CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Galilee Energy Limited

ABN 11 064 957 419

and controlled entities

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 year ended 30 June 2021. The financial statements have been reviewed and approved by the directors based on the recommendation of the Audit Committee.

1. Directors

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

Dr David King	Appointed Director 24/09/2013, Managing Director since 18/06/2021
Peter Lansom	Appointed Director 24/09/2013, Retired as Director & Managing Director 18/06/2021
Ray Shorrocks	Appointed Director 02/12/2013, Non-executive Chairman since 31/03/2018
Stephen Kelemen	Appointed Director 31/03/2018, Non-executive Director since 31/03/2018
Gordon Grieve	Appointed Director 06/09/2019, Non-executive Director since 06/09/2019
Greg Columbus	Appointed Director 17/09/2020, Non-executive Director since 17/09/2020

2. Principal activities

Galilee Energy Limited (Galilee) is a Brisbane based energy company with a portfolio of assets primarily 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 and further details are contained within the Managing Director's Report provided earlier in this report and in the Review of Operations below.

3. Strategy

The Company's strategy is to build a balanced portfolio of high quality, conventional and unconventional oil and gas assets. The primary focus is on commercialising the Glenaras Gas Project with an emphasis on the structurally short supplied eastern Australia gas market. Outlook for new gas supply into the east coast market is bleak, with gas supply shortfalls forecast from 2023 by ACCC and AEMO, this timing accords well with the Company's significant uncontracted resource base and the cost competitiveness of our assets in comparison with alternative gas supply sources.

4. Results from operations

The net loss for the year from continuing operations was \$18.5 million (2020: \$17 million).

The loss for the year primarily reflects expenditure on drilling and pump enhancements at the Glenaras multi well pilot (Pilot), Glenaras Pilot operating costs and water management projects totalling \$18 million (2020: \$14 million).

5. Dividends

No dividends have been declared, provided for, or paid in respect of the financial year ended 30 June 2021 (2020: Nil).

6. Review of operations

Galilee has a high quality portfolio of acreage across three different basins in Queensland with one of the largest contingent gas resource bases on the east coast. In addition, all acreage is held at 100% working interest and these assets offer both conventional and unconventional targets with a clear pathway to market.

Figure 1.

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 3,200 km2 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 the year. Following on from the results of the Glenaras 17A observation well and the Schlumberger reservoir simulation study, an additional five vertical wells were

Directors' Report (continued)

6. Review of operations (continued)

drilled safely, on time and within budget. The objective of these additional wells was to accelerate the dewatering and consequent reservoir pressure drawdown, with the objective of bringing forward the onset of commercial gas production.

During the latter part of the reporting period we reached a significant milestone with direct measurements confirming the central area of the pilot is below critical desorption pressure, and producing increasing gas, along with progressive pressure depletion in the outer vertical wells.

The pressure depletion in the outer wells, including a well 8 kms from the central pilot area, evidences excellent lateral connectivity in the coal seams across a large area of the permit. This augurs well for full field project economics as well as providing context for the additional amount of time taken thus far to reduce the pressure in the pilot area.

The accelerated dewatering required a consequential increase in water handling capacity, and to this end the Company now has three irrigation systems fully operational, with the fourth cut of sorghum under irrigation at the first pivot area.

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). 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 highly material certified Contingent Resource, providing Galilee with the required time to mature these resources to Reserves and produce gas to market.

In other areas in the Company's portfolio, evaluation of several conventional gas leads in ATP 2050 is ongoing. Any new discovery would be strategically located for access to gas markets and existing associated gathering and processing infrastructure. Exploration work is also progressing across the ATP 2043 Kumbarilla project, and has identified several prospective, conventional oil and gas leads, along with increased definition of the Walloon Subgroup coal seam gas play. These opportunities will continue to be matured towards potential exploration drilling.

Late in the reporting period, 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 since the first quarter of 2021, and have extensive experience working on large scale commercial coal seam gas developments with other major Queensland CSG 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 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.

Despite the considerable disruption on global markets due to the uncertainty surrounding the COVID-19 pandemic, the Galilee Board and management teams have successfully worked through the volatility and uncertainty and positioned Galilee to deliver on its growth plans and have maintained a strong financial position. The Company proactively adapted its operating procedures both in head office and field operations in accordance with the government requirements associated with the COVID-19 pandemic. The safety of our staff and all contractors is paramount and with the revised operating procedures there has been no disruption thus far to the drilling programmes or field operations.

