

December 2020 Quarterly Report & Appendix 5B

28 January 2021

Highlights

Operational

- ❖ Each of the five new vertical wells and the existing observation well have been commissioned safely, on schedule and within budget.
- ❖ Excellent water rates in excess of 9,800 BWPD (barrels of water per day) in aggregate from the new vertical wells, with total Pilot water production of 14,600 BWPD.
- ❖ Direct communication continuing between the six new vertical wells and the five existing lateral wells with gas rates steady at previous reported rates.
- ❖ Significant progress made implementing the Glenaras water management strategy with the first sorghum crop cut for hay production last week.

Commercial

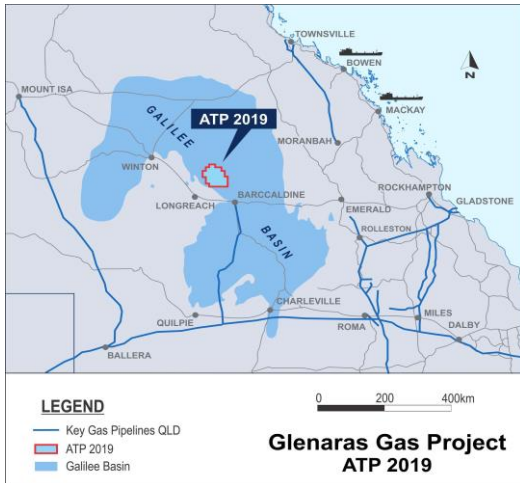
- ❖ Heads of Agreement signed with Sunshot Energy providing an additional option to commercialise pilot gas production at Glenaras.
- ❖ Potential Commercial Areas (PCAs) formally awarded by the Queensland Government, securing the entire booked Contingent Resource for the Glenaras Gas Project.
- ❖ Gas commercialisation discussions progressing with several parties.

Financial

- ❖ Successful completion of \$15 million Placement to new and existing institutional and sophisticated investors.
- ❖ Strong balance sheet with current cash position of \$23.8 million at 31 December 2020.

Glenaras Gas Project (ATP 2019) – GLL 100%

Galilee Energy Limited (ASX:GLL) (“Galilee”) is pleased to provide an update on the Glenaras Gas Project in the Galilee Basin in Queensland (Figure 1).



The Glenaras Gas Project (“Project”) is located in ATP 2019, which is 100% owned and operated by Galilee. The Permit covers an area of approximately 3,200 km².

The Project has one of the largest contingent gas resources on the east coast and is strongly positioned to supply the AEMO’s forecast eastern Australian domestic market gas shortfall in the early 2020’s. The Project’s independently derived and certified Contingent Resource* within the Betts Creek coals are 1C of 308 PJ, 2C of 2,508 PJ and 3C of 5,314 PJ, which represents sufficient gas supply to fulfil 25% of eastern Australian domestic market needs for over 30 years (3C Contingent Resource at 650 PJ/year).

Figure 1 – Glenaras Gas Project.

Glenaras Pilot Enhancement Programme

Following on from the results of the Glenaras 17A observation well and the Schlumberger reservoir simulation study, an additional five new vertical wells were drilled safely, on time and within budget. The objective of these additional wells was to enhance the reservoir pressure drawdown to accelerate the onset of gas production.

Each of the five new vertical wells and the existing observation well (Figure 2) at the Pilot are now on continuous production and the total water rate from the full Pilot is 14,600 BWPD.

Water rates from the lateral wells have declined a further 20% since the first of the new wells was commissioned and this production decline is a clear indication of pressure depletion in the central area of the Pilot. The water rates from the additional six wells are exceeding the estimated rates from the recent Schlumberger reservoir modelling which augurs well for achieving the Pilot’s intended objective of accelerating the depressurisation process and achieving commercial gas flow rates.

The gas rate at the Pilot remains steady at the previous reported rates. However, we are expecting an increase in this rate in the coming weeks/months as we lower the reservoir pressure within the Pilot area below the critical desorption pressure. We will keep the market informed.

Despite the high rainfall experienced in the region over the past month, all necessary action has been taken to ensure continuity of operations with no interruption to Pilot production experienced to date.

