

Gleneagle Gold Limited

ABN 27 103 782 378

Half-Year Financial Report

31 December 2015

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CORPORATE DIRECTORY

NON-EXECUTIVE DIRECTORS

Wayne Gregory Loxton

Ian David Love

Leon Davies

COMPANY SECRETARY

Neville Bassett

PRINCIPAL & REGISTERED OFFICE

Level 45, 108 St George's Terrace

PERTH WA 6000

Telephone: (08) 9486 7066

Facsimile: (08) 9486 8066

AUDITORS

HLB Mann Judd

Level 4, 130 Stirling Street

PERTH WA 6000

SHARE REGISTRAR

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St George's Terrace

PERTH WA 6000

Ph 08 9323 2000

Fax 08 9323 2033

SECURITIES EXCHANGE LISTING

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: GLN

DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Wayne Gregory Loxton	Director
Ian David Love	Director
Leon Davies	Director

Review of Operations

Cuddingwarra – Western Australia

EL20/742 (100%)
 EL20/833 (100%)
 PL20/2095 (100%)
 PL20/2096 (100%)

The four leases are located in the Cue Mineral Field near the historic Big Bell and Cuddingwarra mining centres. Three of the leases are contiguous being E20/742, P20/2095 and P20/2096. This project area is referred to as Milly Bore. EL20/833 is situated to the NW of Milly Bore and is referred to as the Berring Pool project.

The Milly Bore project is situated immediately to the north of the Cuddingwarra Mining Centre. Gold mineralisation is common in the area and there are numerous historical workings. The principal deposits are Black Swan, Black Swan South, Golden Gate, Chieftain and Rheingold.

The Berring Pool project is adjacent to the Big Bell-Coodardy gold trend that is interpreted to be on the northern margin of the lease.

Milly Bore

The project covers an area of approximately 100km² and is situated within the Archaean Meekatharra-Wydege Greenstone Belt. The greenstone belt is comprised of thick sequences of basalt and mafic rock with banded iron formation, ultramafic, felsic volcanic and volcanoclastic rocks. Felsic porphyries and granitoids have intruded the greenstones.

Mineralised gold trends have been identified along four zones, (from west to east), termed the Chester Trend, Cuddingwarra Shear, Chieftain Trend, and Emily Well Trend. In addition two prospective base metal trends are identified, the Wattagee Hill trend and the Emily Well trend.

Berring Pool

The project covers an area of approximately 16km² and is also situated within the Archaean Meekatharra-Wydege Greenstone Belt.

Work Undertaken

During the half-year, completed a limited field trip involving surface sampling, data validation and mapping on E20/742, P20/2095 and P20/2096. Samples have been submitted for analysis.

In light of current economic conditions, the company is assessing the best way to move the project forward whilst conserving cash reserves.

Corporate

The Board is actively seeking new project and investment opportunities and reviewed a number of potential projects during the half-year, conducting due diligence on a number of prospective opportunities.

On 9 December 2015, the company entered into a binding heads of agreement (**Heads of Agreement**) in relation to the acquisition of all of the shares in unlisted Australian company Zelda Therapeutics Pty Ltd (**Zelda**) (**Proposed Acquisition**).

Zelda is a Perth-based biotechnology company that has secured exclusive, global access to an extensive set of human data related to medicinal cannabis based formulations and treatment protocols. This human data has been generated over several years by a California-based group, Caziwell Inc., which operates the *Aunt Zelda's* group. *Aunt Zelda's* has a very high profile within the USA and a growing international profile based upon its deep knowledge of the scientific rationale for certain cannabis-based formulations and protocols to treat a variety of medical conditions.

Zelda has been granted a worldwide, exclusive and perpetual licence to this data, related systems, formulations and treatment protocols.

Zelda will use this information to design a series of Phase 2-ready human clinical trials that have a strong probability of success given the existing patient data and experiences it has access to.

