



MEDALLION METALS

L I M I T E D

Interim Financial Report
For the half year ended 31 December 2020

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Corporate directory

Directors

John Fitzgerald	Non-Executive Director, Chair
Tony James	Non-Executive Director
Ed Ainscough	Non-Executive Director
Paul Bennett	Managing Director

Management

Ben Larkin	Chief Financial Officer
Jessamyn Lyons	Company Secretary

Registered Office

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Share Registry

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Level 2, 367 St Georges Terrace
Perth, WA 6000
Telephone: 1300 288 664
Email: hello@automicgroup.com.au
Website: www.automicgroup.com.au

Stock Exchange Listing

ASX Ltd
ASX code: MM8

Auditor

BDO Audit (WA) Pty Ltd
Level 1, 38 Station Street
Subiaco, WA 6008
Telephone: +61 8 6382 4600

Directors' Report

For the six months ended 31 December 2020

The directors of Medallion Metals Limited (the "Company", formerly named ACH Minerals Pty Ltd) present their report together with the consolidated interim financial statements of the Medallion group, being the Company and its subsidiaries (together the "Group"), for the six months ended 31 December 2020 (the "period") and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the end of the period are as set out below. Directors were in office for the entire period unless otherwise stated.

Mr John Fitzgerald	Non-Executive Director, Chair (appointed 5 October 2020)
Mr Paul Bennett	Managing Director
Mr Anthony (Tony) James	Non-Executive Director (appointed 5 October 2020)
Mr Edmund Ainscough	Non-Executive Director
Mr Ian Junk	Non-Executive Director (resigned 10 August 2020)
Mr Wang (John) JiuYu	Non-Executive Director (resigned 6 October 2020)

Financial performance

The Company's net loss after tax attributable to the shareholders for the half year to 31 December 2020 was \$1,749,376 (31 December 2019 loss: \$1,457,324). The Company's net assets decreased during the half year by \$1,569,976 (31 December 2019 decreased: \$1,457,325). The Company's cash position, inclusive of restricted cash, as at 31 December 2020 was \$657,924 (31 December 2019: \$3,464,929).

Review of operations

Exploration and evaluation activities

During the period, the Company continued exploration and evaluation efforts at its Ravensthorpe Gold Project ("RGP") and Jerdacuttup Project ("JP") (together the "Projects"), which are located in the Goldfields-Esperance region of Western Australia, approximately 550 km southeast of Perth. Activities were primarily focussed on resource estimation, permitting and on planning and preparations for a 32,000 m drilling program at the Projects to be initiated subject to completion of an initial public offering ("IPO"), as discussed following.

In May 2020, the Company completed a Feasibility Study ("FS")¹ on RGP determining it to be technically and commercially viable under base case assumptions. The FS was based on a December 2019 JORC 2012 Mineral Resource Estimate ("MRE") for the Kundip deposits.

In June 2020, the Company released an MRE update for the Kundip deposits following a 3,100 m diamond drill program. Total JORC 2012 Mineral Resources grew to 674koz of contained gold at a grade of 2.4g/t².

During the period, following an extensive assessment under the Environmental Protection Act 1986 (WA) ("EP Act"), the State Minister for the Environment approved the development of RGP by issuing Ministerial Statement 1143. The Ministerial Statement was published on the Environmental Protection Authority's website on 21 July 2020 and specifies the conditions under which the development may proceed. The proponent (Medallion) has five years to substantively commence the project.

During the period, the Company undertook soil sampling and rock chip sampling programs at RGP. Ground gravity surveys were undertaken at JP. Various biological surveys were undertaken across the Projects in advance of future drilling programs being planned and prepared for. The results of the biological surveys have informed Permit of Work ("PoW") applications and Native Vegetation Clearing Permit ("NVCP") applications where necessary in advance of the planned drilling.

Corporate activities

The principal focus of the Company during the period has been the advancement of an IPO and listing of its shares on the Australian Stock Exchange ("ASX").

¹ For full details regarding the FS, refer to the Company's Prospectus lodged with ASIC on 16 February 2021.

² For full details regarding the updated MRE, refer to the Company's Prospectus lodged with ASIC on 16 February 2021.

Directors' Report

In August 2020 the Company issued 358,553 fully paid ordinary shares to directors of the Company upon the exercise of incentive options. Following the issue of the shares, shareholders of the Company approved a subdivision of the 11,973,685 shares on a 10 for 1 basis into 119,736,850 shares.

