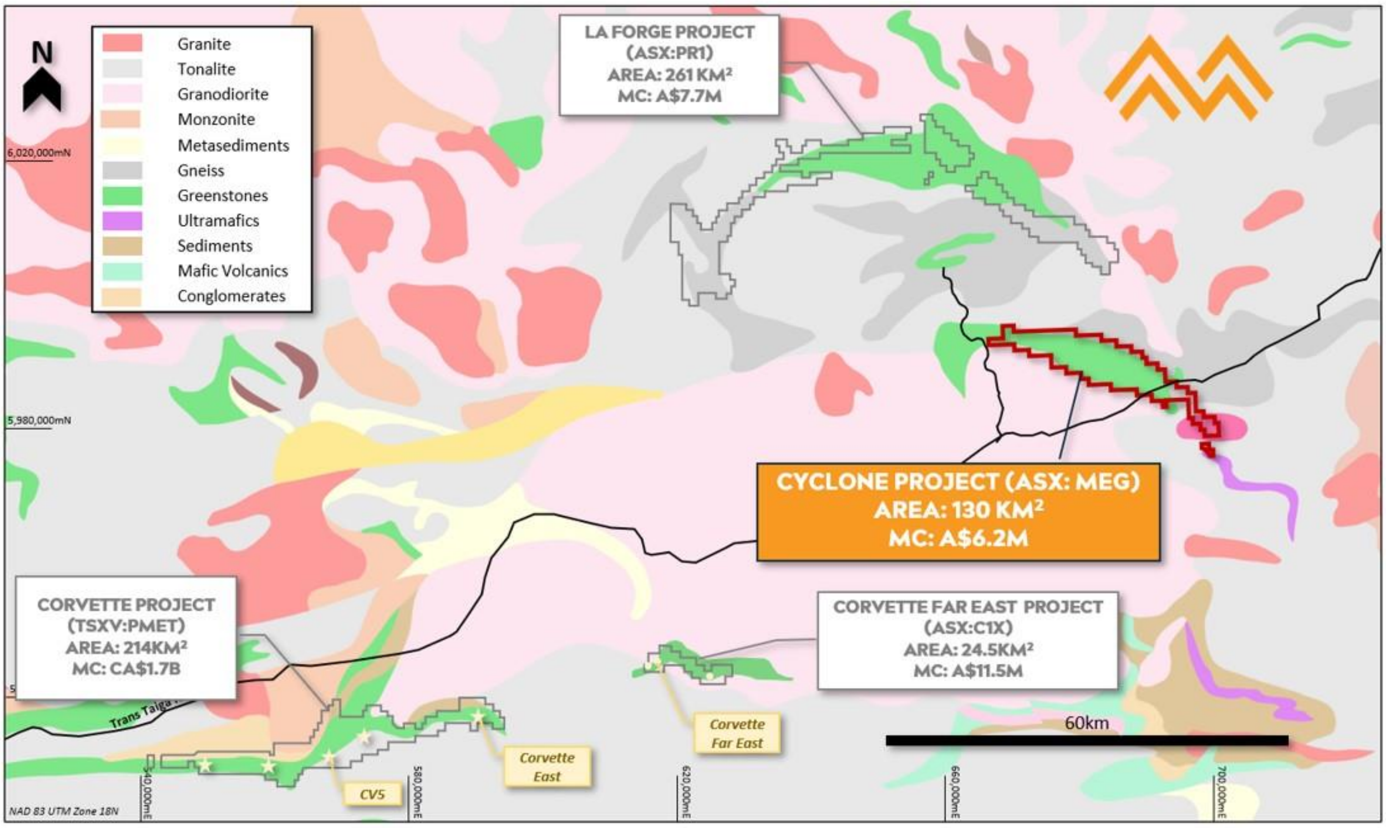

Figure 4: The large and previously unexplored for lithium, Cyclone Project, James Bay region, Quebec.

Project Geology

The Cyclone Project is within the La Grande Sub province, a subdivision of the Superior Province. Within the Project area are two folded Greenstone belts. These include:

- The northern La Forge Greenstone Belt which consists of paragneisses with minor conglomerates and felsic tuffs.
- The southern Aquilon Greenstone Belt which consist of metabasalts, komatiites, metasediments and calc alkaline felsic rocks.

The Aquilon Belt (Cyclone Project) varies in width from 2 - 5 km and is over 50 km long. Lithologies include tholeiitic metabasalts, ultramafic lavas, iron formation, metasediments and felsic volcanics. Plutonic rock of varying composition along with quartz veins, diabase and pegmatitic dykes crosscut rocks of the volcano sedimentary basin. Lithologies have undergone considerable deformation, faulting, and folding.

Lithium Mineralisation

Geochemical sampling at the Cyclone Project for lithium mineralisation is limited. Historical data did not include analyses for lithium or typical LCT pegmatite 'pathfinders'. Government and industry mapping previously identified several 'pegmatites' throughout the Aquilon Greenstone belt, including a large (> 1km long) pegmatite within the adjacent Aquilon Project of Sirios Resources.

The unsampled (and poorly documented) pegmatites host significant potential for LCT mineralisation. Recent discoveries within the region include PMET's Corvette Project and WR1's Adina and Cancet Projects. In December 2022, C1X reached a conditional agreement to acquire the Corvette Far East Project which is 20km east of the PMET Corvette Project and within the same greenstone belt.

