

ASX/MEDIA ANNOUNCEMENT

March 2020 Quarterly Report & Appendix 5B

30 April 2020

Highlights

- ❖ The Glenaras Pilot (Pilot) continues to make steady progress with water rates declining on all wells, albeit slowly, while gas rates remain at previously reported levels. New pressure survey data from the Pilot will be gathered in the coming weeks.
- ❖ Preparing to spud the Glenaras 17 vertical monitoring well at the Pilot in the coming days.
- ❖ Phase 1 of the Kumbarilla exploration programme completed safely and within budget with the results to be fully evaluated and considered for future phases of exploration.
- ❖ Springsure Project seismic reprocessing work underway.
- ❖ Strong balance sheet with a 31 March cash and receivables position of \$26.9 million with no debt.

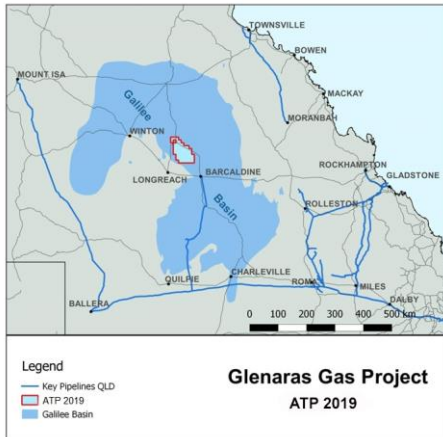
Comments from Managing Director Peter Lansom:

“The safety and well-being of our employees, contractors and regional communities is of utmost importance to us and as such Galilee has acted rapidly in response to COVID-19 in implementing a thorough set of protocols and measures which I am proud to say has enabled us to complete what has been a busy quarter of activity safely and with minimal disruption.

“The Glenaras multi-well Pilot has continued to perform solidly through the quarter. Over the coming weeks the Company will be gathering a significant amount of new data that will help us to more fully understand the extent of pressure depletion around the Pilot and the areal influence and subsurface volume of coal that the Pilot is accessing. This work, combined with removing any potential pressure support from the nearby legacy wells, will provide a greater understanding of the Pilot performance and the pathway forward to achieving commercial gas production”, Mr Lansom said.

Glenaras Gas Project (ATP 2019) – GLL 100%

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 (Fig 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. The Company’s primary focus is on converting these Contingent Resources to Reserves.

Figure 1. Glenaras Gas Project

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

A significant amount of activity is currently underway at the Glenaras Gas Project. In terms of production performance, the Pilot wells have continued to run without issue and at maximum drawdown during the quarter. Water rates are still declining, albeit slowly, with significant water production and pressure support continuing from the Glenaras 12L and 15L area. These two wells account for 80% of the total water rates from the Pilot. Gas production remains at previously reported rates.

All lease work is complete in readiness for drilling the Glenaras Pilot vertical monitoring well, Glenaras 17, due to spud in the next 2 to 3 days. This well will assist in confirming the extent of pressure depletion around the multi-lateral pilot and to more fully understand the areal influence and subsurface volume of coal the Pilot is accessing. Importantly, operations at the Pilot will not need to be suspended during the drilling, ensuring uninterrupted drawdown of the R3 coal seam and continued positive progress towards reaching critical desorption pressure. There has been no further pressure testing carried out on the Pilot wells but pressure build-up data will be gathered from the Pilot in parallel with the drilling of the monitoring well, enabling both sets of data to be directly compared. This will be conducted in the coming weeks, after which we will update the pressure decline plot and report this information.

Due to the impacts of COVID-19 on potential supply chains for key field equipment, Galilee has been an early mover in purchasing key long lead items for future operations at the Glenaras Pilot, ensuring the availability of wellheads, casing, tubing, downhole pumps and surface facility equipment.

With the drilling of the monitoring well and the planned build-up testing of the Pilot wells in the coming weeks, a considerable amount of new data will be gathered to gain a greater understanding of the Pilot performance and the pathway forward to achieving commercial rates of gas production. A successful Pilot achieving commercial gas rates has the potential to book 500 PJ+ of Proved and Probable Reserves.