The Company was renamed Medallion Metals Limited (formerly ACH Minerals Pty Ltd) and converted from a proprietary limited company to a public company limited by shares in September 2020.

In October 2020, 4,220,000 incentive options exercisable at \$0.01 per option, expiring in October 2025 were granted to directors and employees under the Company's Incentive Option Plan.

The options will vest upon the achievement of performance criteria, which were varied subsequent to the end of the period. For further details regarding the vesting criteria of the options refer to the Subsequent Events disclosed in this Directors' Report.

The Company amended the terms of a \$5 million shareholder loan payable to Bolong (Australia) Investment Management Pty Ltd ("Bolong Loan") in November 2020. The terms of the amendment are as follows:

- \$1.5 million loan repayment due upon the listing of the Company on a stock exchange ("Listing");
- repayment of the outstanding balance (\$3.5 million following Listing) within 30 months after the Listing; and
- subsequent to Listing, any amounts outstanding will accrue interest at 6% p.a. payable in arrears at the end of each calendar quarter.

Subsequent to the end of the period, the terms of the Bolong Loan were amended, refer to the subsequent events disclosed in this Directors' Report for further information.

Going concern

The directors draw attention to note 2 b) of the consolidated interim financial statements in relation to matters regarding going concern.

Subsequent events

Incentive options vesting criteria

In January 2021, the Company varied the vesting criteria of the 4,220,000 incentive options granted to directors and employees in October 2020. The vesting criteria was varied as follows:

- 50% vesting upon declaring JORC Resources of not less than 1 million ounces of contained gold at RGP;
- 25% vesting upon achieving a 20 trading day Volume Weighted Average Price ("VWAP") of \$0.40 per share; and
- 25% vesting upon achieving a 20 trading day VWAP of \$0.50 per share.

Initial Public Offering

In January 2021, the Company executed a Lead Manager Mandate with Argonaut Securities Pty Limited ("Lead Manager") and in February 2021 executed an Underwriting Agreement with Argonaut Capital Limited ("Underwriter") to fully underwrite an offer in relation to an IPO of:

- 50 million new shares at an issue price of \$0.25 per share, together with one free attaching option for every two shares subscribed for and exercisable at \$0.35 per option on or before 31 January 2023; and
- 4 million options to the Lead Manager at a subscription price of \$0.001 per option, exercisable on or before 31 January 2023.

(together the "Offer").

The Underwriter will be paid a fee of 5.5% of the Offer amount. Should the underwriting not proceed, the Underwriter will not be entitled to any fees, however, the Lead Manager will become entitled to a 5.5% fee of amounts raised under the Offer.

On 16 February 2021, the Company lodged a prospectus with ASIC in relation to the Offer. The Offer opened on 24 February 2021 and was closed on 26 February 2021 in response to strong demand. The expected date for admission to the official list of ASX and quotation of the Company's shares is mid March 2021.

Bolong Loan amendment

In February 2021, the Company amended the terms of the Bolong Loan as follows:

- \$1 million loan repayment due upon Listing; and
- repayment of the outstanding balance (\$4 million following Listing) no later than 120 days after a decision is made by the Company to commence development of the Project.

Directors' Report

Other than as disclosed in this Directors' Report, there have been no other events subsequent to balance date which would have a material effect on the Group's interim financial report.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 20 and forms part of the directors' report for the six months ended 31 December 2020.

This report is made with a resolution of the directors:



Paul Bennett

Managing Director

Dated at Perth, this 5th day of March 2021

Consolidated interim financial statements

Consolidated interim statement of financial position

As at 31 December 2020

	<i>Note</i>	Dec 2020 \$	Jun 2020 \$
Assets			
Cash and cash equivalents		623,620	2,255,138
Restricted cash	5	34,304	-
Prepayments		87,073	89,072
Trade and other receivables		65,237	43,543
Total current assets		810,234	2,387,753
Exploration and evaluation assets	6	4,396,734	4,262,154
Property, plant and equipment	7	297,462	287,458
Right of use assets	9	138,494	31,091
Total non-current assets		4,832,690	4,580,703
Total assets		5,642,924	6,968,456
Liabilities			
Trade and other payables		(128,740)	(124,184)
Lease liabilities	9	(73,283)	(6,702)
Employee benefits	8	(103,280)	(145)
Total current liabilities		(305,303)	(131,030)
Lease liabilities	9	(73,401)	(26,777)
Borrowings		(5,000,000)	(5,000,000)
Provisions		(2,117,561)	(2,094,015)
Total non-current liabilities		(7,190,962)	(7,120,791)
Total liabilities		(7,496,265)	(7,251,821)
Deficiency in net assets		(1,853,341)	(283,365)
Equity			
Share capital	10	8,107,825	8,104,240
Reserves	11	1,362,464	1,186,650
Accumulated losses		(11,323,631)	(9,574,255)
Deficiency in equity		(1,853,342)	(283,365)