Conditions Precedent

Completion of the Proposed Acquisition is subject to and conditional upon a number of conditions precedent, including:

- (a) satisfaction of all necessary due diligence investigations by the parties;
- (b) each of the shareholders of Zelda entering into a binding share sale agreement with Gleneagle on terms consistent with the provisions of the Heads of Agreement and otherwise acceptable to Gleneagle;
- (c) Gleneagle receiving conditional approval by ASX to reinstate its securities and those conditions being satisfied to the reasonable satisfaction of Gleneagle and Zelda;
- (d) Gleneagle undertaking a capital raising to raise at least \$3 million or such other minimum amount as agreed between the parties provided that such minimum amount will be sufficient to satisfy any conditions imposed by ASX as contemplated under clause (c) above (**Capital Raising**);
- (e) if required, Gleneagle undertaking a consolidation of its issued share capital; and
- (f) Gleneagle holding a meeting of Gleneagle shareholders to obtain all approvals under the Corporations Act and the Listing Rules that are required to give effect to the transactions contemplated by the Heads of Agreement.

Consideration

Subject to satisfaction of the conditions precedent, at completion, Gleneagle will issue the following securities (on a pre-consolidation basis):

- (a) 1,600,000,000 Shares at a deemed issue price of A\$0.005 each to Zelda shareholders on a pro rata basis;
- (b) 80,000,000 Shares and 100,000,000 options to acquire Shares, each exercisable at a price equal to the issue price under the Capital Raising on or before the date that is 5 years after the date of issue (**Options**) in consideration for professional services to be provided to Gleneagle in connection with the Proposed Acquisition; and
- (c) 100,000,000 Options to the existing Gleneagle officers in consideration for past and future services to be provided to Gleneagle.

In consideration for the entry into of the Heads of Agreement, Gleneagle has paid an option fee of \$250,000 to Zelda.

Since the Proposed Acquisition will result in a significant change to the nature and scale of Gleneagle's activities, the Proposed Acquisition will require Gleneagle shareholders' approval under ASX Listing Rule 11.1.2 and will also require Gleneagle to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Company is currently working towards completion of its due diligence investigations.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 and forms part of this directors' report for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'W. Loxton', with a stylized, cursive script.

Wayne Gregory Loxton

Director

14 March 2016



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Gleneagle Gold Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

Perth, Western Australia
14 March 2016

M R W Ohm
Partner

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	31 December 2015 \$	31 December 2014 \$
Continuing operations		
Revenue	2,024	6,774
Compliance and regulatory expenses	(17,808)	(14,309)
Consultants and professional fees	(27,750)	(35,500)
Administration	(15,344)	(11,781)
Directors' fees	(90,000)	(90,000)
Investment option fee	(250,000)	-
Exploration and evaluation expenditure	(101,635)	(115,376)
Foreign exchange gain (loss)	(24,946)	11,293
Loss before income tax	(525,459)	(248,899)
Income tax expense	-	-
Net loss for the period	(525,459)	(248,899)
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss for the period	(525,459)	(248,899)
Basic loss per share (cents per share)	(0.10)	(0.05)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Notes	31 December 2015 \$	30 June 2015 \$
Assets			
Current Assets			
Cash and cash equivalents		185,049	324,596
Trade and other receivables		16,018	8,557
Total Current Assets		201,067	333,153
Non-Current Assets			
Deferred exploration and evaluation expenditure	2	-	75,113
Total Non-Current Assets		-	75,113
Total Assets		201,067	408,266
Liabilities			
Current Liabilities			
Trade and other payables		30,795	50,395
Total Current Liabilities		30,795	50,395
Total Liabilities		30,795	50,395
Net Assets		170,272	357,871
Equity			
Issued capital	3	16,307,505	15,969,645
Accumulated losses		(16,137,233)	(15,611,774)
Total Equity		170,272	357,871

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2014	15,961,851	(15,525,794)	314,100	750,157
Loss for the period	-	(248,899)	-	(248,899)
Total comprehensive loss for the period	-	(248,899)	-	(248,899)
Balance at 31 December 2014	15,961,851	(15,774,693)	314,100	501,258
Balance at 1 July 2015	15,969,645	(15,611,774)	-	357,871
Loss for the period	-	(525,459)	-	(525,459)
Total comprehensive loss for the period	-	(525,459)	-	(525,459)
Issue of shares	337,860	-	-	337,860
Balance at 31 December 2015	16,307,505	(16,137,233)	-	170,272

