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Company Announcements Office
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Gleneagle to Acquire an Interest in a 1.29 Billion Tonne Coal Project in the Waterberg Coalfield of South Africa

The Directors of Gleneagle Gold Limited (“Gleneagle” or the “Company”) are pleased to announce that the Company has signed agreements to conditionally acquire up to a 70% interest in four farms (Verloren Valey, Kleinberg, Duikerpan and Houwhoek), located in the Waterberg Coalfield of South Africa, the key highlights of which are:

- JORC compliant Indicated Coal Resource Estimate **1.29 Billion Tonnes**
at Verloren Valey (Gross Tonnes In Situ)
- Historic drilling on Duikerpan and Kleinberg intersected significant thicknesses of coal which suggests potential to host additional coal resources.
- Coal resources contain coking coal for the local and export markets, and a middling product for local power generation (Eskom).
- Shallow overburden at Verloren Valey provides large areas amenable to open cast mining operations.
- Prospecting Rights located close to infrastructure and existing power stations.
- Community Investment Holdings (Pty) Ltd (“CIH”) provides Black Economic Empowerment (“BEE”) ownership and control of the Projects in excess of South Africa’s mining charter’s minimum requirement.
- The Waterberg coalfield is estimated to contain 50% of the total remaining coal reserves in South Africa.

The acquisition is conditional on, amongst other things, the completion of due diligence and the obtaining of shareholder approval and all necessary regulatory approvals.

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1. Summary of the Waterberg Coalfield

The farms Verloren Valey 246LQ, Duikerpan 249LQ, Kleinberg 252LQ, and Houwhoek 270LQ (“the Projects”) are located in the Waterberg coalfield in the Limpopo Province of South Africa (**Figure 1**).

The Waterberg coalfield is becoming increasingly important as coal reserves in the Witbank, Highveld and Ermelo coalfields of the Mpumalanga Province, which currently supply the majority of Eskom’s coal power stations, become depleted over the next 20-30 years.

Exxaro Resources Ltd operates the nearby Grootegeluk coal mine. It produces from an open cast operation semi-soft coking coal and steam coal for the inland and export market, and has a 14 million tonnes per annum coal supply agreement with Eskom’s nearby Matimba power station. Production is likely to rise significantly as Eskom brings on-stream the Medupi (Matimba II) power station adjacent to Matimba. The Grootegeluk operations also produce some 4Mt of semi-soft coking coal for the export and inland markets.

2. Description of the Projects

Tenure

The Projects comprise two granted new order Prospecting Rights for coal only, over the farms Verloren Valey, Duikerpan and Kleinberg (553/2007PR in the name of Temo Coal Mining (Pty) Ltd), and Houwhoek (967/2007PR in the name of Manupont 243 (Pty) Ltd). The Prospecting Rights expire on the 15th May 2009 and 30th October 2009 respectively, and may be renewed once for a period not exceeding three (3) years under the applicable mining legislation.

Location

The farms lie some 20km west of the Grootegeluk Colliery’s mine lease boundary (**Figure 2**), and are 240km northwest of Pretoria and 70km south of the border with Botswana. The area is accessed via the sealed R517 between Modimolle (formerly Nylstroom) and Lephalele (Ellisras). The rail line from Richards Bay Coal Terminal (the largest South African coal export port) via Thabazimbe terminates immediately north of the Grootegeluk Colliery.

The vegetation consists of sparse Bushveld and the area is largely given over to game farming. The warm climate ensures that exploration and mining are possible all year round.

Coal Geology

The farms overlie shales, sandstones, mudstones and coal seams. The stratigraphy is fault bounded in a generally east-west direction by the Eenzaamheid, Zoetfontein and Daarby faults. The Zoetfontein fault was active during and post coal deposition, whereas the other faulting is younger (**Figure 3**).

Coal seams were formed in the east-west orientated *graben* trough. Subsequent faulting divided the coalfield into shallow and deep coal bearing areas, and either preserved or destroyed the coal seams.

At Grootegeluk the coal seams of the Vryheid and Volksrust Formations are grouped into eleven (11) coal bearing zones that can be correlated across the coalfield, but not all zones occur over the whole coalfield (**Figure 4**).