Galilee's diversified gas acreage in Queensland has the potential to meet the forecast supply-demand gap that exists on the east coast of Australia from around 2022.. The infrastructure partnership Galilee has with Jemena underpins our Glenaras Gas Project development plans, which has been bolstered following the signing of Heads of Agreements for the sale of gas to both Alinta Energy and Sunshot Energy in the past 12 months.

Directors' Report (continued)

6. Review of operations (continued)

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 manages both operational and corporate risk in accordance with its risk management policy to ensure that the risks associated with oil and gas exploration activities are identified, measured and mitigated to the lowest practicable level. Risk assessments across the Companies' business are conducted on a regular basis by the management team and are reported through to the Risk Committee. The Board and delegated Risk Management Committee are responsible for overseeing the risk management framework. Policies and procedures are continually developed, reviewed and enhanced as appropriate to manage the current and changing operational and corporate risks of the business.

7. Matters subsequent to the end of financial year

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

8. Environmental regulation

The Company conducts its operations in compliance with the Queensland Petroleum and Gas (Production and Safety) Act 2004. Environmental considerations are reviewed with and approved by the Queensland Department of Environment and Science under the Environmental Protection Act 1994. The Company has not recorded any breaches of any of its environmental licence conditions nor has it been notified of any material environmental breaches by any government agency during the year. The Company is not aware of any breaches in environmental regulations in relation to its interests in the USA and South America.

9. Shares under option

During the year 8,000,000 share options were issued to directors as part of their remuneration.

Additionally, during the year 2,500,000 share options were granted to employees and contractors.

No. of Options Granted	Grant Date	Fair Value (cents)	Exercise Price (cents)	Expiry Date	Vesting Date	No. of Options Exercisable
8,000,000	1-Dec-20	27.5	150.0	1-Dec-23	1-Dec-20	8,000,000
2,500,000	18-Feb-21	33.5	150.0	1-Dec-23	18-Feb-21	2,500,000
10,500,000						10,500,000

10. Shares issued on the exercise of options

No options have been exercised during the year ended 30 June 2021 and up to the date of this report.

11. Directors and officer's insurance

The Company has agreed to indemnify the directors, officers and secretaries of the Company and its subsidiaries against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a director or officer of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the financial year, the Company paid premiums for directors' and officers' liability insurance. The contract prohibits disclosure of the details of the nature of the liabilities covered or the premium paid.

The Company has not indemnified its auditors, BDO Audit Pty Ltd.

12. Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

Directors' Report (continued)

12. Proceedings on behalf of the Company (continued)

Meetings of directors

The number of meetings of the Company's board of directors and of the audit committee during the year ended 30 June 2021, and the numbers of meetings attended by each director were:

Name	Meetings of Directors		Meetings of Audit Committee		Meetings of Risk Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Dr David King	13	12	2	2	3	3	*	*
Peter Lansom	13	13	*	*	*	*	*	*
Ray Shorrocks	13	13	*	*	*	*	*	*
Stephen Kelemen	13	13	2	2	3	3	2	2
Gordon Grieve	13	13	2	2	3	3	2	2
Greg Columbus	11	11	2	2	*	*	2	2

A = Number of meetings eligible to attend
B = Number of meetings attended
* = Not member of committee

13. Information on Directors and Company Secretary

Ray Shorrocks

Non-executive Chairman
With over 20 years' experience working in the investment banking industry, Ray is highly conversant and experienced in all areas of mergers and acquisitions and equity capital markets, including a significant track record of transactions in the metals and mining, industrials and property sectors.

Other directorships in listed companies – current

Hydrocarbon Dynamics Limited (formerly Indago Energy Limited)	Appointed 12/01/16
Auteco Minerals Limited	Appointed 28/01/20
Cygnus Gold Limited	Appointed 30/06/20
Alicanto Minerals Limited	Appointed 07/08/20

Former Directorships of Australian listed public companies in the last three years:

Bellevue Gold Limited (formerly Draig Resources Limited)	Resigned 09/09/19
Estrella Resources Limited	Resigned 01/02/19

Special responsibilities
Chairman

Interest in Galilee Energy Limited shares and options as at 1st September 2021
2,327,886 shares and 2,500,000 share options

Dr David King

Managing Director - appointed 18/06/21
Dr King was a founder and non-executive director of Sapex Ltd, Gas2Grid Ltd and Eastern Star Gas Ltd. He has substantial natural resource related experience, having previously served as managing director of North Flinders Mines Ltd and CEO of Beach Petroleum and Claremont Petroleum. Dr King is a Fellow of the Australian Institute of Company Directors; a Fellow of the Australasian Institute of Mining and Metallurgy; and a Fellow of the Australian Institute of Geoscientists.

