

September 2019 Quarterly Report & Appendix 5B

31 October 2019

Highlights

- ❖ Measured gas flow from the Glenaras Gas Project up to 35-40 Mscfd in aggregate.
- ❖ Water rates continuing to decline as we depressure the pilot area and gas production increases.
- ❖ Strategic exploration position across three of Queensland's major east coast Basins following appointment as Preferred Tenderer for block PLR2019-1-1 in the gas-rich Dension Trough region.
- ❖ Formal award of ATP 2043 in the Surat Basin in August, with 504PJ of 2C Contingent Gas Resources independently certified and work commenced on reprocessing of over 600km of 2D seismic and planning for the drilling of multiple exploration core-holes.
- ❖ Strong balance sheet with a 30 September cash position of \$11.4 million with no debt.

Glenaras Gas Project (ATP 2019) – GLL 100%

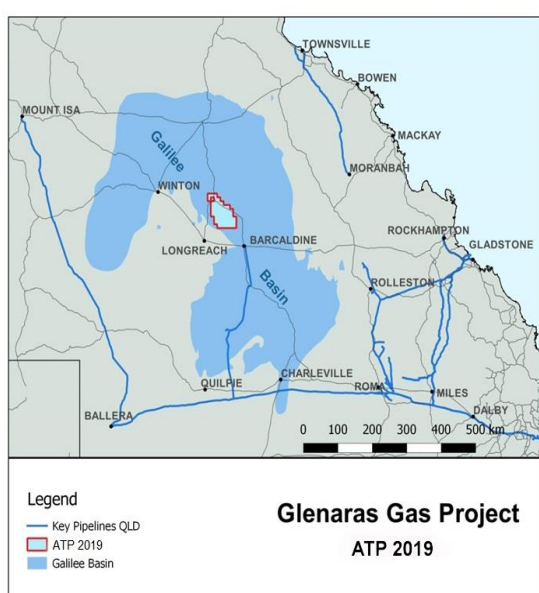


Figure 1 – Glenaras Gas Project

Galilee Energy Limited (ASX:GLL) (“Galilee”) is pleased to provide an update on the Glenaras multi-lateral pilot programme (“Pilot”) in the Galilee Basin in Queensland (*Figure 1*).

The Pilot is part of the Glenaras Gas Project (“Project”) located in ATP 2019, which is 100% owned and operated by Galilee. The Permit covers an area of approximately 4000 km²

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 currently booked Contingent Resources from the early 2020's. The independently derived and certified Contingent Resource within the Betts Creek coals are a 1C of 308 PJ, a 2C of 2,508 PJ and a 3C of 5,314 PJ*.

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

As previously announced, the Pilot has continued to produce strongly and the performance to date is further evidence of the coal's strong productivity, with Glenaras 15L's well deliverability beyond the initial design criteria. This has resulted in several production and downhole pump issues as we have attempted to maximise this well's drawdown. A workover rig has been secured and is mobilising to location to run a larger downhole pump system to handle the well and pump installation will commence shortly. All four remaining wells in the pilot will be producing at maximum performance in order to achieve full reservoir drawdown.

Metered gas rates, measured via orifice plate meters at each well, have been up to 35-40 Mscfd in aggregate prior to the Glenaras 15L issues which was further demonstration of the strong productivity of the coals. In the meantime this will have no impact on uptime of the other 4 wells which are all continuing to produce strongly.

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.