Numbered from the base of the Vryheid Formation zones 1-4 lie within the Vryheid Formation over a stratigraphic interval of $\pm 60\text{m}$, the coal in these bottom zones occurs as thicker and more distinct seams. Bright coal is developed at the base of zones 2-4 which, across the coalfield, are characterised by large variations in thickness and quality. These zones require little or no beneficiation to produce a coal product that is suitable for steam raising and metallurgical uses. Zone 3 contains the best developed dull coal and reaches a maximum thickness of 9m.

The coal seams in the upper seven zones, i.e. zones 11 to 5, lie in the Volksrust Formation and consist of finely intercalated bands of coal and mudstone with an increasing ratio of bright coal to dull coal. These zones typically start with bright coal at the base and the ratio of coal to shale decreases from the base in an upwards direction. Over most of the coalfield the *better* quality coal seams are present in zones 11 to 8 where the highest yields of coal product are achieved. Coal from these zones must be crushed to at least a 12mm top size and washed to produce a semi-soft coking coal and a middlings product for local power generation (Eskom).

The coalfield shows no noticeable increase in the rank of the coal with increasing depth. The air dried volatile content of the coal remains at 35-36% from its subcrop to a depth of 400m. Phosphorous content varies from high levels in zone 6 to low levels in zones 1 and 2.

Unlike the Mpumalanga Province coalfields only a few dolerite dykes outcrop in the southeastern portion of the Waterberg, and no sill features to date have been encountered.

Historical Exploration

Various phases of exploration have been carried out in the Waterberg since the 1940's. Between 1941 and 1946 the South African Irrigation Department drilled a total of 143 boreholes on behalf of what is now the Council for Geosciences ("CGS").

During the 1950's and 1960's, Sasol Mining was given responsibility for undertaking exploration in the Waterberg area, while later in the 1980's exploration was also undertaken by Iscor. Anglo Coal, initially in partnership with Shell, is currently involved in Coal Bed Methane investigations.

No historical mining activities have taken place on any of the farms.

The exploration data acquired consists entirely of drilling information and the associated borehole logs, sampling data and coal qualities.

Coal Resource Estimate

A Competent Persons Report for the Projects has been prepared by Mr Dawie le Roux van Wyk of GeoCoal Services (Pty) Ltd ("GeoCoal"), and is compliant with the South African Code for Reporting of Mineral Resources and Mineral Reserves ("SAMREC") and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code"). The report is available for review and/or download from the Company's website at www.gleneagle.com.au.

Data provided by Community Investment Holdings (Pty) Ltd ("CI Holdings"), the CGS, and Gemecs (Pty) Ltd were used to determine the coal resource estimates. During GeoCoal's work no historical coal resource or reserve estimates were discovered.

The historic drilling consists of 23 fully cored boreholes; 20 usable holes at Verloren Valey, 1 partially usable at Duikerpan, and 1 usable and 1 partially usable at Kleinberg. Surrounding farms contain an additional 12 boreholes, while there is no drilling at Houwhoek.

Verloren Valey

At Verloren Valey the data from twenty (20) fully cored boreholes was obtained of which fifteen were considered to be of sufficient reliability for use in modelling. Not all of the boreholes were drilled through the full coal sequence. The drilling indicates the presence of two east-west orientated faults which displace the coal such that the farm can be divided into three blocks; a northern block containing the full coal sequence, a southern block where in a southerly direction coal seams 8-11 are increasingly absent, and, in the far south, an area currently modelled to have no coal. This latter area is on the strength of a single borehole (V246020) which while intersecting coal appears to be incorrectly logged and thus for conservatism no coal was attributed to the general area.

From the borehole data, no coal quality parameters were used as constraining variables in terms of grade cutting or capping, other than the extreme south of the farm where no coal was assigned. The characteristics of the individual seam intersections were used to correlate adjacent borehole data into the identified zones specific to the Waterberg area and practiced at the Grootegeluk Colliery.