The notes on pages 11 to 16 are an integral part of these consolidated interim financial statements.

Consolidated interim financial statements

Consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2020

	Dec 2020 \$	Dec 2019 \$
Revenue	113,000	509,950
Administrative expenses	(1,080,477)	(725,442)
Exploration and evaluation expenses	(755,767)	(1,238,290)
Results from operating activities	(1,723,244)	(1,453,782)
Finance income	2,006	21,460
Finance expense	(28,138)	(25,003)
Net finance expense	(26,132)	(3,543)
Income tax benefit/(expense)	-	-
Loss for the period after income tax	(1,749,376)	(1,457,324)
Other comprehensive profit/(loss)		
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive profit/(loss) for the period net of tax	-	-
Total comprehensive loss for the period	(1,749,376)	(1,457,324)
Earnings per share		
Basic loss per share	(0.01)	(0.01)
Diluted loss per share	(0.01)	(0.01)

The notes on pages 11 to 16 are an integral part of these consolidated interim financial statements.

Consolidated interim financial statements

Consolidated interim statement of changes in equity

For the six months ended 31 December 2020

	<i>Note</i>	Share Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance 1 July 2019		8,103,648	1,186,650	(6,946,978)	2,343,320
Total comprehensive loss for the period					
Loss for the period		-	-	(1,457,324)	(1,457,324)
Total comprehensive loss for the period		-	-	(1,457,324)	(1,457,324)
Transactions with owners recorded directly in equity					
contributions by and distributions to owners					
Share options exercised		-	-	-	-
Share based payments		-	-	-	-
Total contributions by and distributions to owners		-	-	-	-
Balance as at 31 December 2019		8,103,648	1,186,650	(8,404,302)	885,996

	<i>Note</i>	Share Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance 1 July 2020		8,104,240	1,186,650	(9,574,255)	(283,365)
Total comprehensive loss for the period					
Loss for the period		-	-	(1,749,376)	(1,749,376)
Total comprehensive loss for the period		-	-	(1,749,376)	(1,749,376)
Transactions with owners recorded directly in equity					
contributions by and distributions to owners					
Share options exercised	10	3,585	-	-	3,585
Share based payments	11	-	175,814	-	175,814
Total contributions by and distributions to owners		3,585	175,814	-	179,399
Balance as at 31 December 2020		8,107,825	1,362,464	(11,323,631)	(1,853,342)

The notes on pages 11 to 16 are an integral part of these consolidated interim financial statements.

Consolidated interim financial statements

Consolidated interim statement of cash flows

For the six months ended 31 December 2020

	Dec 2020 \$	Dec 2019 \$
Cash flows from operating activities		
Loss for the period	(1,749,376)	(1,457,324)
Adjustments for:		
Depreciation	33,052	66,757
Net finance costs	26,133	3,543
Equity settled share based payment transactions	175,814	-
	(1,514,377)	(1,387,025)
Changes in:		
Prepayments	1,999	43,600
Trade and other receivables	(21,694)	155,062
Trade and other payables	4,556	(116,699)
Employee benefits and provisions	98,798	19,102
Net cash used in operating activities	(1,430,718)	(1,285,960)
Cash flows from investing activities		
Interest received	1,753	21,398
Payments for plant, equipment and exploration and evaluation assets	(157,851)	(604)
Net cash provided by/(used in) investing activities	(156,098)	20,794
Cash flows from financing activities		
Proceeds from exercise of options	3,585	-
Payments for lease liabilities	(13,983)	(38,069)
Transfers to restricted cash	(34,304)	-
Net cash used in financing activities	(44,702)	(38,069)
Net decrease in cash and cash equivalents	(1,631,518)	(1,303,235)
Cash and cash equivalents as at 30 June	2,255,138	4,768,165
Cash and cash equivalents as at 31 December	623,620	3,464,930

The notes on pages 11 to 16 are an integral part of these consolidated interim financial statements.