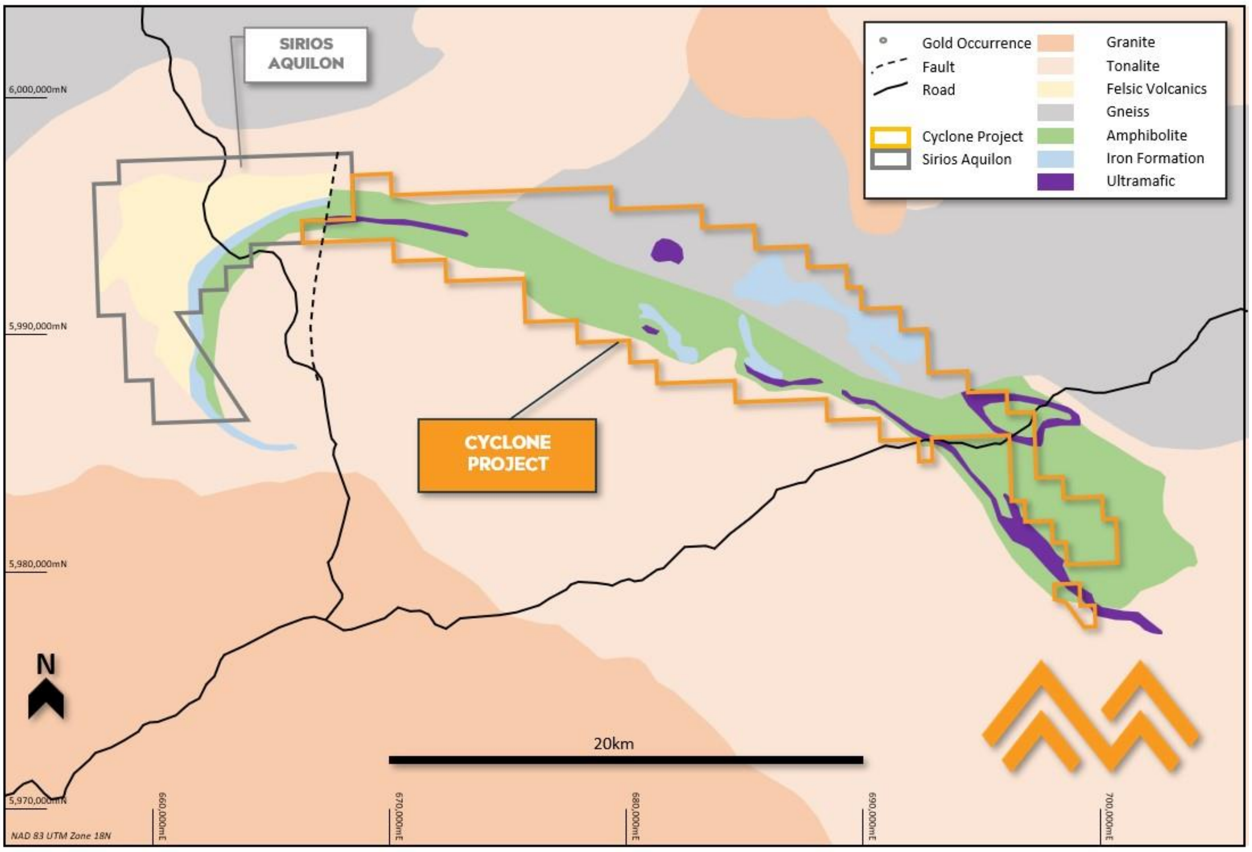

Figure 5: Cyclone Lithium Project – Prospect Geology.

<u>Other Minerals</u>

Gold: Two types of gold mineralisation have been identified within the western part of the Aquilon Greenstone belt at the Sirios Aquilon Property. These include:

1. High grade vein-type gold mineralisation:
   - Auriferous quartz and carbonate veins within felsic rocks.
   - Associated with felsite's and disseminated pyrite halos.
2. Low grade gold mineralisation:
   - Associated with bands of disseminated sulphides (Py-Po) with some anomalous copper and zinc values.

Ongoing exploration by Sirios Resources, including historical drilling, trenching and rock sampling from the Aquilon Greenstone Belt, reveals significant gold values (refer to public releases by Sirios Resources for further details TSX-V: SOI).

Nickel: Large volumes of ultramafic rock suggest good potential for magmatic sulphide mineralisation (Ni +/- PGE's) at the Cyclone Project.

<u>Aerial Geophysics</u>

In 2022, DG Resource Management conducted a high-resolution airborne TDEM + magnetic survey over the Cyclone Project area (Figure 4). The survey highlighted broad zones of magnetic rock associated with high conductivity with ground truthing and further data analysis required to determine the materiality of these associations.

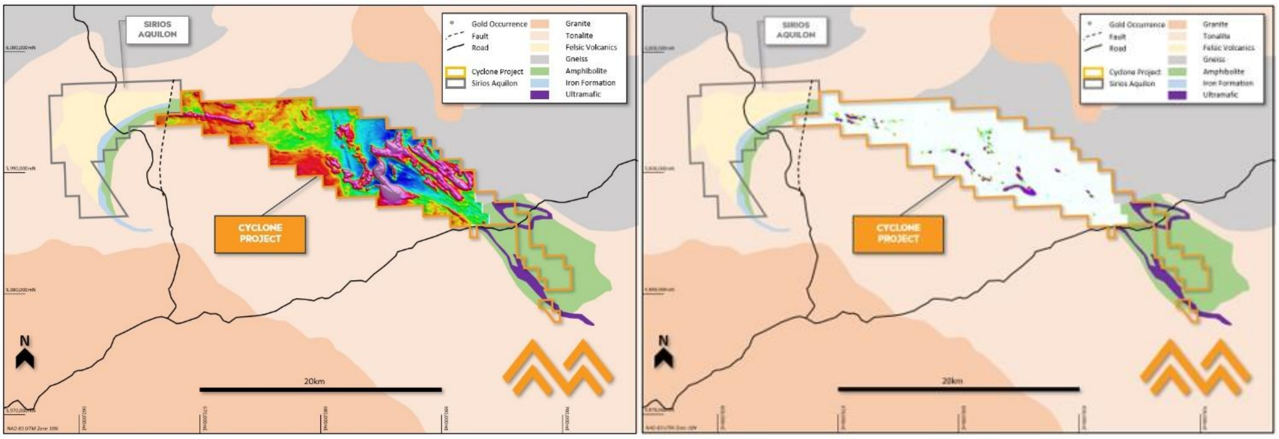

Figure 6: Recently completed aeromagnetic (left) and airborne EM (right) provides excellent baseline data and immediately available targets prospective for both gold and nickel.

<u>Key Acquisition Terms</u>

The key terms of the proposed deal with DGRM include:

- A cash payment of CAD$250,000 (excluding GST).
- 45,000,000 fully paid ordinary shares (Consideration Shares) subject to the following escrow restrictions:
  a. 10% of the Consideration Shares (4,500,000 Shares) will be freely tradeable from the date of issue.
  b. 45% of the Consideration Shares (20,250,000 Shares) will be subject to 6 months escrow from the date of issue.
  c. 45% of the Consideration Shares (20,250,000 Shares) will be subject to 12 months escrow from the date of issue.
- 7,000,000 options to acquire fully paid ordinary shares in the capital of the Company, exercisable at AUD$0.10 on or before the date that is three (3) years after the date of issue; and
- A 2% net smelter royalty over minerals extracted from the Project.

The Company will also enter into a consulting agreement with Dahrouge Geological Consulting Ltd (DGC), a related party of DGRM. DGC will conduct geological activities on the Project on behalf of Megado for a period of 36 months from the date of execution of the formal and binding agreement.

Capital Raising

The Company intends, subject to shareholder approval, to conduct a capital raising through a conditional placement to professional and sophisticated investors of 60,000,000 shares at an issue price of $0.045 per share to raise $2.7m (before costs) (**Placement**). The Placement will be subject to shareholder approval at general meeting and completion of the Acquisition.

The Directors of the Company intend to participate in the Placement. The Directors participation in the Placement will be subject to, inter alia, shareholder approval under ASX Listing Rule 10.11. The shares issued under the Placement will rank equally with the Company's existing fully paid ordinary shares. Proceeds from the placement will be used to underpin the acquisition, initial exploration activities and for general working capital purposes.