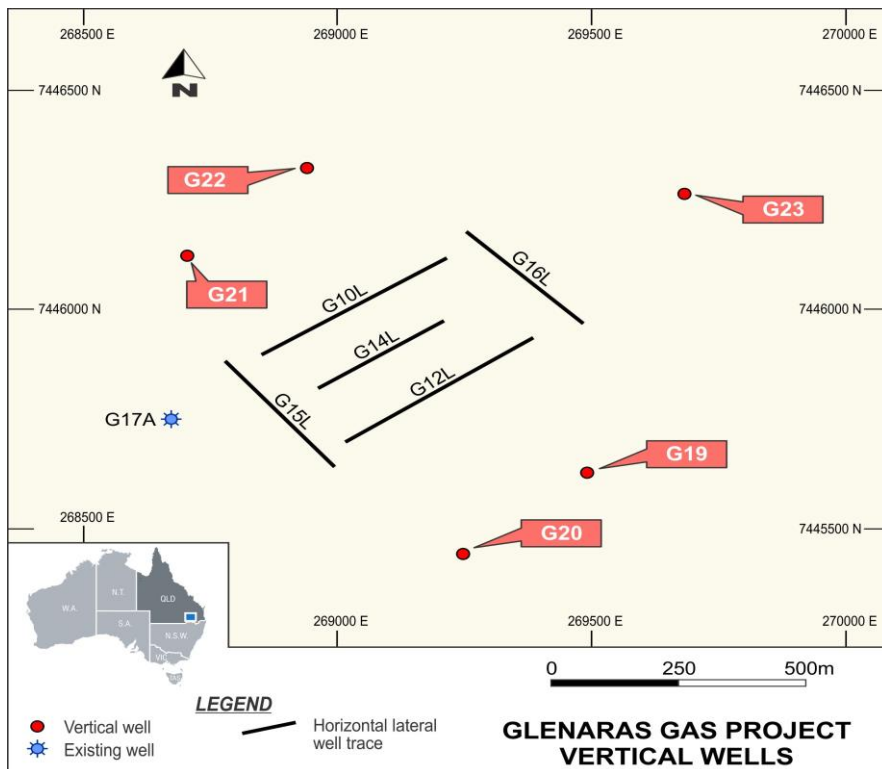


Figure 2 – New vertical well locations and existing G17A observation well.

Glenaras Water Management Project

Significant progress has been made with the Glenaras irrigation trial, with the centre pivot irrigation system (Figure 3) now fully operational and utilizing produced water with no treatment required due to the high quality of the water.

The forage sorghum crop was planted in mid-October with the first crop having been cut for hay production in the past week (Figure 5). This is aimed at providing significant assistance to landholders for livestock management and importantly provides proof of concept of a scalable, low-cost solution for produced water at the Project.

Site construction of the 2 ML/d reverse osmosis water treatment plant is complete and commissioning of the plant has commenced. This treated water will be available for utilisation in the managed aquifer recharge project which was recently approved by Queensland Department of Environment and Science.



Figure 3 – Centre pivot irrigation system.



Figure 4 – Aerial view of Glenaras Water Management Project.



Figure 5 – Baled forage sorghum crop.



Figure 6 – Reverse osmosis treatment plant.

Heads of Agreement signed with Sunshot Energy

Galilee entered into a Heads of Agreement (HOA) with Sunshot Energy to work together exclusively with respect to a number of opportunities associated with the proposed Barcaldine Renewable Energy Zone ("Zone") (Figure 7).

Primarily the HOA provides an additional further commercialisation option for the pilot gas produced at the Glenaras Gas Project, this is in addition to our existing power generation options with Clarke Energy.

In addition to the supply of gas for peak power requirements at Barcaldine, other opportunities to be explored include securing Commonwealth Government Northern Australia Infrastructure Facility (NAIF) funding for the Glenaras to Barcaldine pipeline as well as power station infrastructure.

These opportunities would provide multiple benefits, including early cashflow and proof of concept for our 1st phase development, which is necessary prior to progressing to final investment decision (FID) on the Jemena pipeline for the full field Glenaras development.

Galilee will explore a number of options through the Zone partnership, including carbon capture and storage and substitution of Zone hydrogen in future gas pipelines.

Galilee Managing Director Peter Lansom explained, "The Barcaldine Renewable Energy Zone is an exciting project creating 200 local jobs and attracting up to \$500 million of new investment to the central-west communities and the Glenaras Project is superbly located only 80 km away. The Zone project has support across local council, state and federal government levels and this provides Galilee with a further option to monetise our initial gas supply in addition to our other existing gas sales options. There will also be important environmental advantages through the beneficial use of pilot production gas and produced water as well as flexibility to ultimately send power to and draw power from the grid".

About Sunshot Energy

Sunshot Energy and sister company ZEN Energy deliver integrated energy solutions combining onsite renewable energy hardware with renewables backed energy supply contracts, delivering affordable, reliable zero carbon electricity to large energy users. The availability of highly competitive zero carbon wholesale electricity from Sunshot Energy enables ZEN Energy (retail) to increase competition in the energy market and lower costs through use of renewable energy. Leading economist Ross Garnaut is the Chairman of Sunshot Energy, with ZEN Energy taken under ownership of Sunshot Energy in August 2020.

