
# CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

**Galilee Energy Limited**

**ABN 11 064 957 419**

**and controlled entities**

GALILEE
ENERGY LIMITED

# 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 2019.

### Directors

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

**Ray Shorrocks -** Appointed 02/12/2013, Non-executive Chairman since 31/03/2018

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

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

**Stephen Kelemen -** Appointed 31/03/2018, Non-executive Director since 31/03/2018

**Gordon Grieve -** Appointed 06/09/2019, Non-executive Director since 06/09/2019

### Principal activities

Galilee Energy is a Brisbane based energy company with a portfolio of assets focussed onshore Australia.

The principal activity of the consolidated entity is oil and gas exploration and production. The foundation asset of the Company is the Glenaras Gas Project located in the Galilee Basin near Longreach in Queensland.

### Results from operations

The loss for the half-year ended 31 December 2019 was $5,784,741 (31 December 2018: $2,026,112). The loss for the year reflects the exploration expenditure incurred on the Galilee Basin permit of $4,310,402 in addition to staff costs and overheads attributable to progressing the Glenaras Gas Project.

### Review of operations

The Company's flagship Glenaras Gas Project lies within the highly prospective ATP 2019 permit in Queensland's Galilee Basin. The permit covers an area of approximately 4000 km$^2$ and is 100% owned and operated by Galilee Energy (Figure 1).

The project contains a significant coal seam gas Contingent Resource position in the Betts Creek and Aramac coals with a 1C of 308 PJ, a 2C of 2,508 PJ and a 3C of 5,314 PJ, as a result of the extensive historical exploration activity within the permit.

Significant activity was undertaken on the ATP 2019 permit during 2019 with the successful completion of the enhanced Glenaras multi-lateral pilot which included the drilling of the Glenaras 14L, 15L and 16L wells. The lateral pilot (Figure 2) is now on continuous production with all five wells flowing gas. The pilot will be on production for an extended period to de-water and lower the pressure in the surrounding coal with the aim of achieving a commercial gas flow.

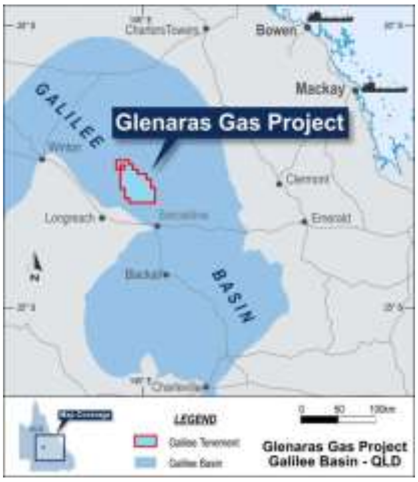


Figure 1.

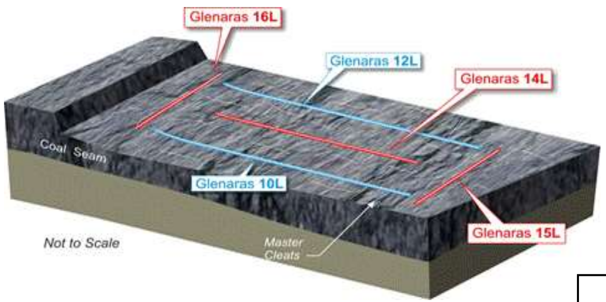


Figure 2.

# Directors' Report (continued)

**Review of operations (continued)**

Excellent progress has been made by Jemena on stakeholder engagements, government approvals and aerial surveys for the proposed Galilee gas pipeline which would deliver gas produced by Galilee to the east coast domestic market. Jemena has passed significant milestone for the Galilee Gas Pipeline route connecting the Glenaras Gas Project to the east coast gas market with the formal lodgement of the Voluntary Environmental Impact Statement Application and EPBC Act referral with the relevant authorities.

Galilee has a deep commitment to working with community stakeholders in the areas within which we operate. Galilee operates on the basis of mutual respect and co-existence with all of its stakeholders as the key pillar of its community relations with government, landowners and the broader community.