Other directorships in listed companies – current

Litigation Capital Management Ltd	Appointed 09/10/15
Tap Oil Limited	Appointed 18/10/18
Renergen Ltd	Appointed 05/06/19

Former Directorships of listed public companies in the last three years:

Petronor E&P (formerly African Petroleum Corporation)	Resigned 31/01/20
Cellmid Ltd	Resigned 31/12/20

Directors' Report (continued)

13. Information on Directors and Company Secretary (continued)

Special responsibilities
Chairman of Audit Committee and member of Risk Committee

Interest in Galilee Energy Limited shares and options as at 1st September 2021
1,441,434 shares and 500,000 share options

Stephen Kelemen

Director – Independent Non-executive
Stephen has a diverse petroleum industry experience across reservoir, development, operations and exploration activities in conventional oil & gas, CSG and other unconventional resources from his 40-year career in the industry. Notably he led Santos Ltd's CSG team from its inception in 2004 and drove the growth that enabled Santos to develop a substantial CSG portfolio. Stephen has a Bachelor of Engineering degree from the University of Adelaide. He is an Adjunct Professor for the Centre for Natural Gas (formerly Centre for Coal Seam Gas) at University of Queensland and is the Deputy Chair – Petroleum for Queensland Exploration Council.

Other directorships in listed companies – current

Elixir Petroleum Limited	Appointed 06/05/19

Former Directorships of Australian listed public companies in the last three years:

Nil

Special responsibilities
Chairman of Risk Committee and member of Audit and Remuneration Committees

Interest in Galilee Energy Limited shares and options as at 1st September 2021
150,000 shares and 500,000 share options

Gordon Grieve

Director – Independent Non-executive
Gordon has over 30 years' experience as a solicitor and counsel working with energy and resources companies in Australia and overseas and is the current Chairman of Partners at Piper Alderman, leading both their International and Energy & Resources Groups. Gordon is a skilled advisor in relation to corporate governance and compliance issues, company takeovers and schemes of arrangement and has represented companies and directors on all facets of major corporate transactions and commercial litigation.

Other directorships in listed companies – current
Nil

Former Directorships of Australian listed public companies in the last three years:

Nil

Special responsibilities
Member of Risk, Audit and Remuneration Committees

Interest in Galilee Energy Limited shares and options as at 1st September 2021
66,500 shares and 500,000 share options

Greg Columbus

Director – Independent Non-executive
Greg has over 30 years of experience in the Energy, Oil and Gas sectors including technical, commercial and executive roles. He is an experienced director with commercial, strategy, corporate finance and legal experience. Greg has gained valuable business experience in delivering large, complex oil and gas projects and has along the course of his career also carved out strong strategic vision and been involved in numerous M&A activities.

Greg is the non-executive Chairman of Warrego Energy (ASX:WGO). He is also the Managing Director and a Main Board Director for Clarke Energy Group (A Kohler Company) for the past 18 years. Clarke Energy are a privately owned,

Directors' Report (continued)

13. Information on Directors and Company Secretary (continued)

multinational power solutions company specialising in the engineering, installation and maintenance of power plants and gas compression stations, operating in 28 countries. He is also currently Chairman of Young Presidents Organisation Gold (YPOG) Chapter in South Australia

Other directorships in listed companies – current

Warrego Energy — Appointed 22/10/18

Former Directorships of Australian listed public companies in the last three years:

Nil

Special responsibilities

Chairman of Remuneration Committee and member of Audit Committee

Interest in Galilee Energy Limited shares and options as at 1st September 2021

61,563 shares and 500,000 share options

Peter Lansom – retired 18 June 2021

Managing Director

Peter holds a Bachelor of Petroleum Engineering (Honours) degree from the University of NSW and has over 25 years' experience in conventional and unconventional exploration and development, working with Comet Ridge Ltd, Eastern Star Gas (ESG), Origin Energy and Santos. He has significant expertise in subsurface engineering, asset valuation, field development planning and commercial and corporate finance. In his past role at Origin, in the key management position of chief petroleum engineer, he had responsibility for delivering the corporate year end petroleum reserves report and ensuring that consistently high standards in sub-surface engineering were maintained across that Company's assets. In his recent role as executive director at ESG, Peter had overall engineering responsibility for the exploration and pilot development of the Company's CSG assets in NSW which resulted in certifying 3P reserves of over 3,500 PJ over a 5 year period, and saw the Company grow to a $900 million market capitalisation.

