

December 2018 Quarterly Report & Appendix 5B

31 January 2019

Highlights

- ❖ Glenaras pilot wells continue to perform strongly, demonstrating consistent drainage within a high quality, bounded coal seam with no evidence of material contribution from adjacent sandstones.
- ❖ Well productivity sustained at excellent rates confirming drainage of a larger area than originally anticipated. As such, additional wells are likely to be required to accelerate the dewatering process.
- ❖ Letter of Intent signed with Easternwell Group to secure a drilling rig. Currently finalising a drilling programme to accelerate the dewatering and lower the pressure in the surrounding coal.
- ❖ Successfully raised \$13 million via placement to new Cornerstone Investor and Institutional and Sophisticated Investors.
- ❖ Continued progress made by Jemena on stakeholder engagements, government approvals and aerial surveys for the proposed Galilee Gas Pipeline.
- ❖ Strong balance sheet with a 31 December cash position of \$18.4 million with no debt.

Glenaras Gas Project (ATP 2019) – GLL 100%

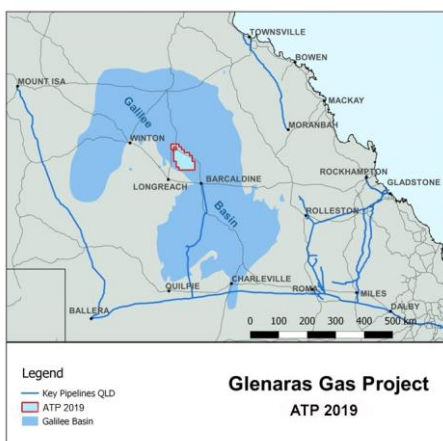


Figure 1 – Glenaras Gas Project

Galilee Energy Limited (ASX:GLL) (“Galilee”) owns the Glenaras Gas Project (“Project”) which is strategically located in Queensland’s Galilee Basin. The Permit covers an area of approximately 4000 km² and is 100% owned and operated by Galilee (Figure 1).

The Project has one of the largest contingent gas Resources with the potential to supply the eastern Australian market which AEMO forecasts will need supply from contingent Resources from the early 2020’s. An independently derived and certified Contingent Resource within the Betts Creek coals, with a 1C of 308 PJ, a 2C of 2,508 PJ and a 3C of 5,314 PJ. The Company’s primary focus is on converting these contingent Resources to Reserves.

Glenaras Multi-Lateral Pilot

The Glenaras pilot wells continue to perform strongly, consistent with draining within a high quality, bounded coal seam with no evidence of material contribution from adjacent sandstones. Metered gas rates, measured via orifice plate meters at each well separator, have remained relatively stable at previously reported rates whilst water continues to be produced at excellent rates of approximately 3,000 BWPD (barrels of water per day) in aggregate and still declining gradually.

Evidence of pressure communication between each of the lateral wells suggests the pilot is accessing a significant drainage area which augurs well for economic gas recovery once the coal seam depressurises below the critical desorption pressure.

Analysis from the extended pilot testing indicates that additional wells are likely to be required to properly draw down the pressure in the coal over a larger area in order to achieve the required commercial gas rates. A drilling programme to achieve these objectives, which is targeted to commence in the 2nd quarter, is currently being finalised and will be communicated to the market within the next few weeks. This programme will be comfortably managed within the existing financial capacity of the Company.

A successful pilot achieving commercial gas rates has the potential to book 500 PJ+ of Proved and Probable Reserves. The pilot will be on production for an extended period to de-water and lower the pressure in the surrounding coal to achieve gas flow.

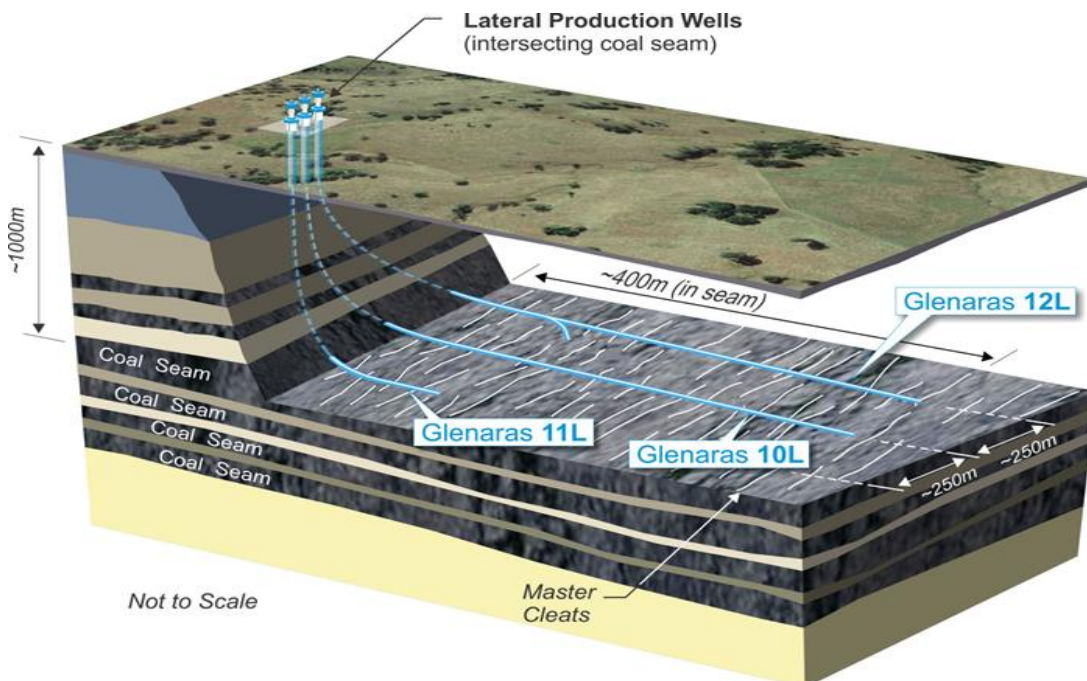


Figure 2 – Glenaras multi-lateral pilot

Letter of Intent

Galilee signed a Letter of Intent with Easternwell Group in December 2018 to secure a drilling rig to commence drilling in the second quarter of 2019.

