

ZELDA THERAPEUTICS PTY LTD
ACN 607 538 876

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2015

ZELDA THERAPEUTICS PTY LTD
ACN 607 538 876

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ZELDA THERAPEUTICS PTY LTD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2015

	August 2015 to 31 December 2015
	\$
<hr/>	
Income	
Revenue	250,284
Expenditure	
Accounting fees	(290)
Bank charges	(8)
Consultancy expenses	(62,500)
Legal expenses	(10,854)
Website expenses	(3,790)
Travel expense	(11,407)
Interest expense	(3,130)
Profit before income tax	<hr/> 158,305
Income tax expense	-
Profit for the period	<hr/> 158,305
Other comprehensive income	-
Total comprehensive income for the period	<hr/> <hr/> 158,305

The accompanying notes form part of these financial statements.

ZELDA THERAPEUTICS PTY LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 December 2015 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2	409,609
Trade and other receivables	3	8,735
TOTAL CURRENT ASSETS		<u>418,344</u>
TOTAL ASSETS		<u>418,344</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	4	60,038
Borrowings	5	200,000
TOTAL CURRENT LIABILITIES		<u>260,038</u>
TOTAL LIABILITIES		<u>260,038</u>
NET ASSETS		<u>158,306</u>
EQUITY		
Issued capital	6	1
Retained earnings	7	158,305
TOTAL EQUITY		<u>158,306</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2015

	<i>Issued Capital</i>	<i>Retained earnings</i>	<i>Total</i>
	\$	\$	\$
Balance at incorporation	-	-	-
Profit for the period	-	158,305	158,305
Total comprehensive loss for the period	-	158,305	158,305
Shares issued during the period	1	-	1
Balance 31 December 2015	<u>1</u>	<u>158,305</u>	<u>158,306</u>

The accompanying notes form part of these financial statements.

ZELDA THERAPEUTICS PTY LTD
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STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2015

**August 2015 to
31 December
2015
\$**

Cash flows from operating activities

Option fee income received	250,000
Interest received	284
Payments to suppliers	(90,676)
Net cash inflow from operating activities	<u>159,608</u>

Cash flows from financing activities

Proceeds received in relation to convertible note issue	50,000
Proceeds from borrowings – MJ Life Sciences loan	200,000
Proceeds from issue of shares	1
Net cash inflow from financing activities	<u>250,001</u>
Net increase in cash and cash equivalents	409,609
Cash and cash equivalents at incorporation	<u>-</u>
Cash and cash equivalents at the end of the period	<u><u>409,609</u></u>

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Statement of Significant Accounting Policies

Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements and have been prepared in order to assist with the transaction currently being contemplated by Gleneagle Gold Limited.

The company was incorporated in August 2015. The financial statements are for the period from the date of incorporation to 31 December 2015.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless stated otherwise in the notes. The accounting policies that have been adopted in the preparation of these statements are as follows:

Income Tax

The tax expense recognised in the statement of comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the period).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax is not provided for the following:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Statement of Significant Accounting Policies (continued)

Income Tax (continued)

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Statement of Significant Accounting Policies (continued)

Revenue and Other Income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Rendering of services

Revenue in relation to rendering of services is recognised depends on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Statement of Significant Accounting Policies (continued)

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the company prior to the end of the financial period that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

Going Concern

The company received a \$250,000 option fee from Gleneagle Gold Limited ("Gleneagle") during the period in relation to the entry into the Heads of Agreement in relation to the acquisition of all of the shares in Zelda Therapeutics Pty Ltd ("Zelda"). Apart from this receipt of funds and minor interest income, the company currently has no sources of inflow of funds. The ability of the company to continue as a going concern is dependent on it being able to raise sufficient funds. The company is currently in the process of completing the abovementioned agreement with Gleneagle which, if successful, will see Gleneagle being in a position to provide funds to recapitalise with a capital raising. If the agreement with Gleneagle is not completed successfully and if the company is unable to obtain sufficient funds from other sources, there is a material uncertainty that may cast significant doubt as to whether the company will 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