The Company has expanded its portfolio of gas assets and diversified its position after having been officially granted operatorship and 100% working interest in the Authority to Prospect - ATP 2043, (Kumbarilla Project) in the overlapping Surat and Bowen Basins (Figure 3). The Kumbarilla Project is a 384km², high quality exploration tenure with dual prospectivity within both the world-class Walloon Subgroup CSG fairway and the oil and gas prone eastern flank of the Taroom Trough in the Bowen Basin. Initial exploration drilling of three core-holes at Kumbarilla is scheduled for April 2020, which combined with the reprocessing of 674 km of 2D seismic, will provide increased definition of the Walloon Subgroup and provide a strong platform for maturing the material CSG Resources towards Reserves.

Galilee is pleased to have also been awarded operatorship and 100% working interest in the Authority to Prospect – ATP 2050, (Springsure Project). This 1,425km² permit in the northern Denison Trough has multiple coal seam gas and conventional gas play types with considerable resource potential immediately adjacent to the northern Denison Trough gas fields and less than 10 km from the Mahalo CSG development (Figure 4).

This is a continuation of the Company's strategy of maintaining high quality acreage at 100% working interest, with the added advantage of exposure to both conventional and unconventional targets in a different, high quality Basin, proximate to existing infrastructure and with clear channels to market.

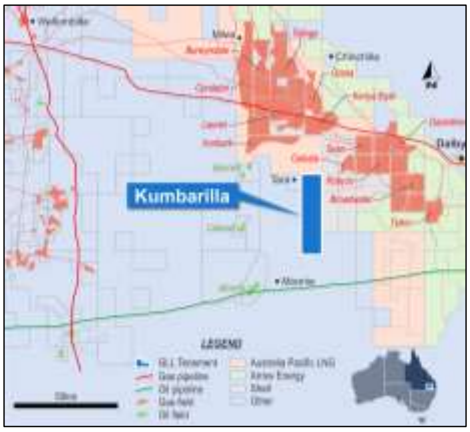


Figure 3.

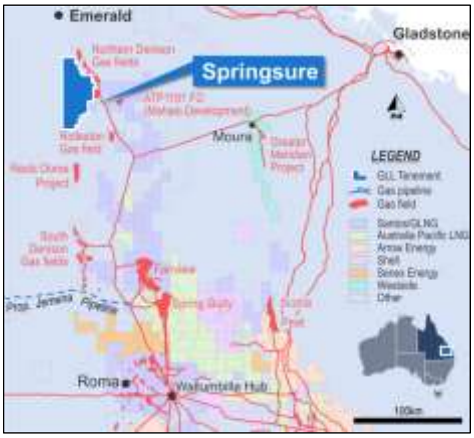


Figure 4.

**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, 11 March 2020

# Audit Independence Declaration

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
**www.bdo.com.au**

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

**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 2019, 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, 11 March 2020

# Consolidated Statement of Profit or Loss & Other Comprehensive Income
for the half-year ended 31 December 2019

| | Consolidated | |
|---|---|---|
| | **31 Dec 19** | 31 Dec 18 |
| | **$** | $ |
| **Revenue** | | |
| Interest received | **105,280** | 113,325 |
| | **105,280** | 113,325 |
| | | |
| **Expenses** | | |
| Exploration and evaluation costs | **(4,532,793)** | (757,730) |
| Employee benefits expense | **(836,085)** | (520,249) |
| Contractors' & consulting fees | **(105,255)** | (192,093) |
| Share-based payments | **(41,167)** | (307,673) |
| Professional fees | **(20,891)** | (27,610) |
| Corporate expenses | **(98,738)** | (82,365) |
| Occupancy costs | **(689)** | (21,506) |
| New project evaluation and analysis | **(18,264)** | (55,302) |
| Administration expenses | **(160,084)** | (153,276) |
| Depreciation | **(76,055)** | (21,633) |
| **Total expenses** | **(5,890,021)** | (2,139,437) |
| **Loss before income tax** | **(5,784,741)** | (2,026,112) |
| Income tax benefit/(expense) | **-** | - |
| **Loss for the year** | **(5,784,741)** | (2,026,112) |
| | | |
| **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 | **(650)** | (50) |
| **Total other comprehensive income, net of income tax** | **(650)** | (50) |
| **Total comprehensive loss** | **(5,785,391)** | (2,026,162) |
| | | |
| **Loss per share** | **Cents** | Cents |
| Basic loss per share | **2.51** | 0.98 |
| | | |
| Diluted loss per share | **2.51** | 0.98 |

