

## March 2019 Quarterly Report & Appendix 5B

8 April 2019

### Highlights

- ❖ All civil works complete for upcoming drilling programme;
- ❖ Easternwell Rig 103 due to mobilise this week;
- ❖ Drilling on track to commence early next week;
- ❖ MOU signed and work underway with Clarke Energy to assess feasibility of gas to power project at Glenaras;
- ❖ Strong balance sheet with a 31 March cash position of \$17.2 million with no debt.

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 permit ATP 2019.

All civil works for the drilling operations are complete, comprising construction of well lease pads and access roads for the programme. Galilee has awarded all civil contracts to local suppliers who have successfully and safely delivered high quality work on previous projects. All long lead items have been ordered and all contracts awarded.

Easternwell Rig 103 has completed its current drilling programme with another operator and is mobilising to Longreach this week with drilling to commence early next week. Significant wet weather in the area following ex-tropical cyclone Trevor has resulted in the minor delays.

The Pilot drilling programme as depicted in Figure 1 is scheduled to take approximately six weeks and the aim is for the new lateral wells to be on production by mid July 2019 following the necessary completion and tie-in operations. Once the Pilot is fully operational, the well configuration will provide shielding to the central well from the large drainage area which the previous two lateral wells were draining, and it is expected that three 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 require to 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 million, which is well within the company’s strong current cash position.

“Whilst the wet weather has pushed the schedule back two weeks, there will be no additional cost to Galilee as a result of this delay. We are ready to go and our strategy of converting Resources to Reserves and ultimately bringing material volumes of gas into the east coast market remains unchanged.” Managing Director Peter Lansom stated.