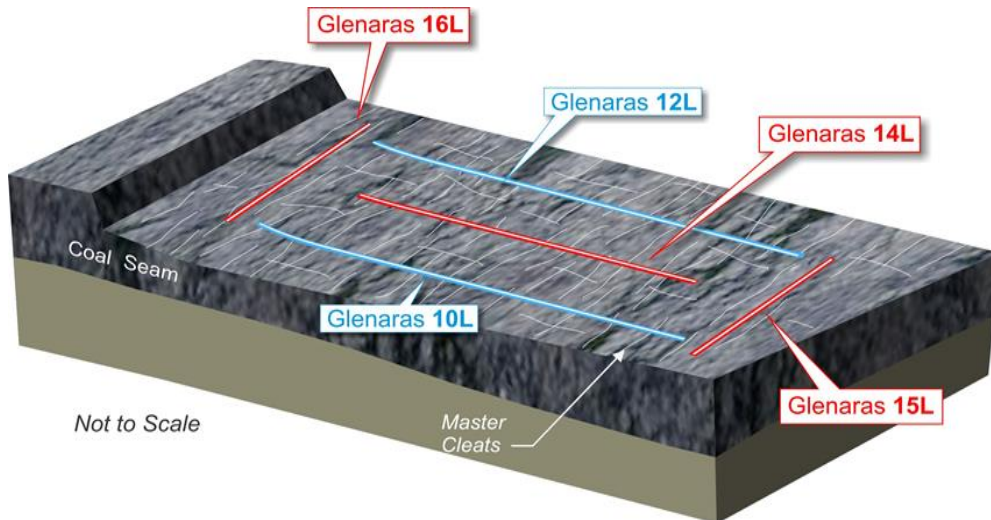


Figure 2. Enhanced multi-lateral programme

Legacy well remediation

Within the Glenaras Gas Project area there are two legacy vertical pilots, the Rodney Creek and Glenaras five spot vertical well pilots. The new Glenaras multi-lateral pilot is positioned between these two legacy pilots. Influence from these historical pilots was not deemed to be of any concern as core and scanner data indicated minimal master cleat development in the alignment direction of these historical pilots. However, the production performance from Glenaras 15L and 16L has demonstrated that there is permeability in this direction. Therefore, the current lateral pilot may be receiving some pressure support from these legacy pilot wells, which were fracture stimulated across all zones within the Betts Creek section including sands and coals.

Galilee has been working with several service companies to design a system to completely seal up the induced fractures and inhibit any potential crossflow in these wellbores. This work is well underway with all well completion equipment removed from the historical vertical pilot wells prior to Christmas. The injection seal-off work is now underway and two wells within the Rodney Creek pilot have now been successfully treated. Completion of the remaining Rodney Creek and Glenaras vertical wells will occur over the coming weeks.

The Pilot performance will be carefully monitored to observe any impacts from this fracture seal-off programme.

Water Management

In preparation for future commercial production from the Galilee Gas Project, a number of water management studies leading to field pilot trials have commenced. This work is aimed at developing a suite of water handling technologies that can be used for full field development. The results of these trials will provide definitive data that can be used as a precursor to the relevant Federal and State Government Environmental approvals for future field development. These techniques can also be used for near term ongoing field appraisal work. The water management projects are aimed at beneficially reusing the water as a value adding resource. Field trials are planned to commence in late 2020.

Kumbarilla Project (ATP 2043)

Phase 1 of the Kumbarilla exploration programme has been completed safely and within budget by Savana Rig 406 (Fig 3). The three wells, Kumbarilla Central 1, 2 and 3, all drilled through the complete Walloon Subgroup section and acquired valuable data that will now be used to further evaluate the permit's coal seam gas potential.

