CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Galilee Energy Limited
ABN 11 064 957 419
and controlled entities

Contents

Directors' report

In accordance with a resolution of the Board, the directors present their report on the consolidated entity ("Galilee" or "Company") consisting of Galilee Energy Limited and the entities it controlled at the end of or during the half-year ended 31 December 2018.

Directors

The directors of Galilee in office during the half-year and up to the date of this report were:

Ray Shorrocks - Non-executive Chairman since 31/3/18 Appointed Director 02/12/13

Dr David King - Non-executive Appointed Director 24/09/2013

Peter Lansom - Managing Director since 31/10/2013 Appointed Director 24/09/2013

Stephen Kelemen – Non-executive Appointed Director 31/3/18

Principal Activities

Galilee Energy Limited (Galilee) is a Brisbane based energy company with a portfolio spanning Australia, Chile and North America.

The principal activity of the consolidated entity is oil and gas exploration and production. The foundation asset of the Company is the development of coal seam gas in the Galilee Basin near Longreach in Queensland. In addition, the Company has oil and gas projects in the USA and South America.

Results from operations

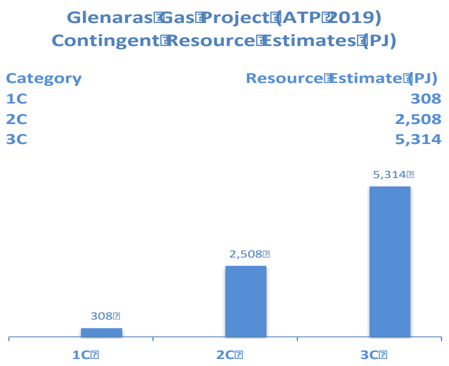
The loss for the half-year ended 31 December 2018 was $2,026,112 (31 December 2017: $1,212,687). The material components of the loss relate to exploration expenditure on the Glenaras pilot operations amounting to $747,724 net after the receipt of $1,099,618 insurance recovery of "lost in hole" costs incurred in the prior financial year.

Review of Operations

1. Glenaras Gas Project (ATP 2019) – GLL 100%

The Company's primary focus remains the flagship Glenaras Gas Project ("Project") in the highly prospective ATP2019 permit ("Permit") 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.

The Project contains a significant, independently derived and certified coal seam gas Contingent Resource within the Betts Creek coals as follows:



The Contingent Resource estimation was undertaken by MHA Petroleum Consultants LLC (MHA) in September 2015. The Project has one of the largest volumes of remaining uncontracted gas resources on the east coast of Australia.

In October 2017 Galilee announced it had signed a binding agreement with Jemena to work together towards agreed development milestones that will fast-track plans to deliver Galilee Energy gas to the east coast market. Jemena are progressing works and have established a project team who are preparing to award surveying, environmental and cultural heritage work and pipeline development with the aim of delivering gas to Barcaldine by 2020.

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 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.

Directors’ report (continued)

Review of Operations (continued)

A 3-D representation of the three wells is provided as Figure 1 below:

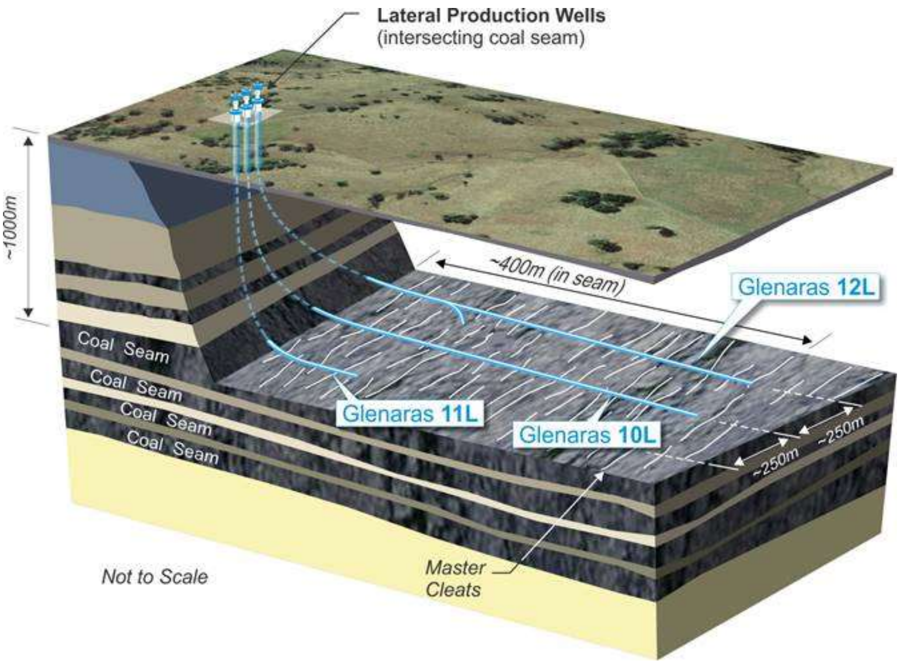


Figure 1: 3-D representation

Lavaca County - Texas Gulf Coast

Galilee holds a large lease position in JV with other parties over the Lower Wilcox play in Lavaca County, Texas. No exploration activities were undertaken in the half year.

Kansas Shallow Oil & Gas (farming in to earn up to 75%WI)

Galilee has a 345,000-acre Area of Mutual Interest in Meade County, Kansas. Galilee completed a 3D seismic survey over a portion of this acreage in early 2015. Since that time Galilee has refined the prospects identified by the survey and has identified a number of drillable prospects. Galilee is the Operator for the JV. There is no planned activity for this asset at this stage.

Chile

The Company continues to progress the next phase of the exploration contract application (CEOP) over an area of almost 6,000 sq.km in the Southern Magallanes Basin. This opportunity continues to be nurtured at minimal cost.

Auditor’s independence declaration

The auditor’s independence declaration is included on Page 3 of the Directors’ Report for the half-year.

Signed in accordance with a resolution made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors

Raymond Shorrocks
Chairman
Brisbane, 28 February 2019

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF GALILEE ENERGY LIMITED

As lead auditor of Galilee Energy Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Galilee Energy Limited and the entities it controlled during the period.

Tim Kendall

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 28 February 2019

Consolidated Statement of Profit or Loss & Other Comprehensive Income
for the half-year ended 31 December 2018

	Consolidated	
	31 Dec 18	31 Dec 17
	$	$
Revenue		
Interest received	**113,325**	78,962
	113,325	78,962
Expenses		
Exploration and evaluation costs	**(757,730)**	(405,614)
Employee benefits expense	**(520,249)**	(303,084)
Contractors' & consulting fees	**(192,093)**	(213,051)
Share-based payments	**(307,673)**	-
Professional fees	**(27,610)**	(22,561)
Corporate expenses	**(82,365)**	(51,559)
Occupancy costs	**(21,506)**	(20,700)
New project evaluation and analysis	**(55,302)**	(158,811)
Administration expenses	**(153,276)**	(97,216)
Depreciation	**(21,633)**	(19,053)
Total expenses	**(2,139,437)**	(1,291,649)
Loss before income tax	**(2,026,112)**	(1,212,687)
Income tax benefit/(expense)	**-**	-
Loss for the year	**(2,026,112)**	(1,212,687)
Other comprehensive (loss)/income, net of income tax		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	**(50)**	1,223
Total other comprehensive income, net of income tax	**(50)**	1,223
Total comprehensive loss	**(2,026,162)**	(1,211,464)
Loss per share	**Cents**	**Cents**
Basic loss per share	**0.98**	**0.78**
Diluted loss per share	**0.98**	**0.78**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 31 December 2018