Raw coal quality cut-off analyses in terms of minimum CV, maximum ash, etc, were not applied to the model, GeoCoal was not looking for a tonnage above a certain raw coal quality, but estimating a total tonnage and accepting the qualities exhibited in situ. Surfer® software was used, a gridded array was modelled using a simple isotropic krigging procedure. Reported relative densities ("RD"), or estimated relative densities from wash simulations at an RD of 2gm/cc, were applied. RDs used in the estimation varied between 1.6 and 2gm/cc.

The coal resource estimate for zones 4-11 was calculated inclusive of the interbedded non-coal lithologies, thus by inference zones 4-11 incorporate the balance of up to 70% non-coal fraction into the resource estimate. The data density provides an Indicated Resource classification. The coal resource estimate based on the data available and the assumptions given above, as at 13th November 2008 is as follows:-

GeoCoal Coal Resource Estimate Statement 13th November 2008

Coal Zones	Gross Tonnes In-situ
Upper Eccla Zones 6-11	774,000,000
Upper Eccla Zone 5	288,000,000
Middle Eccla Zone 4	94,000,000
Middle Eccla Zone 3	99,000,000
Middle Eccla Zone 2	35,000,000
Middle Eccla Zone 1	1,000,000
Total Estimated Indicated Coal Resource	1.29 Billion Tonnes*

* The coal deposit has been assessed in terms of the thick interbedded seam deposit type as defined in the South African National Standard SANS10320:2004 as a thick succession of multiple, thinly interbedded coal and non-coal layers with a total thickness of typically between 40m and 70m. The coal deposits of the Waterberg Coalfield are typical of this definition.

The Company believes that additional drilling will be required to better assess the quantity and quality of the coal, although it is uncertain if further exploration will necessarily result in either a sustained or improved resource classification or determination of an improved coal resource estimate.

Duikerpan, Kleinberg and Houwhoek

While there is insufficient drilling on the farms Duikerpan and Kleinberg to undertake a coal resource estimate, and no drilling whatsoever on or near the farm Houwhoek, it is considered that all three farms may have the potential to contain coal on the basis of their location contiguous to the Verloren Valey farm described above.

A single borehole, D249001, drilled in the northern half of the farm Duikerpan intersected considerable thicknesses of coal from 30m beneath ground surface, including 51m of zones 4 to 8, and approximately 3m and 4.6m of zones 3 and 2 respectively.

At Kleinberg, borehole K252001 intersected coal from 33m beneath ground surface including over 60m of zones 4 to 11.

The prospectivity of Houwhoek is unknown. While the farm appears to be clear of any intra-basin faults there are no coal occurrences noted on the Government mapping or, from investigations to date, is there any known drilling within 5km of the farm.

Future Exploration

It is proposed that several of the existing boreholes are twinned in the first phase of a drilling programme (diamond), followed by in-fill drilling at a spacing necessary to improve the estimated resource to a higher category. It is planned that all boreholes are logged using geophysical techniques including short/long space density, as well as natural gamma with a calliper log.

Geological description and sampling practices should be in accordance with National Competency Standard Geo-P-102 and 104 respectively. Also, the identification of the

coal zones should adopt the methodology and nomenclature currently employed by Grootegeluk Colliery and Sasol which will ensure a consistent approach to the characterisation of the geological environment.

Core photography is essential to provide a permanent record - since coal intervals are sampled in their entirety for analysis purposes - as well as to assist in the correlation of the different stratigraphic units. Coal samples should be collected for proximate and ultimate analysis, as well as for sink and float studies. Existing and new borehole data should be uploaded into a comprehensive electronic database.

3. **Summary of Transaction**

Gleneagle has reached agreement with Namane Resources (Pty) Ltd ("Namane"), a wholly owned subsidiary of Community Investment Holdings (Pty) Ltd, to acquire up to a 70% shareholding in Temo Coal Mining (Pty) Ltd ("Temo") and Manupont 243 (Pty) Ltd ("Manupont"), the holders of the Prospecting Rights.