Coal seam development was confirmed in the three sub-units, the Upper Juandah, Lower Juandah and Taroom Coal Measures, with net coal consistently higher than pre-drill expectations, ranging from 22m to 25m. An extensive suite of new data was also acquired in the three wells, comprising over 200m of fullhole core, twenty gas desorption samples and in excess of 600m of subsurface image logs.

A key objective of the drilling programme was to identify the predicted presence of a fracture network within the Walloon Subgroup, which was confirmed. However, the high degree of fracturing in places precluded the testing of some of the most prospective coal seams and the drill stem tests that were performed indicated lower than expected flow.

The completion of the Phase 1 wells has provided greatly improved definition of the Walloon Subgroup coal properties. This substantial new data volume will now be integrated with the existing seismic grid across the permit with the objective of understanding the subsurface geomechanics. This in turn will high-grade future drilling locations where the confirmed fracture network is assumed to be open and productive. Phase 2 of the Kumbarilla exploration programme has been proceeding concurrently. This strategically important phase is focusing on Galilee's additional primary objective in the permit, the substantial conventional oil and gas potential, which also represents the Queensland Government's primary rationale for releasing the block to tender.



Figure 3. Savana Rig 406 at Kumbarilla Central 1.

Reprocessing of over 675km of existing 2D seismic data has been accelerated within and around ATP 2043 and provided significantly improved, high-quality imaging of the subsurface structural and stratigraphic architecture. This work has already identified several leads at both the Permian and Precipice Sandstone reservoir levels along the regionally extensive Moonie-Goondiwindi Fault System, which also hosts the Moonie oil field (Fig 4). In addition to this major fault system, a number of structural offshoots, including the Tara and Alick Creek faults, have been mapped which may yield further leads (Fig 5).