	Note	Consolidated	
		31 Dec 18	30 Jun 18
		$	$
Assets			
Current assets			
Cash and cash equivalents		**18,409,247**	4,916,260
Trade and other receivables	5	**135,857**	133,022
Total current assets		**18,545,104**	5,049,282
Non-current assets			
Trade and other receivables	5	**1,414,964**	1,414,964
Property, plant and equipment		**101,675**	79,176
Total non-current assets		**1,516,639**	1,494,140
Total assets		**20,061,743**	6,543,422
Liabilities			
Current liabilities			
Trade and other payables	6	**643,405**	3,837,755
Provisions	7	**35,703**	38,307
Total current liabilities		**679,108**	3,876,062
Non-current liabilities			
Trade and other payables	6	**65,291**	63,060
Provisions	7	**1,547,000**	1,561,178
Total non-current liabilities		**1,612,291**	1,624,238
Total liabilities		**2,291,399**	5,500,300
Net assets		**17,770,344**	1,043,122
Equity			
Issued capital	8	**83,792,426**	65,346,715
Reserves		**(7,138,680)**	(7,446,303)
Accumulated losses		**(58,883,402)**	(56,857,290)
Total equity		**17,770,344**	1,043,122

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2018

	Issued Capital	Accumulated Losses	Non-controlling Interests Elimination Reserve	Foreign Currency Translation Reserve	Share-based Payments Reserve	Total
	$	$	$	$	$	$
Balance at 1 July 2018	**65,346,715**	**(56,857,290)**	**(7,656,400)**	**(47,871)**	**257,968**	**1,043,122**
Loss for the period	**-**	**(2,026,112)**	**-**	**-**	**-**	**(2,026,112)**
Other comprehensive loss	**-**	**-**	**-**	**(50)**	**-**	**(50)**
Total comprehensive loss	-	**(2,026,112)**	-	**(50)**	-	**(2,026,162)**
Transactions with owners in their capacity as owners						
Contributions of equity net of transaction costs	**18,445,711**	**-**	**-**	**-**	**-**	**18,445,711**
Share-based payments expense	**-**	**-**	**-**	**-**	**307,673**	**307,673**
	18,445,711	**-**	**-**	**-**	**307,673**	**18,753,384**
Balance at 31 December 2018	**83,792,426**	**(58,883,402)**	**(7,656,400)**	**(47,921)**	**565,641**	**17,770,344**
Balance at 1 July 2017	60,227,574	(46,540,841)	(7,656,400)	(48,162)	243,868	6,226,039
Loss for the period	-	(1,212,687)	-	-	-	(1,212,687)
Other comprehensive loss	-	-	-	1,223	-	1,223
Total comprehensive loss	-	(1,212,687)	-	1,223	-	(1,211,464)
Transactions with owners in their capacity as owners						
Share-based payments expense	-	-	-	-	14,100	14,100
Transfers	-	-	-	-	-	-
	-	-	-	-	14,100	14,100
Balance at 31 December 2017	60,227,574	(47,753,528)	(7,656,400)	(46,939)	257,968	5,028,675

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2018

	Consolidated	
	31 Dec 18	31 Dec 17
	$	$
Cash flows from operating activities		
Payments to suppliers and employees (including GST)	**(853,795)**	(720,476)
Payments for exploration	**(4,131,808)**	(559,344)
Interest received	**73,518**	55,351
Other revenue	**-**	(2,479)
Net cash used in operating activities	**(4,912,085)**	(1,226,948)
Cash flows from investing activities		
Payments for property, plant and equipment	**(44,132)**	(1,429)
Refunds of/(Payments for) bonds and deposits	**-**	129,938
Net cash provided by investing activities	**(44,132)**	128,509
Cash flows from financing activities		
Proceeds from issue of shares	**18,699,503**	5,635,084
Share issue costs	**(253,792)**	(501,843)
Net from financing activities	**18,445,711**	5,133,241
Net Decrease in cash and cash equivalents	**13,489,494**	4,034,802
Cash and cash equivalents at the beginning of the period	**4,916,260**	6,087,157
Effects of exchange rates on cash	**3,493**	(723)
Cash and cash equivalents at the end of the period	**18,409,247**	10,121,236

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

1. Principal Activities

Galilee Energy Limited and Subsidiaries (the Group) principal activities are to carry out oil and gas exploration and appraisal. The Group has tenement interests and exploration and evaluation activities in Australia, United States and Chile.

There have been no significant changes in the nature of the Group's principal activities during the half-year.