Notes to the consolidated interim financial statements

1. Reporting entity

Medallion Metals Limited (the "Company") is a for profit public company limited by shares and incorporated in Australia. On 11 September 2020, the Company changed its name from ACH Minerals Pty Ltd to Medallion Metals Limited and converted from a proprietary limited company to a public company limited by shares.

The consolidated interim financial statements of the Company as at and for the period from 1 July 2020 to 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are as described in the Directors' Report.

2. Statement of compliance

The consolidated interim financial statements are a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual report of the Group as at and for the year ended 30 June 2020.

The consolidated interim financial statements were approved by the Board of Directors on 5 March 2021.

3. Basis of preparation

a) Significant accounting policies, judgements and estimates

Except as noted below, the accounting policies, significant judgements and estimates applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2020.

Bolong Loan classification

Subsequent to balance date, the Company has lodged a prospectus with ASIC in relation to an IPO and listing of the Company's shares on the ASX. The IPO opened on 24 February 2021 and closed on 26 February 2021.

Under the terms of the Bolong Loan a \$1.5 million repayment (subsequently amended to a \$1 million repayment) becomes due upon the listing of the Company's shares on a public stock exchange.

The directors have concluded that as the Company has the unconditional right at balance date to defer any repayment of the loan until the Company completes the planned ASX listing, the entire balance of the Bolong Loan has been classified as non-current as at 31 December 2020. Should the Company complete the planned ASX listing, then \$1 million of the Bolong would become due and payable and would be re-classified from non-current to current.

Share based payments

During the period, the Company granted 4,220,000 incentive options to directors and employees of the Company and subsequently varied the vesting criteria of the incentive options in January 2021. Refer to note 11 for further details regarding the option grant and note 12 regarding the subsequent variation of the vesting criteria.

The options are subject to implied service conditions and performance conditions which must be satisfied in order for the options to vest. The performance conditions comprise of market conditions in the form of the requirement to achieve target share prices and a non-market condition in the form of the requirement to achieve a specified level of JORC Resources.

While the timing of the satisfaction of the performance conditions is not known at grant date, it is required to be estimated for the purposes of determining the period over which the option values will be expensed. The Company has estimated the timing of the satisfaction of each performance condition, assessing that all performance conditions will be satisfied by 31 December 2021. Accordingly, the Company will expense the value of the options in full by 31 December 2021.

b) Going concern

The consolidated interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Notes to the consolidated interim financial statements

For the period ended 31 December 2020, the Group produced a loss after income tax of \$1,749,376. Cash outflows from operations and investment activities were \$1,586,816. As at 31 December 2020 the Group has a net working capital surplus, inclusive of current provisions, of \$504,931.

Based on the Group's future cashflow forecast, the Group will require additional funding in the next 12 months to enable it to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration and project development activities and meeting its annual tenement expenditure commitments.

The ability of the Group to continue as a going concern is dependent upon the Group securing additional funding through raising equity by way of an IPO or other means or undertaking a whole or partial sale of interests in its mineral exploration assets.

On 31 January 2020, the COVID-19 pandemic announced by the World Health Organisation is having a negative impact on world stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of employees, consultants and contractors in relation to COVID-19. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially impact the ability for the Group to raise capital in the current prevailing market conditions.

These conditions indicate a material uncertainty that may cast significant doubt about the Group'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 Directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to raise additional funds to meet its debts as and when they fall due and it is appropriate for the financial statements to be prepared on a going concern basis as the Group is currently in the process of completing an IPO. Should the IPO not proceed or be delayed, the Group may:

- scale back certain activities that are non-essential so as to conserve cash;
- undertake a whole or partial sale of interests in mineral exploration assets; and/or
- raise capital by means other than the IPO.

Should the Group 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 or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

4. Segments

Operating segments

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Managing Director (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group has one reportable segment, 'Mineral Exploration', which is the Group's strategic business unit.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of activities earning revenue. Segment assets are based on the geographical location of assets.

The Group conducts all its activities within Australia and accordingly has assessed its sole geographical segment to be Australia.

5. Restricted cash

Restricted cash comprises \$34,304 (June 2020: nil) in cash held in a term deposit issued in the Company's name which has been used to provide security in relation to a leased property.