Under the terms of the Sale of Shares Agreements, Gleneagle:

- shall acquire an initial 35% shareholding in Temo and Manupont by making payment to Namane of ZAR15 million (approximately A\$2.31 million) cash, and to procure the issue of 100 million Gleneagle shares at a deemed issue price of A\$0.075, and the grant of 50 million options in the capital of Gleneagle (exercisable at 15 cents on or before 31 May 2013),
- can acquire a further 35% shareholding in Temo and Manupont (for a total of 70%) through spending a maximum of ZAR100 million (approximately A\$15.38 million) within a two year period on the Prospecting Rights to advance to a Bankable Feasibility Study ("BFS") level enabling the establishment of a future commercial mining operation, and
 - upon the delivery of a total estimated coal resource of 1 Billion Tonnes to a SAMREC compliant measured and/or indicated category shall for the benefit of Namane issue 100 million Gleneagle shares at a deemed issue price of A\$0.075, and grant 50 million options in the capital of Gleneagle (exercisable at 15 cents on or before 31 May 2013), and
 - upon the delivery of the BFS shall for the benefit of Namane issue 130 million Gleneagle shares at a deemed issue price of A\$0.075, and grant 50 million options in the capital of Gleneagle (exercisable at 15 cents on or before 31 May 2013),
- will pay a production royalty being the greater of ZAR0.50 (approximately A\$0.08) or the ZAR equivalent of US\$0.07 (approximately A\$0.11) per tonne of coal sold from the Projects during the term of the mining operations.

The underlying transaction between Gleneagle and CIH (the BEE partner) is pursuant to arrangements entered into between Gleneagle and Beel Mining (Pty) Ltd; a South African registered company which has negotiated and secured the transaction referred to above. Pursuant to a deed, Gleneagle has been granted the rights to the transaction in return for which Gleneagle will pay the following consideration:

- the issue of 90 million Gleneagle shares and the grant of 90 million options to acquire Gleneagle shares (exercisable at 15 cents on or before 31 May 2013), and
- the reimbursement of expenditure on the Projects to a maximum of US\$250,000.

The agreements are conditional on (amongst other things), Gleneagle completing legal and technical due diligence on the Projects, dual listing of Gleneagle's shares on the Johannesburg Stock Exchange, regulatory approvals and any necessary shareholder approvals.

4. Corporate Information

A notice of shareholder meeting to approve the transaction is currently being drafted. It is anticipated that the shareholder meeting will be held late in January 2009. It is intended that the acquisition will be funded through a combination of debt and equity, the details of which will be included in the notice of meeting.

It is intended that the Company will apply these funds towards the exploration of the Prospecting Rights.

