

June 2021 Quarterly Report & Appendix 5B

29 July 2021

Highlights

- ❖ Pump enhancement programme (PEP) completed during the period with record gas rates recorded.
- ❖ Operations have achieved critical desorption in the central part of the pilot, with the focus now on bringing pressure down similarly over a wider area of the pilot.
- ❖ Management team bolstered during the period with two ex-Shell executives, experienced in large scale CSG appraisal and development.
- ❖ Galilee received a refundable R&D Tax offset of \$2.8 million for the 2019/20 financial year.
- ❖ Federal government have committed funding for appraisal activities in the Galilee Basin as part of the nation's gas-led economic recovery.
- ❖ Strong balance sheet with current cash position of \$18.2 million as at 30 June 2021, with no debt.

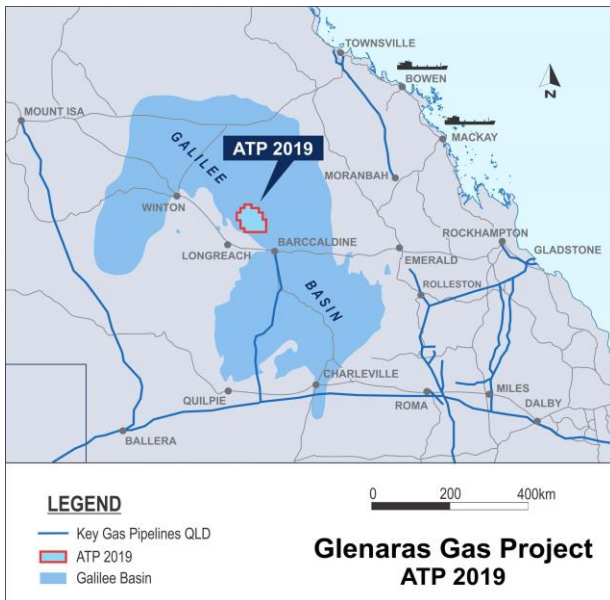
“Galilee completed what has been a busy quarter of activity safely and with minimal disruption. During the quarter we reached a significant milestone with the inner area of the central pilot now below critical desorption and producing increasing gas, along with progressive pressure depletion in the outer vertical wells.

“The depletion in the outer wells demonstrates excellent lateral connectivity in the reservoir across the entire permit. This augurs well for full field project economics and provides context for the additional amount of time taken thus far to reduce the pressure in the pilot area.

“These significant breakthroughs as well as the strengthening of our management team, have us positioned on a clear pathway forward to achieving commercial gas production and becoming a significant provider of gas supply for the east coast domestic market”, Dr King said.

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 help address AEMO’s forecast eastern Australian domestic market gas shortfall expected from around 2023. 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.

Critical desorption commences in Pilot area

Recent workover activities provided an opportunity to gather reservoir pressure information in the centre of the multi well pilot (Pilot). The middle lateral well G14 was recently shut-in to gather this pressure information and measured a reservoir pressure of circa 550 psi, which is the first direct pressure measurement in the area below the anticipated critical desorption pressure of ~600 psi.

The pressure data (Figure 2) demonstrates that following the recent pump enhancement programme (PEP), the middle lateral well (G14) is now below anticipated desorption pressure, and the other laterals are trending strongly towards this pressure. This reinforces the expectation that the critical desorption pressure is close to being achieved over the entire central Pilot area.

Additionally, the reservoir pressure at the perimeter well G19 is in the mid 700’s psi, a depletion of several hundred psi over the last few months. This trend is as per expectations based on modelling, and augurs well for achieving the requisite pressure depletion over the coming weeks and months.