2. Basis of preparation

The interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2018 and are presented in Australian Dollar ($AUD) which is the functional currency of the Parent Company. The interim financial statements are a general-purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting".

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The interim financial statements do not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the Group together with any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

3. Significant accounting policies

The accounting policies adopted in the preparation of this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period other than for the impact of the new and amended that became applicable for the current reporting period. The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

A number of new or amended standards became applicable for the current reporting period. In particular, the group has changed its accounting policies as a result of adopting AASB 9 Financial Instruments. The impact of the adoption of this standard and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

AASB 9 Financial Instruments – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and Measurement
On 1 January 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. There were no changes to the classification and measurement of financial assets.

(ii) Impairment of financial assets
The Group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables.

The group was required to revise its impairment methodology under AASB. There was no material impact of the change in impairment methodology on the group's retained earnings and equity.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

3. Significant accounting policies (continued)

AASB 9 Financial Instruments – Impact of adoption (continued)

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

AASB 9 Financial Instruments – Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification
From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

3. Significant accounting policies (continued)

AASB 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

Impairment
From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Fair Values
The fair values of Consolidated Entity’s financial assets and financial liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

AASB 15 Revenue from Contracts with Customers – Impact of adoption
There is no impact of adopting AASB 15 as the group is still at exploration stage and has not generated revenue during the financial year.

4. Segment Information

Identification of reportable segments
The Group has identified its operating segments based on the geographic location of its respective areas of interest (tenements). The internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources are prepared on the same basis.

The principal operating activities of the Group are the exploration and evaluation of its tenements for oil and gas reserves. Other than the expensing of exploration and evaluation expenditure, income and expenditure as per the statement of profit or loss and other comprehensive income consists of incidental revenue including interest and corporate overhead expenditure which are not allocated to the Group's operating segments.

Unless otherwise stated, all amounts reported to the board of directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2018

4. Segment Information (continued)

Segment performance

The following table shows the revenue and exploration and evaluation expenditure information regarding the Group's operating segments for 31 December 2018 and 31 December 2017.

	Australia Qld $	Texas $	South America Chile $	Total $
31 December 2018				
Segment Result				
Segment Revenue	**-**	**-**	**-**	**-**
Exploration & evaluation costs	**(747,724)**	**-**	**(10,006)**	**(757,730)**
Segment result before tax	**(747,724)**	**-**	**(10,006)**	**(757,730)**
Reconciliation of segment result to Group loss before tax				
Interest revenue				**113,325**
Employee benefits expense				**(520,249)**
Consulting fees				**(192,093)**
Share-based payments				**(307,673)**
Professional fees				**(27,610)**
Corporate expenses				**(82,365)**
Occupancy costs				**(21,506)**
New project evaluation and analysis				**(55,302)**
Administration expenses				**(153,276)**
Depreciation				**(21,633)**
Loss before tax				**(2,026,112)**
31 December 2017				
Segment Result				
Segment Revenue	-	-	-	-
Exploration & evaluation costs	(510,011)	104,397	-	(405,614)
Segment result before tax	(510,011)	104,397	-	(405,614)
Reconciliation of segment result to Group loss before tax				
Interest revenue				78,962
Employee benefits expense				(303,084)
Contractors' & consulting fees				(213,051)
Professional fees				(22,561)
Corporate expenses				(51,559)
Occupancy costs				(20,700)
				(158,811)
Administration expenses				(97,216)
Depreciation				(19,053)
Loss before tax				(1,212,687)

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

5. Receivables

	Consolidated	
	31 Dec 18	30 Jun 18
Current	**$**	$
Trade receivables	**77,588**	72,046
Interest receivable	**51,774**	11,967
Prepayments	**6,495**	49,009
	135,857	133,022
Non-Current		
Environmental bonds and deposits	**1,198,167**	1,198,167
Rental bond	**216,797**	216,797
	1,414,964	1,414,964
	1,550,821	1,547,986