CPS Securities Limited (CPS) will act as Lead Manager to the Placement. The Company will pay CPS the following capital raising fees:

1. A management fee of 2% for managing the placement, to be paid in cash (A$54,000 plus GST); and
2. A placement fee of 4% for funds raised via the placement, to be paid in shares (2,400,000 shares).

In consideration for the provision of corporate advisory services associated with facilitating the acquisition, Megado has entered into a mandate with Corporate Advisory Pty Ltd, a non-related party of the Company, pursuant to which the Company will issue 4,000,000 fully paid ordinary shares in the Company ("Corporate Advisory Shares").

The Company will seek shareholder approval for the Placement and the issue of Consideration Shares and Corporate Advisory Shares at an upcoming general meeting, with the Company expected to release a Notice of Meeting for the requisite approvals within the coming weeks.

Board and Management Changes

Managing Director Appointment

Current CEO, Ben Pearson, was appointed Managing Director of the Company on 16 February 2023. The key terms of Ben's remuneration are as follows:

1. Base salary of A$264,000 per annum.
2. Termination notice period of 3 months by either party or by the Company paying the equivalent of 3 months' notice in lieu of service; and
3. The issue of 1,000,000 unlisted incentive options, exercisable at $0.10 and with an expiry date of 1 March 2027 (subject to shareholder approval).

Director Resignations

On 16 February 2023, Chris Bowden resigned as a Non-Executive Director. Chris remains with the Company on a full-time basis as Chief Geologist. He will be responsible for advancing all aspects of the Company's technical operations including exploration, development of existing projects and identification of new project opportunities. On the same day Gregory Schifrin stepped back from his role as a Non-Executive Director but remains engaged with Megado as a consultant on an as needs basis. The Board thanks Greg for his contribution to date and looks forward to working with him in the future.

Director and Employee Incentive Securities

As a result of a remuneration review for the 2023 calendar year, the Megado board resolved to complete an issue of incentive options to key personnel and employees. The Company will issue 5,000,000 unlisted incentive options (Incentive Options) which will comprise of the following:

1. 1,350,000 Incentive Options, exercisable at $0.10 and with an expiry date of 1 March 2027, issued under the Company's Incentive Option Plan (refer to ASX release dated 23 October 2020 for full terms of the plan); and
2. 3,650,000 Incentive Options, exercisable at $0.10 and with an expiry date of 1 March 2027, issued to Directors, subject to shareholder approval at a proposed general meeting to be held in April 2023

Share Issue

On 21 February 2023, the Company issued 5,555,555 shares as consideration for digital marketing services to be provided over a period of 30 months. The shares will be voluntarily escrowed for a period of six months from the date of issue.

North Fork, Idaho REE Project Additional Claims Secured

As announced on 27 February 2023, the Company acquired twenty-two (22) new lode claims at its North Fork Rare Earth Project in Idaho. Forty-eight (48) new lode claims were also acquired in the vicinity of Johnson Creek, Montana, USA.

No other matter or circumstance has arisen since 31 December 2022 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 the USA and 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 year, 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 Company’s 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
Bradley Drabsch	2	2
Michael Gumbley	2	2
Chris Bowden	2	2
Aaron Bertolatti	2	2
Greg Schifrin[1]	2	1
Marta Ortiz[2]	-	-

[1] Greg Schifrin was appointed on 15 June 2022
[2] Marta Ortiz resigned on 31 May 2022

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Megado 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 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.megadominerals.com.

AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Megado 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 for the financial year ended 31 December 2022. 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)
- Greg Schifrin (Non-Executive Director)
- Aaron Bertolatti (Finance Director & Company Secretary)
- Marta Ortiz (Non-Executive Director)
- Ben Pearson (Chief Executive Officer)

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.

Level	FY2022 Cash Remuneration	Short Term Incentive	Long Term Incentive
Chairman	$60,000	-	-
Managing Director	$250,000	-	-
Executive Director	Up to $150,000	-	-
Non-Executive Director	$30,000	-	-
Chief Executive Officer	$132,000	-	2,500,000 unlisted options

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 and Officer of the Group for the year ended 31 December 2022 are as follows:

	Short term			Share -Based Payments			
Name	Directors' Fees $	Consulting Fees $	Incentive Award $	Equity $	Options $	Total $	Share and Option related %
Directors							
Michael Gumbley	10,000	166,667	-	-	-	176,667	-
Bradley Drabsch	60,000	-	-	-	-	60,000	-
Chris Bowden	15,000	108,500	-	-	-	123,500	-
Aaron Bertolatti	-	150,000	-	-	-	150,000	-
Greg Schifrin[1]	-	17,500	-	-	-	17,500	-
Marta Ortiz[2]	12,500	-	-	-	-	12,500	-
Officer							
Ben Pearson[3]	-	66,000	-	-	105,661	171,661	61.6
Total	**97,500**	**508,667**	**-**	**-**	**105,661**	**711,828**	**14.8**

[1]Greg Schifrin was appointed on 15 June 2022

[2] Marta Ortiz resigned on 31 May 2022

[3] Ben Pearson was appointed on 13 June 2022

There were no other executive officers of the Company during the financial year ended 31 December 2022.

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 Ortiz	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.

Shareholdings of Directors and Officers

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
Directors					
Bradley Drabsch	600,000	-	-	125,000	725,000
Michael Gumbley	2,305,001	-	-	495,833	2,800,834
Chris Bowden	585,000	-	-	250,000	835,000
Aaron Bertolatti	2,283,334	-	-	312,500	2,595,834
Greg Schifrin	-	-	-	1,041,108[1]	1,041,108
Marta Ortiz	3,745,763	-	-	(3,745,763)[2]	-
Officer					
Ben Pearson[3]	-	-	-	-	-

[1] Greg Schifrin was appointed on 15 June 2022
[2] Marta Ortiz resigned on 31 May 2022
[3] Ben Pearson was appointed on 13 June 2022

All equity transactions with Directors and Officers 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 and Officers

The numbers of options over ordinary shares in the Company held during the financial year by each Director and Officer 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
Directors							
Bradley Drabsch	750,000	-	-	-	750,000	750,000	-
Michael Gumbley	1,400,000	-	-	-	1,400,000	1,400,000	-
Chris Bowden	2,500,000	-	-	-	2,500,000	2,500,000	-
Aaron Bertolatti	400,000	-	-	-	400,000	400,000	-
Greg Schifrin[1]	-	-	-	-	-	-	-
Marta Ortiz[2]	-	-	-	-	-	-	-
Officer							
Ben Pearson[3]	-	2,500,000	-	-	2,500,000	1,250,000	1,250,000

[1] Greg Schifrin was appointed on 15 June 2022
[2] Marta Ortiz resigned on 31 May 2022
[3] Ben Pearson was appointed on 13 June 2022

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.