Notes to the consolidated interim financial statements

6. Exploration and evaluation assets

	Dec 2020 \$	Jun 2020 \$
Cost		
Opening balance	4,262,154	4,262,154
Additions	134,580	-
Balance at the end of the period	4,396,734	4,262,154

7. Property, plant and equipment

	Land \$	Plant & equipment \$	Motor vehicles \$	Office equipment \$	Total \$
31 December 2020					
Cost					
Opening balance	88,772	191,184	63,558	8,900	352,414
Additions	-	772	-	22,499	23,271
Balance as at 31 December 2020	88,772	191,956	63,558	31,399	375,685

Depreciation					
Opening balance	-	(41,234)	(20,697)	(3,025)	(64,956)
Depreciation	-	(7,305)	(3,983)	(1,979)	(13,267)
Balance as at 31 December 2020	-	(48,539)	(24,680)	(5,004)	(78,223)

Carrying amount					
Opening balance	88,772	149,950	42,861	5,875	287,458
Balance as at 31 December 2020	88,772	143,417	38,878	26,395	297,462

	Land \$	Plant & equipment \$	Motor vehicles \$	Office equipment \$	Total \$
30 June 2020					
Cost					
Opening balance	88,772	191,184	63,558	3,010	346,524
Additions/(disposals)	-	-	-	5,890	5,890
Balance as at 30 June 2020	88,772	191,184	63,558	8,900	352,414

Depreciation					
Opening balance	-	(18,642)	(12,753)	(2,371)	(33,766)
Depreciation	-	(22,592)	(7,944)	(654)	(31,190)
Balance as at 30 June 2020	-	(41,234)	(20,697)	(3,025)	(64,956)

Carrying amount					
Opening balance	88,772	172,542	50,805	639	312,758
Balance as at 30 June 2020	88,772	149,950	42,861	5,875	287,458

8. Employee benefits

	Dec 2020 \$	Jun 2020 \$
Salaries, wages and other benefits accrued	29,265	145
Leave liabilities	74,015	-
Balance at the end of the period	103,280	145

Notes to the consolidated interim financial statements

9. Leases

This note provides information regarding property leases where the Group is the lessee. During the period the Group entered into a new two year property lease which resulted in the recognition of a \$127,187 lease liability and corresponding right of use asset.

Right of use assets

The Group's right of use assets in relation to its leases are as follows:

	Dec 2020 \$	Jun 2020 \$
Property		
Opening balance	38,864	-
Additions	127,187	38,864
Balance at the end of the period	166,051	38,864
Depreciation		
Opening balance	(7,773)	-
Depreciation	(19,784)	(7,773)
Balance at the end of the period	(27,557)	(7,773)
Carrying amount		
Opening balance	31,091	-
Balance at the end of the period	138,494	31,091

Lease liabilities

The Group's lease liabilities in relation to its leases are as follows:

	Dec 2020 \$	Jun 2020 \$
Opening balance	33,479	-
Lease liabilities recognised	127,187	38,864
Interest expense	4,337	3,541
Lease payments	(18,319)	(8,926)
Balance at the end of the period	146,684	33,479
Current	73,283	6,702
Non-current	73,401	26,777
Balance at the end of the period	146,684	33,479

10. Share capital

	Dec 2020 shares	Jun 2020 shares	Dec 2020 \$	Jun 2020 \$
Ordinary share capital				
On issue at the beginning of the period	11,615,132	11,555,921	8,104,240	8,103,648
Exercise of incentive options	358,553	59,211	3,585	592
Effects of a subdivision of shares	107,763,165	-	-	-
On issue at the end of the year	119,736,850	11,615,132	8,107,825	8,104,240

Exercise of options

In August 2020, the Company issued 358,553 fully paid ordinary shares to directors of the Company upon the exercise of incentive options.

Notes to the consolidated interim financial statements

Subdivision of shares

In August 2020, the shareholders of the Company approved a subdivision of the 11,973,685 shares outstanding on a 10 for 1 basis into 119,736,850 shares.

11. Share based payments

Incentive Options Plan

The Group has an established an Incentive Options Plan ("IOP") under which directors, employees and certain other eligible participants may be offered options to acquire shares in the Company, subject to the terms of the IOP and any additional terms and conditions as the Company determines.

Options granted during the period

The Company issued 4,220,000 options, of which 3,150,000 options were issued to directors and 720,000 were issued to key management personnel. Should the Company successfully list on the ASX, the options issued to directors will be subject to a 24 month escrow period from the date of listing.

