

GLENEAGLE GOLD LIMITED
ABN 27 103 782 378

Half-Year Financial Report
31 December 2004

**HALF-YEAR FINANCIAL REPORT
For the Half Year Ended 31 December 2004**

Company Directory	1
Directors' Report	2
Statement of Financial Performance	4
Statement of Financial Position	5
Statement of Cashflows	6
Notes to the Financial Statements	7
Directors' Declaration	12
Independence Declaration	13
Independent Review Report	14

COMPANY DIRECTORY

DIRECTORS

Tony Brennan
(Chairman)

Ian Prentice
(Managing Director)

David Prentice
(Non-Executive Director)

Joe Kennedy
(Non-Executive Director)

COMPANY SECRETARY

Kent Hunter

REGISTERED OFFICE

41-43 Ord Street
WEST PERTH WA 6005
Telephone: (08) 9476 4646
Facsimile: (08) 9476 4600

AUDITORS

Ord Partners
Level 2, 47 Colin Street
WEST PERTH WA 6005

SHARE REGISTRAR

Advanced Share Registry Services
Level 7, Adelaide Terrace
PERTH WA 6000
Telephone: (08) 9221 7288
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STOCK EXCHANGE LISTING

Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
Code: GLN

INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit the financial report of the company for the half-year ended 31 December 2004.

DIRECTORS

The names of Directors who held office during or since the end of the half year:

Tony Brennan
Ian Prentice
David Prentice
Joe Kennedy

REVIEW OF OPERATIONS

Gleneagle Gold maintained an aggressive exploration drilling focus on its Peak Hill Goldfield projects, with the majority of activity centred on the Toms Prospect, which is located approximately 1.0 kilometre east of the Fortnum treatment plant.

Two Reverse Circulation drilling programs (50 holes for 3,656m) and 6 Diamond holes (235.7m) were completed at Toms during the period. These programs have extended mineralisation down dip and along strike to the south, with better results including 7.0m at 14.0g/t and 13m at 4.22g/t. An updated resource estimate has been completed for the Toms Prospect, delivering a revised resource of 61,800 ounces (up from 7,500 ounces). This resource upgrade has contributed to an increase in the group's global resource position to 684,100 ounces.

During the period Gleneagle Gold reported the findings of a scoping study into the recommissioning of the Fortnum treatment plant, with the study identifying this to be a viable project and confirming the low start up capital estimate of \$2 – 3 million.

Aggressive exploration activity focused on both the delineation of additional resources in and around the Fortnum Project and identification and evaluation of regional targets is to be maintained in the coming half year. Gleneagle also continues to pursue corporate opportunities to enable further consolidation of the Peak Hill Goldfield and to maximise the strategic value of ownership of the Fortnum treatment plant, the only intact treatment plant located in the Peak Hill Goldfield.

REVIEW OF OPERATIONS (Cont.)

Gold Revenues

During the half-year, the Company received \$241,804 for the sale of gold recovered from within the Fortnum Mine Plant by independent operators pursuant to a clean-up agreement.

CORPORATE

Share Options

On 11 November 2004 the Company issued the following options to subscribe for ordinary fully paid shares in the Company to employees of the Company under the existing employee share option plan:

- 215,000 40 cent options expiring 3 September 2008.
- 215,000 50 cent options expiring 3 September 2008.
- 382,000 60 cent options expiring 3 September 2008.

This report is signed in accordance with a resolution of the Board of Directors.

Lead Auditors Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 13 and forms part of the Director's Report for the half-year ended 31 December 2004



Ian Prentice
Managing Director

Perth
Dated : 16 March 2005

GLENEAGLE GOLD LIMITED ABN 27 103 782 378

STATEMENT OF FINANCIAL PERFORMANCE

For the Half-Year Ended 31 December 2004

	Company		
	Note	31 December	31 December
		2004	2003
		\$	\$
Revenue from ordinary activities		549,354	488,017
Fuel expense		(76,818)	-
Employee benefits expense		(89,476)	(34,530)
Depreciation expense		(49,257)	(4,998)
Borrowing costs expense		(18,430)	(1,463)
Consultancy costs		(23,494)	(29,892)
Occupancy costs		(26,237)	(3,234)
Compliance and regulatory expenses		(31,168)	(26,319)
Promotion costs		(19,149)	(23,470)
Administration expenses		(176,015)	(128,403)
Other expenses from ordinary activities		<u>(14,939)</u>	<u>(38,294)</u>
Operating profit from ordinary activities before income tax (expense)/benefit attributable to members of the parent entity			
	2	24,371	197,414
Income tax (expense)/benefit relating to ordinary activities		<u>-</u>	<u>-</u>
Operating profit from ordinary activities after income tax (expense)/benefit attributable to members of the parent entity		<u>24,371</u>	<u>197,414</u>
Basic earnings / (loss) per share (cents per share)		0.05	0.50

The accompanying notes form part of this financial report.