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 2019

| | Note | Consolidated | |
|---|---|---|---|
| | | **31 Dec 19** | 30 Jun 19 |
| | | **$** | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **29,528,564** | 11,543,465 |
| Trade and other receivables | 5 | **945,784** | 334,093 |
| Inventory | | **75,259** | - |
| Total current assets | | **30,549,607** | 11,877,558 |
| **Non-current assets** | | | |
| Trade and other receivables | 5 | **1,252,285** | 1,339,145 |
| Right of use asset | | **166,609** | - |
| Property, plant and equipment | | **77,522** | 91,203 |
| Total non-current assets | | **1,496,416** | 1,430,348 |
| **Total assets** | | **32,046,023** | 13,307,906 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 6 | **1,070,073** | 1,362,319 |
| Provisions | 7 | **1,371,096** | 780,913 |
| Total current liabilities | | **2,441,169** | 2,143,232 |
| **Non-current liabilities** | | | |
| Trade and other payables | 6 | **145,866** | 69,082 |
| Provisions | 7 | **1,321,120** | 1,332,748 |
| Total non-current liabilities | | **1,466,986** | 1,401,830 |
| **Total liabilities** | | **3,908,155** | 3,545,062 |
| **Net assets** | | **28,137,868** | 9,762,844 |
| **Equity** | | | |
| Issued capital | 8 | **107,911,674** | 83,792,426 |
| Reserves | | **(5,917,703)** | (5,722,094) |
| Accumulated losses | | **(73,856,103)** | (68,307,488) |
| **Total equity** | | **28,137,868** | 9,762,844 |

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 2019

| | Issued Capital | Accumulated Losses | Non-controlling Interests Elimination Reserve | Foreign Currency Translation Reserve | Share-based Payments Reserve | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2019** | **83,792,426** | **(68,307,488)** | **(7,656,400)** | **(47,806)** | **1,982,112** | **9,762,844** |
| Loss for the period | **-** | **(5,784,741)** | **-** | **-** | **-** | **(5,784,741)** |
| Other comprehensive loss | **-** | **-** | **-** | **(650)** | **-** | **(650)** |
| Total comprehensive loss | **-** | **(5,784,741)** | **-** | **(650)** | **-** | **(5,785,391)** |
| Contributions of equity net of transaction costs | **24,119,248** | **-** | **-** | **-** | **-** | **24,119,248** |
| Share-based payments expense | **-** | **-** | **-** | **-** | **41,167** | **41,167** |
| Transfers | **-** | **236,126** | **-** | **-** | **(236,126)** | **-** |
| | **24,119,248** | **236,126** | **-** | **-** | **(194,959)** | **24,160,415** |
| **Balance at 31 December 2019** | **107,911,674** | **(73,856,103)** | **(7,656,400)** | **(48,456)** | **1,787,153** | **28,137,868** |
| | | | | | | |
| 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) |
| 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 |