Special responsibilities

Managing Director – retired 18/06/21

Interest in Galilee Energy Limited shares and options

8,734,601 shares and 3,500,000 share options

Stephen Rodgers

Company Secretary

Mr Rodgers is a lawyer with over 25 years' experience and holds a Bachelor of Laws degree from Queensland University of Technology. Stephen practiced law with several firms in Brisbane and for many years operated his own specialist commercial and property law practice before joining the ASX listed Sunshine Gas Limited as the in-house Legal and Commercial Counsel. After the successful takeover of SGL by QGC in 2008, Stephen was appointed on a part-time basis as Company Secretary and Legal Counsel to Comet Ridge Limited, a position he still holds. Stephen is also, on a part-time basis the Company Secretary for Blue Energy Limited. Stephen has extensive experience in the operation and running of an ASX listed oil and gas company.

14. Remuneration Report (audited)

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Key management personnel shareholdings

Directors' Report (continued)

14. Remuneration Report (audited) (continued)

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

A Principles used to determine the nature and amount of remuneration

In consultation with external remuneration consultants when required, the Board determines the remuneration policies of the Company, reviews the remuneration of senior management and determines the remuneration of executive directors. Non-executive director remuneration is considered by the Board within the overall limits approved by shareholders. It was not necessary to engage external remuneration consultants during the year.

Alignment to shareholders' interests

- has economic profit as a core component of plan design focuses on sustaining medium to long term growth in shareholder wealth and delivering a return on assets, as well as focusing the executive on key non-financial drivers of value
- designed to attract and retain high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

The framework provides a mix of fixed and variable pay, and long-term incentives.

Non-executive directors

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board to ensure fees are appropriate and in line with the market.

Directors' fees

The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. In accordance with the provisions of Listing Rule 10.11 of the Official Listing Rules of the ASX Limited, a meeting of shareholders held on 27 November 2009 approved the sum of $600,000 per annum to be the total aggregate annual remuneration payable to non-executive Directors of the Company. The current total of base non-executive director remuneration is $345,000. Cash bonuses and other forms of remuneration may be paid to directors at the discretion of the Board in recognition of the achievement of certain key performance indicators and the provision of services outside of the usual role and commitments of a non-executive director.

Executive pay

The executive remuneration and reward framework have the following components:

- base pay and non-monetary benefits
- short term incentives
- share based payments, and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Base pay and non-monetary benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Directors' Report (continued)

14. Remuneration Report (audited) (continued)

Short term incentives.

Generally paid in cash and structured, with a focus on delivery of specific short-term objectives aligned with the company's strategies and goals. Bonuses are paid at the discretion of the Board for executive and non-executive's role in meeting these targets.

Share-based payments

Share based payments – options or rights are issued to executives generally over a period based on a long-term incentive basis. These long-term incentives may include specific price and/or performance targets that relate to the expected outcomes from strategies that have been given a high level of importance in relation to the future growth of the Company.

Superannuation and long service leave

Included in the employment package for key management personnel is the statutory obligation for superannuation and long service leave.

Relationship between remuneration and Company performance

Other than as described in D below (options) there is no direct link between the remuneration of the key management personnel and Company performance. The Company is currently focused on the exploration stage across its projects. Consequently, opportunities for broad performance-based incentives are limited.

Given that remuneration must be commercially reasonable to attract the right calibre of directors and executives, there can be no direct link between remuneration, Company performance and shareholder wealth at the Company's current stage of development.

The Company issues options to provide an incentive for directors and key management personnel to align their interests with the medium to long term interests of shareholders.

The table below sets out summary information about the Company's revenues, earnings, and movements in shareholders' wealth for the five years to 30 June 2021:

Item	Unit	2021	2020	2019	2018	2017
Revenue and other income – continuing operations		6,803,893	374,272	313,590	1,757,045	1,598,716
Net profit/(loss) before tax		(18,500,458)	(16,890,212)	(11,450,198)	(10,316,158)	(3,827,926)
Net profit(loss) after tax		(18,500,458)	(16,890,212)	(11,450,198)	(10,316,158)	(3,827,926)
Basic loss per share	cents	(6.5)	(6.7)	(5.3)	(5.9)	(2.5)
Last traded share price	cents	54.5	70.0	70.0	71.0	11.0
Remuneration -salary and fees		3,338,968	1,276,459	1,529,404	519,134	551,512

There were no dividends paid or returns of capital by the company in the five years.

