

# December 2017 Quarterly Report & Appendix 5B

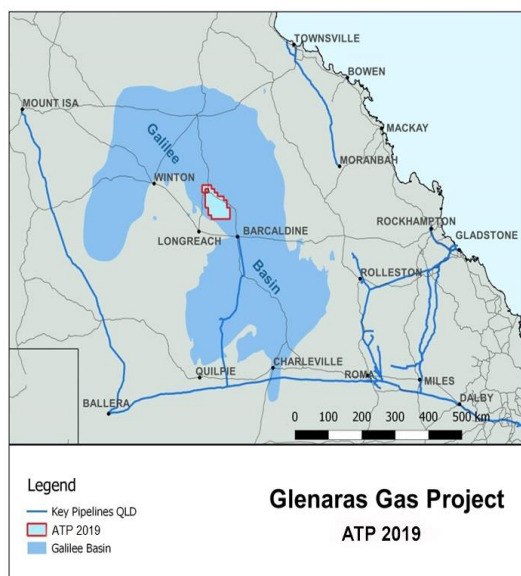
## ASX/MEDIA ANNOUNCEMENT

31 January 2018



### Highlights:

- ❖ The Company conducted a highly successful capital raising during the quarter, raising \$5.6 million via a combined placement and entitlement offer. The Company now has a strong balance sheet with a 31 December cash position of \$10.1 million.
- ❖ The design work for the new Glenaras Gas Project multi-lateral pilot is complete. Final contracting and procurement for the work programme is well advanced and drilling remains on target to commence in March 2018.
- ❖ Jemena are progressing works on a pipeline to take gas from the Glenaras Gas Project to the east coast market, including establishment of a project team, preparation to award surveying, environmental and cultural heritage work and pipeline development timeline for supply to Barcaldine by 2020.
- ❖ The Company continues to pursue other complementary gas opportunities in eastern Australia and also continues discussions with potential investment partners in relation to the Glenaras Gas Project.



### 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 km<sup>2</sup> and is 100% owned and operated by Galilee Energy Limited.

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<sup>+</sup> 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.