GLENARAS PILOT - PRESSURE HISTORY

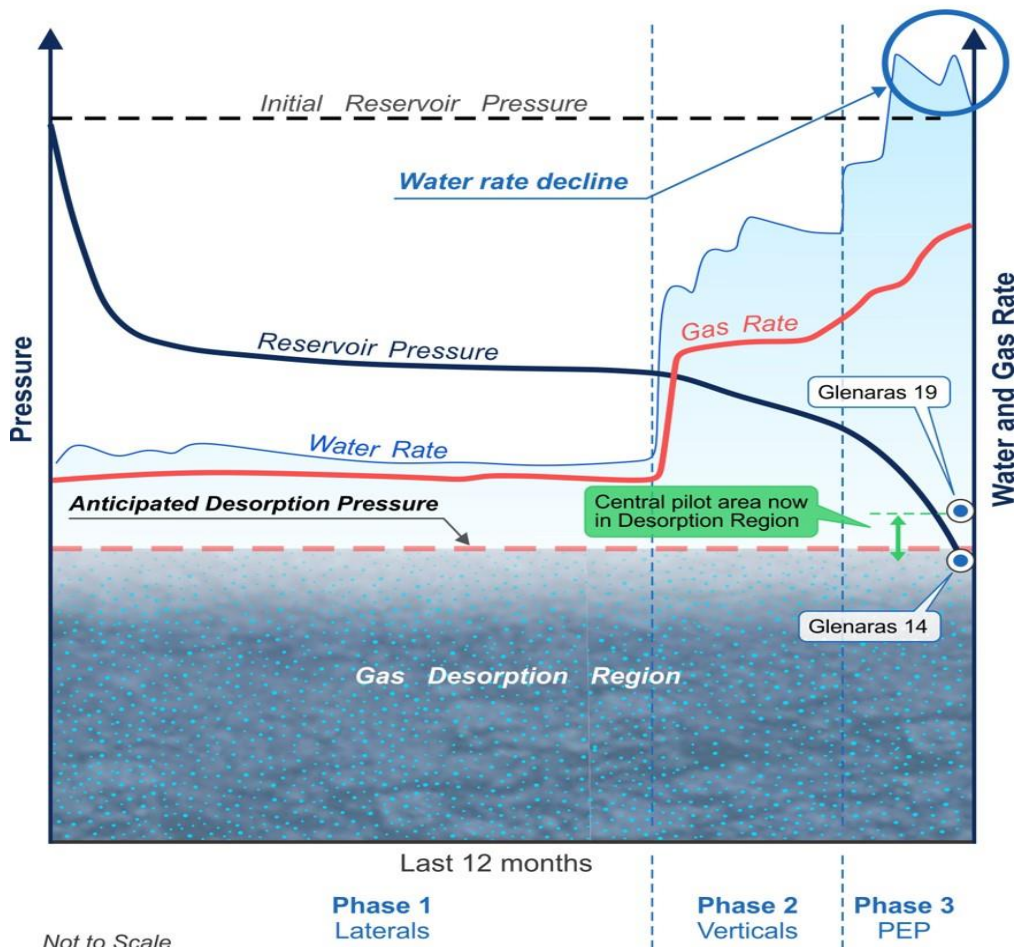


Figure 2 – Glenaras pressure history.

The technical objective of the Pilot is to remove water from the coal sequence in order to reduce the pressure in the coals. This depressurisation allows the gas stored in solid solution on the coal grains to be released and flow through the coal seams and into the wells.

The current gas rate is a reflection of only relatively small amounts of coal immediately around the well bores being below the estimated critical desorption. Gas rates will continue to increase as this “pressure sink” expands inside the Pilot area and more coal is exposed to pressure below the critical desorption level.

Figure 3 shows a cross section of the pressure sink across the Pilot area. The current pressure in G14 of 550 psi, confirms that the pressure sink in the centre of the Pilot continues to deepen as the Pilot is further de-watered. The schematic also shows the breadth of the pressure sink based on pressure measurements in the surrounding lateral wells. These data points confirm that the lateral and vertical wells are successfully combining to collectively depressurise the coal sequence, validating the strategy to expand the lateral Pilot with the six additional vertical wells completed across the full Betts Creek coal sequence. These additional wells have materially increased the rate and volume of water removal and accelerated pressure depletion over a larger area.