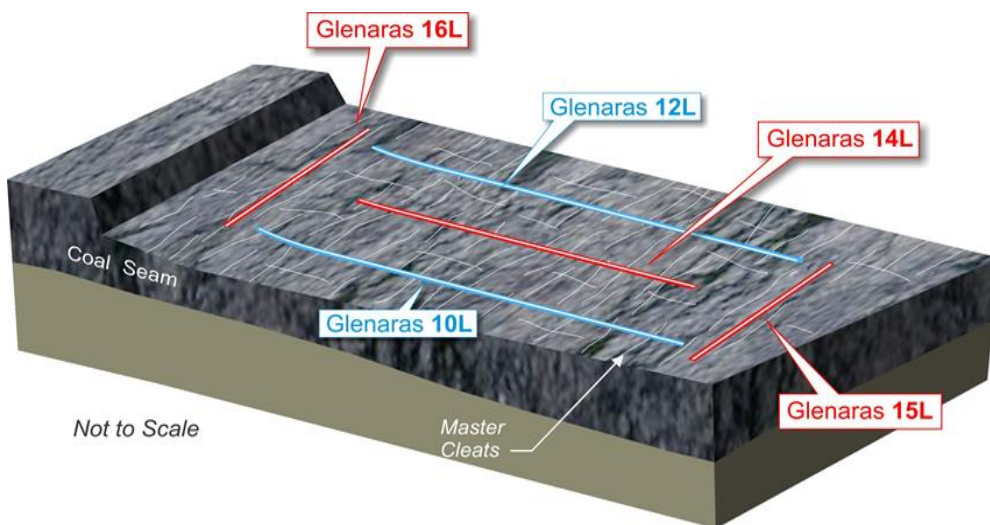


Figure 2 – Enhanced multi-lateral programme

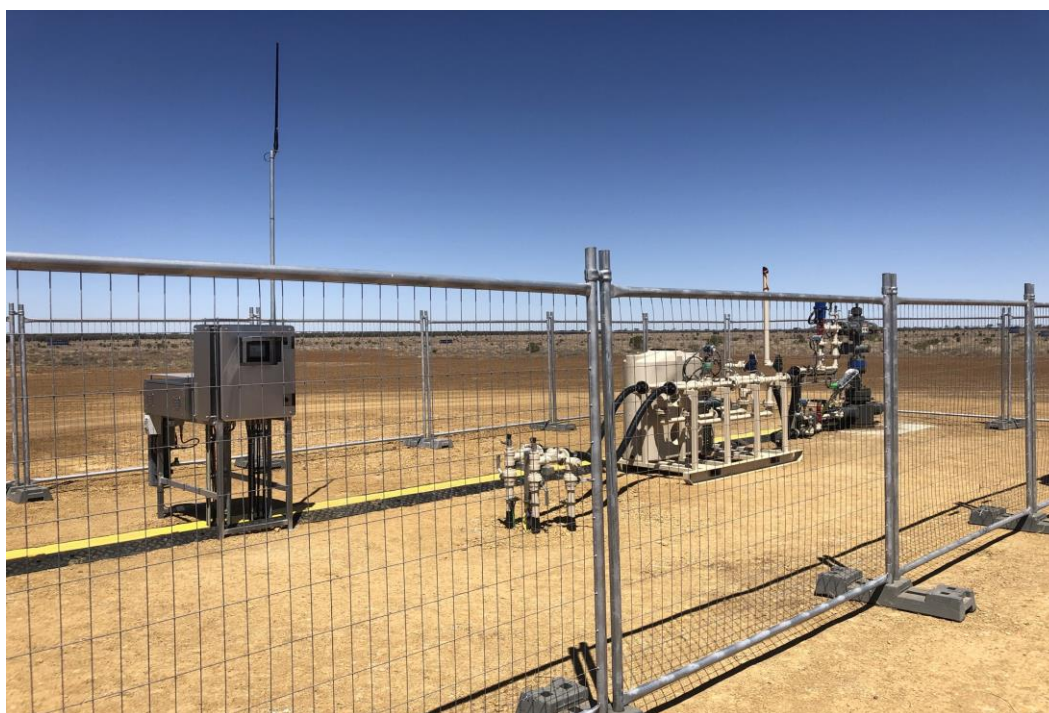


Figure 3 – Glenaras 14L wellsite

ATP 2043

As previously announced, Galilee has been officially granted operatorship and 100% working interest in the Authority to Prospect - ATP 2043 in the overlapping Surat and Bowen Basins, effective 1st August 2019 for a term of 6 years (*Figure 4*). The acreage was made available for tender as part of the Queensland Government's February 2019 release of new petroleum resource areas, designed to stimulate oil and gas exploration in Queensland and provide sustainable benefits to local communities and the broader Queensland economy.