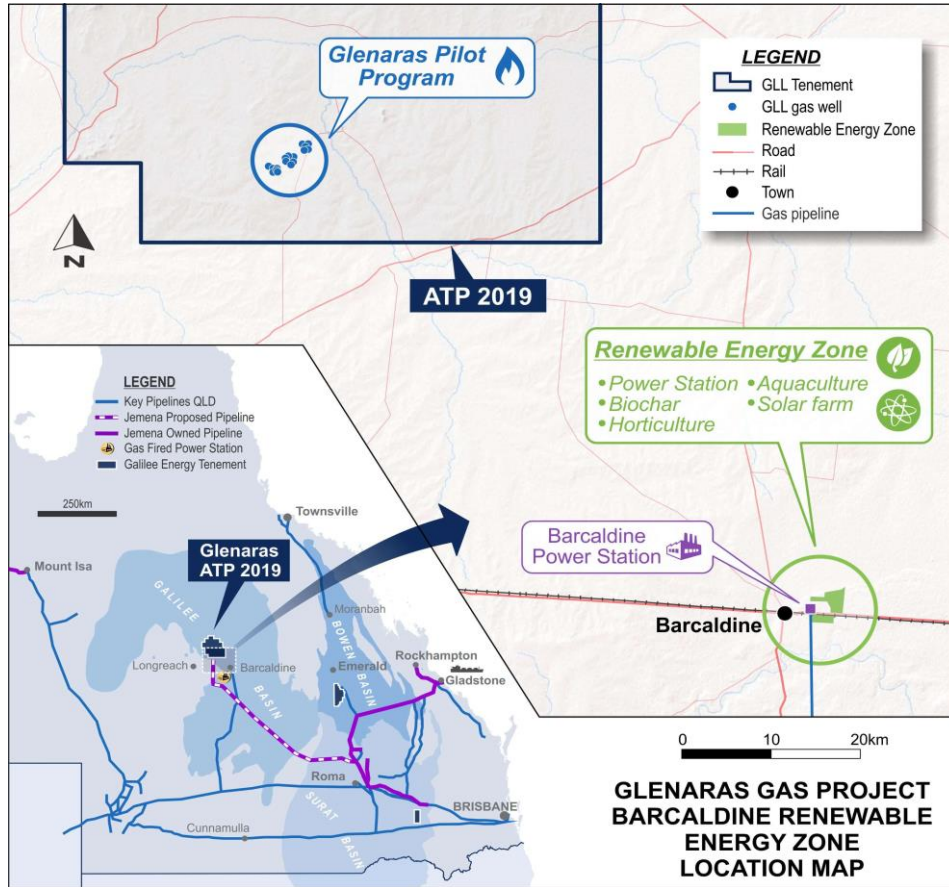


Figure 7 – Glenaras Gas Project and Renewable Energy Zone Location Map.

Potential Commercial Area (PCAs)

Galilee has further secured the entirety of the company’s extensive Contingent Resource in ATP 2019 with the concurrent award of two new Potential Commercial Areas (PCAs) (Figure 8).

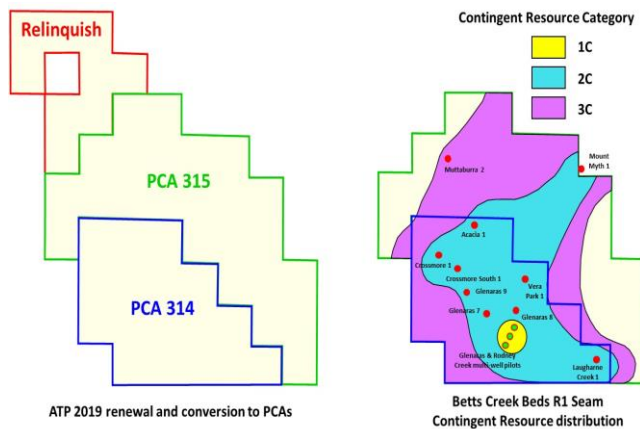


Figure 8 – PCA 314 and PCA 315 areas.

PCAs 314 and 315 have been awarded for 15 years and 10 years respectively. The award of these two PCAs is a key step towards commercialisation of the Glenaras Gas Project as it is a clear acknowledgement by the Queensland Government of the considerable certified Contingent Resource and provides Galilee the required time to mature the resources to Reserves and produce gas to market.

The combined areal footprint of the PCAs is in excess of 3,200km², which rivals in areal size, the prolific Spring Gully/Fairview coal seam gas fields and the combined Undulla Nose coal seam gas fields in the Bowen and Surat Basins respectively.

Springsure Gas Project (ATP2050) - GLL 100%

Seismic Reprocessing Update

Over 696km of 2D seismic data has been reprocessed in and around ATP 2050 and integrated with an additional 900km of 2D data (Figure 9) in order to produce contemporary time and depth maps of the key Permian geological horizons in the permit.