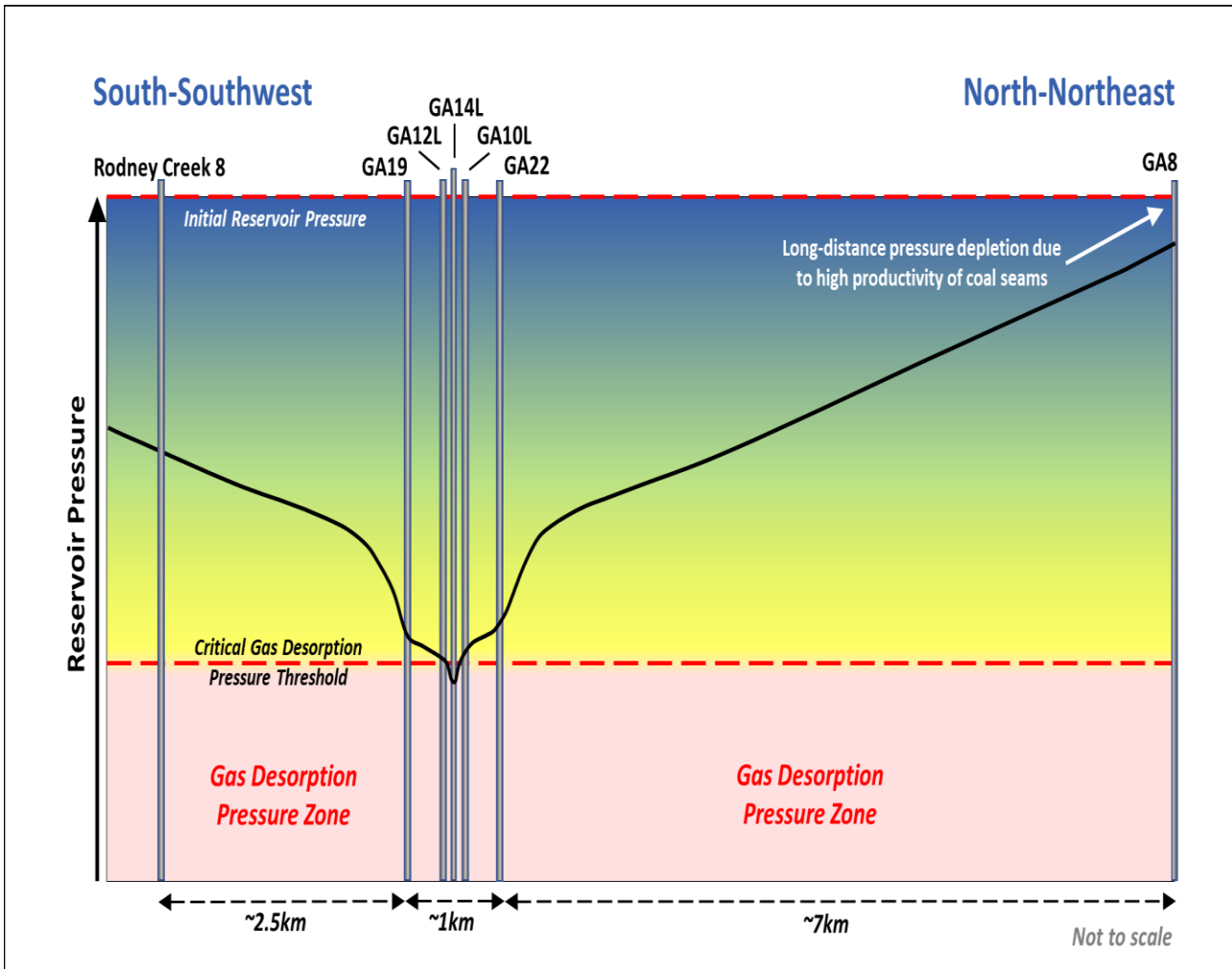


Figure 3 – Glenaras pressure sink development profile.

Figure 4 is an aerial representation of the pressure sink based on both measured and model derived pressure data. It confirms there is a concentrated reduction in the Pilot area as well as depletion in the regional Glenaras 8 and Rodney Creek 8 wells.

The depletion in these outer wells demonstrates excellent lateral connectivity in the reservoir across a large part of the permit. This augurs well for full field project economics and provides context for the additional amount of time taken thus far to reduce the pressure in the Pilot area and the large amount of de-watering required.