ATP 2043 is a 384km², high quality exploration tenure with dual prospectivity within both the world-class Walloon Subgroup coal seam gas ("CSG") fairway and the oil and gas prone eastern flank of the Taroom Trough in the Bowen Basin. A total of 504 PJ of CSG 2C Contingent Gas Resources has been independently certified in the Walloon Subgroup as at 1st August 2019 by MHA Petroleum Consultants ("MHA"), validating the material prospectivity and value of this acreage.

MHA conducted an independent evaluation and estimation of the Walloon Subgroup CSG Contingent Gas Resources in ATP 2043 using a probabilistic method, whereby individual property ranges and distributions were determined for the key coal parameters with calculations then run through a Monte Carlo simulation. Additional conventional oil and gas prospectivity has been identified within the permit area, however this Contingent Resource estimate is limited to the Walloons CSG only.

ATP 2043 continued

This independent evaluation generated values for the 1C (low estimate), 2C (best estimate) and 3C (high estimate) Contingent Gas Resources as per industry standard guidelines (*Table 1*).

Permit	Contingent Gas Resource (PJ)		
	1C	2C	3C
ATP 2043 – Surat Basin	266	504	895
ATP 2019 – Galilee Basin	308	2,508	5,314
Total	574	3,012	6,209

Table 1. Galilee Energy Contingent Gas Resource* estimates*

The addition of ATP 2043 to Galilee's portfolio increases the company's 2C Contingent Gas Resource to a material 3,012 PJ*. This further elevates Galilee's position as one of the leading, uncontracted Resource holders on the Australian east coast with clear channels to market as evidenced by the strong progress Jemena have made with the proposed Galilee Gas Pipeline, in addition to the access Galilee will have to existing infrastructure in the Surat Basin.

Galilee was successful with its targeted approach for this high-graded block and was awarded the acreage following a non-cash consideration, competitive tender process. The acreage is less than 10 km from established CSG production facilities and directly adjacent to the south of the Ironbark CSG asset which was recently acquired by APLNG for \$231 million. In addition, the regionally significant Moonie oil field is located only 25km to the southwest on the Moonie-Goondiwindi Fault System, which directly links the Moonie Field into the central reaches of ATP 2043. It is this same fault system that is expected to provide considerable permeability enhancement to the Walloon Subgroup coals.

The initial work program for ATP 2043 has commenced with the reprocessing of over 600km of existing 2D seismic and planning for the drilling of multiple exploration core-holes across the permit. ATP 2043 is significantly under-explored and will benefit considerably from Galilee's application of contemporary exploration technology to advance the understanding of the subsurface of this highly prospective area.

Galilee will leverage the experience of its senior management team who have extensive Surat Basin CSG exploration and development experience to mature the ATP 2043 Resources as efficiently as possible. Importantly Galilee has sufficient resources in place to drive both ATP 2019 and this Surat Basin acreage forward in parallel.