The options were issued under the Company's IOP at an exercise price of \$0.01 per option expiring 15 October 2020 and are subject to the following vesting criteria:

- 50% vesting upon declaring JORC Code compliant Ore Reserves of not less than 450,000 ounces of contained gold at RGP; and
- 50% vesting upon the Board being satisfied that the necessary approvals are in place and adequate funding has been secured to construct and commission RGP.

Fair value of options granted during the period

The grant date fair value of the options was determined as \$0.24 per option and was measured using the Black-Scholes formula. The inputs used to determine the fair value of options granted during the period were:

	Option grant 16 October 2020
Fair value at grant date	\$0.24
Inputs	
Expected dividends	-
Contractual life (years)	5.0
Expected value of underlying shares	\$0.25
Option exercise price	\$0.01
Expected volatility of the underlying shares	90.0%
Risk free rate applied	0.4%

The vesting criteria of the options was amended subsequent to the end of the period, refer note 12 for further information.

Share based payments expense recognised during the period

The Company has recognised a share based payments expense of \$175,814 in respect of incentive options granted during the period.

Options exercised during the period

In August 2020, the Company issued 358,553 fully paid ordinary shares to directors of the Company upon the exercise of 358,553 incentive options.

12. Subsequent events

Incentive options variation

In January 2021, the Company varied the vesting criteria of the 4,220,000 incentive options granted to directors and employees in October 2020. The vesting criteria was varied as follows:

- 50% vesting upon declaring JORC Resources of not less than 1 million ounces of contained gold at RGP;

Notes to the consolidated interim financial statements

- 25% vesting upon achieving a 20 trading day Volume Weighted Average Price ("VWAP") of \$0.40 per share; and
- 25% vesting upon achieving a 20 trading day VWAP of \$0.50 per share.

Accounting standards are applied in this instance such that only a variation is which is deemed to increase the fair value of the incentive options issued to directors and employees would result in an adjustment to the previously determined grant date fair value of the incentive options.

The grant date fair value of the incentive options was assessed \$0.24 per option (refer note 11). The weighted average fair value of the incentive options following the subsequent variation has been determined as \$0.23 per option (\$970,600 in total).

As the fair value of the incentive options has fallen by \$0.01 per option, no accounting adjustment will be made in the future and the original \$0.24 per option fair value (\$1,020,186 in total) will be expensed over the estimated vesting period of the options.

Initial Public Offering

In January 2021, the Company executed a Lead Manager Mandate with Argonaut Securities Pty Limited ("Lead Manager") and in February 2021 executed an Underwriting Agreement with Argonaut Capital Limited ("Underwriter") to fully underwrite an offer in relation to an IPO of:

- 50 million new shares at an issue price of \$0.25 per share, together with one free attaching option for every two shares subscribed for and exercisable at \$0.35 per option on or before 31 January 2023; and
- 4 million options to the Lead Manager at a subscription price of \$0.001 per option, exercisable on or before 31 January 2023.

(together the "Offer").

The Underwriter will be paid a fee of 5.5% of the Offer amount. Should the underwriting not proceed, the Underwriter will not be entitled to any fees, however, the Lead Manager will become entitled to a 5.5% fee of amounts raised under the Offer.

On 16 February 2021, the Company lodged a prospectus with ASIC in relation to the Offer. The Offer opened on 24 February 2021 and was closed on 26 February 2021 in response to strong demand. The expected date for admission to the official list of ASX and quotation of the Company's shares is mid March 2021.

Bolong Loan amendment

In February 2021, the Company amended the terms of the Bolong Loan as follows:

- \$1 million loan repayment due upon Listing; and
- repayment of the outstanding balance (\$4 million following Listing) no later than 120 days after a decision is made by the Company to commence development of the Project.

There have been no other events subsequent to balance date which would have a material effect on the Group's consolidated interim financial statements.

Directors' declaration

1. In the opinion of the directors of Medallion Metals Limited ("the Company"):
 - (a) the consolidated interim financial statements and notes 1 to 12 that are contained within are 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 2020 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Paul Bennett
Managing Director

Dated at Perth, this 5th day of March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Medallion Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Medallion Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

We draw attention to Note 3 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 Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 5 March 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF MEDALLION METALS LIMITED

As lead auditor for the review of Medallion Metals Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Medallion Metals Limited and the entity it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 5 March 2021