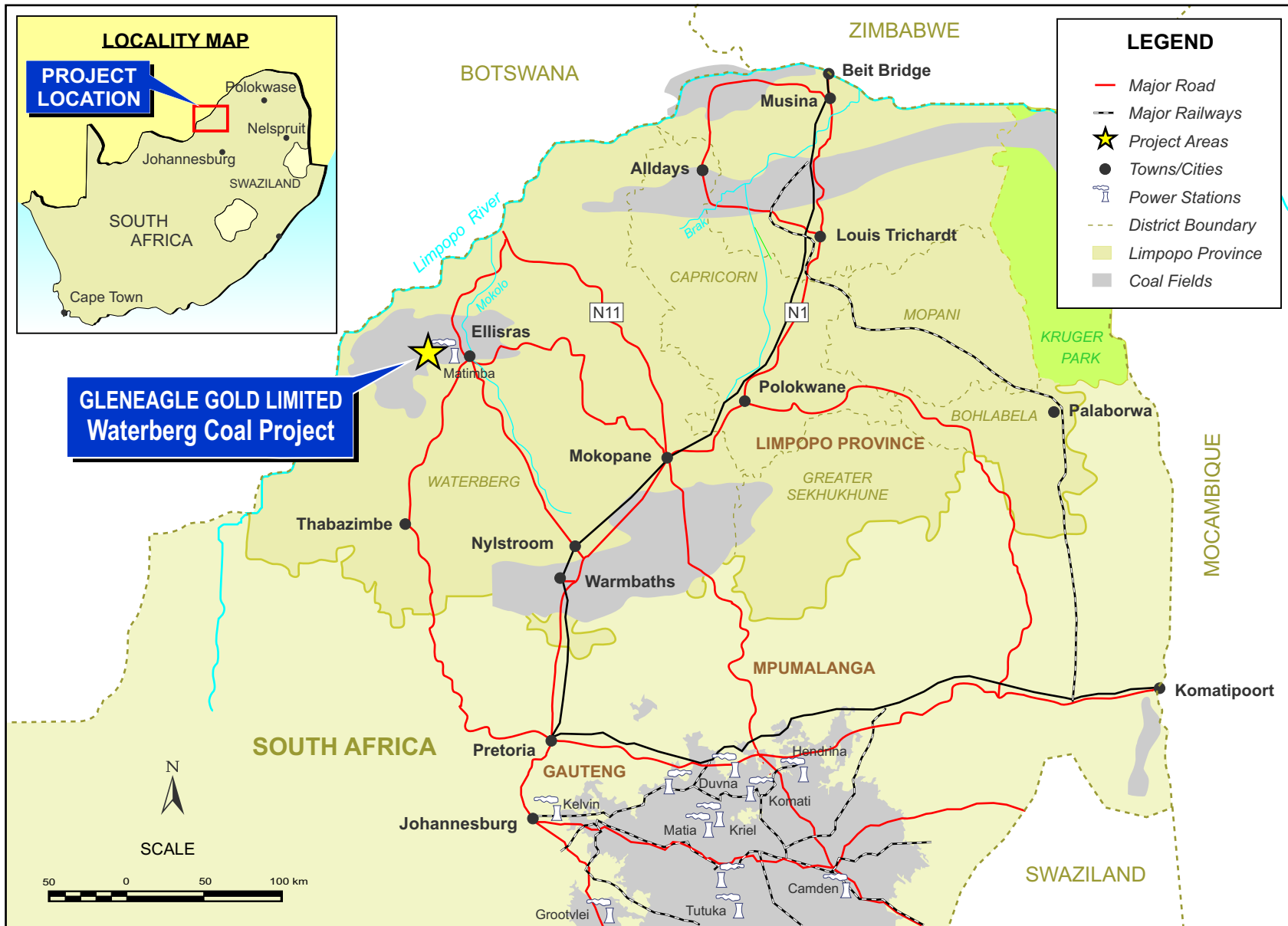
Yours faithfully



Gleneagle Gold Limited
Gavin A Rodie
Director

Information in this report that relates to exploration results, coal resources or reserves is based on information compiled by Mr Dawie le Roux van Wyk who is employed by GeoCoal Services (Pty) Ltd and is a member of a Recognised Overseas Professional Organisation (South African Institute of Mining and Metallurgy). Mr van Wyk 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 the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr van Wyk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