ATP 2043 continued

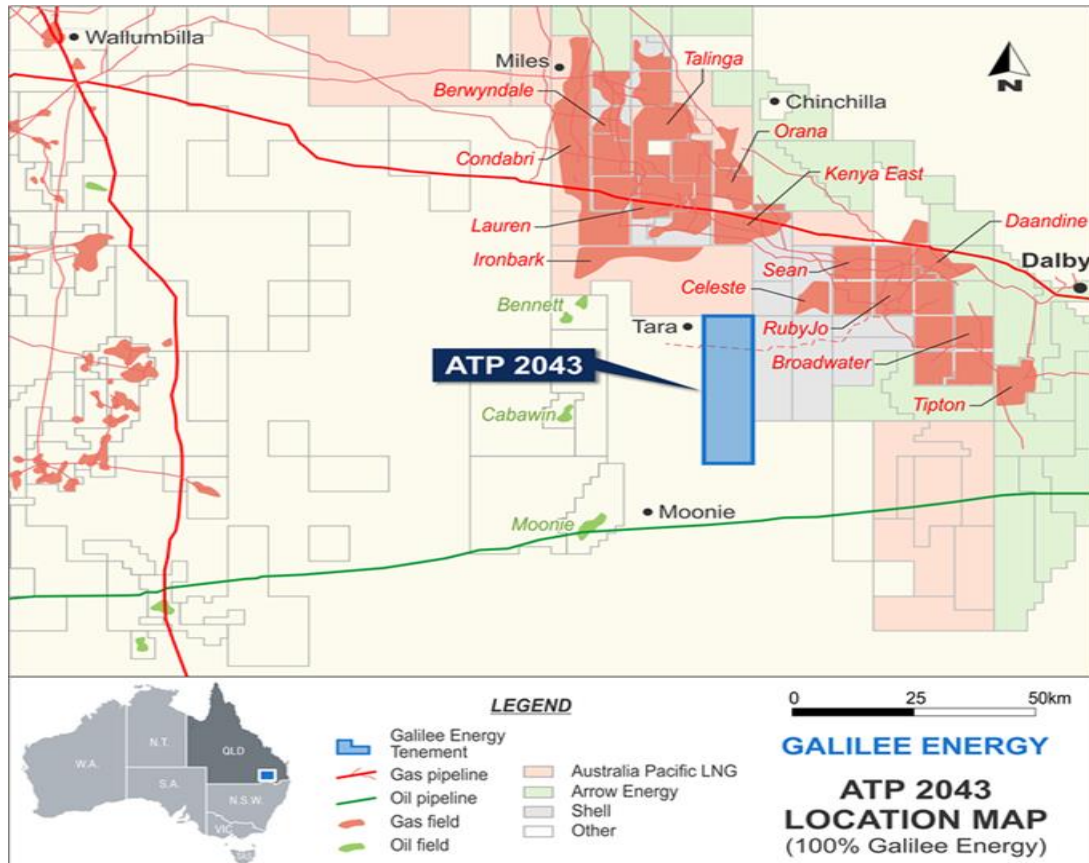


Figure 4 – ATP 2043 Location Map

Award of PLR2019-1-1

Subsequent to the end of the September quarter, Galilee was appointed the Preferred Tenderer for block PLR2019-1-1 by the Queensland Government. The award of this acreage is designed to stimulate exploration in Queensland and provide sustainable benefits to local communities in the region and energy benefits for all Queenslanders.

Galilee was successful with its targeted approach for this high-graded block and was awarded the acreage following a non-cash consideration competitive tender process. The acreage has dual coal seam gas and conventional gas potential. Considerable coal seam gas resources are identified within multiple, Permian-aged targets that are equivalent to producing units across the region, including coals in the world-class Fairview and Spring Gully fields and the nearby Mahalo Development and Reids Dome Project (*Figure 5*). Material conventional gas resource potential has also been identified in

Award of PLR2019-1-1 continued

PLR2019-1-1 as confirmed by the numerous Northern Denison Trough fields immediately adjacent to the east.

The area is significantly under-explored and will benefit greatly from Galilee applying contemporary exploration technology to advance the understanding of this highly prospective area. PLR2019-1-1 is also strategically close to existing production and pipeline infrastructure as well as Jemena’s proposed Galilee Gas Pipeline which will provide improved access to the eastern Australian gas markets.

Galilee has now built up a material portfolio of high quality, gas exploration acreage that is strategically spread across three of Queensland’s major east coast Basins (*Figure 6*). PLR2019-1-1 in the Denison Trough, will be managed concurrently alongside Galilee’s existing assets of ATP 2019 in the Galilee Basin which contains the flagship Glenaras Gas Project and the recently awarded ATP 2043 in the Surat Basin.