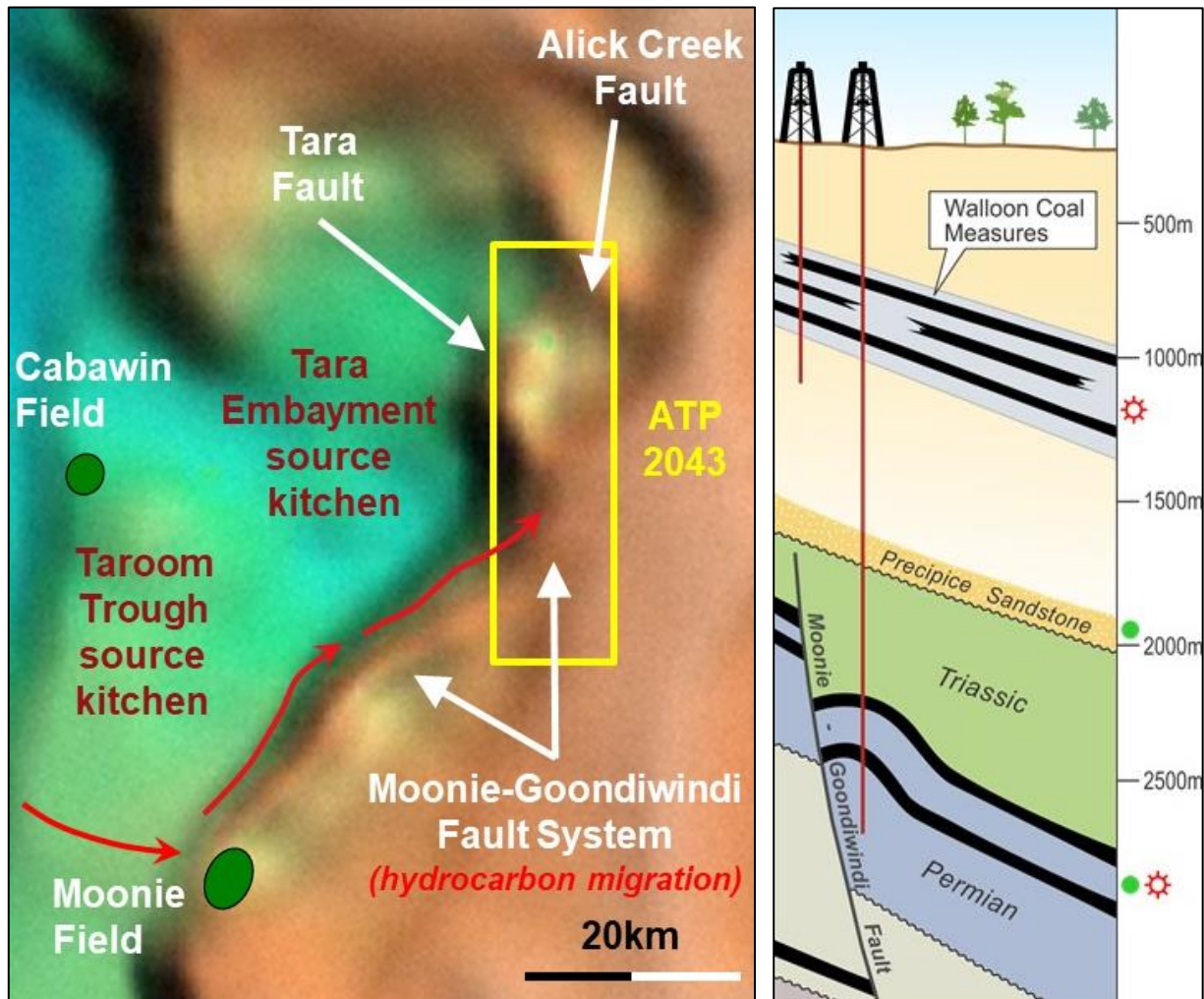


Figure 4. Kumbarilla regional geology and stratigraphic section.

The conventional hydrocarbon prospectivity at Kumbarilla is further enhanced by the presence of significant volumes of Permian-aged, hydrocarbon-rich source rocks in the regionally extensive Taroom Trough and the “local” Tara Embayment (Fig 4). These conventional hydrocarbon generating systems are positioned directly adjacent to the mapped traps at Kumbarilla and will support both oil and gas charging in material volumes. Effective sealing units to complete the traps are also confirmed at the Permian and Precipice Sandstone reservoir levels.