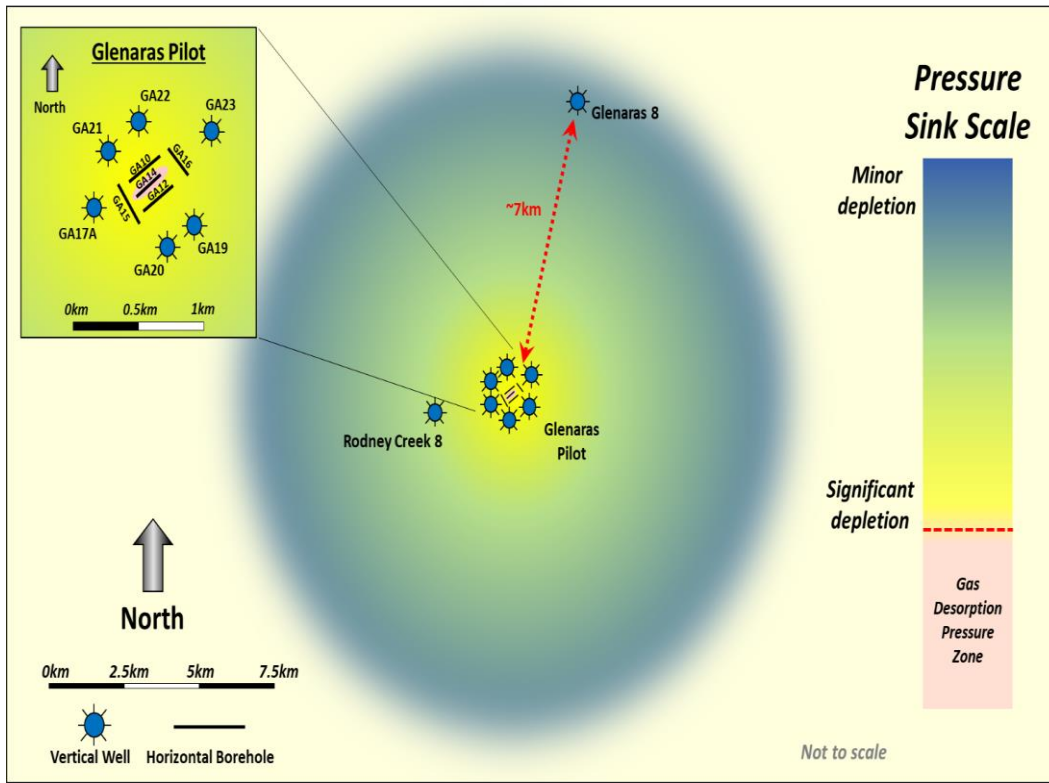


Figure 4 – Glenaras pressure sink areal development.

In particular, the recent confirmation of pressure depletion at Glenaras 8 (approximately 7km away from the Pilot) in the Betts Creek coals (Figure 4) has confirmed that the coal seams are considerably more productive than originally anticipated.

This greater productivity has two significantly positive implications for the Glenaras Gas Project: as well as providing a basis for a larger ultimate reserves target, the more widespread pressure depletion is expected to lead to improved project economics based on fewer wells required to drain the productive coal area.

Water handling projects

The first two pivot irrigation systems, an important component of the requisite water handling capacity, are fully operational with the third cut of sorghum currently under irrigation at the first pivot area and a winter crop of barley or oats to follow thereafter.

The second pivot area has been seeded with oats and irrigation has commenced with excellent early growth noted (see photo below). A third irrigation scheme has recently commenced construction and the Company is continuing to assess different crop types and yields to optimise longer term development plans.



Oats after 10 days of planting on pivot 2 area.



Second sorghum crop at pivot 1 area.



Drone shot of pivot areas 1 and 2.

ATP 2019 Seismic Reprocessing Project

1,499km of legacy 2D seismic is currently being reprocessed to support Galilee's ongoing exploration and appraisal program across ATP 2019 (Figure 5). In addition to the 20 exploration wells that have confirmed the presence and highly prospective quality of the coal within the Betts Creek Beds across the permit, extensive seismic coverage is required to visualise the considerable ~3,200 km² of subsurface over which the Contingent Resource is certified.

The primary objective of the reprocessing is to create a contemporary, comprehensive visualisation of the structural and stratigraphic architecture of the subsurface within ATP 2019, with particular focus on the coal-bearing, Late Permian Betts Creek Beds. Fault definition, accurate depth mapping and coal seam continuity will all be assessed, using the latest data processing technology available on the market.

At completion of the project, detailed time and depth maps of the Betts Creek Beds will be interpreted with thorough delineation of the regional and fine-scale fault network across the permit. This high degree of visualisation is important to ensure any future exploration and appraisal drilling and potential production pilots, are optimally situated to mature the Contingent Resources to Reserves for commercial production.