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 2019

| | Consolidated | |
|---|---|---|
| | **31 Dec 19** | 31 Dec 18 |
| | **$** | $ |
| **Cash flows from operating activities** | | |
| Payments for exploration (including GST) | **(4,793,601)** | (4,479,521) |
| Payments to suppliers and employees (including GST) | **(1,213,371)** | (888,184) |
| GST refunds received | **358,392** | 382,102 |
| Interest received | **108,920** | 73,518 |
| **Net cash used in operating activities** | **(5,539,660)** | (4,912,085) |
| | | |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(14,974)** | (44,132) |
| Refunds of/(Payments for) bonds and deposits | **216,797** | - |
| **Net cash provided by/(used in) investing activities** | **201,823** | (44,132) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | **24,115,003** | 18,699,503 |
| Share issue costs | **(745,755)** | (253,792) |
| Payment for principal portion of lease liabilities | **(46,312)** | - |
| **Net cash provided by financing activities** | **23,322,936** | 18,445,711 |
| **Net Increase in cash and cash equivalents** | **17,985,099** | 13,489,494 |
| | | |
| Cash and cash equivalents at the beginning of the period | **11,543,465** | 4,916,260 |
| Effects of exchange rates on cash | **-** | 3,493 |
| **Cash and cash equivalents at the end of the period** | **29,528,564** | **18,409,247** |

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 2019

### 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 2019 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.

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 Accounting Standards 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.

Several 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 16 Leases. 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 16 Lease – Impact of adoption**

AASB 16 was issued in February 2016. It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The adoption of AASB 16 is mandatory for financial years commencing on or after 1 July 2019. The only lease effected by the adoption of the new standard is the Group’s lease of office premises at 167 Eagle Street, Brisbane. The Group has applied the modified retrospective approach and has not restated comparative amounts for the year prior to adoption. The impact on the half year Statement of Financial Position is the recognition of a Right of Use Asset of $214,009 and a corresponding Future Lease Liability of $214,009 at 1 July 2019. The impact of the new standard on profit or loss are the recognition expenses for the amortisation of the Right of Use Asset of $47,400 and interest expense of $1,887.

**Accounting Policy AASB 16 Leases**

The group leases its office premises in Brisbane. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

# Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019

### 3. Significant accounting policies (continued)

**Accounting Policy AASB 16 Leases (continued)**

From 1 July 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### 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 2019

### 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 2019 and 31 December 2018.

| | Australia Qld $ | South America Chile $ | Total $ |
|---|---|---|---|
| **31 December 2019** | | | |
| **Segment Result** | | | |
| Segment Revenue | **-** | **-** | **-** |
| Exploration & evaluation costs | **(4,532,412)** | **(381)** | **(4,532,793)** |
| Segment result before tax | **(4,532,412)** | **(381)** | **(4,532,793)** |
| | | | |
| **Reconciliation of segment result to Group loss before tax** | | | |
| Interest revenue | | | **105,280** |
| Employee benefits expense | | | **(836,085)** |
| Consulting fees | | | **(105,255)** |
| Share-based payments | | | **(41,167)** |
| Professional fees | | | **(20,891)** |
| Corporate expenses | | | **(98,738)** |
| Occupancy costs | | | **(689)** |
| New project evaluation and analysis | | | **(18,264)** |
| Administration expenses | | | **(160,084)** |
| Depreciation | | | **(76,055)** |
| **Loss before tax** | | | **(5,784,741)** |
| | | | |
| **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) |

# Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019

## 5. Receivables

| | Note | Consolidated | |
|---|---|---|---|
| | | **31 Dec 19** | 30 Jun 19 |
| **Current** | | **$** | $ |
| Trade receivables | | **3,012** | 23,371 |
| GST receivable | | **155,423** | 139,796 |
| Interest receivable | | **37,349** | 40,989 |
| Loan to employees | 13 | **750,000** | - |
| Rental bond | | **-** | 129,937 |
| | | **945,784** | 334,093 |
| **Non-Current** | | | |
| Environmental bonds and deposits | | **1,210,167** | **1,210,167** |
| Rental bond | | **42,118** | **128,978** |
| | | **1,252,285** | 1,339,145 |
| | | **2,198,069** | 1,673,238 |