Options Affecting Remuneration

The terms and conditions of Options affecting remuneration in the current or future reporting years are as follows:

	Grant Date	Grant Number	Expiry date/last exercise date	Exercise price $	Value at grant date[1] $	Number vested	Vested %	Value vested during the year $	Max value yet to vest
Officer									
Ben Pearson	14/06/22	2,500,000	30/06/27	$0.15	165,796	1,250,000	50.0	84,823	80,973

[1] The value at grant date has been calculated in accordance with AASB 2 *Share based payments*.
[2] Tranche 1 Options vest immediately. Tranche 2 Options will vest on the earlier of the following:
(i) Inclusion of two additional stand-alone projects into the Company portfolio; and
(ii) 24 months from commencement (13 June 2024).

Service Agreements

Michael Gumbley, was engaged under the terms of an Executive Employment Agreement dated 14 July 2020. Under the agreement Michael is paid an annual fee of $250,0000. Michael 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 Michael by providing three months' notice in writing. In June 2022, the Company announced that Michael, would step aside as Managing Director and CEO. As a result, his Executive Employment Agreement ceased on 31 August 2022. Michael continues with the Company as a Non-Executive Director and is paid director fees totalling $30,000 per annum.

Chris Bowden, was engaged under the terms of an Executive Consulting Agreement dated 1 June 2020. Under the agreement Chris was paid an annual fee of $120,000. Chris also has the opportunity to participate in short term and long-term incentive schemes that the Company may put in place in the future. In June 2022, the Company announced that Chris, Chris Bowden had stepped back from his role as Technical Director but remained engaged with Megado as both a Non-Executive Director and consultant on an as needed basis.

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.

Chief Executive Officer, Ben Pearson, is engaged under the terms of a Consultancy Agreement dated 14 June 2022. Under the agreement Ben is paid an annual fee of $132,0000. Ben also has the opportunity to participate in 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.

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 2022.

Additional Information

The earnings of the consolidated entity since incorporation to 31 December 2022 are summarised below:

	2022	2021	2020	2019
Interest income	$3,849	$6,644	$1,488	$48
EBITDA	($7,761,851)	($1,024,923)	($1,217,535)	($1,390,118)
EBIT	($7,761,851)	($1,024,923)	($1,217,535)	($1,390,118)
Profit/(loss) after income tax	($7,761,851)	($1,024,923)	($1,217,535)	($1,390,118)

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

	2022	2021	2020	2019[1]
Share price at financial year end ($)	$0.045	$0.083	$0.205	-
Total dividends declared (cents per share)	-	-	-	-
Basic earnings per share (cents per share)	(7.21)	(1.43)	(3.59)	-

[1] Megado 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.

Ben Pearson
Managing Director

Sydney, NSW
29 March 2023

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	31-Dec-22 $	31-Dec-21 $
Continuing Operations			
Interest income		3,849	6,644
Expenses			
Professional and consulting fees		(303,671)	(228,343)
Director and employee costs		(482,667)	(515,320)
Other expenses		(127,206)	(209,803)
Share-based payments expense	16(a)	(563,312)	(44,356)
Loss on foreign exchange		-	(13,050)
Travel and accommodation		(63,298)	(20,695)
Impairment of exploration expenditure	7	(6,225,546)	-
Loss before income tax		**(7,761,851)**	**(1,024,923)**
Income tax expense		-	-
Net loss for the year		**(7,761,851)**	**(1,024,923)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		136,884	(472,011)
Other comprehensive income for the year, net of tax		136,884	**(472,011)**
Total comprehensive loss for the year		**(7,624,967)**	**(1,496,934)**
Loss for the year attributable to:			
Members of the parent entity		(7,761,851)	(1,024,923)
Non-controlling interests		(436,730)	-
		(8,198,581)	**(1,024,923)**
Total comprehensive loss for the year attributable to:			
Members of the parent entity		(7,622,534)	(1,386,097)
Non-controlling interests		(2,433)	(110,837)
		(7,624,967)	**(1,496,934)**
Loss per share			
Basic and diluted loss per share (cents)	13	(7.21)	(1.43)

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 2022

	Note	31-Dec-22 $	31-Dec-21 $
Current Assets			
Cash and cash equivalents	4	853,119	1,238,301
Other assets	5	45,952	38,167
Receivables	6	23,385	20,961
Total Current Assets		922,456	1,297,429
Non-Current Assets			
Exploration and evaluation expenditure	7	3,992,667	6,034,352
Total Non-Current Assets		3,992,667	6,034,352
Total Assets		4,915,123	7,331,781
Current Liabilities			
Trade and other payables	8	244,331	164,616
Total Current Liabilities		244,331	164,616
Total Liabilities		244,331	164,616
Net Assets		**4,670,792**	**7,167,165**
Equity			
Issued capital	9	14,474,747	9,389,259
Reserves	10	1,590,472	971,319
Accumulated losses	11	(11,394,427)	(3,632,576)
Capital and Reserves Attributable to Owners of the parent entity		4,670,792	6,728,002
Non-controlling interest		-	439,163
Total Equity		**4,670,792**	**7,167,165**

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 2022

	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 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**
Balance at 1 January 2022	9,389,259	(3,632,576)	(84,491)	1,055,810	6,728,002	439,163	7,167,165
Total comprehensive loss for the year							
Loss for the period	-	(7,761,851)	-	-	(7,761,851)	(436,730)	(8,198,581)
Foreign currency translation	-	-	139,317	-	139,317	(2,433)	136,884
Total comprehensive loss for the year	-	(7,761,851)	139,317	-	(7,622,534)	(439,163)	(8,061,697)
Transactions with owners in their capacity as owners							
Shares issued during the year	5,280,000	-	-	-	5,280,000	-	5,280,000
Proceeds of issue of options	-	-	-	5	5	-	5
Cost of issue	-	-	-	54,512	54,512	-	54,512
Share-based payments (note 16(a))	(194,512)	-	-	425,319	230,807	-	230,807
Balance at 31 December 2022	**14,474,747**	**(11,394,427)**	**54,826**	**1,535,646**	**4,670,792**	**-**	**4,670,792**

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 2022

	Note	31-Dec-22 $	31-Dec-21 $
Cash flows from operating activities			
Payments to suppliers and employees		(972,155)	(1,007,804)
Interest received		3,849	6,644
Net cash used in operating activities		**(968,306)**	**(1,001,160)**
Cash flows from investing activities			
Payments for exploration expenditure		(1,724,845)	(2,768,890)
Proceeds from acquisition of subsidiary		47,964	-
Net cash used in investing activities		**(1,676,881)**	**(2,768,890)**
Cash flows from financing activities			
Proceeds from issue of shares		2,400,000	-
Proceeds from issue of options		5	-
Payments for share issue costs		(140,000)	-
Net cash provided by financing activities		**2,260,005**	**-**
Net decrease in cash and cash equivalents		(385,182)	(3,770,050)
Cash and cash equivalents at the beginning of the year		1,238,301	5,021,401
Effect of exchange rate fluctuations on cash		-	(13,050)
Cash and cash equivalents at the end of the year	4	**853,119**	**1,238,301**

