



GLENEAGLE

GOLD LIMITED

ABN 27 103 782 378

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The Manager
Company Announcements Office
Australian Stock Exchange Limited
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Sydney NSW 2000

By ASX Online

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Dear Sir

FEASIBILITY STUDY CONFIRMS FORTNUM START – UP

- **Initial production of 156,000 ounces over approximately 3 years.**
- **\$24 million free cash flow after repayment of all capital, State royalties and income tax (assumes 60% of production delivered into flat forwards).**
- **Payback of the modest \$3.3 million pre production capital within 9 months.**
- **Westpac Institutional Bank assisting in arranging finance.**
- **Production to commence in mid 2006.**
- **Cash flow to fund aggressive exploration of Gleneagle's highly prospective Peak Hill Goldfield landholding.**

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Gleneagle Gold Limited ("Gleneagle") has completed a feasibility study into the resumption of gold production at the Fortnum Gold Project. This study was based solely on open pittable deposits, the majority of which are located within 2 kilometres of the 1.0 Million tonne per annum Fortnum treatment plant. Assessment of the development of the significant Starlight Group underground resource will be completed during the first year of operations and provides scope to materially extend the operations life.

The study confirmed a robust gold mining operation with an initial mine life of approximately three (3) years producing a total of 156,000 ounces. Production is to be sourced from the Toms, Yarlaweelor and Horseshoe deposits, supplemented with feed from a series of satellite deposits within close proximity of the Fortnum treatment plant. Gold production is scheduled to commence in mid 2006.

\$24 million free cash flow

Operating free cash flow of \$24 million after repayment of all capital, State royalties and income tax is forecast over the initial mine life, assuming that 60% of gold production is delivered into flat forwards. These forward sales will lock in the forecast cash flow.

Pre production capital has been confirmed at a modest \$3.3 million, with a nine month payback. The Fortnum Gold Project will employ approximately 90 people and pay State Government royalties of approximately \$3 million.

Transition to self funded explorer

The resumption of production at the Fortnum Gold Project is key to Gleneagle's strategy of becoming a self funded explorer, with cash flow being used to fund exploration activities across the Company's highly prospective 2,500 square kilometre Peak Hill Goldfield landholding.

A focus of this exploration will be the advanced targets and resources within close proximity to the Fortnum treatment plant, such as the Starlight Group of deposits (1.97 Million tonnes at 4.1 grams per tonne for 259,400 ounces), located adjacent to the existing Starlight – Twilight underground development. This area offers scope for the development of a substantial underground operation at the Fortnum Project, whilst other targets in the immediate Fortnum area have potential for the discovery of further Starlight style deposits.

Gleneagle's exploration activities since listing on the ASX have been extremely successful, having delivered a threefold increase in resources from 326,900 ounces to 1,045,300 ounces (a 718,400 ounce increase) through exploration expenditure of \$5.8 million.

Recommissioning activities have commenced; with treatment plant operations, power station and catering contractors having been appointed. Tenders have been received for the mining contract, with the successful tenderer to be appointed in the near term.





Westpac Institutional Bank is assisting in arranging finance for the resumption of production at the Fortnum Gold Project, based on the provision of a term loan facility and a working capital facility covering all estimated capital requirements. Subject to the satisfactory completion of due diligence, which is currently underway, it is expected that legal documentation will be completed to enable first drawdown of the finance facility during April 2006.

"The successful completion of this feasibility study is a major development for Gleneagle and one that lays the foundations for future growth. When we listed in July 2003 we had three main goals – firstly to increase our resource base to over 1 million ounces, secondly to recommission the Fortnum plant to generate cash flow that would enable us to achieve our third objective of aggressively exploiting the true potential of our large landholdings in this productive goldfield.

We have achieved the first two and the way forward is now clear to achieving the third. I have little doubt that having approximately \$24 million to spend on exploration over the next 3 to 5 years in this area will deliver shareholders tremendous returns" said Managing Director Ian Prentice.

Gleneagle currently has:

- 1.04 Million ounces of resource,
- a 1.0 Million tonne per annum treatment plant,
- over 2,500km² of highly prospective tenements in the Peak Hill Goldfield,
- a market capitalisation of \$19 million with 69.6 million shares on issue, and
- 18.9 million options on issue.

Yours faithfully

Ian Prentice
Managing Director

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The technical information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Ian Prentice, who is a Member of the Australasian Institute of Mining & Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Ian Prentice is a full-time employee of the Company and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.





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