ASX/MEDIA ANNOUNCEMENT

Glenaras Gas Project – Operations Update

18 February 2019

Highlights:

- **Easternwell Rig 103 secured for the upcoming drilling programme with commencement date scheduled for early April 2019.**
- **Three new lateral wells will be drilled within the current Glenaras lateral pilot area to increase well density and provide enhanced reservoir shielding to accelerate coal desorption and gas production.**
- **Schedule has the new pilot wells on production by late June 2019. Glenaras 10L and 12L will be shut in to facilitate drilling operations and will be back on production as soon as drilling operations are complete.**
- **Additional wells and extended pilot programme does not change the Company's 500 PJ 2P Reserves target.**
- **The expected cost of this additional three-well lateral programme is approximately $8.0 million, which is well within the company's current cash position of $18 million.**

Galilee Energy Limited (ASX:GLL) ("Galilee") is pleased to provide an update on the upcoming drilling operations at its 100% owned and operated Glenaras multi-lateral pilot programme ("Pilot") located in the Galilee Basin.

As previously discussed in the recent Quarterly Report, the two multi-lateral wells, Glenaras 10L and 12L, continue to produce at excellent water rates. **The performance is consistent with a high quality, bounded coal seam which is both regionally continuous and with good permeability. These results augur very well for future development of the project as the area will need less wells per unit area due to this high connectivity and productivity.**

With respect to the Pilot, which sought to draw down the pressure in a relatively small area of coal, the good permeability is causing the two lateral wells to drain a considerably larger area of coal. This outcome is significantly increasing the water production volumes required before reaching the critical depressurisation threshold, which is the trigger required for gas desorption and gas flow from the coal.

Therefore, the well density near the Pilot needs to be increased in order to accelerate water production and more efficiently lower the pressure below critical desorption to achieve the desired commercial gas rates. A more efficient design of the Pilot to achieve better shielding of a central producing well will also be instrumental in accelerating this depressuring of the coal and subsequent gas desorption in the Pilot area.

THREE NEW LATERAL WELLS TO ACCELERATE TIME TO RESULTS

Galilee plans to upgrade the current Pilot with additional shield optimisation. This comprises implementing a three-well lateral enhancement of the existing Pilot as shown in Figure 1.

The aim is to continue to use the excellent results of Glenaras 10L and 12L, such that they would now act as shield wells to a new central lateral well, Glenaras 14L. The Glenaras 14L lateral well is planned to be drilled in the middle of the Pilot and will be the key well to drawdown the central area of the Pilot below critical gas desorption pressure. This is similar to the original Pilot design of Glenaras 10L, 11L and 12L but now on a tighter well spacing.

To ensure we have shielding over the central area of the Pilot, Galilee is also planning perpendicular lateral wells (Glenaras 15L and 16L) across each end of the Pilot in order to ensure there is no water support from either of these directions.

Galilee is very confident that this design will create both the required well density and shielding in the Pilot area to drawdown coal over a large enough area to achieve its commercial gas flow objectives.