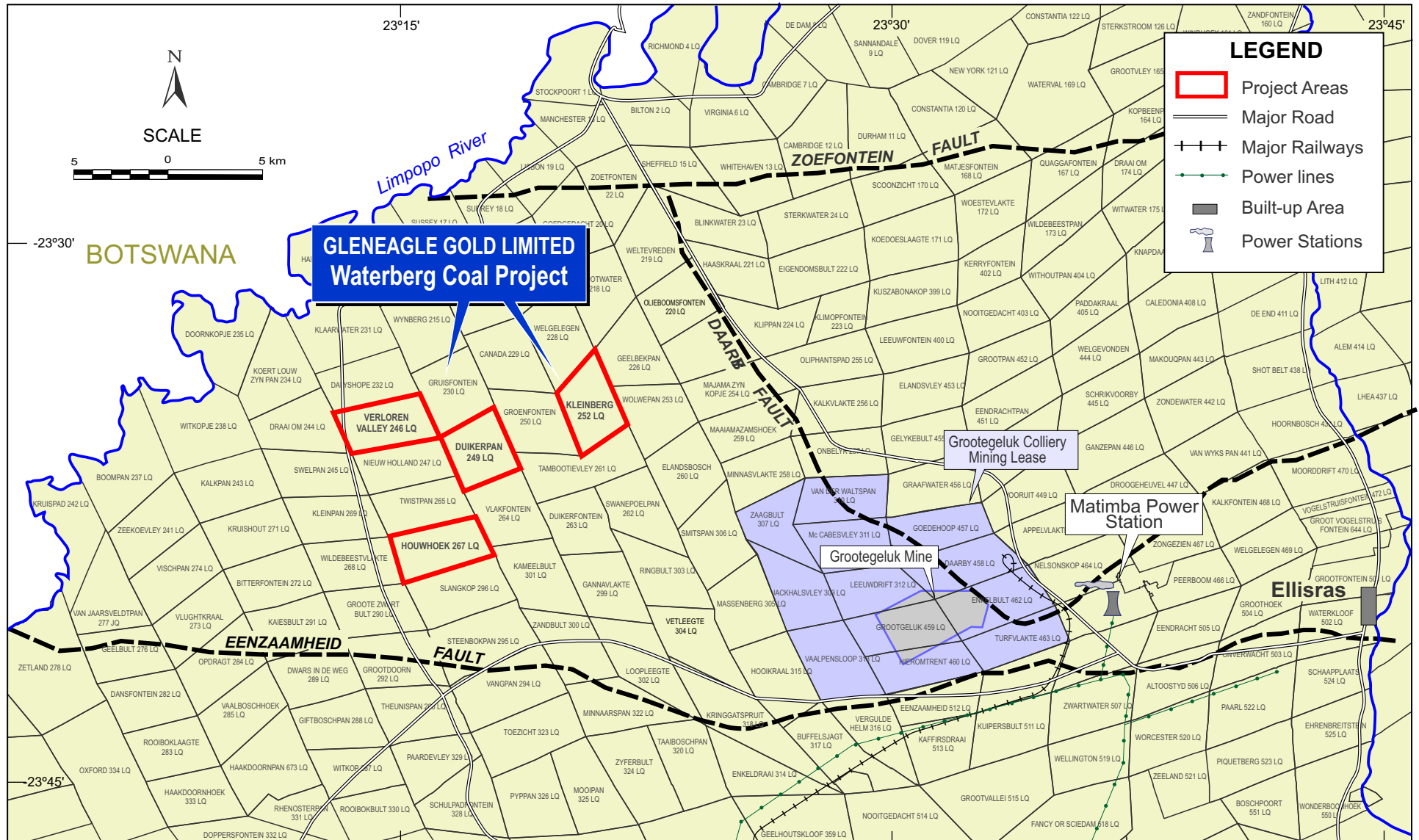
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Location map of WATERBERG COAL PROJECT Limpopo Province

Figure 1

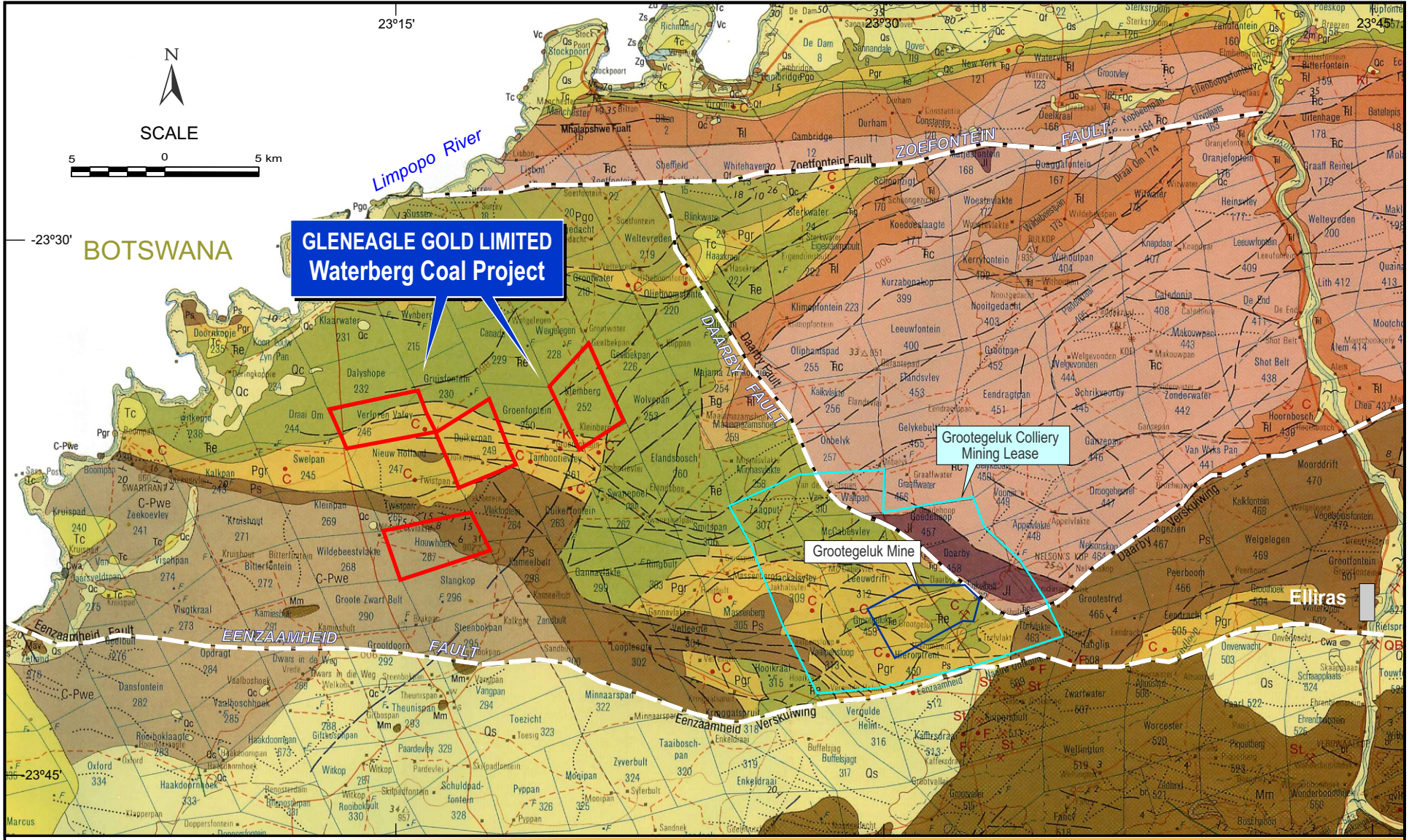
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**Location map of
PROJECT AREA LEASES
Limpopo Province**