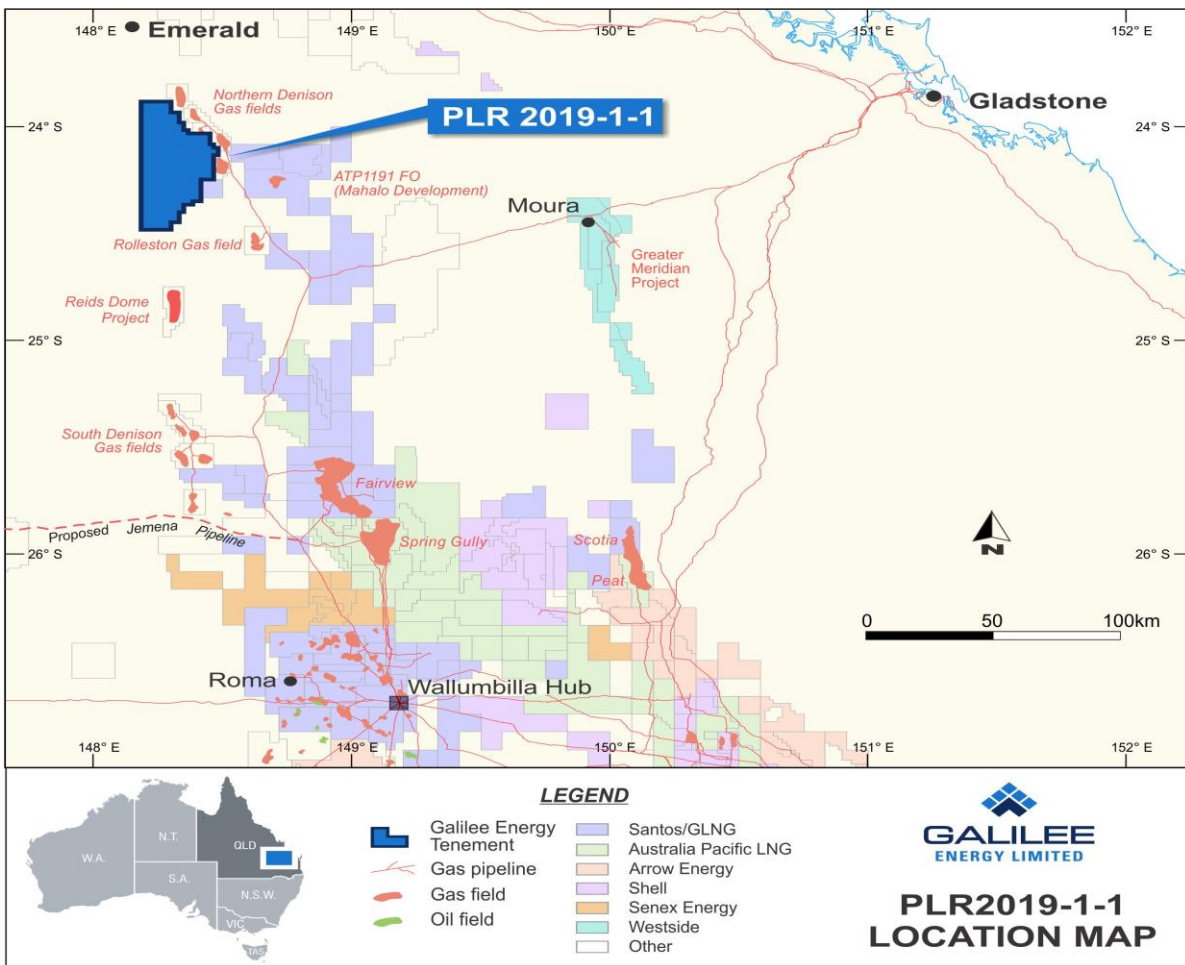


Figure 5 – PLR2019-1-1 Location Map

Award of PLR2019-1-1 continued

Galilee’s portfolio already comprises one of the largest, uncontracted, 2C Contingent Resource bases on the east coast of Australia of 3,012 PJ* and with the addition of PLR2019-1-1 will provide even greater materiality to this Resource position. Importantly, Galilee has sufficient technical experience and resources along with a strong financial position to enable it to effectively manage and mature all three assets in parallel.

