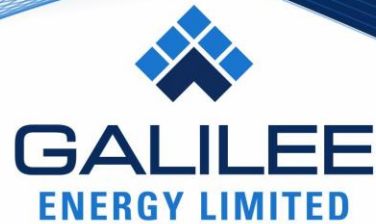


24 October 2017



Highlights:

- ❖ The Company executed a binding Memorandum of Understanding with Jemena to fast-track works on a pipeline to take gas from the Glenaras Gas Project to the East Coast market.
- ❖ The design work for the new multi lateral pilot is nearing completion with tendering underway for the drilling and completion work. Drilling is planned to commence in the first quarter 2018.
- ❖ The Company continues to pursue other complementary gas opportunities in Eastern Australia and also continues discussions with potential gas customers and investment partners in relation to the Glenaras Gas Project.
- ❖ 30 September cash position of \$5.8 million.

Glenaras Gas Project (ATP 2019) – GLL 100%

The Company's flagship Glenaras Gas Project ("Project") is strategically located in western Queensland's Galilee Basin. The Permit covers an area of approximately 4000 km² and is 100% owned and operated by Galilee Energy Limited (Figure 1).

The Project has one of the largest remaining uncontracted gas resources on the east coast of Australia with an independently derived and certified Contingent Resource⁺ within the Betts Creek coals with a 1C of 308 PJ, a 2C of 2508 PJ and a 3C of 5314 PJ. The Company's primary focus is on converting these Contingent Resources to Reserves.

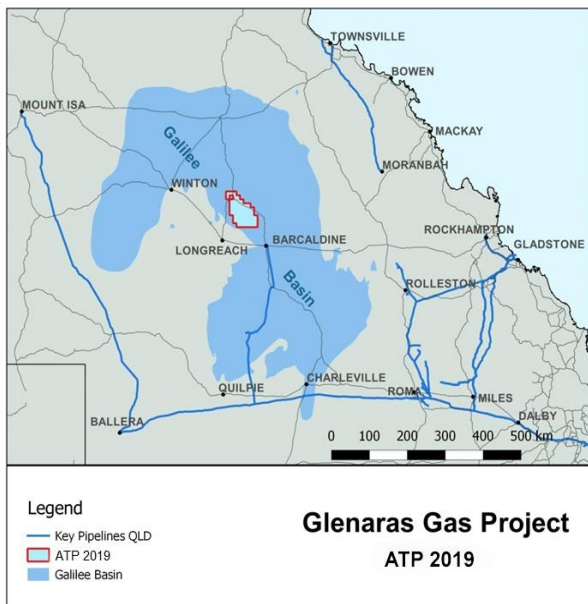


Figure 1

Next Stage: Multi-Lateral Pilot

Detailed modelling of the extensive production data from the single lateral pilot has identified the best way forward to commercialising the Glenaras project. A new multi-lateral pilot will be undertaken in 2018. It will be located a short distance from the current pilot, in known better permeability coals identified by nearby coreholes. The objective is to achieve a commercial gas flow result in a short time frame, enabling the timely booking of a significant Reserve by late 2018.

This new pilot is being planned as a multi-lateral pilot, with three evenly spaced parallel laterals allowing the outer shield wells to protect the inner lateral, as with analogous pilots elsewhere in eastern Australia. This configuration will allow the central well to draw the reservoir down below critical desorption pressure and achieve commercial gas rates more rapidly. Importantly, the proposed new pilot will be able to utilise existing production facilities such as camp, evaporation pond and surface pumping equipment.

One significant change to the pilot design during the reporting period is the removal of the vertical intersect wells (see Figure 2 below). The improvement in performance and reliability of lateral pump systems using ESPs mean the requirement for vertical wells for the pumping systems is redundant. The performance of the recently drilled R1 lateral well showed little to no solids production giving further support to this decision. This alteration has significantly reduced the capital cost of the upcoming lateral programme, and once proven will significantly reduce future development costs.

The Company is currently tendering for the drilling and completion work. Drilling is planned for the first quarter 2018.