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 Minerals Limited ("Megado" or "the Company") for the year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 29 March 2023. Megado is a company limited by shares incorporated in Australia whose shares trade on the Australian Securities Exchange. 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 Minerals 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 $7,761,851 (2021: $1,024,923) and had net cash outflows from operating and investing activities of $968,306 (2021: $1,001,160) and $1,676,881 (2021: $2,768,890) respectively for year ended 31 December 2022. As at that date, the Company had net current assets of $678,125 (2020: $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 intends, subject to shareholder approval, to conduct a capital raising through a conditional placement to professional and sophisticated investors of 60,000,000 shares at an issue price of $0.045 per share to raise $2.7m (before costs) (Placement). The Placement will be subject to shareholder approval at general meeting and completion of the Cyclone Project acquisition (scheduled for April 2023).

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 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) 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.

o) Issued capital

Ordinary shares are classified as equity.

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) Asset acquisition

In determining when an acquisition is determined to be an asset acquisition and not a business, significant judgement is required to access whether the assets acquired constitute a business in accordance with AASB 3 Business Combinations. Under AASB 3 a business is an integrated set of activities and assets that is capable of being conducted or managed for the purpose of providing a return, and consists of inputs and processed, which when applied to those has the ability to create outputs.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the cost of the acquisition. Where the value of the assets acquired are unable to be reliably measured, the cost of the acquisition will be measured at the fair value of consideration transferred.

t) 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.

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.

u) 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-2022 $	31-Dec-2021 $
3. Income tax		
(a) Income tax expense		
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
Total income tax expense per income statement	-	-
(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	**(7,761,851)**	**(1,024,923)**
Tax at the Australian rate of 30%	(2,328,555)	(307,477)
Increase/(decrease) in income tax due to tax effect of:		
Share based payments expense	168,994	-
Non-deductible expenses	1,904,991	14,755
Current year tax losses not recognised	259,208	306,150
Movement in unrecognised temporary differences	10,050	-
Deductible equity raising costs	(14,688)	(13,428)
Income tax expense attributable to entity	**-**	**-**

	31-Dec-2022 $	31-Dec-2021 $
(c) Unused tax losses and temporary differences for which no deferred tax asset has been recognised		
Deferred tax assets have not been recognised in respect of the following using corporate tax rates of:		
Deductible Temporary Differences	65,822	58,075
Tax Revenue Losses	949,667	526,379
Tax Capital Losses	-	-
Total unrecognised deferred tax assets	**1,015,489**	**584,454**

The corporate tax rates on both recognised and unrecognised deferred tax assets and deferred tax liabilities have been calculated with respect to the tax rate that is expected to apply in the year the deferred tax asset is realised or the liability is settled.

4. Cash and cash equivalents		
Reconciliation of cash		
Cash comprises of:		
Cash at bank	853,119	1,238,301
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(7,761,851)	(1,024,923)
Non-cash items		
Exploration expenditure written off	6,225,546	-
Foreign exchange loss	-	13,050
Share based payments	563,312	44,356
Change in assets and liabilities		
(Increase)/decrease in trade, other receivables and other assets	(10,209)	42,282
Increase/(decrease) in trade and other payables	14,896	(75,925)
Net cash flow used in operating activities	**(968,306)**	**(1,001,160)**

Non-cash investing and financing activities

32,000,000 fully paid ordinary shares were issued to Felix Strategic Minerals Pty Ltd as consideration for the acquisition of the North Fork Rare Earth Project claims and applications (Acquisition) and 4,000,000 shares were issued to a corporate advisor as a facilitation fee for the Acquisition (refer note 7).

5. Other assets – current		
Prepayments - Insurance	**45,952**	**38,167**

6. Receivables		
GST receivable	**23,385**	**20,961**

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.

	31-Dec-2022 $	31-Dec-2021 $
7. Exploration and evaluation expenditure		
Exploration and Evaluation phase - at cost		
Opening balance	6,034,352	3,855,566
Acquisition of exploration tenements	3,142,217[1]	-
Exploration and evaluation expenditure incurred during the year	844,465	2,578,797
Foreign exchange translation difference	197,179	(400,011)
Exploration expenditure impairment	(6,225,546)[2]	-
Closing balance	**3,992,667**	**6,034,352**

[1] On 20 June 2022, the Company completed the acquisition of 100% of the rights, title and interest in the North Fork Rare Earth Project, Idaho, USA (Project). The consideration paid to the vendors for the acquisition included:

1. The reimbursement of expenses totaling A$400,210; and
2. 32,000,000 fully paid ordinary shares and 5,000,000 options with an exercise price of $0.15 and expiring on 31 December 2024. The value of the options issued to the vendor was $182,007 and has been valued using the Black-Scholes option pricing model.

   The model inputs included:

   a. expected life of 2.5 years;
   b. share price at grant date of $0.08;
   c. expected volatility of 100%;
   d. expected dividend yield of nil; and
   e. a risk-free interest rate of 3.29%.

The group acquired cash and other assets totaling $52,428 on acquisition. The acquisition did not constitute a business combination given Felix Strategic Minerals Pty Lt did not constitute a business in accordance with AASB 3 Business Combinations. The acquisition has been valued using the fair value of equity transferred as consideration on the date of acquisition rather than the fair value of the asset acquired as it was deemed that the fair value of the exploration assets could not be reliably measured.

[2] Following a review by directors during the period, it was decided that exploration and evaluation expenditure in relation to the Company's Ethiopian projects would be impaired in full. The impairment expense recognised during the period was $6,225,546. The Board has taken this approach as a result of the resumption of conflict in Northern Ethiopia, underwhelming exploration results received to date and a shift in focus to the North Fork Rare Earths Project in Idaho, USA.

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.

	31-Dec-2022 $	31-Dec-2021 $
8. Trade and other payables		
Trade payables	70,321	140,616
Accruals	174,010	24,000
	244,331	**164,616**

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-2022 $	31-Dec-2021 $
9. Issued Capital		
(a) Issued and paid-up capital	**14,474,747**	**9,389,259**

	31-Dec-2022		31-Dec-2021	
	No. shares	**$**	**No. shares**	**$**
Opening balance	71,500,003	9,389,259	71,500,003	9,389,259
Issue of shares - $0.08 placement	30,000,000	2,400,000	-	-
Issue of shares – corporate advisor	4,000,000	320,000[1]	-	-
Shares issued as consideration for acquisition	32,000,000	2,560,000[2]		
Transaction costs on share issue	-	(194,512)	-	-
Closing balance	**137,500,003**	**14,474,747**	**71,500,003**	**9,389,259**

[1] 4,000,000 shares were issued to a corporate advisor as a facilitation fee for the North Fork Rare Earth Project acquisition. The deemed issue price was $0.08 per share.