## 6. Trade and other payables

| | Consolidated | |
|---|---|---|
| | **31 Dec 19** | 30 Jun 19 |
| **Current** | **$** | $ |
| Trade payables | **695,146** | 1,124,333 |
| Other payables | **158,160** | 131,838 |
| Lease liability | **94,477** | - |
| Employee benefits | **122,290** | 106,148 |
| | **1,070,073** | 1,362,319 |
| **Non-Current** | | |
| Lease liability | **73,220** | - |
| Employee benefits | **18,646** | 15,082 |
| Security bond - sub-lease | **54,000** | 54,000 |
| | **145,866** | 69,082 |
| | **1,215,939** | 1,431,401 |

## 7. Provisions

| | Consolidated | |
|---|---|---|
| | **31 Dec 19** | 30 Jun 19 |
| **Current** | **$** | $ |
| Restoration & rehabilitation | **1,371,096** | 759,104 |
| Obligations under sub-lease | **-** | 21,809 |
| | **1,371,096** | 780,913 |
| **Non-current** | | |
| Restoration & rehabilitation | **1,280,423** | 1,280,423 |
| Lease incentive | **40,697** | 52,325 |
| | **1,321,120** | 1,332,748 |
| | **2,692,216** | 2,113,661 |

# Notes to the Consolidated Financial Statements
## for the half-year ended 31 December 2019

### 8. Issued Capital

| | Consolidated | |
|---|---|---|
| | **31 Dec 19** | 30 Jun 19 |
| | **$** | $ |
| Ordinary shares - fully paid | **110,717,946** | 85,852,943 |
| Share issue transaction costs (net of tax) | **(2,806,272)** | (2,060,517) |
| | **107,911,674** | 83,792,426 |

| Movements in ordinary shares | **31 Dec 19** | 30 Jun 19 | **31 Dec 19** | 30 Jun 19 |
|---|---|---|---|---|
| | Number of Shares | | **$** | $ |
| Balance at the beginning of the period | **225,679,361** | 189,707,690 | **83,792,426** | 65,346,715 |
| 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 |
| Options exercised @ 12.5 cents | **7,600,000** | - | **950,000** | - |
| Options exercised @ 25 cents | **2,350,000** | - | **587,500** | - |
| Options exercised @ 50 cents | **14,155,000** | - | **7,077,500** | - |
| Options exercised @ 75 cents | **21,666,671** | - | **16,250,003** | - |
| Share issue costs | | - | **(745,755)** | (253,792) |
| Balance at the end of the period | **271,451,032** | 225,679,361 | **107,911,674** | 83,792,426 |

### 9. Share based payments

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

| | Consolidated | |
|---|---|---|
| | **31 Dec 19** | 31 Dec 18 |
| **Statement of comprehensive income** | **$** | $ |
| Share based payments expense included in employee benefits expense | **41,167** | **307,673** |
| | | |
| **Movements in share-based payments reserve** | | |
| Balance at the beginning of the period | **1,982,112** | 257,968 |
| Share based payments included in employee benefits expense | **41,167** | 307,673 |
| Transfer to retained earnings | **(236,126)** | - |
| Balance at the end of the period | **1,787,153** | 565,641 |

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

| Granted during the half year | Grant Date | Expiry Date | Assumed Vesting Date | Share Price at Grant Date (cents) |
|---|---|---|---|---|
| 200,000 | 16-Jul-19 | 30-Nov-20 | 30-Nov-20 | 115.00 |

Subject to the employee 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 2019

### 9. Share based payments (continued)

The expected exercise date for the December 2018 Performance rights has been set at the expiry date of 30 November 2020.