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	31 December 2015	31 December 2014
	\$	\$
	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(160,240)	(142,805)
Interest received	2,024	6,774
Changes in GST liabilities	(7,461)	(3,871)
Net cash (used in) operating activities	(165,677)	(139,902)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(36,784)	(21,709)
Payment of option fee	(250,000)	-
Net cash (used in) investing activities	(286,784)	(21,709)
Cash flows from financing activities		
Proceeds from issue of shares	337,860	-
Net cash from financing activities	337,860	-
Net decrease in cash held	(114,601)	(161,611)
Cash and cash equivalents at the beginning of the period	324,596	597,534
Effects of exchange rate fluctuations on cash held	(24,946)	11,293
Cash and cash equivalents at the end of the period	185,049	447,216

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Gleneagle Gold Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period.

Basis of preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

As at 31 December 2015, the Company had cash and cash equivalents of \$185,049, a loss for the year of \$525,459 and a net cash outflow from operating and investing activities of \$452,461. The Company has a working capital surplus of \$170,272.

The Board considers that the Company is a going concern and recognises that additional funding is required to ensure that it can continue to fund its operations during the twelve month period from the date of this report. Such additional funding as occurred during the half-year ended 31 December 2015 as disclosed in Note 3, can be derived from either one or a combination of the following:

- Raising additional equity capital to fund the Company's ongoing operations and working capital requirements, as and when required;
- Alliance with institutional brokers for raising additional capital; or
- The farm-down or sale of its mineral interests.

Accordingly, the Directors believe that subject to prevailing equity market conditions, the Company will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

Should the Company be unable to obtain sufficient funding as outlined above, there is a material uncertainty that may cast significant doubt as to whether it will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should it not continue as a going concern.

Significant accounting judgments and key estimates

The preparation of half-year financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2015, 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 annual reporting periods beginning on or after 1 July 2015.

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 is necessary to Company accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Company accounting policies.

Comparatives

Comparative information has been represented so that it is also in conformity with current classifications.

NOTE 2: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Six months to 31 December 2015 \$	Year to 30 June 2015 \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	75,113	180,985
Expenditure incurred	17,100	-
Deferred expenditure written off	(92,213)	(105,872)
Total deferred exploration and evaluation expenditure	-	75,113

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas. In view of the proposed acquisition of Zelda Therapeutics Pty Ltd, the decision was taken to write off deferred exploration expenditure as it is not intended to expend funds, other than minimum expenditure requirements, on the tenements in the forthcoming period, pending outcome of completion of the acquisition.

NOTE 3: ISSUED CAPITAL

Ordinary shares

Issued and fully paid	16,307,505		15,969,645	
	Six months to 31 December 2015 No.	Year to 30 June 2015 No.	Six months to 31 December 2015 \$	Year to 30 June 2015 \$
<i>Movements in ordinary shares on issue</i>				
At start of period	483,138,361	482,358,913	15,969,645	15,961,851
Issue of shares on exercise of options	-	779,448	-	7,794
Issue of shares for cash	120,000,000	-	360,000	-
Share issue expenses	-	-	(22,140)	-
At end of period	603,138,361	483,138,361	16,307,505	15,969,645

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 4: SEGMENT REPORTING

The Company has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

During the half-year ended 31 December 2015, the Company only operated in one segment, being mineral exploration within Australia.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a group basis.

The Company is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located.

NOTE 5: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 6: RELATED PARTY TRANSACTIONS

There are no related party transactions requiring disclosure since the last annual reporting date.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to the reporting date that require disclosure.

DIRECTORS' DECLARATION

In the opinion of the directors of Gleneagle Gold Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Wayne Gregory Loxton
Director

14 March 2016



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Gleneagle Gold Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gleneagle Gold Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the half-year 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2015 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Accountants | Business and Financial Advisers

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gleneagle Gold Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 to the financial report, which indicates that, should the company be unable to obtain sufficient funding as outlined in Note 1, there exists a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

M R W Ohm
Partner

Perth, Western Australia
14 March 2016