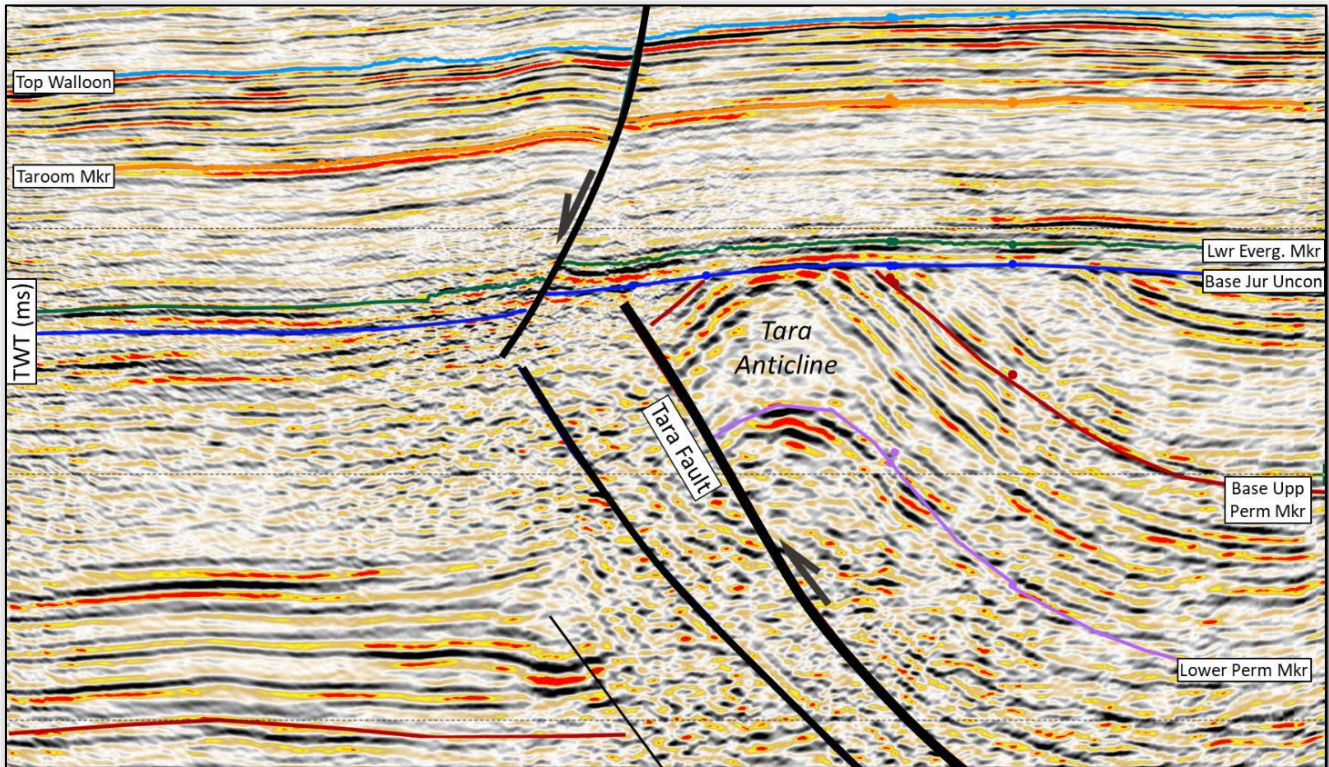


Figure 5. Tara Fault trend on reprocessed seismic.

The priority for the Phase 2 exploration programme is to mature these conventional hydrocarbon leads to drillable status through further subsurface technical work and the acquisition of additional seismic data.

Springsure Project (ATP 2050)

Galilee Energy was formally awarded operatorship and 100% working interest of ATP 2050, effective 1st February 2020 as per the recent release of new petroleum resource areas by Queensland Government's Department of Natural Resources, Mines and Energy (DNRME). The Springsure Project consists of 1,425km² of highly prospective acreage in the northern Denison Trough, immediately adjacent to the Northern Denison conventional gas fields and only 25km west of the Mahalo coal seam gas development (Fig 6).