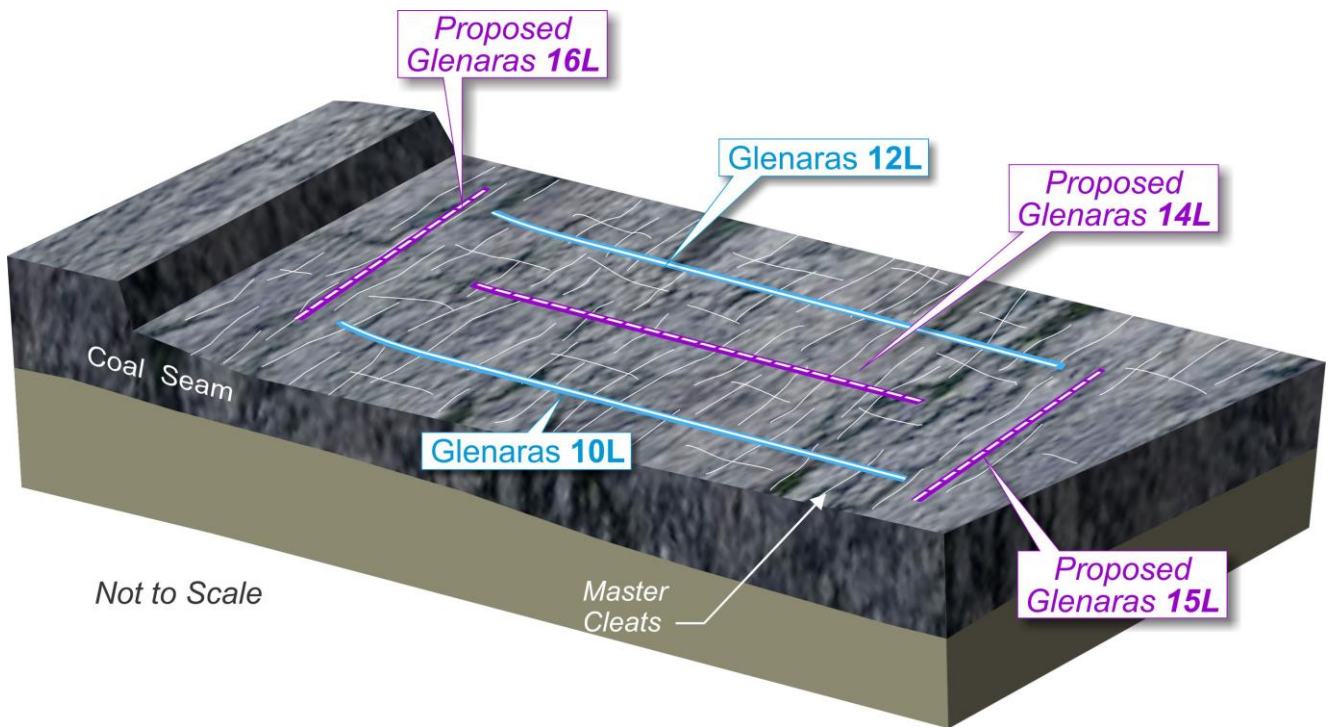


Figure 1 – Proposed Drilling Programme

**Glenaras Gas Project (ATP 2019) – GLL 100%**

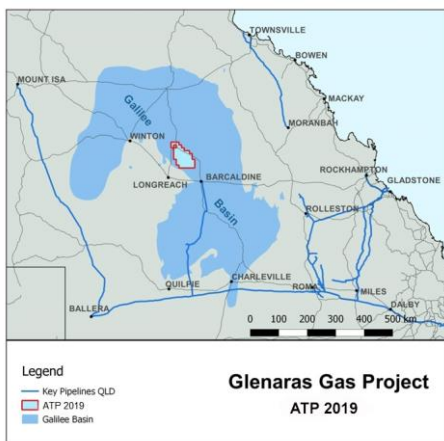


Figure 2 – Glenaras Gas Project

The Glenaras Gas Project (“Project”) is strategically located in central Queensland’s Galilee Basin. The Permit covers an area of approximately 4000 km<sup>2</sup> and is 100% owned and operated by Galilee (Figure 2).

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.

Prior to being shut in for the forthcoming drilling programme, the existing Glenaras 10L and 12L pilot wells have continued 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 was continuing production 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 existing lateral wells suggests they are accessing a significant drainage area which augurs well for economic gas recovery once the coal seam depressurises below the critical desorption pressure.

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.

### **Clarke Energy MOU**

Galilee has entered into a Memorandum of Understanding (MOU) with Clarke Energy to assess the potential for a staged installation of a gas fuelled power station at the Glenaras Gas Project. This would enable commercialisation of the initial ramp gas from the Glenaras pilot prior to progressing towards FID on a potential Jemena pipeline for the full field development.

The MOU provides a framework of co-operation between the parties to investigate the feasibility and, upon agreement between both parties, negotiate the commercial terms of an agreement under which Clarke Energy would install gas fired electricity generation to connect Galilee's initial Glenaras ramp gas production to the grid. In addition, this would also provide flexibility to contribute to local power requirements.

This would provide Galilee with a further option to monetise its initial, Phase 1 gas in addition to the existing Barcaldine option as well as others under consideration. If Galilee proceeds with a project such as this then multiple benefits would be realized, including early cashflow, proof of concept for its 1st phase development which will be necessary prior to FID on the Jemena pipeline for the broader field development, important environmental advantages through the beneficial use of pilot production gas and flexibility to ultimately send power to and draw power from the grid.

Connection studies have commenced, and preliminary concept design of the power station is underway. The basis of design for the power station is modular and expandable such that as gas rates increase, additional generation units can then be added to increase the station output.

This is proven technology with a strong industry track record of CSG developments such as these, including Daandine Power Station and Wilga Park Power Station, examples of Clarke Energy's power stations are shown in Figure 3.



Figure 3 – Clarke Energy Power Stations

**Jemena**

Jemena continues to advance the planning of its Galilee Gas Pipeline which would run from the Glenaras Gas Project to Jemena’s Queensland Gas Pipeline. Ongoing engagement with landholders and findings from initial constructability and ecological surveys has enabled Jemena to be well advanced in its route development.

Jemena is currently undertaking further in-field, targeted ecological surveys in anticipation of progressing preliminary environmental approvals in mid-2019.



Figure 4 – Proposed Pipeline Route

## 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 \$17.2 million with no debt. The expenditure forecast for the next quarter is predominantly related to the Glenaras Gas Project lateral drilling programme.

## For further information contact:

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## Listing Rule 5.42

+ The details of Contingent Resources referenced at page 2 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 – 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 – 56.2%\***

**Directors and Management – 4.4%**

**\*As at 1 April 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")**

March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(739)	(4,833)
(b) development	-	-
(c) production	-	-
(d) staff costs	(230)	(646)
(e) administration and corporate costs (includes business development of \$43k)	(341)	(814)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	119	193
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,191)</b>	<b>(6,100)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(50)
(b) tenements (see item 10)	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9months) \$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>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(6)</b>	<b>(50)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	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		(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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>18,446</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	18,410	4,917
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,191)	(6,100)



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(50)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	18,446
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>17,213</b>	<b>17,213</b>

<b>5. 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	5,071	18,410
5.2	Call deposits	12,142	-
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>17,213</b>	<b>18,410</b>

**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

<b>Current quarter \$A'000</b>
160
-

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<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	7,928
9.2 Development	-
9.3 Production	-
9.4 Staff costs	256
9.5 Administration and corporate costs	309
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>8,493</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:



8/04/19

(Director/Company secretary)

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.