B Details of remuneration

Details of the remuneration of the directors and the other key management personnel (as defined in AASB 124 Related Party Disclosures) of Galilee Energy Limited and the Galilee Energy Group (Group) are set out in the following tables:

	Short-term benefits & fees			Post Employment		Share-based Payments		%
30 June 2021	Salary & fees	Cash bonus *	Termination payments	Super-annuation	Retirement benefits	Options	Total	Performance Based
Directors	$	$	$	$	$	$	$	
D King	70,482	-	-	6,696	-	137,676	214,854	64.00%
P Lansom	477,027	214,943	-	21,694	-	963,734	1,677,398	70.00%
R Shorrocks	114,155	27,397	-	13,448	-	688,382	843,382	85.00%
S Kelemen	74,063**	-	-	-	-	137,676	211,739	65.00%
G Grieve	59,361	-	-	5,639	-	137,676	202,676	68.00%
G Columbus	51,243	-	-	-	-	137,676	188,919	73.00%
Total	846,331	242,340	-	47,477	-	2,202,820	3,338,968	

** includes an amount paid of $9,063 for additional professional services performed during the year.

Directors' Report (continued)

14. Remuneration Report (audited) (continued)

30 June 2020	Short-term benefits & fees: Salary & fees	Short-term benefits & fees: Cash bonus *	Termination payments	Post Employment: Super-annuation	Post Employment: Retirement benefits	Share-based Payments: Performance Rights	Total	% Performance Based
Directors	$	$	$	$	$	$	$	
D King	59,361	-	-	5,639	-	24,340	89,340	27.00%
P Lansom	389,037	100,000	-	21,003	29,555	283,229	822,824	47.00%
R Shorrocks	91,324	22,831	-	10,845	-	96,704	221,704	54.00%
S Kelemen	65,000	-	-	-	-	24,340	89,340	27.00%
G Grieve	48,630	-	-	4,620	-	-	53,250	0.00%
Total	653,352	122,831	-	42,107	29,555	428,614	1,276,459	

* Cash bonuses are paid at the discretion of the Board. The cash bonus paid in the 2021 year was recognition for the successful execution of the 2020 drilling and completion programme as well as the achievement of certain key performance indicators.

The cash bonus paid in the 2020 year was recognition for the successful execution of the 2019 drilling and completion programme, conducted safely, within budget and on schedule.

C Service agreement

Remuneration and other terms of employment for the Managing Director are as follows:

Peter Lansom, Managing Director – retired 18/06/21

Term of agreement – open-ended agreement commencing 31 October 2013:

- Contract provides for salary review, current base salary amended to $450,000 including superannuation
- Salary rate is reviewed annually in line with a performance review
- Short Term Incentive (STI) up to a maximum of 30% of the base salary, which will be paid in cash
- The required notice period on termination is three months by either party
- The agreement provides for six months payment for termination under certain conditions

Dr David King, Managing Director – appointed 18 June 2021

Term of agreement – open ended agreement commencing 18 June 2021

Current base salary - $450,000 including superannuation, no additional short term or long term incentives

Other than a Letter of Appointment confirming the terms of their office, the non-executive directors of the Company do not have any formal service or contracting agreement in place with the Company. Other than the Managing Director and the Board there are no other KMPs.

D Share based compensation

Directors' share options

During the year, the following share options were granted to the Directors. The options which were issued to Directors as part of their remuneration, have a term of three years and vested on grant date.

	Grant date	Opening balance	Granted as remuneration	Exercised	Expired	Closing balance	% Vested & Exercisable
D King	1-Dec-20	-	500,000	-	-	500,000	100%
P Lansom	1-Dec-20	-	3,500,000	-	-	3,500,000	100%
R Shorrocks	1-Dec-20	-	2,500,000	-	-	2,500,000	100%
G Grieve	1-Dec-20	-	500,000	-	-	500,000	100%
S Kelemen	1-Dec-20	-	500,000	-	-	500,000	100%
G Columbus	1-Dec-20	-	500,000	-	-	500,000	100%
		-	8,000,000	-	-	8,000,000	

Directors' Report (continued)

14. Remuneration Report (audited) (continued)

Details of the terms and conditions of share options issued during the year were as follows:

No. of Options Granted	Grant Date	Fair Value (cents)	Exercise Price (cents)	Expiry Date	Vesting Date	No. of Options Exercisable
8,000,000	01-Dec-20	27.5	150	1-Dec-23	01-Dec-20	8,000,000

There was no requirement to determine a fair value of the options issued during the year as part of the capital raisings undertaken during the period.