[2] 32,000,000 fully paid ordinary shares were issued to Felix Strategic Minerals Pty Ltd as consideration for the acquisition of the North Fork Rare Earth Project claims and applications. The deemed issue price was $0.08 per share (refer note 7).

(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 $4,670,792 at 31 December 2022 (2021: $7,167,165). 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 2022, there were 25,450,000 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
1,000,000	$0.25	on or before 30 June 2023
1,000,000	$0.30	on or before 30 June 2023
10,500,000	$0.15	on or before 31 December 2024
2,500,000	$0.15	on or before 30 June 2027
25,450,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. 800,000 options lapsed and 3,800,000 options expired unexercised during the reporting year. No options were exercised during or since the year ended 31 December 2022.

	31-Dec-2022 $	31-Dec-2021 $
10. Reserves		
Share based payment and option reserve	1,535,646	1,055,810
Foreign exchange translation reserve	54,826	(84,491)
	1,590,472	**971,319**
Movements in Reserves		
Share based payment and option reserve		
Opening balance	1,055,810	1,011,454
Share-based payments	425,319	44,356
Proceeds from issue of options	5	-
Transaction costs on share issue	54,512	-
Closing balance	**1,535,646**	**1,055,810**

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	(84,491)	276,683
Foreign exchange translation difference	139,317	(361,174)
Closing balance	**54,826**	**(84,491)**

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	(3,632,576)	(2,607,653)
Loss for the period	(7,761,851)	(1,024,923)
Closing balance	**(11,394,427)**	**(3,632,576)**
12. Auditor's remuneration		
The auditor of Megado Minerals Limited is BDO Audit (WA) Pty Ltd.		
Amounts received or due and receivable by the parent auditor for:		
- an audit of the financial report	**49,000**	**40,500**
13. Loss per Share		
Loss used in calculating basic and dilutive EPS	**(7,761,851)**	**(1,024,923)**

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basi loss per share:	107,647,948	71,500,003
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	107,647,948	71,500,003

There is no impact from 25,450,000 options outstanding at 31 December 2022 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-2022 $	31-Dec-2021 $
Short term employee benefits	606,167	622,000
Share based payments	105,661	-
Total remuneration	**711,828**	**622,000**

(b) Other transactions with key management personnel

Keystone Resources Consulting Pty Ltd, company in which Chris Bowden is a director, charged the Company consulting fees of $108,500. The consulting fee is included in note 14(a) "Compensation of key management personnel". $10,750 was outstanding at year end (2021: $13,750).

Geocopter Pty Ltd, company in which 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". $15,000 was outstanding at year end (2021: $6,250).

1918 Consulting Pty Ltd, company in which 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". Nil was outstanding at year end (2021: $15,625).

Oteba Pty Ltd, company in which Ben Pearson is a director, charged the Company consulting fees of $66,000. The consulting fee is included in note 14(a) "Compensation of key management personnel". Nil was outstanding at year end (2021: $15,625).

Minex Corp, company in which Greg Schifrin is a director, charged the Company exploration fees of $678,953. The consulting fee is included in note 14(a) "Compensation of key management personnel". $116,510 was outstanding at year end (2021: 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 2022.

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 Minerals Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Holding	
		31 December 2022	31 December 2021
Megado Gold Inc.	USA	100%	100%
Felix Strategic Minerals Pty Ltd	Australia	100%	-
Felix Strategic Minerals LLC	USA	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-2022 $	31-Dec-2021 $
Employee and Director share based payments (note 16(a))	105,661	44,356
Reversal of share based payments following lapsing of options	(44,356)[1]	-
Share based payments to suppliers (note 16(b))	236,519	-
Options issued as consideration for acquisition	182,007[2]	-
Movement in share option reserve	**479,831**	**44,356**
Shares issued to corporate advisors	320,000[3]	-
Shares issued as consideration for acquisition	2,560,000[4]	
Share-based payments recognised	**799,831**	**44,356**

[1] 800, 000 options exercisable at $0.30 on or before 30 June 2025 lapsed unexercised during the period as vesting conditions were not met.

[2] 5,000,000 options with an exercise price of $0.15 and expiring on 31 December 2024 were issued to Felix Strategic Minerals Pty Ltd as consideration for the acquisition of the North Fork Rare Earth Project claims and applications. The fair value of options is calculated using the Black and Scholes option pricing model. The model inputs are detailed in note 7.

[3] 4,000,000 shares were issued to a corporate advisor as a facilitation fee for the North Fork Rare Earth Project acquisition. The deemed issue price was $0.08 per share.

[4] 32,000,000 fully paid ordinary shares were issued to Felix Strategic Minerals Pty Ltd as consideration for the acquisition of the North Fork Rare Earth Project claims and applications. The Company determined that it could not readily estimate the fair value of the assets acquired on the basis that this was an exploration asset. The fair value of the shares issued was $0.08 per share.

32,000,000 fully paid ordinary shares were issued to Felix Strategic Minerals Pty Ltd as consideration for the acquisition of the North Fork Rare Earth Project claims and applications. The deemed issue price was $0.08 per share (refer note 7).

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:

	31-Dec-2022 $	31-Dec-2021 $
Share-based payment expense	563,312	44,356
Deferred exploration & evaluation expenditure	182,007	-
Issued capital – transaction costs on share issue	54,512	-
	799,831	**44,356**

(b) Employee and Director share based payments

The fair value at grant date of options granted during the reporting period was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option. The table below summarises options granted during the half-year ended 31 December 2022:

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 the end of the year
			Number	Number	Number	Number	Number	Number
14/06/22	30/6/27	$0.15	-	2,500,000	-	-	2,500,000	1,250,000[1]

[1] The options will vest in two tranches on the vesting dates set out below provided the option holder has remained continuously employed by the Company from the Commencement Date up to and on the vesting date:

1. Vesting Date 1: The first tranche (50%) will vest immediately following the Consultant's formal appointment as CEO of the Company.
2. Vesting Date 2: The second tranche (50%) will vest to the Consultant on the earlier of the following:
   i. Inclusion of two additional stand-alone projects into the Company portfolio
   ii. 24 months from commencement.

The expense recognised in respect of the above options granted during the period was $105,661 which represents the fair value of the options. The weighted average fair value of options issued to suppliers during the period was $0.066. The model inputs, not included in the table above, included:

a) Options were issued for nil consideration;
b) expected life of the options is 5 years;
c) share price at grant date was $0.091;
d) expected volatility of 100%;
e) expected dividend yield of nil; and

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 the 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.