6. Trade and other payables

	Consolidated	
	31 Dec 18	30 Jun 18
Current	**$**	$
Trade payables	**470,903**	3,690,987
Other payables	**96,118**	58,469
Employee benefits	**76,384**	88,299
	643,405	3,837,755
Non-Current		
Employee benefits	**11,291**	9,060
Security bond - sub-lease	**54,000**	54,000
	65,291	63,060
	654,696	3,900,815

7. Provisions

	Consolidated	
	31 Dec 18	30 Jun 18
Current	**$**	$
Onerous contract	**35,703**	38,307
	35,703	38,307
Non-Current		
Onerous contract	**-**	14,178
Rehabilitation & restoration	**1,547,000**	1,547,000
	1,547,000	1,561,178
	1,582,703	1,599,485

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

8. Issued Capital

	Consolidated	
	31 Dec 18	30 Jun 18
	$	$
Ordinary shares - fully paid	**85,852,943**	67,153,440
Share issue transaction costs (net of tax)	**(2,060,517)**	(1,806,725)
	83,792,426	65,346,715

Movements in ordinary shares	**31 Dec 18**	30 Jun 18	**31 Dec 18**	30 Jun 18
	Number of Shares		**$**	$
Balance at the beginning of the period	**189,707,690**	152,140,466	**65,346,715**	60,227,574
Share placement @ 40 cents	**14,155,000**	-	**5,662,000**	-
Share placement @ 60 cents	**21,666,671**	-	**13,000,003**	-
Options exercised @ 25 cents	**150,000**	-	**37,500**	-
Share placement @ 15 cents	**-**	20,321,070	**-**	3,048,161
Share rights issue @ 15 cents	**-**	17,246,154	**-**	2,586,923
Share issue costs	**-**	-	**(253,792)**	(515,943)
Balance at the end of the period	**225,679,361**	189,707,690	**83,792,426**	65,346,715

9. Share based payments

The following table shows the share-based payments expense during the half-year with respect to performance rights and share options and the movements in the Share-Based Payments Reserve during the half-year.

	Consolidated	
	31 Dec 18	31 Dec 17
Statement of comprehensive income	**$**	$
Share based payments expense included in employee benefits expense	**307,673**	-
Movements in share based payments reserve		
Balance at the beginning of the period	**257,968**	243,868
Share based payments included in employee benefits expense	**307,673**	-
Share based payments included in share issue costs	**-**	14,100
Rights/options expired of forfeited transferred to issued capital	**-**	-
Balance at the end of the period	**565,641**	257,968

During the half-year, the following performance rights were granted to directors and employees as part of their remuneration.

Grant Date	**Expiry Date**	**Assumed Vesting Date**	**Share Price at Grant Date (cents)**	**Granted during the year**
30-Nov-18	30-Nov-20	31-Dec-19	61.00	4,700,000
19-Dec-18	30-Nov-20	31-Dec-19	54.00	3,750,000
20-Dec-18	30-Nov-20	31-Dec-19	59.00	1,000,000
				9,450,000

Subject to the employee or director remaining an employee the performance rights granted during the half year will vest when at least 500PJ of 2P reserves are booked on or before 30 November 2020.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

9. Share based payments (continued)

The expected exercise date for the December 2018 rights has been set at 31 December 2019. This is based on the expected timing of results from the proposed 2019 calendar year exploration program and pilot operation. De-watering is currently taking place at the Glanaras Pilot which comprises the 3 Lateral wells drilled in early 2018. Using the existing pumping equipment, the Glenaras Pilot has already produced gas flows. The 2019 exploration program includes three further lateral wells in the Glenaras pilot area which are designed to increase the production of water from the pilot. These wells will be drilled in early April 2019 and by the end of April 2019 the three new wells will have been completed and all six wells back pumping. The additional pumping capacity will significantly increase water gas production. It is expected that by late November to early December 2019 the gas production will be sufficient to permit a reserves booking.

The following table shows the movement in the number of performance rights granted in the current and prior periods and the balance at 31 December 2018.