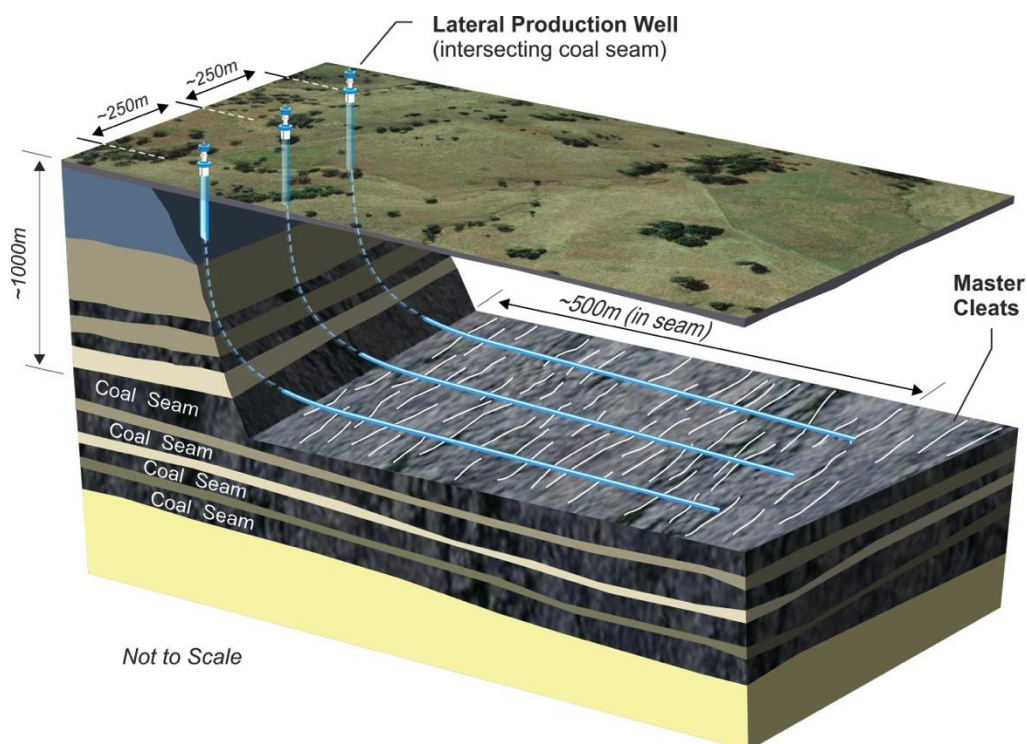
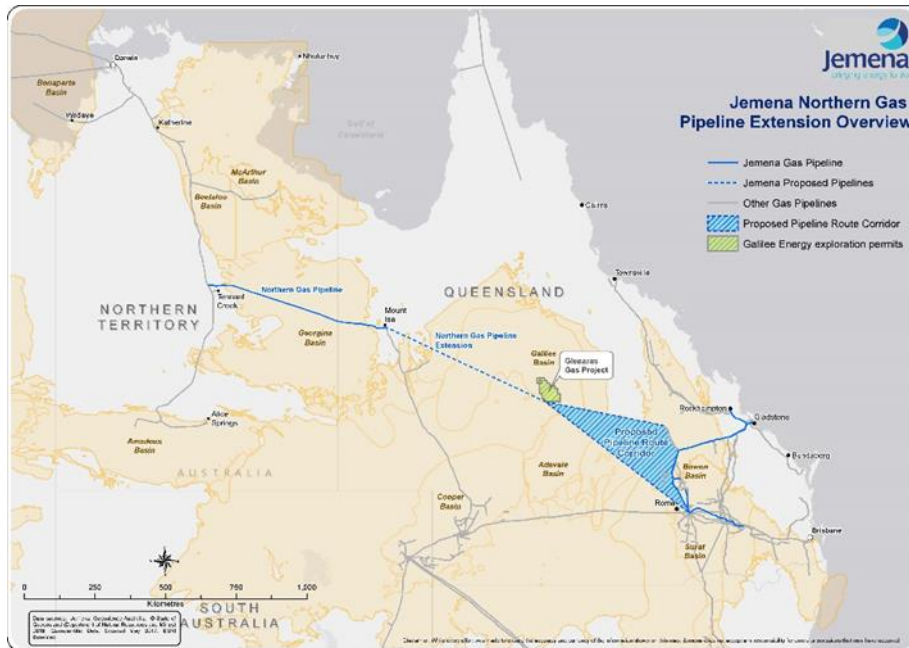


Figure 2

Jemena MoU

In October 2017, the Company announced the signing of a binding MOU with Jemena to work together to deliver the Galilee Energy's Glenaras Gas Project in the Galilee Basin in central Queensland to the east coast domestic market.