Figure 2

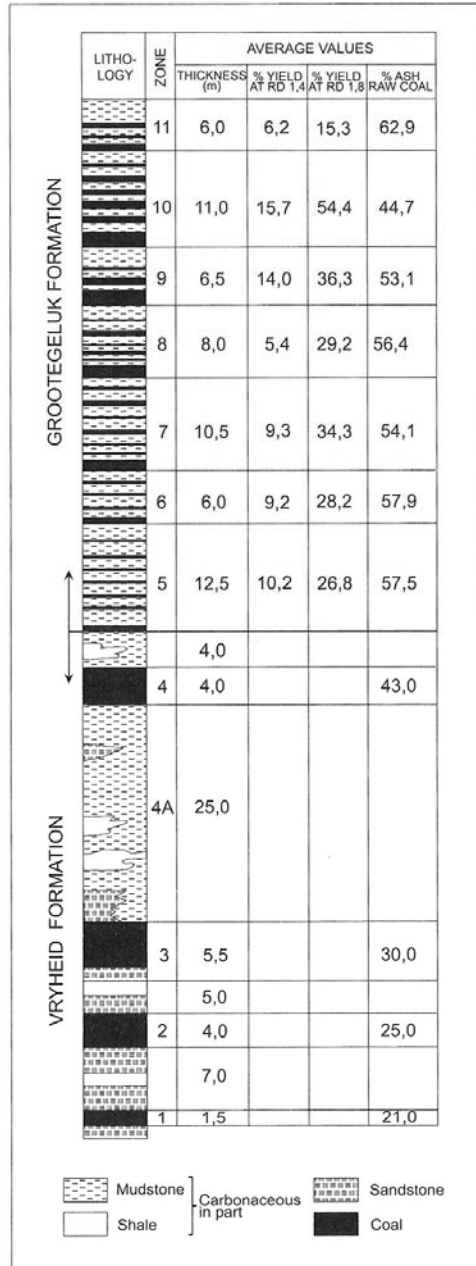
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Location map of
PROJECT AREA LEASES
Geological Setting
Limpopo Province

Figure 3

Figure 4. Generalised Stratigraphic Column of the coal bearing interval in the Waterberg (Ellisras) Coalfield (Botha 1984)



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