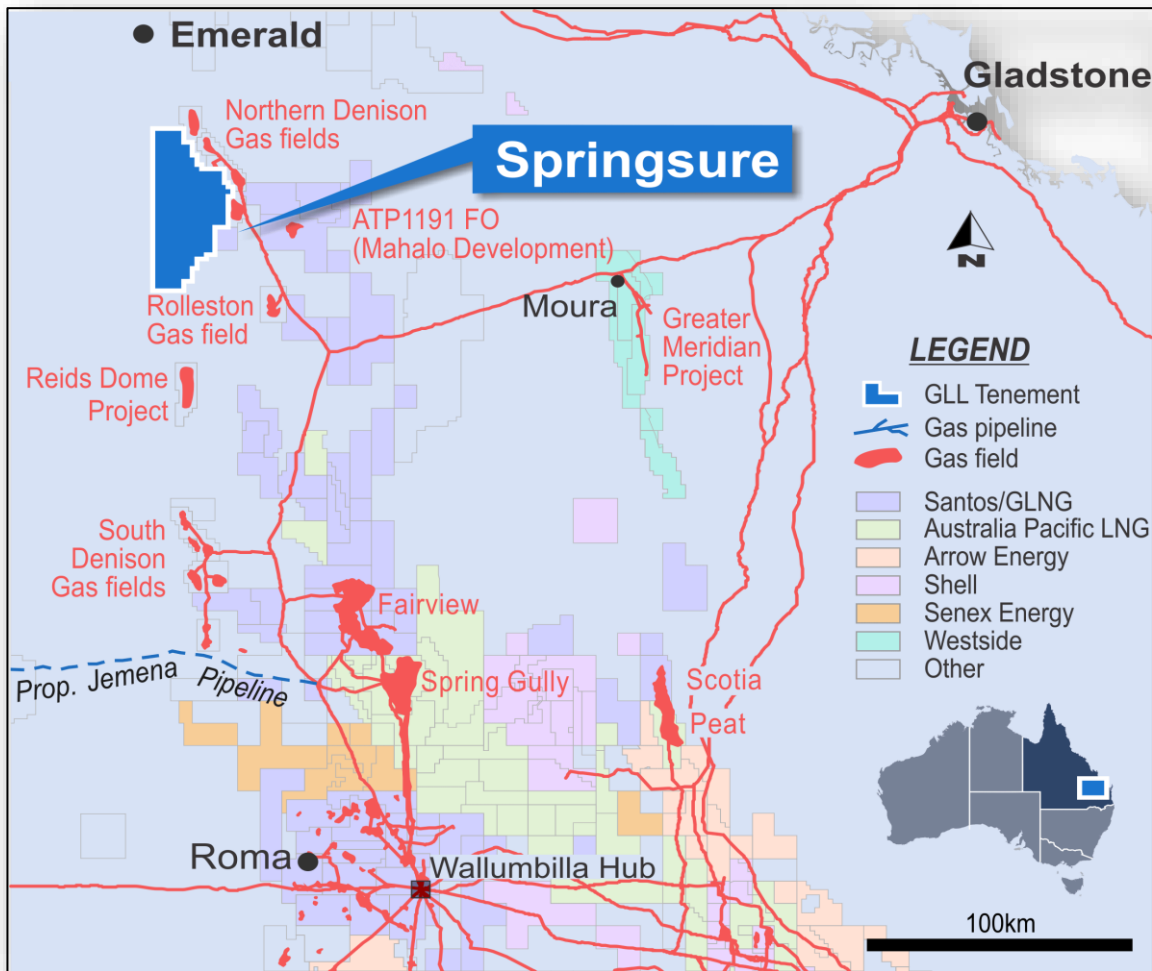


Figure 6. Springsure Project location.

The Springsure Gas Project is also advantageously positioned to allow multiple potential pathways into the eastern Australian markets including Jemena’s proposed Galilee Gas Pipeline. This proposed pipeline provides an opportunity for Galilee to link two of its key assets, the Springsure Gas Project and the Glenaras Gas Project (ATP 2019) into the eastern Australia markets.

The exploration programme at Springsure has been fast-tracked with the recent commencement of reprocessing of over 700km of existing 2D seismic. The objective of this work is to improve the resolution and understanding of the subsurface structural network and the distribution of conventional reservoir units and coal seam gas formations. Improved understanding of these key geological aspects will support planning for future coal seam gas and conventional oil and gas exploration drilling.

Jemena update

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 (Fig 7) which connects 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.

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 providing a clear pathway to the east coast gas market for the Glenaras Gas Project.