The agreement fast-tracks Jemena's plans to build a new pipeline delivering gas produced by Galilee Energy to the east coast and means Jemena will begin engaging with local communities, conducting field surveys and completing pipeline design concept works.

Commercial

In parallel with field operations, the Company is well underway with a number of commercial initiatives including discussions with potential gas customers and investment partners. These will continue to progress in the coming months.

The projected shortfalls in the Australian east coast gas market present an enormous opportunity for the Galilee Energy gas assets. With very few other projects in the appraisal or development stage currently capable of meeting this shortfall, Galilee Energy is well placed to capitalise on this large potential given the size of our assets.

New Opportunities

In addition to the Glenaras Gas Project, management has been assessing a number of new gas opportunities within Eastern Australia that would be complementary to the Glenaras Gas Project. The Company has a number of proposals in with various organisations on the acquisition of East Coast gas opportunities.

US Assets

As previously announced following the Company's strategic review conducted in December 2015, no additional exploration activities are currently being undertaken in the US. The primary focus of the Company is on delivering on the Glenaras Gas Project. There are no significant expenditure plans within the US portfolio.

Chile

Galilee has submitted a draft application to the Chilean government for an exploration permit application (CEOP) over an area of almost 6,000 sq.km in the Southern Magallanes Basin. There has been no significant activity on this application during the quarter.

Financials

The cash flow for the Quarter is presented in the attached Appendix 5B report. The Company continues to maintain a very strong cash position of \$5.8 million and no debt.

The expenditure forecast for the next quarter is predominantly related to the Glenaras Gas Project and the evaluation of new opportunities. At the report date limited expenditure is anticipated elsewhere in the portfolio.

Peter Lansom
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Listing Rule 5.42

+ The details of Contingent Resources referenced at page 1 of this Quarterly Activities report was announced to the market on 1 September 2015. In accordance with Listing Rule 5.34.3, Galilee Energy confirms that it is not aware of any new information or data that materially affects the information in the announcement to the market of the Contingent Resources 1 September 2015 and that all of the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

About Galilee

Galilee Energy is focused on creating a mid-tier exploration and production company building on its core strengths in coal seam gas appraisal and development. Its primary area of focus is Queensland where it is appraising the Galilee Basin whilst looking to add further acreage to its portfolio.

Directors

Chairman - David King

Managing Director – Peter Lansom

Non-executive Director – Ray Shorrocks

Shares

Shares on issue – 152,140,466

Top 20 holders – 47.6% *

Directors and Management – 8.3%

*As at 23 October 2017

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

GALILEE ENERGY LIMITED

ABN

11 064 957 419

Quarter ended ("current quarter")

September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(197)	(197)
(b) development	-	-
(c) production	-	-
(d) staff costs	(110)	(110)
(e) administration and corporate costs	(165)	(165)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	23	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	(1)	(1)
1.9 Net cash from / (used in) operating activities	(450)	(450)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (movement in bonds)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (movement in bonds)	130	130
3.10	Net cash from / (used in) financing activities	130	130

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,087	6,087
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(450)	(450)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	130	130
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	5,766	5,766

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,066	1,066
5.2	Call deposits	4,700	4,700
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,766	5,766

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
113
-

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

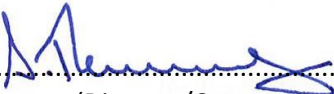
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	397
9.2 Development	-
9.3 Production	-
9.4 Staff costs	140
9.5 Administration and corporate costs	120
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	657

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:.....
(Director/Company secretary)

:24 October 2017

Print name: Stephen Rodgers

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.