2 Cash and Cash Equivalents

Cash at bank	409,608
Cash on hand	1
	<u>409,609</u>

3 Trade and Other Receivables

Current

TFN withholding tax credits	138
GST receivable	8,597
	<u>8,735</u>

4 Trade and Other Payables

Current

Trade creditors	6,908
Accrued interest	3,130
	<u>10,038</u>

5 Borrowings

Current

Convertible notes (i)	50,000
Unsecured loan – MJ Life Sciences Pty Ltd (ii)	200,000
	<u>250,000</u>

(i) This represents funds transferred into Zelda on the basis that Zelda will be issuing convertible notes. If Zelda do not achieve the \$1,000,000 as stated in the binding terms sheet, the \$50,000 will be refunded. The material terms of the convertible notes issued under the binding terms sheet between the company and its subscribers are as follows:

- a) The convertible notes will be secured.
- b) The convertible notes will not be quoted on the ASX or any other financial market.
- c) The company reserves the right to accept subscriptions for convertible notes in addition to the amount of \$3,000,000 in its absolute discretion and to scale back any applications

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

for convertible notes in its absolute discretion and will refund any application monies in respect of any convertible notes subscribed for but not allocated to the subscriber.

- d) The issuance of the convertible notes are subject to and conditional upon the Company obtaining firm commitments from parties on terms substantially and materially the same as those set out in the term sheet for a minimum \$1,000,000.
- e) No interest shall be payable on the Principal Amount.

- (ii) During the period, the company received an amount of \$200,000 from MJ Life Sciences Pty Ltd. Zelda has entered into a loan agreement during the year with MJ Life Sciences Pty Ltd whereby J Life Sciences will lend \$300,000 to Zelda to raise funds and pursue clinical trial activity. The loan is repayable by 30 June 2016.

6 Issued Capital

Ordinary shares (a)		1
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		2015
	Number	\$
(a) Ordinary shares		
Ordinary shares, fully paid	100,449,102	1
<i>Movements in Ordinary Shares:</i>		
Opening balance	-	-
Issue of shares to founding shareholders at an issue price of \$1.00 each	1	1
Issue of shares to MJ Life Science Pty Ltd shareholders and Founding director	100,449,101	-
Closing balance	100,449,102	1

7 Retained Earnings

Retained earnings at the beginning of the financial period		-
Net profit attributable to members of the company		158,305
Retained earnings at the end of the financial period		158,305

8 Subsequent Events

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

Subsequent to period end, the company received a further \$1,000,000 in subscriptions for convertible notes. The convertible notes were issued at a face value of \$1 and a nil coupon rate and convert on the terms set out in Note 5.

Apart from the above, no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

9 Contingent Liabilities

There are no contingent liabilities at balance date.

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DIRECTORS' DECLARATION

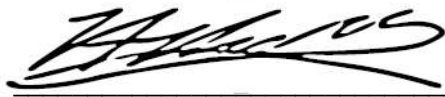
The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 12, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards as stated in Note 1; and
 - (b) give a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
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.

Director:



Harry Karelis

Dated this 13th day of May 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Zelda Therapeutics Pty Ltd

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Zelda Therapeutics Pty Ltd ("the Company"), which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Zelda Therapeutics Pty Ltd.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion, the financial report of Zelda Therapeutics Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the company to continue as a going concern is dependent on it being able to raise sufficient funds. The company is currently in the process of completing the agreement with Gleneagle Gold Limited which, if successful, will see Gleneagle being in a position to provide funds to recapitalize with capital raising. If the agreement with Gleneagle is not completed successfully and if the company is unable to obtain sufficient funds from other sources, there is a material uncertainty that may cast significant doubt as to whether the company will 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants



M R W Ohm
Partner

Perth, Western Australia
13 May 2016