Exploration focus is now being placed on the multiple conventional gas prospects and leads that have been identified through the reprocessing and remapping. The improved visualisation of the subsurface structure and stratigraphy has confirmed several potential gas-bearing structures which are highly prospective and analogous to the adjacent Northern Denison gas fields of Springton-Arcturus, Yandina and Turkey Creek.

These prospects and leads will now be further assessed and matured towards readiness for either drilling and/or acquisition of additional seismic at a future date.

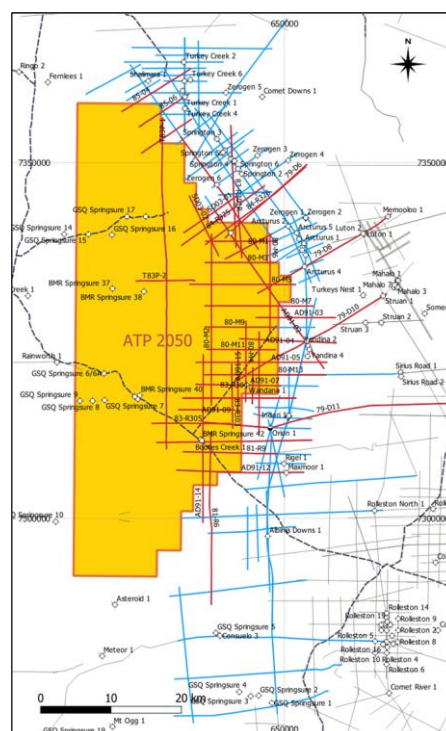


Figure 9 – Location of seismic lines used in ATP 2050 re-mapping.

Kumbarilla Project (ATP2043) - GLL 100%

QGC and Galilee have now jointly executed the data swap agreement for exchange of the data acquired in the Kumbarilla drilling campaign for the pilot production data in the adjacent PL 1009 held by QGC.

Corporate

The cash flow for the Quarter is presented in the accompanying Appendix 5B (quarterly Cashflow Report). The Company continues to maintain a very strong cash position at 31 December 2020 of \$23.8 million, with no debt.

Galilee successfully completed a placement in the quarter to institutional and sophisticated investors to raise approximately \$15 million before costs ("Placement").

The Company entered into placement subscription agreements with a number of institutions and sophisticated investors for the issue of 23,809,524 Placement shares at an issue price of \$0.63 per share, representing a 9.4% discount to the 5-day VWAP of \$0.696 per share and an 11.9% discount to Galilee's last closing price of A\$0.715 per share as at Monday, 9 November 2020.

The strong demand for the Placement demonstrated growing momentum in the strength of the east coast gas market and is a strong endorsement of the Glenaras Gas Project and Galilee's strategy of becoming a significant gas supplier into the east coast gas market.

During the period, the Company spent \$8.2 million on exploration and evaluation activities, primarily on the Glenaras vertical drilling programme, Glenaras water management projects and Pilot operating activities.

The Company's Annual General Meeting was held on 24 November 2020, at which all resolutions were passed.

Galilee's accompanying Appendix 5B includes an amount in item 6.1 which constitutes directors' fees paid in the December quarter.

Petroleum Tenements Held

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter
ATP 2019	Galilee Basin (Qld)	100%	100%
ATP 2043	Surat Basin (Qld)	100%	100%
ATP 2050	Bowen Basin (Qld)	100%	100%

Table 1

For further information contact:

Peter Lansom
Managing Director
Galilee Energy Limited
+61 (0) 7 3177 9970
ACN:064 957 419

* Listing Rule 5.42 +

The details of Contingent Resources referenced throughout this release 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 high value 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.

This announcement was released with the 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

Non-Executive Director – Greg Columbus

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 December 2020

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers		
1.2 Payments for:		
(a) exploration & evaluation	(8,180)	(11,375)
(b) development	-	-
(c) production	-	-
(d) staff costs	(550)	(888)
(e) administration and corporate costs	(6)	99
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	25	56
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	59	3,955
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(8,652)	(8,153)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(200)
(d) exploration & evaluation	-	-
(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	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - Rental bonds received	-	-
2.6 Net cash from / (used in) investing activities	-	(200)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	15,000	15,000
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	(825)	(825)
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	(73)	(97)
3.10 Net cash from / (used in) financing activities	14,102	14,078

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	18,364	18,089
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(8,652)	(8,153)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(200)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	14,102	14,078
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	23,814	23,814

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	384	499
5.2 Call Deposits	23,430	17,865
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)	23,814	18,364

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
327
-

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 (Payments for exploration & evaluation classified as investing activities (item 2.1(d))
8.3 Total relevant outgoings (item 8.1 + item 8.2)

\$A'000
(8,652)
-
(8,652)
23,814
-
23,814
(3)

- 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)

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A".
Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

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

8.8.1 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:

8.8.2 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:

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

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2021
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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.