Galilee is currently finalising a drilling programme, the details of which are targeted to be released within the next 1 to 2 weeks, with the objective to accelerate the de-watering and lower the pressure in the surrounding coal within the pilot area.

Financing

Galilee successfully completed a targeted private placement to sophisticated and institutional investors raising approximately \$13 million before costs (“**Placement**”). The Placement was conducted at a 5% premium to the 10-day VWAP welcoming a new cornerstone investor onto the Galilee register as well as demonstrating continued support from existing investors.

Corporate

Mr Jamie Doyle was appointed General Manager Exploration for Galilee in October 2018. Mr Doyle is a geologist with over 25 years’ experience in the oil and gas industry, exploring, developing and producing conventional and unconventional resources. He has held senior roles at Origin Energy, Shell International (Petroleum Development Oman), the Queensland Government and Oil Company of Australia.

Mr. Milton Cooper was appointed Chief Financial Officer for Galilee Energy, succeeding Mr. Don Langdon who has served as the Company’s CFO for the past 4 years on a part-time basis. Mr. Cooper is a Certified Practising Accountant and an experienced oil and gas executive with more than 25 years’ experience domestically and internationally with Santos, Hess Corporation, Burlington Resources and Premier Oil across a variety of financial, commercial and management roles.

Jemena

Substantial progress has been made by Jemena on its planning for the Galilee Gas Pipeline, including approval received in July from the Queensland government for a Petroleum Survey Licence and Standard Condition Environmental Authority (EA1302) to allow for on-the-ground surveying of the pipeline investigation corridor from the Glenaras Gas Project to a tie-in to the Queensland gas transmission network north of Wallumbilla. Jemena has completed aerial surveys of the proposed pipeline investigation corridors as part of their application for the Petroleum Survey License.

Jemena has undertaken key stakeholder engagements on the proposed pipeline with local landholders, local government area mayors and councils, state government departments and key industry bodies and groups.

The ecological surveys and constructability surveys which are important elements of the Environmental Impact Statement have also commenced.

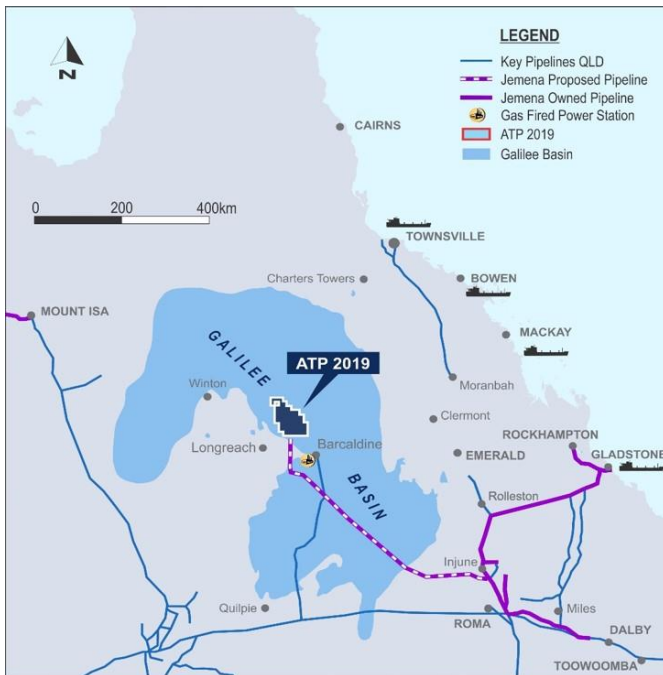


Figure 3 – Channel to market

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 \$18.4 million with no debt. The expenditure forecast for the next quarter is predominantly related to ongoing operations at the Glenaras Gas Project as well as associated long lead items with respect to the forthcoming drilling campaign.

For further information contact:

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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 – Ray Shorrocks**
- Managing Director – Peter Lansom**
- Non-executive Director – Dr David King**
- Non-executive Director – Stephen Kelemen**

Shares on issue – 225,679,361

Top 20 holders – 54.5%*

Directors and Management – 4.1%

***As at 4 January 2019**

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 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,444)	(4,094)
(b) development	-	-
(c) production	-	-
(d) staff costs	(182)	(416)
(e) administration and corporate costs (includes business development of \$55k)	(277)	(473)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	52	74
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)	-	-
1.9 Net cash from / (used in) operating activities	(1,851)	(4,909)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(44)
(b) tenements (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6months) \$A'000
	(c) investments	-	-
	(d) other non-current assets	-	-
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 (restricted cash term deposits)	-	-
2.6	Net cash from / (used in) investing activities	(7)	(44)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	13,000	18,700
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	(236)	(254)
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)	-	-
3.10	Net cash from / (used in) financing activities	12,764	18,446

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,504	4,917
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,851)	(4,909)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(44)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,764	18,446
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	18,410	18,410

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	1,210	7,504
5.2	Call deposits	17,200	-
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)	18,410	7,504

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	160
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	

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	959
9.2 Development	-
9.3 Production	-
9.4 Staff costs	244
9.5 Administration and corporate costs	259
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,462

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)

31/01/19

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.