GLENEAGLE GOLD LIMITED ABN 27 103 782 378

STATEMENT OF FINANCIAL POSITION

As at 31 December 2004

	Company		
	Note	31 December	30 June
		2004	2004
		\$	\$
CURRENT ASSETS			
Cash assets		1,014,255	2,152,071
Receivables		89,865	110,031
Other assets		250,000	250,000
		<u>1,354,120</u>	<u>2,512,102</u>
TOTAL CURRENT ASSETS		<u>1,354,120</u>	<u>2,512,102</u>
NON-CURRENT ASSETS			
Deposits		1,056,000	1,056,000
Property, plant and equipment		667,587	702,395
Exploration, evaluation and development expenditure		5,519,464	4,271,490
		<u>7,243,051</u>	<u>6,029,885</u>
TOTAL NON-CURRENT ASSETS		<u>7,243,051</u>	<u>6,029,885</u>
TOTAL ASSETS		<u>8,597,171</u>	<u>8,541,987</u>
CURRENT LIABILITIES			
Payables		251,089	228,984
Provisions		31,898	23,190
		<u>282,987</u>	<u>252,174</u>
TOTAL CURRENT LIABILITIES		<u>282,987</u>	<u>252,174</u>
TOTAL LIABILITIES		<u>282,987</u>	<u>252,174</u>
NET ASSETS		<u>8,314,184</u>	<u>8,289,813</u>
EQUITY			
Contributed equity	3	8,401,826	8,401,826
Retained profits / (accumulated losses)		<u>(87,642)</u>	<u>(112,013)</u>
TOTAL EQUITY		<u>8,314,184</u>	<u>8,289,813</u>

The accompanying notes form part of this financial report.

STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2004

	Company	
	31 December 2004 \$	31 December 2003 \$
CASHFLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(381,556)	(313,685)
Interest and bill discounts received	80,019	61,004
Proceeds from sale of gold	241,804	156,742
Borrowing costs	(18,430)	(16)
Payments for exploration and evaluation	(1,249,861)	(1,229,106)
Receipts – other	204,658	62,467
Net cash used in operating activities	<u>(1,123,366)</u>	<u>(1,262,594)</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	-	201,924
Purchase of property, plant and equipment	(14,450)	(74,225)
Purchase of exploration assets	-	(1,016,485)
Transfer to term deposit	-	(1,056,000)
Net cash used in investing activities	<u>(14,450)</u>	<u>(1,944,786)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	3,985,600
Payments for costs of issue of shares	-	(207,345)
Net cash provided by financing activities	<u>-</u>	<u>3,778,255</u>
Net increase in cash held	(1,137,816)	570,875
Cash at beginning of period	<u>2,152,071</u>	<u>899,590</u>
Cash at end of reporting period	<u>1,014,255</u>	<u>1,470,465</u>

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2004

1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES

(a) BASIS OF PREPARATION

The half-year financial statements are a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: "Interim Financial Reporting", Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 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 has been prepared on the basis of historical costs, and does not take into account changing money values.

The accounting policies, have been consistently applied by the Company and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

(b) GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

On 11th March 2005, the Company released an announcement concerning the deferment of the Fortnum Gold Project recommissioning pending further engineering studies and exploration to improve the profitability of the project after the first year. The expected extent and cost of the work to be performed has not yet been reliably ascertained, however it is expected that funding for this work will range between \$0.25 - \$0.5 million within a quantum of funding required for working capital. In considering whether the going concern basis is appropriate for preparing this financial report, the directors recognise that current levels of working capital may be insufficient to meet the required expenditure and once the scope of the work has been determined funds will be raised accordingly. However, in the informed opinion of the directors', it has been concluded that the going concern basis is the appropriate basis for preparing the financial statements based on the following key considerations:

- Current robust market conditions for resource companies
- Previous capital raisings by the Company highlight the ability to raise funds as required
- The Company has raised approximately \$7.0 million over the past two years
- Major shareholders of the Company are expected to support fund raising as has been demonstrated in past issues to the existing shareholder base.

The directors of the Company are confident that the necessary funds will be raised as required. Should the funding not be obtained then the Company may not be able to meet its planned and proposed levels of expenditure for the forthcoming year.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2004

(c) IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effect of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

The company has commenced reviewing the transition from its current policies to the AASB equivalents to IFRS to achieve transition to IFRS reporting beginning with the half year ended 31 December 2005.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- i) *Income Tax*
Under the Australian equivalent to AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's asset and liabilities in the statement of financial position and a tax based balance sheet. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method. The Company is in the process of assessing any potential impact.
- ii) *Exploration and evaluation expenditure*
AASB 6 "Exploration for and Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to their exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for the Extractive Industries". Under AASB 6, if the facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level providing this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136.