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 2019.

| Grant Date | Expiry Date | Assumed Vesting Date | Share Price at Grant Date (cents) | No. of Rights 30 June 2019 | Granted during the half year | Vested During the half year | Expired During the half year | No. of Rights 31 December 2019 |
|---|---|---|---|---|---|---|---|---|
| 30-Nov-18 | 30-Nov-20 | 30-Nov-20 | 61.00 | 4,700,000 | - | - | - | 4,700,000 |
| 19-Dec-18 | 30-Nov-20 | 30-Nov-20 | 54.00 | 3,750,000 | - | - | - | 3,750,000 |
| 20-Dec-18 | 30-Nov-20 | 30-Nov-20 | 59.00 | 1,000,000 | - | - | - | 1,000,000 |
| 16-Jul-19 | 30-Nov-20 | 30-Nov-20 | 115.00 | - | 200,000 | | | 200,000 |
| | | | | 9,450,000 | 200,000 | - | - | 9,650,000 |

The following table shows the movements of share options during the half-year and on issue at 31 December 2019.

| Grant date | Expiry date | Opening balance | Granted during the period | Exercised during the period | Expired during the period | Closing balance |
|---|---|---|---|---|---|---|
| 18-Nov-16 | 18-Nov-19 | 7,600,000 | - | (7,600,000) | - | - |
| 01-Dec-17 | 31-Dec-19 | 2,350,000 | - | (2,350,000) | - | - |
| 10-Jul-18 | 18-Nov-18 | 14,155,000 | - | (14,155,000) | - | - |
| 11-Dec-18 | 05-Dec-19 | 21,666,671 | - | (21,666,671) | - | - |
| | | 45,771,671 | - | (45,771,671) | - | - |

Details of the terms and conditions of share options on issue at the beginning of the half-year were 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 |
| 21,666,671 | 11-Dec-18 | 0.0 | 75.0 | 5-Dec-19 | 11-Dec-18 | 21,666,671 |

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 2019

## 11. Commitments

**Bank guarantees**
National Australia Bank Limited have provided a bank guarantees totalling $1,216,009 (June 2019: $1,432,806) as follows:

- $1,173,891 (June 2019: $1,173,891) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees.
- $42,118 (June 2019: $258,915) 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.

At balance date, the Group's minimum work program commitments for all of its Queensland permits have been met. Actual expenditure may vary significantly from the minimum commitment obligations and will be dependent on the outcome of exploration activity currently being planned.

In the case of the United States of America and Chile there are no commitments beyond 31 December 2019.

## 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.

## 13. Related party transactions

**Loan to Managing Director**

The Company has an employee share option plan (ESOP Plan). Pursuant to the ESOP Plan, the Company has issued options to directors and senior employees to acquire fully paid ordinary shares in the Company (Options). Rule 15.1 of the ESOP Plan Rules (Plan Rules) provides that the Company may offer a loan of money to a participant in the ESOP Plan who holds Options to enable the participant to pay the exercise price of the Option.

Various Options were due to expire on 18 November 2019 and, in accordance with the ESOP Plan Rules, the Directors approved loans to option holders amounting to $750,000 for the sole purpose of satisfying the exercise price of Option (Loans). Included in the loans is an amount of $437,500 to the Managing Director Mr Peter Lansom.

The terms and conditions of the loans are as follows:

1. The loans are provided for the sole purpose of facilitating the exercise of the 18 November 2019 Options

2. A term of up to 12 months, subject to earlier repayment in accordance with Rule 15 of the ESOP Plan Rules;

3. An interest rate of three (3) % on the amount of the loan;

4. Interest and principal are repayable in two (2) equal instalments on 18 May 2020 and 18 November 2020; and

5. If the Participant:
   a. fails to comply with a term or condition of the loan or the ESOP Plan; or
   b. becomes bankrupt; or
   c. fails to repay any amount outstanding under or in connection with the loan when required to do so,

# Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019

### 13. Related party transactions (continued)

**Loans to Managing Director (continued)**

the Company may purchase the shares from the employee or direct that they be sold to a nominee of the Company at a price not less than the lesser of the purchase price of the shares paid by the employee and the market price thereof at the date of such disposition.

The Company shall apply the proceeds from the disposal of the shares towards satisfaction of any amounts outstanding under or in connection with the loan.

Any remaining amount of the loan shall be immediately due and payable by the director or employee to the Company.

# 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 2019 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, 11 March 2020

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
**www.bdo.com.au**

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

# 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 2019, 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 2019 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 2019 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, 11 March 2020