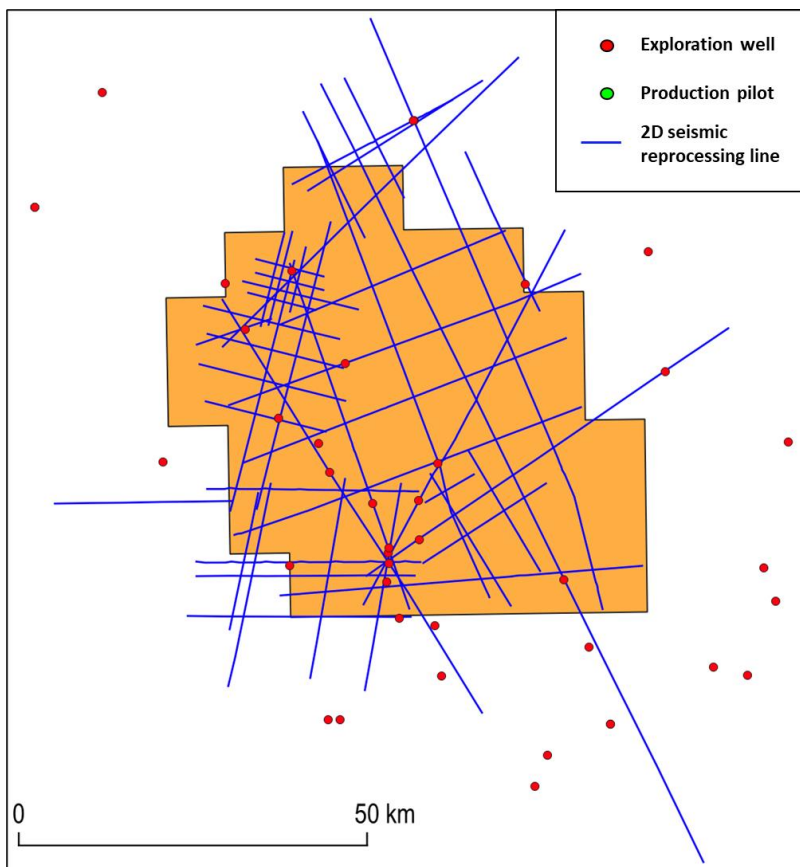


Figure 5 - ATP 2019 seismic reprocessing base map.

ATP 2043 Kumbarilla Project – GLL 100%

Exploration work is progressing across the permit, integrating the results of the recently reprocessed 675km of 2D seismic, the existing regional well control, the recently drilled Kumbarilla Central 1, 2 & 3 exploration wells and the adjacent PL 1009 pilot production data gained from the recent data exchange with Shell.

This multi-faceted suite of subsurface data has identified several prospective, conventional oil and gas leads with increased definition of the Walloon Subgroup coal seam gas play. These opportunities will continue to be matured towards potential exploration drilling.

ATP 2050 Springsure Project – GLL 100%

Evaluation of several conventional gas leads in ATP 2050 is ongoing. Geological risk and volumetric assessments of the leads are underway with the objective of determining if additional seismic is required prior to drilling.

ATP 2050 is strategically located for access to gas markets, being adjacent to the northern Denison gas fields of Springton-Arcturus, Yandina and Turkey Creek and their associated gathering and processing infrastructure.

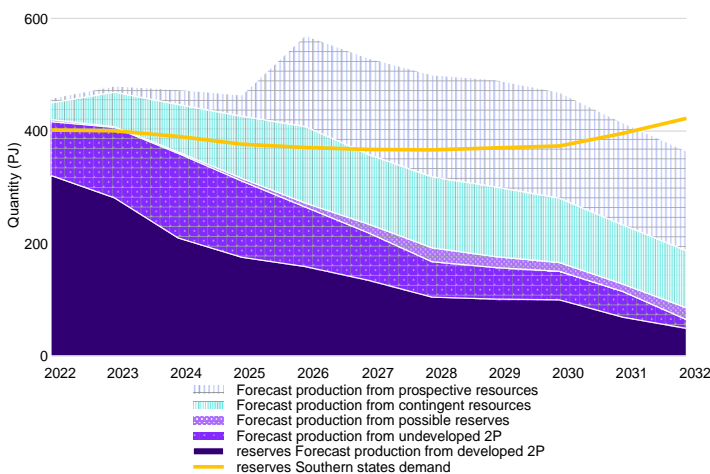
Strong global and east coast gas price thematic

Global energy prices are trending upwards, with Brent oil price breaking through US\$70/bbl and Platts JKM^{TM**} currently in excess of US\$9/MMBtu^{***}. The current Wallumbilla netback price is above \$16/GJ.