Grant date	Expiry date	Opening balance	Granted during the period	Exercised during the period	Expired **during the period**	Closing balance	% Vested
18-Nov-16	18-Nov-19	7,600,000	-	-	-	7,600,000	100%
01-Dec-17	31-Dec-19	2,500,000	-	-	-	2,500,000	100%
30-Nov-18	30-Nov-20	-	4,700,000	-	-	4,700,000	
19-Dec-18	30-Nov-20	-	3,750,000	-	-	3,750,000	
20-Dec-18	30-Nov-20	-	1,000,000	-	-	1,000,000	
		10,100,000	9,450,000	-	-	19,550,000	

The following table shows the movements of share options during the half-year and on issue at 31 December 2018.

Grant date	**Expiry date**	**Opening balance**	**Granted during the period**	**Exercised during the period**	**Expired during the period**	**Closing balance**	**% Vested & Exercisable**
18-Nov-16	18-Nov-19	7,600,000	-	-	-	7,600,000	100%
01-Dec-17	31-Dec-19	2,500,000	-	(150,000)	-	2,350,000	100%
10-Jul-18	18-Nov-18	-	14,155,000	-	-	14,155,000	100%
11-Dec-18	05-Dec-19	-	21,666,667	-	-	21,666,667	100%
		10,100,000	35,821,667	(150,000)	-	45,771,667	

Details of the terms and conditions of share options on issue at the beginning of the half-year and issued during the half-year are as follows:

No. of Options Granted	**Grant Date**	**Fair Value (cents)**	**Exercise Price (cents)**	**Expiry Date**	**Vesting Date**	**No. of Options Exercisable**
7,600,000	18-Nov-16	2.9	12.5	18-Nov-19	18-Nov-16	7,600,000
2,500,000	01-Dec-17	0.6	25.0	31-Dec-19	1-Dec-17	2,350,000
14,155,000	10-Jul-18	0.0	50.0	18-Nov-19	10-Jul-18	14,155,000
21,666,667	11-Dec-18	0.0	75.0	5-Dec-19	11-Dec-18	21,666,667

The fair value of share options issued during the previous period is measured at grant date and is determined by reference to the fair market value of the services provided. The fair market value of the capital raising services provided by Gleneagles in the prior year was assessed at $408,556 of which comprised a cash payment of $394,456 and $14,100 representing the value of the share options issued.

There was no requirement to determine a fair value of the options issued during the half year as part of the capital raisings undertaken during the period.

10. Contingent liabilities

The directors are not aware of any contingent assets or liabilities.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2018

11. Commitments

Operating lease commitments
Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.

	Consolidated	
	31 Dec 18	30 Jun 18
Operating lease commitments	**$**	$
Minimum lease payments payable as follows:		
not later than 12 months	**144,770**	155,400
between 12 months and 5 years	**-**	65,804
	144,770	221,204

Bank guarantees
National Australia Bank Limited have provided a bank guarantees totalling $1,520,626 (June 2018: $1,520,626) as follows:

- $1,173,891 (June 2018: $1,173,891) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees;
- $346,735 (June 2018: $346,735) to the landlord of the Brisbane office premises to support the Group's obligations under the lease of the Edward Street, Brisbane premises.

The bank guarantees are secured by term deposits.

Exploration expenditure
In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under the agreements. The timing and amount of exploration expenditure and obligations of the Group are subject to the minimum work or expenditure requirements of the permit conditions or farm-in agreements (where applicable) and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest.

With respect to permit ATP 2019, at 31 December 2018 the Group has met all of the exploration commitments under the current work programme. This permit has been renewed and is granted to 30 November 2020. As the exploration commitments has been met, no additional commitment exploration expenditure is required

In the case of the United States of America and Chile there are no commitments beyond 31 December 2018.

12. Events occurring after balance date

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations or the state-of-affairs of the Group in subsequent financial periods other than the following:

Since 31 December 2018, the Group has commenced legal action against its insurer to recover certain "lost in hole" costs incurred in the prior year. At the date of this report there is not sufficient information to form an opinion as to the likely success of the legal action and the amount possibly recovered.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 15 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the consolidated entity 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 directors.

Raymond Shorrocks
Chairman
Brisbane, 28 February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Galilee Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Galilee Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 28 February 2019