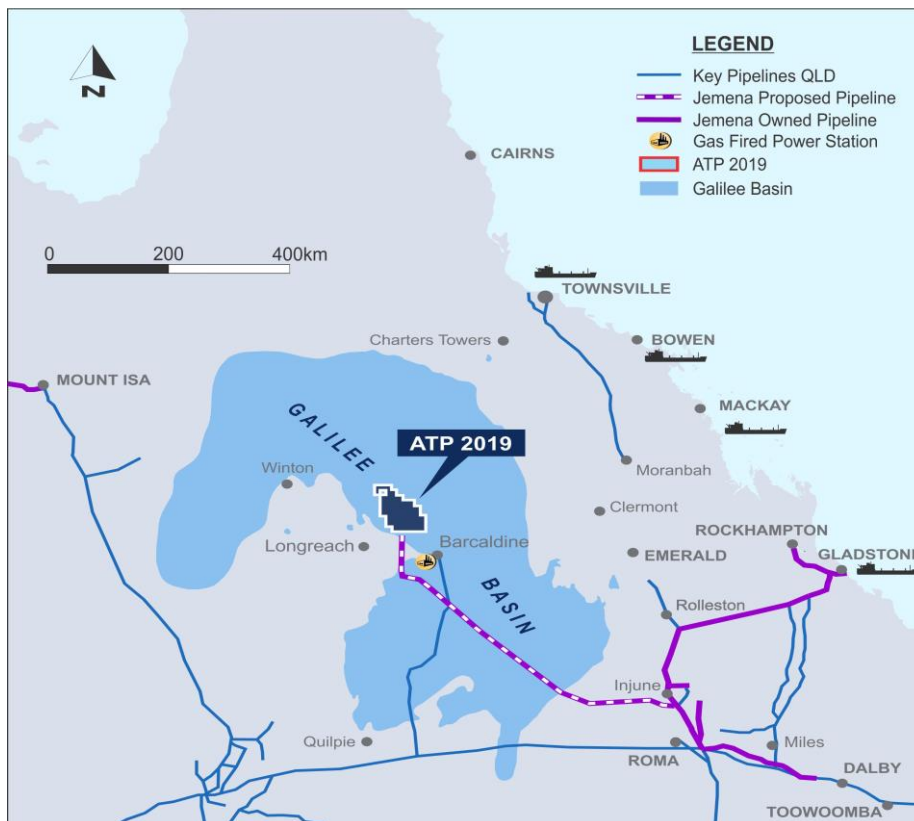


Figure 7. Proposed Galilee Gas Pipeline.

Financials

The cash flow for the Quarter is presented in the Appendix 5B report. The Company continues to maintain a very strong cash and receivables position as at 31 March 2020 of \$26.9 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. 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 that market announcement reporting the details of the Contingent Resources for ATP 2019 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.

By authority of the Board:

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 or oil and gas exploration entity quarterly cash flow report

Name of entity

GALILEE ENERGY LIMITED

ABN

11 064 957 419

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers		
1.2 Payments for:		
(a) exploration & evaluation (if expensed)	(2,868)	(7,336)
(b) development	-	-
(c) production	-	-
(d) staff costs	(192)	(784)
(e) administration and corporate costs	(206)	(841)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	35	144
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - Purchase of inventory	-	-
1.9 Net cash from / (used in) operating activities	(3,231)	(8,817)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(61)	(76)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	(750)
2.4 Dividends received (see note 3)	-	-
2.5 Other - Rental bonds received	(96)	121
2.6 Net cash from / (used in) investing activities	(157)	(705)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	24,865
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(16)	(762)
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 - Payment for principal portion of lease liabilities	(69)	(69)
3.10 Net cash from / (used in) financing activities	(85)	24,034

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
4. Net increase/ (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	29,571	11,586
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,231)	(8,817)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(157)	(705)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(85)	24,034
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	26,098	26,098

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	1,156	11,894
5.2 Call deposits	24,942	17,677
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)	26,098	29,571

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
6.2 Aggregate amount of payments to related parties and their associates included in item 2
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Current quarter \$A'000
176
-

6.1 - Directors' fees.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.
Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
7.2 Credit standby arrangements
7.3 Other (please specify)
7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 Unused financing facilities available at quarter end

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

- 8.1 Net cash from / (used in) operating activities (Item 1.9)
8.2 Capitalised exploration & evaluation (Item 2.1(d))
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)
8.4 Cash and cash equivalents at quarter end (Item 4.6)
8.5 Unused finance facilities available at quarter end (Item 7.5)
8.6 Total available funding (Item 8.4 + Item 8.5)
8.7 **Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**

\$A'000
(3,231)
-
(3,231)
26,098
-
26,098
8

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Appendix 5B
Mining exploration entity or oil and gas exploration entity quarterly cash flow report

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.

Date: 29 April 2020

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow 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 cash flow 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.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee"
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.