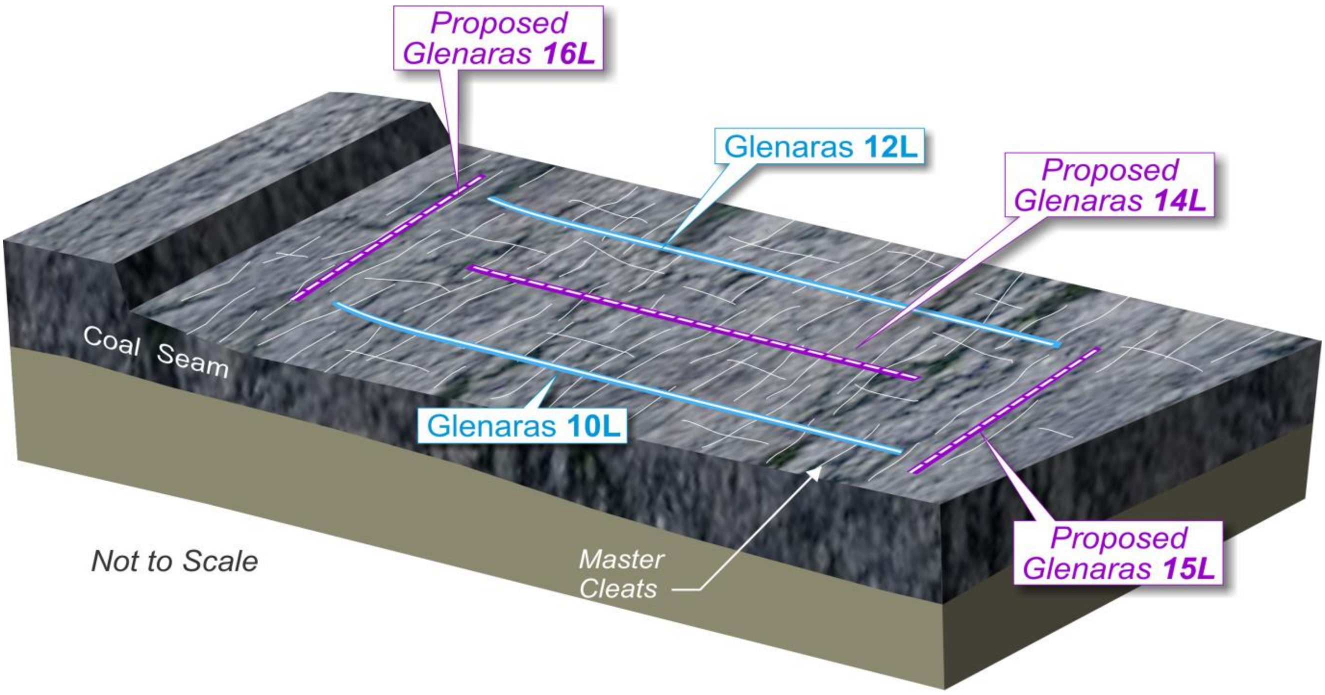

Figure 1 – Proposed drilling programme

The planning of this programme is now well under way and Galilee has secured a contract with the Easternwell Rig 103, with the aim of commencing drilling in early April 2019. **The drilling programme is scheduled to take approximately six weeks and the aim is for the new lateral wells to be on production by late June 2019 following the necessary completion and tie-in operations.**

Once the Pilot is fully operational, it is expected that three full months of production drawdown will be required in order for material gas production rates to be observed. **Importantly, the two existing wells Glenaras 10L and 12L will only be shut in to facilitate drilling operations and will recommence full drawdown as soon as drilling operations are complete.**

The expected cost of this additional three-well lateral programme including drilling, completion and tie-in is approximately $8.0 million, which is well within the company’s current cash position.

Given the benefit of our learnings from the previous lateral drilling programme, considerable work has been undertaken on the well design for the new drilling campaign and to mitigate potential risks. The structure of the coal is now well understood and as such the level of complexity with respect to the steering tools has been reduced. **Given the simpler drilling tools required, a more thorough understanding of the geology and clear plans on well clean out, Galilee is confident that it can address any potential drilling challenges.**

Managing Director Peter Lansom stated: “With a strong balance sheet and the drilling rig secured we are now extremely well placed to deliver on our strategy of converting Resources to Reserves and ultimately bringing material volumes of gas into the east coast market.

The upgraded programme has not changed the Company’s target of 500 PJ 2P Reserves from a successful pilot programme and with the benefit of our understanding of the productivity of the coal in the last 4 months we are very excited for the future of the Galilee Basin.”

An operational update will be provided to the market once rig mobilisation dates are confirmed.

For further information contact:

Peter Lansom
Managing Director
Galilee Energy Limited
+61 (0) 7 3177 9970

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 – 55.3%*

Directors and Management – 4.1%

***As at 1 February 2019**