Outlook for new natural gas supply into the east coast market is bleak, with gas supply shortfalls forecast from 2023 by ACCC (Figure 6) and the recent AEMO Gas Statement of Opportunities (GSOO) report confirming that the outlook for natural gas supply in the southern states had worsened from its previous assessments.

These supply scarcity risks have emerged one year earlier than projected and the last major southern gas field offering flexible supply is expected to be depleted ahead of winter 2023, reducing gas system resilience.

ACCC forecast gas supply and demand, Southern states.



Source: ACCC Gas Inquiry, January 2021 Interim Report.

Figure 6 – ACCC forecast east coast gas supply and demand.

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 as at 30 June 2021 of \$18.2 million, with no debt.

During the period, the Company spent \$4.3 million on exploration and evaluation activities, primarily on the Glenaras Pilot PEP, water management projects and Pilot operating activities.

Galilee Energy received a refundable R&D Tax offset of \$2,789,155 for the 2019/20 financial year during the period.

Following the successful implementation of the Glenaras Pilot PEP, and with the consequent increase in natural gas flow (ASX announcement May 10, 2021), the Board of Galilee Energy announced a management restructure to lead the Company into the next phase of its commercial development (ASX announcement May 21, 2021).

Late in the quarter, long serving Managing Director Peter Lansom retired as Managing Director and a Director of the Company, although the company retains access to his extensive subsurface engineering experience and expertise. The role of Managing Director has been filled on an interim basis by current non-executive Director and former Chairman Dr David King.

In addition, Mr David Woodley and Mr Jason Whitcombe were appointed to the permanent senior staff positions of Chief Operating Officer and Operations Manager respectively. Both David and Jason have been embedded in key roles within the Company for the past six months, and have extensive experience working on large scale commercial coal seam gas developments with Shell and other operators, which contributed greatly to the recent successful implementation of the pump enhancement programme.

The changes implemented are the culmination of a strategic review undertaken by a designated Board committee over recent months and bolster the existing experienced leadership and highly qualified technical and commercial management. These changes cover all aspects of project development and Reserves growth and position the Company well as it transitions to commercialisation of its natural gas assets. In anticipation of this transition, and as part of this review process, the Company is well advanced on developing its comprehensive, fit-for-purpose ESG statement.

The expected benefits of a successful Glenaras Gas Project development are set out below in Figure 7.

Increased domestic gas supply

Australia is facing a shortage of gas. Prospective areas identified in GLL's permit area could unlock a further 5,314PJ – sufficient gas supply to fulfil approximately 25% of eastern Australian domestic gas supply over 30 years. A successful Glenaras Gas Project (GGP) would contribute to affordable, long-term domestic gas supply and reduce gas price volatility.

Production by 2023 to meet peak gas demand

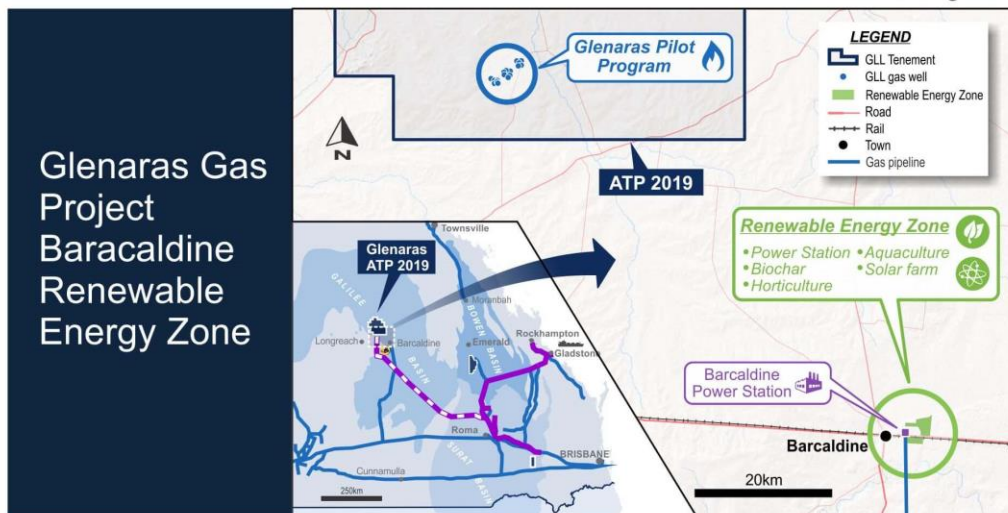
There are no certified Reserves in the Galilee Basin but Galilee is the most progressed explorer in the basin. Gas from the Galilee Basin will be highly competitive for meeting the ~ 30 PJ shortfall in east coast supply which is anticipated from 2023.