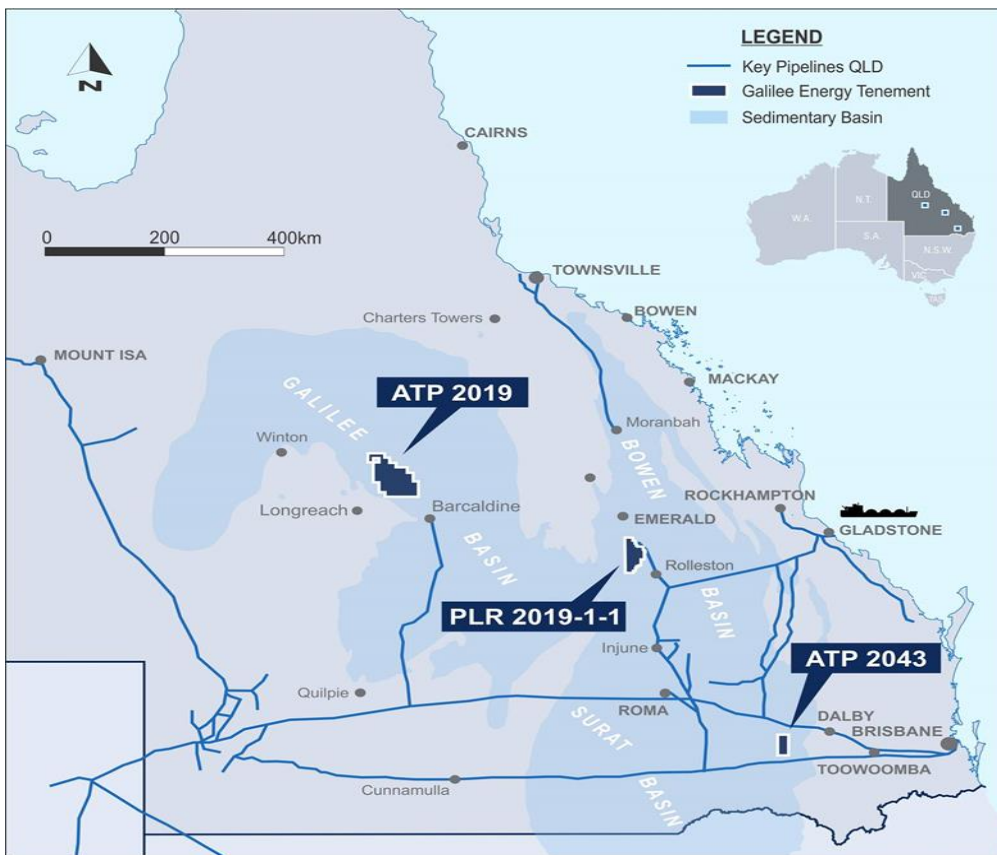


Figure 6 – Galilee Energy Acreage Position

Jemena update

Galilee has agreed an extension to its binding agreement with Jemena to work towards development milestones to fast track plans to deliver a large new source of gas from Galilee’s Glenaras Gas Project to the east coast gas market. 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 has passed several significant milestones for the Galilee Gas Pipeline route (*Figure 7*) connecting the Glenaras Gas Project to the east coast gas market including the formal lodgement of the Voluntary Environmental Impact Statement (EIS) Application and EPBC Act referral with the relevant authorities.

This public recognition of Jemena’s preferred pipeline route is further validation of Jemena’s commitment to transport gas from the Glenaras Gas Project to end users. Following successful Pilot results, the next step by Jemena will be to submit a proposed Terms of Reference for the Galilee Gas Pipeline EIS. These milestones are important steps in proving up a clear pathway to the east coast gas market for the Glenaras Gas Project.