(c) Share based payment to suppliers

The Company issued unlisted options to provide consideration to brokers, consultants and corporate advisors for services rendered during the year ended 31 December 2022. 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 2021:

Grant Date	Expiry date	Exercise price per option	Balance at start of the period	Granted during the period	Exercised during the period	Expired during the period	Balance at end of the period	Exercisable at the end of the period
			Number	Number	Number	Number	Number	Number
19/04/22	31/12/24	$0.15	-	500,000	-	-	500,000	500,000
20/06/22	31/12/24	$0.15	-	5,000,000	-	-	5,000,000	5,000,000
			-	**5,500,000**	**-**	**-**	**5,500,000**	**5,500,000**

The expense recognised in respect of the above options granted during the period was $236,519 which represents the fair value of the options. The weighted average fair value of options issued to suppliers during the period was $0.043.

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

a) Issue price of the options ranged from nil to $0.00001 per option;
b) expected life of the options ranged from 2.5 to 2.7 years;
c) share price at grant date ranging from $0.08 to $0.175;
d) expected volatility of 100%;
e) expected dividend yield of nil; and
f) a risk-free interest rate of ranging from 0. 5% to 3.29%.

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

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	2022		2021	
Increase 75 basis points	6,398	6,398	9,287	9,287
Decrease 75 basis points	(6,398)	(6,398)	(9,287)	(9,287)

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.

	2022 $	2021 $
Cash and cash equivalents	853,119	1,238,301
Receivables	23,385	20,961

(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. Parent Entity Information

The following details information related to the parent entity, Megado Minerals Limited, at 31 December 2022. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	31-Dec-2022 $	31-Dec-2021 $
Current assets	871,402	1,297,333
Total assets	4,915,121	6,975,110
Current liabilities	(244,331)	(164,616)
Total liabilities	(244,331)	(164,616)
Net assets	**4,670,790**	**6,810,494**
Issued capital	14,474,747	9,389,259
Reserves	1,535,646	1,055,810
Accumulated losses	(11,339,605)	(3,634,576)
	4,670,788	**6,810,493**
Loss of the parent entity	(7,705,029)	(1,024,923)
Total comprehensive loss of the parent entity	**(7,705,029)**	**(1,024,923)**

Other Commitments and Contingent Liabilities

The Company had no commitments and no contingent liabilities as at 31 December 2022.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into any formal guarantees in relation to the debts of its subsidiaries.

19. 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 critical minerals. The main geographic areas that the entity operates in are Australia, USA and Ethiopia. The parent entity is registered in Australia. The Group's exploration assets are located in the USA and Ethiopia. The following table presents revenue, expenditure and certain asset and liability information regarding geographical segments for the year ended 31 December 2022 and 31 December 2021:

	Australia $	USA $	Ethiopia $	Total
Year ended 31 December 2022				
Other income	-	-	-	-
Interest income	3,846	-	-	3,846
Segment revenue	3,846	-	-	3,846
Result				
Loss before tax	(1,536,305)	-	(6,225,546)	(7,761,851)
Income tax expense	-	-	-	-
Loss for the year	(1,536,305)	-	(6,225,546)	(7,761,851)
Asset and liabilities				
Segment assets	868,100	3,992,667	54,356	4,915,123
Segment liabilities	244,331	-		244,331
Year ended 31 December 2021				
Other income	-	-	-	-
Interest income	6,644	-	-	6,644
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

20. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2022 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 2022.

21. Contingent assets and liabilities

There are no known contingent assets or liabilities as at 31 December 2022 (2021: nil).

22. Commitments

There are no known commitments as at 31 December 2022 (2021: nil).

23. Significant events after the reporting date

Cyclone Lithium Project

Megado entered into a formal and binding agreement with DG Resource Management Ltd (**DGRM**) to acquire the Cyclone Lithium Project in Quebec, Canada (**Cyclone Project** or **Project**) (collectively, the **Acquisition**) on 17 February 2023.

Key Acquisition Terms

The key terms of the proposed deal with DGRM include:

- A cash payment of CAD$250,000 (excluding GST).
- 45,000,000 fully paid ordinary shares (Consideration Shares) subject to the following escrow restrictions:
  a. 10% of the Consideration Shares (4,500,000 Shares) will be freely tradeable from the date of issue.
  b. 45% of the Consideration Shares (20,250,000 Shares) will be subject to 6 months escrow from the date of issue.
  c. 45% of the Consideration Shares (20,250,000 Shares) will be subject to 12 months escrow from the date of issue.
- 7,000,000 options to acquire fully paid ordinary shares in the capital of the Company, exercisable at AUD$0.10 on or before the date that is three (3) years after the date of issue; and
- A 2% net smelter royalty over minerals extracted from the Project.

The Company will also enter into a consulting agreement with Dahrouge Geological Consulting Ltd (DGC), a related party of DGRM. DGC will conduct geological activities on the Project on behalf of Megado for a period of 36 months from the date of execution of the formal and binding agreement.

Capital Raising

The Company intends, subject to shareholder approval, to conduct a capital raising through a conditional placement to professional and sophisticated investors of 60,000,000 shares at an issue price of $0.045 per share to raise $2.7m (before costs) (Placement). The Placement will be subject to shareholder approval at general meeting and completion of the Acquisition.

The Directors of the Company intend to participate in the Placement. The Directors participation in the Placement will be subject to, inter alia, shareholder approval under ASX Listing Rule 10.11. The shares issued under the Placement will rank equally with the Company's existing fully paid ordinary shares. Proceeds from the placement will be used to underpin the acquisition, initial exploration activities and for general working capital purposes.

CPS Securities Limited (CPS) will act as Lead Manager to the Placement. The Company will pay CPS the following capital raising fees:

- A management fee of 2% for managing the placement, to be paid in cash (A$54,000 plus GST); and
- A placement fee of 4% for funds raised via the placement, to be paid in shares (2,400,000 shares).

In consideration for the provision of corporate advisory services associated with facilitating the acquisition, Megado has entered into a mandate with Corporate Advisory Pty Ltd, a non-related party of the Company, pursuant to which the Company will issue 4,000,000 fully paid ordinary shares in the Company ("Corporate Advisory Shares").

The Company will seek shareholder approval for the Placement and the issue of Consideration Shares and Corporate Advisory Shares at an upcoming general meeting, with the Company expected to release a Notice of Meeting for the requisite approvals within the coming weeks.

Board and Management Changes

Managing Director Appointment

Current CEO, Ben Pearson, was appointed Managing Director of the Company on 16 February 2023.

The key terms of Ben's remuneration are as follows:

- Base salary of A$264,000 per annum.
- Termination notice period of 3 months by either party or by the Company paying the equivalent of 3 months' notice in lieu of service; and
- The issue of 1,000,000 unlisted incentive options, exercisable at $0.10 and with an expiry date of 1 March 2027 (subject to shareholder approval).