The future financial effects of this change in accounting policy are not yet known.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2004

iii) *Financial instruments*

AASB 139 applies from 1 January 2005, meaning that the comparative period of 2005 is not required to be restated unlike the majority of other IFRS standards which require retrospective application. Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables - measured at amortised costs; financial assets held to maturity - measured at amortised costs; financial assets and liabilities held for trading - measured at fair value with fair value changes charged to net profit or loss; financial assets available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments in this manner. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been completed.

iv) *Impairment of assets*

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of any write-downs may be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

The financial effect of the above matter has not been recognised in these financial statements.

v) *Share Based Payments*

Under Australian Standard AASB 2 Share based Payments, the Company will be required to determine the fair value of options issued to employees and recognize as an expense in the Statement of Financial Performance. For options on issue on the application of AASB2, an adjustment for their recognition will be made against opening retained earnings. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown. However, where share based payments are made, net profit is expected to decrease by the fair value of such payments.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AASB equivalents to IFRS. As noted above, these are expected to be the material areas of impact for the Consolidated Entity that have been identified.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2004

2. LOSS FROM ORDINARY ACTIVITIES

	31 December 2004	31 December 2003
	\$	\$
The following revenue and (expense) items are relevant in explaining the financial performance for the interim period:		
Interest revenue	77,332	66,884
Depreciation of plant and equipment	(49,257)	(4,998)

3. CONTRIBUTED EQUITY

	31 December 2004	30 June 2004
	\$	\$
47,332,454 (2003: 10,700,002) Fully Paid Ordinary Shares	8,401,826	8,401,826
Brought forward at beginning of period	8,401,826	647,000
Shares issued during the year		
- 30,703,000 on 11 July 2003		6,140,600
- 5,915,166 on 8 April 2004		2,070,308
- 14,286 on 31 May 2004		5,000
Shares issued during the period	-	
Transaction costs relating to share issue	-	(461,082)
Total at reporting date	8,401,826	8,401,826

4. SEGMENT INFORMATION

The Company operates predominantly in one geographical and segment, being Western Australia, and in one business segment, mineral mining and exploration and substantially all of the entity's resources are deployed for this purpose.

5. EVENTS SUBSEQUENT TO REPORTING DATE

On 11 March 2005 the Company announced that the outcome of the study to determine the key parameters for the recommissioning of the Fortnum Gold Project had been adversely impacted by significant cost increases of key operating expenses. The study identified a robust first year of production, whilst the second year in the mine schedule was materially impacted by the cost increases.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2004

Preliminary work has identified significant potential to enhance the profitability of the second year through further engineering studies and exploration of advanced prospects and newly defined targets within the Fortnum area. The Board has resolved to proceed with this work with a view to significantly improving the profitability of the project beyond year one.

Other than stated above, since 31 December 2004, no event has arisen that would be likely to materially affect the operations of the company, or the state of affairs of the company not otherwise disclosed in the company's financial report.

6. CONTINGENT LIABILITIES

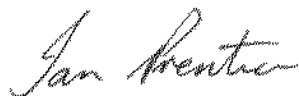
There has been no change in contingent liabilities since the last annual reporting date.

DIRECTORS' DECLARATION
For the Half Year Ended 31 December 2004

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 11:
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the entity's financial position as at 31 December 2004 and its performance for the half-year ended on that date.
2. In the Directors' opinion 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 made in accordance with a resolution of the Board of Directors.



Ian Prentice
Managing Director

PERTH
Dated this 16th day of March 2005

16 March 2005

The Board of Directors
Gleneagle Gold Limited
41-43 Ord Street
West Perth
WA 6005

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

Dear Sirs

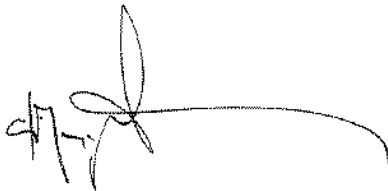
DECLARATION OF INDEPENDENCE

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gleneagle Gold Limited.

As lead partner for the review of the financial statements of Gleneagle Gold Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours sincerely
ORD PARTNERS



Ian Keith Macpherson
Partner

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INDEPENDENT REVIEW REPORT

To the members of Gleneagle Gold Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Gleneagle Gold Limited for the half-year ended 31 December 2004 and are set out on pages 4 to 12.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and its cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

A review cannot guarantee that all misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

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Statement

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

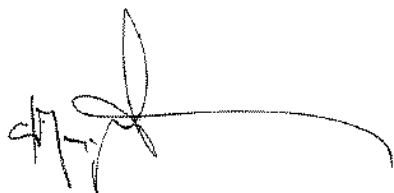
- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Deferment of Fortnum Gold Project

Without qualification of the opinion expressed above, attention is drawn to the following matter. As described in Note 1, the company made a decision on 11th March 2005 to defer the development its Fortnum Gold Project pending the results of further engineering studies and exploration work designed to improve the profitability of the project. At the date of this report, the nature, extent and timing of these additional costs are unknown. However, it is likely that the company will need to seek additional funding of between \$0.25 and \$0.5M in this regard. Consequently, there is significant uncertainty over the company's ability to meet its committed and proposed levels of expenditure should the company be unable to secure such funding.

ORD PARTNERS

Chartered Accountants



IAN K MACPHERSON

Partner

Dated this 16th day of March, 2005.
Perth, Western Australia