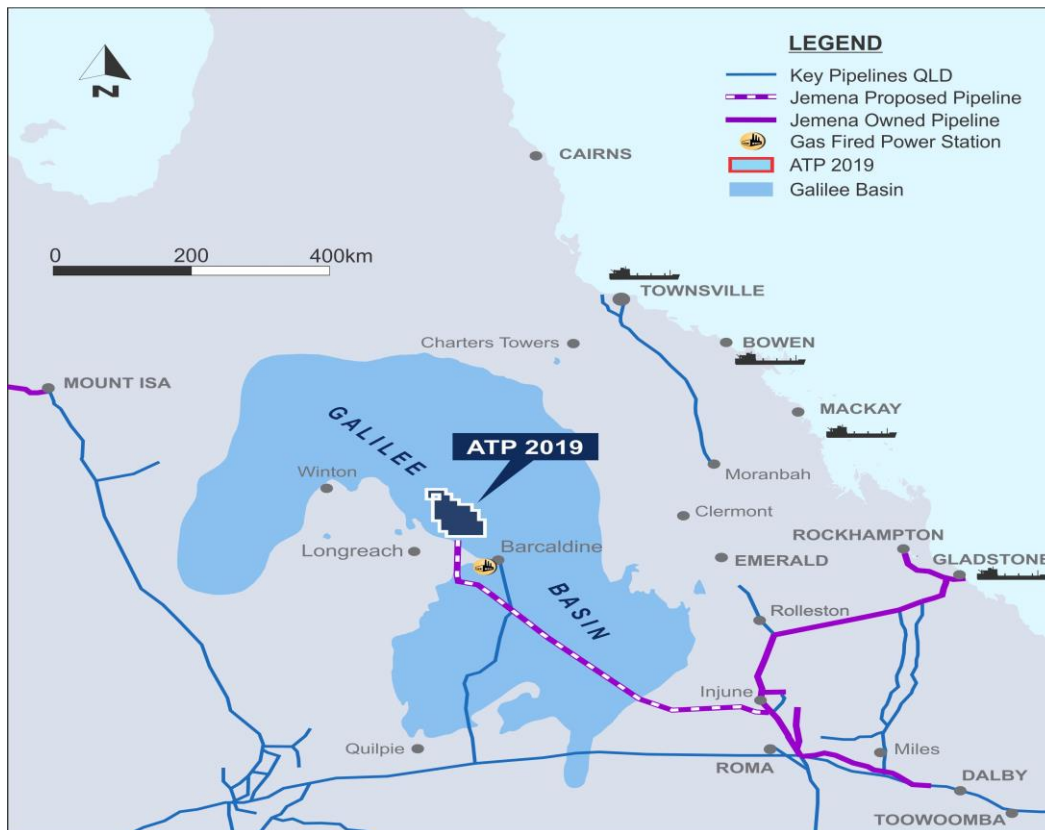


Figure 7 – Proposed Galilee Gas Pipeline

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 \$11.4 million with no debt.

For further information contact:

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* Listing Rule 5.42 + The details of Contingent Resources referenced throughout this Quarterly Activities report in respect to ATP 2019 were announced to the market on 1 September 2015 and in respect to ATP 2043 were announced to the market 1 August 2019. 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 those Market announcements first report the details of the Contingent Resources for ATP 2019 and ATP 2043 respectively 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 and exploring in the Surat and Bowen Basins whilst looking to add further high quality acreage to its portfolio.

Directors

Chairman – Ray Shorrocks

Managing Director – Peter Lansom

Non-Executive Director – Dr David King

Non-Executive Director – Stephen Kelemen

Non-Executive Director – Gordon Grieve

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96. Origin: Appendix 8. Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16.

Name of entity

GALILEE ENERGY LIMITED

ABN

11 064 957 419

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows


	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers		
1.2 Payments for:		
(a) exploration & evaluation	(2,522)	(2,522)
(b) development	-	-
(c) production	-	-
(d) staff costs	(372)	(372)
(e) administration and corporate costs	(190)	(190)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	60	60
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(3,024)	(3,024)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(14)	(14)
(b) petroleum tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) petroleum 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	-	-
2.6 Net cash from / (used in) investing activities	(14)	(14)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from sale of convertible notes	-	-
3.3 Proceeds from exercise of share options	2,851	2,851
3.4 Transaction costs related to issues of shares, convertible notes or options	(22)	(22)
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 (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,829	2,829

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000	
4. Net increase/ (decrease) in cash and cash equivalents for the period			
4.1 Cash and cash equivalents at beginning of period	11,586	11,586	
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,024)	(3,024)	
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(14)	(14)	
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,829	2,829	
4.5 Effect of movement in exchange rates on cash held	-	-	
4.6 Cash and cash equivalents at end of period	11,377	11,377	
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	2,237	2,443	
5.2 Call Deposits	9,140	9,140	
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)	11,377	11,583	
6. Payments to directors of the entity and their associates			
6.1 Aggregate amount of payments to these parties included in item 1.2	274		
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			
<i>Directors' fees</i>			
7. Payments to related entities of the entity and their associates			
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			
Add notes as necessary for an understanding of the position.			
	Total facility amount at \$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	(1,204)		
9.2 Development	-		
9.3 Production	-		
9.4 Staff Costs	(242)		
9.5 Administration and corporate costs	(333)		
9.6 Other (provide details if material)	-		
Total estimated cash outflows	(1,779)		
10. Changes in tenements (items 2.1(b) and 2.2(b) above)			
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	ATP 2043	Exploration	100%

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  Date: 25/10/19
(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.