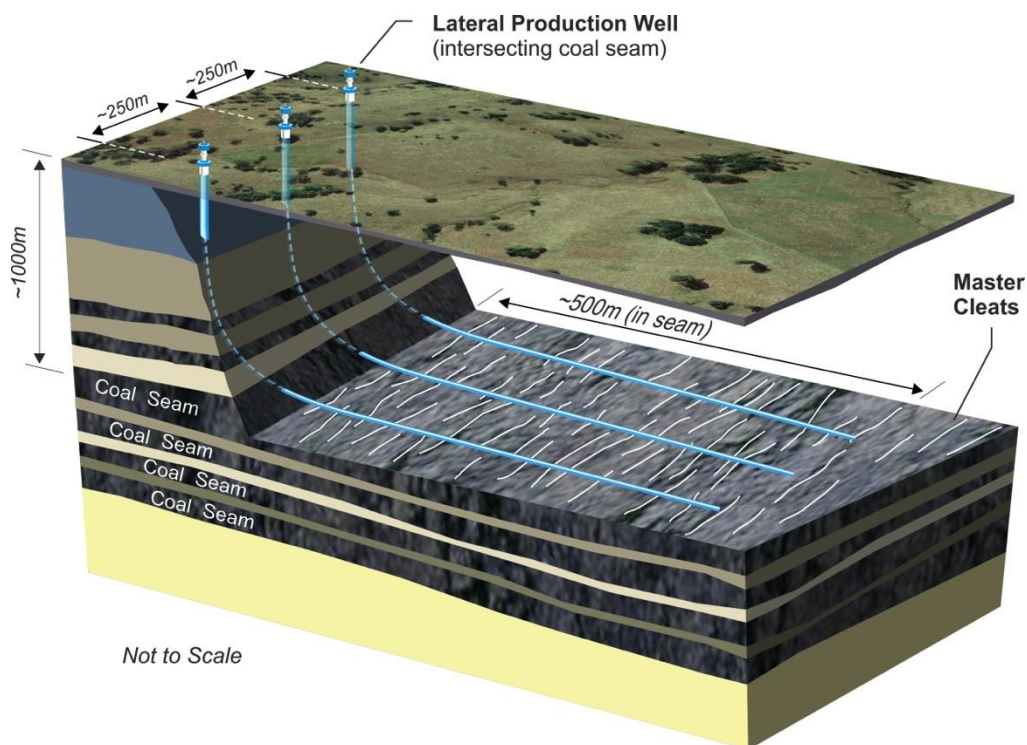
## Multi-Lateral Pilot

The design work for the new multi-lateral pilot has been completed. The pilot will be a three well lateral pilot located in an area approximately equidistant between the previous Glenaras and Rodney Creek pilots. This location has been selected based on existing seismic, corehole and production well data. This data shows a simple anticline structure ideal for lateral drilling and is in area known for consistently good coal development in the R3 to R5 coal layers, of which one coal layer will be the primary target.

The first lateral will include a pilot vertical hole drilled to assess coal quality, sand isolation and permeability in order to select the optimal coal target. Once this is selected, the three lateral wells will be separately drilled through this target coal. Currently the design is based on a 250m spacing between laterals and approximately 500m in-seam lateral lengths.

All contracting and procurement for the drilling and completion of this programme is well advanced. All major contracting services have been identified and key long lead items have been secured. At this stage, pending weather and final contracting, the drilling programme is expected to commence in March 2018 and will be approximately a 6-week campaign. The wells will then be completed and put on production for the dewatering process.

All surface wellhead separation and metering facilities are under construction and, where possible, equipment has been utilised from the original Glenaras vertical well pilot. The lease design will utilise a pad construction, with all wells drilled off a single large lease, which greatly reduces lease preparation, and connection costs.



## **Jemena MoU**

Following the Company's announcement of the signing of a binding MOU with Jemena to work together to deliver Galilee Energy's Glenaras Gas Project to the east coast domestic market, substantial progress has been made by Jemena including the establishment of an internal project team, securing necessary external resources and preparing to go to market to award surveying, environmental and cultural heritage contracts.

## **Commercial**

In parallel with field operations, the Company is well underway with a number of commercial initiatives including discussions with potential gas customers and farm-in partners. These discussions will continue to progress in the lead up to and beyond the commencement of drilling later this quarter.

The projected shortfalls in the Australian east coast gas market present an enormous opportunity for the Galilee Energy gas assets to help solve the gas shortfall. 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 currently under discussion with various counterparties regarding farm-in opportunities to the Glenaras Gas Project and in relation to the acquisition of gas assets where Galilee has a competitive advantage.

## **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. During the quarter, the Chilean government provided a positive response to our application and we are currently working with the government to clarify certain elements of our bid. This exciting opportunity will continue to be nurtured at minimal cost in order to maintain momentum on this highly prospective acreage in the wealthiest country in South America, with clear channels to market and where they are currently importing gas.

## 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 \$10.1 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.

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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 – 189,707,690**

**Top 20 holders – 42.1% \***

**Directors and Management – 7.5%**

**\*As at 2 January 2018**

## 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")**

December 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(307)	(504)
(b) development	-	-
(c) production	-	-
(d) staff costs	(116)	(226)
(e) administration and corporate costs (includes costs associated with capital raising)	(477)	(642)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	32	55
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)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(868)</b>	<b>(1,318)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6months) \$A'000</b>
(c) investments	-	-
(d) other non-current assets	-	-
<b>2.2 Proceeds from the disposal of:</b>		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (restricted cash term deposits)</b>	-	130
<b>2.6 Net cash from / (used in) investing activities</b>	-	<b>130</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	5635	5635
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	(412)	(412)
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
<b>3.10 Net cash from / (used in) financing activities</b>	<b>5,223</b>	<b>5353</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	5,766	6,087
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(868)	(1,318)



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,223	5353
4.5	Effect of movement in exchange rates on cash held	-	(1)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>10,121</b>	<b>10,121</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,521	1,066
5.2	Call deposits	7,600	4,700
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>10,121</b>	<b>5,766</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	117
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	

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	1,709
9.2 Development	-
9.3 Production	-
9.4 Staff costs	236
9.5 Administration and corporate costs	299
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>2,244</b>



## 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)

:31 January 2018

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.