Director Resignations

On 16 February 2023, Chris Bowden resigned as a Non-Executive Director. Chris remains with the Company on a full-time basis as Chief Geologist. He will be responsible for advancing all aspects of the Company's technical operations including exploration, development of existing projects and identification of new project opportunities. On the same day Gregory Schifrin stepped back from his role as a Non-Executive Director but remains engaged with Megado as a consultant on an as needs basis. The Board thanks Greg for his contribution to date and looks forward to working with him in the future.

Director and Employee Incentive Securities

As a result of a remuneration review for the 2023 calendar year, the Megado board resolved to complete an issue of incentive options to key personnel and employees. The Company will issue 5,000,000 unlisted incentive options (Incentive Options) which will comprise of the following:

- 1,350,000 Incentive Options, exercisable at $0.10 and with an expiry date of 1 March 2027, issued under the Company's Incentive Option Plan (refer to ASX release dated 23 October 2020 for full terms of the plan); and
- 3,650,000 Incentive Options, exercisable at $0.10 and with an expiry date of 1 March 2027, issued to Directors, subject to shareholder approval at a proposed general meeting to be held in April 2023

Share Issue

On 21 February 2023, the Company issued 5,555,555 shares as consideration for digital marketing services to be provided over a period of 30 months. The shares will be voluntarily escrowed for a period of six months from the date of issue.

North Fork, Idaho REE Project Additional Claims Secured

As announced on 27 February 2023, the Company acquired twenty-two (22) new lode claims at its North Fork Rare Earth Project in Idaho. Forty-eight (48) new lode claims were also acquired in the vicinity of Johnson Creek, Montana, USA.

No other matter or circumstance has arisen since 31 December 2022 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.

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 2022 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.

Ben Pearson
Managing Director
Sydney, NSW
29 March 2023

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MEGADO MINERALS LIMITED (FORMERLY MEGADO GOLD LIMITED)

As lead auditor of Megado Minerals Limited (formerly Megado Gold Limited) for the year ended 31 December 2022, 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 Minerals Limited (formerly Megado Gold Limited) and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth

29 March 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Megado Minerals Limited (formerly Megado Gold Limited)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Megado Gold Limited (formerly Megado Gold Limited) (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 2022 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.

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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for exploration and evaluation expenditure

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2022, we note that the carrying value of exploration and evaluation expenditure is significant to the financial statements, as disclosed in note 7 to the financial report. During the year, the Group obtained the tenement rights in the Fork Rare Earth Project through the acquisition of 100 percent of the share capital of Felix Strategic Minerals Pty Ltd for a combination of cash and via an equity settled share based payment transaction. The accounting for acquisition transactions requires exercise of judgement to determine the appropriate accounting treatment including whether the acquisition should be classed as an asset or business acquisition and estimating the fair value of the consideration paid. Furthermore, in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest that the carrying amount of this asset may exceed its recoverable amount. This is a key audit matter due to the significant judgement involved in determining the impairment triggers and the accounting for the Fork Rare Earth project during the year.	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 director's 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 there are any other facts or circumstances existing to suggest impairment testing was required; • Evaluating management's assessment for the acquisition of Fork Rare Earth Project and determination of the fair value of consideration paid and the value of net assets acquired; • Obtaining an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business or an asset acquisition; and • Assessing the adequacy of the related disclosures in Note 7 and Note 1(s) 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 2022, 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 16 to 20 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Megado Gold Limited (formerly Megado Gold Limited), for the year ended 31 December 2022, 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, 29 March 2023

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 21 March 2023.

Distribution of Share Holders

	Ordinary Shares		
	Number of Holders	Number of Shares	%
1 - 1,000	22	4,128	0.00
1,001 - 5,000	70	245,742	0.17
5,001 - 10,000	117	981,087	0.69
10,001 - 100,000	331	14,383,197	10.05
100,001 - and over	218	127,441,404	89.09
TOTAL	**758**	**143,055,558**	**100.00**

There were 231 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

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

Name	Quoted Shares	%
DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C>	7,400,000	5.17
S3 CONSORTIUM PTY LTD	5,555,555	3.88
MRS MARTA LUISA ORTIZ ORTEGA	3,745,763	2.62
PROFUSION DISCOVERY FUND LTD	3,500,000	2.45
CITICORP NOMINEES PTY LIMITED	3,309,654	2.31
FLOURISH SUPER PTY LTD <FLOURISH S/F A/C>	3,200,000	2.24
JAWAF ENTERPRISES PTY LTD <HALL FAMILY A/C>	3,162,103	2.21
MR PABLO ARTINANO DEL RIO	3,138,164	2.19
MR MICHAEL KENNETH FRANCIS GUMBLEY	2,800,834	1.96
SOL SAL INVESTMENTS PTY LTD <SOL SAL INVESTMENTS A/C>	2,750,000	1.92
MR AARON DEAN BERTOLATTI <BERTOLATTI FAMILY A/C>	2,595,834	1.81
CROWN LUGGERS PTY LTD	1,868,667	1.31
ALSTER INVESTMENT LLC	1,860,955	1.30
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,851,898	1.29
LAS OLAS INVESTMENTS PTY LTD	1,750,000	1.22
J STIMPSON PTY LTD <HOEK A/C>	1,500,000	1.05
MS LILLIAN RUTH RODRIGUEZ SIMS + MR PEDRO RODRIGUEZ FERNANDEZ	1,400,000	0.98
JAWAF ENTERPRISES PTY LTD	1,366,667	0.96
BROWN BRICKS PTY LTD <HM A/C>	1,241,186	0.87
E & E HALL PTY LTD <E & E HALL P/L S/F A/C>	1,208,333	0.84
Total top twenty share holders	**55,205,613**	**38.58**
Total remaining holders balance	**87,849,945**	**61.42**

Substantial Shareholders

Name	Shares	%
DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C>	7,400,000	5.17

Unlisted Options

Class	Number	Holders with more than 20%
Unlisted Options exercisable at $0.20 on or before 27 October 2024.	10,450,000	Keystone Resources Pty Ltd 2,500,000 Options
Unlisted Options exercisable at $0.25 on or before 30 June 2023.	1,000,000	CG Nominees (Australia) Pty Ltd 1,000,000 Options
Unlisted Options exercisable at $0.30 on or before 30 June 2023.	1,000,000	CG Nominees (Australia) Pty Ltd 1,000,000 Options
Unlisted Options exercisable at $0.15 on or before 31 December 2024.	10,500,000	Corporate Advisory Pty Ltd 5,000,000 Options
Unlisted Options exercisable at $0.15 on or before 30 June 2027.	2,500,000	Benjamin Pearson <Pearson Family Trust No. 2> 2,500,000 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 2022.

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 & Chartered Professional of the Australian Institute of Mining and Metallurgy and is Chief Geologist of Megado Minerals 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.

Megado

MINERALS

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