Community

Commercialising the GGP would inject a combined ~ \$6.8B into the local economy. In addition, it would employ ~ 500 FTEs during construction and ~ 250 FTEs once built and operational. The economic investment and job creation metrics would have positive flow-on effects on education, poverty, crime and mental health in the region.

Generating ongoing revenue

The GGP has capacity to generate ~ \$12B in sales revenue over the life of the project (25-30 years). The sales revenue would include compensation payments to each landholder and over \$795M in royalty payments to the QLD Government over the life of the project. Sales revenue would also have an impact on generating additional direct and indirect employment and increasing household incomes.



**Glenaras Gas Project
Barcardine
Renewable
Energy Zone**

Downstream manufacturing opportunities

Providing gas to the Barcardine Renewable Energy Industrial Zone for reliable baseload power would attract up to \$500M of new industrial activities including the proposed vanadium electrolyte manufacturing facility and industrial scale greenhouses. The GGP would support industrial users such as Rio Tinto & CSR.

Enabling infrastructure to support other gas explorers

The GGP could de-risk investment within the Galilee Basin through sharing of IP, infrastructure and technology with other exploration companies active in the region. Future project potential includes investing in pipeline infrastructure to supply the east coast with not only Galilee Basin but also Beetaloo Basin gas resources.

Enabling the Sunshot Energy Project

Galilee have entered into a Heads of Agreement with the Ross Garnaut chaired Sunshot Energy, proponent of the Barcardine Renewable Energy Zone, to supply gas produced at the GGP to meet critical peak power requirements at Barcardine. The third stage of the project could lift the level of investment in the region to ~ \$1.5B.

Value adding to the agricultural sector

Water produced from the GGP is fresh with very low salinity level. The Glenaras Irrigation Project provides proof of concept of a scalable, low cost solution to repurpose by-product water. The solution enables high-value crops to be grown and provides significant assistance to landholders for livestock management in a severely drought-impacted region.

Figure 7 – Glenaras Gas Project benefits

Galilee's accompanying Appendix 5B includes an amount in item 6.1 which constitutes directors' fees paid in the June 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:

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 Galilee Energy Limited
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 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.

*** Platts JKM™ is the Liquefied Natural Gas (LNG) benchmark price assessment for spot physical cargoes. It is referenced in spot deals, tenders and short, medium and long-term contracts both in Northeast Asia and globally.*

**** British thermal units 1 million (MMBtu) = 1.055 GJ = 1Mcf.*

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 – 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")

30 June 2021

Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers		
1.2 Payments for:		
(a) exploration & evaluation	(3,448)	(19,153)
(b) development	-	-
(c) production	-	-
(d) staff costs	(500)	(1,742)
(e) administration and corporate costs	(367)	(90)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	88
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	2,801	6,804
1.8 Other - Inventory	(22)	(72)
1.9 Net cash from / (used in) operating activities	(1,518)	(14,165)
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	750	750
2.4 Dividends received (see note 3)	-	-
2.5 Other - Rental bonds received	-	-
2.6 Net cash from / (used in) investing activities	750	550
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(847)
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	(181)	(400)
3.10 Net cash from / (used in) financing activities	(181)	13,753

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 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	19,176	18,089
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,518)	(14,165)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	750	550
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(181)	13,753
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	18,227	18,227
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	472	262
5.2 Call Deposits	17,755	18,914
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)	18,227	19,176
6. Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1 Aggregate amount of payments to related parties and their associates included in item 1	400	
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		
6.1 - Directors' fees.		
7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>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.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	-	-
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		\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)		(1,518)
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)		(1,518)
8.4 Cash and cash equivalents at quarter end (item 4.6)		18,227
8.5 Unused finance facilities available at quarter end (item 7.5)		-
8.6 Total available funding (item 8.4 + item 8.5)		18,227
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)		12
<i>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.</i>		
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.

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
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2021

Authorised by: The Board of Directors
(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.