Performance rights

The Performance rights granted in prior periods expired on 30 November 2020.

The balance of performance rights on issue at year end and the movements during the year are as follows:

Director name	Balance at start	Granted as remuneration	Exercised	Expired	Forfeited	Balance at end
David King	275,000	-	-	(475,000)	-	-
Peter Lansom	3,200,000	-	-	(3,200,000)	-	-
Ray Shorrocks	1,000,000	-	-	(1,000,000)	-	-
Stephen Kelemen	275,000	-	-	(275,000)	-	-
	4,750,000	-	-	(4,750,000)	-	-

No performance rights vested during the year and no performance rights were exercisable as at 30 June 2021.

E Key Management Personnel shareholdings

The number of ordinary shares in Galilee Energy Limited held by each KMP of the Group during the financial year is as follows:

30 June 2021	Balance at beginning of year	Granted as remuneration during the year	Shares acquired	Other changes	Balance at end of year
Directors					
Dr David King	1,441,434	-	-	-	1,441,434
Peter Lansom	8,734,601	-	-	-	8,734,601
Ray Shorrocks	2,227,886	-	50,000	-	2,277,886
Stephen Kelemen	134,000	-	16,000	-	150,000
Gordon Grieve	25,000	-	-	-	25,000
Greg Columbus	-	-	-	61,563	61,563
Total Directors	12,562,921	-	66,000	61,563	12,690,484

F Loans to Key Management Personnel

	30 Jun 21	30 Jun 20
	$	$
Loan to Managing Director	**-**	437,500

Loan was provided for the sole purpose of facilitating the exercise of the 18 November 2019 Options, an initial term of 12 months was subsequently amended to 18 months, with interest payable accruing from 18 November 2020.

The loan attracts an interest rate of 3% on the amount of the loan from 18 November 2020, with interest and principal repayable in two equal instalments, varied from 18 May 2020 and 18 November 2020 to 18 November 2020 and 18 May 2021. The loan, including interest, was fully paid on 22 June 2021.

G Transactions with Directors or Director related entities

Stephen Kelemen rendered additional professional services in addition to those associated with his Board responsibilities. He was compensated for this service and the compensation is included in Note 14 Table B, Remuneration report. Fees for professional services in addition to his director's fees amounted to $9,063 during the year. The extent of the professional services, scope of work and hourly rate was approved by the Board.

End of audited Remuneration Report (audited)

Directors' Report (continued)

15. Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent Company, its related practices and non-related audit firms. The professional services rendered include Employee Share Scheme consulting and review for JobKeeper assistance eligibility.

	30 Jun 21	30 Jun 20
	$	**$**
Non-audit services		
- Tax consulting and compliance services	**9,108**	20,056

Auditor's independence declaration

The auditor's independence declaration is included on Page 13 of the financial report for the 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, 23 September 2021

Auditor's 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 year ended 30 June 2021, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Galilee Energy Limited and the entities it controlled during the year.

Tim Kendall

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 23 September 2021

Consolidated Statement of Profit or Loss & Other Comprehensive Income

for the year ended 30 June 2021

	Note	Consolidated	
		30 Jun 21	30 Jun 20
		$	$
Revenue and other income			
Interest received		**95,987**	276,272
Other income	3	**6,803,893**	98,000
		6,899,880	374,272
Expenses			
Exploration and evaluation costs	4 (a)	**(18,429,849)**	(13,668,593)
Employee benefits expense	4 (b)	**(4,673,393)**	(2,615,265)
Consulting fees	4 (c)	**(843,717)**	(282,424)
Business development		**(14,700)**	(18,263)
Administration expenses	4 (d)	**(1,438,679)**	(679,289)
Total expenses		**(25,400,338)**	(17,263,834)
Loss before income tax		**(18,500,458)**	(16,889,562)
Income tax benefit/(expense)	5	**-**	-
Loss for the year		**(18,500,458)**	(16,889,562)
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**-**	(650)
Total other comprehensive income, net of income tax		**-**	(650)
TOTAL COMPREHENSIVE LOSS		**(18,500,458)**	(16,890,212)
LOSS PER SHARE		**Cents**	**Cents**
Basic loss per share		**6.5**	6.7
Diluted loss per share		**6.5**	6.7

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 30 June 2021

	Note	Consolidated 30 Jun 21 $	30 Jun 20 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**18,226,603**	18,088,918
Trade and other receivables	10	**339,376**	1,186,631
Inventory	11	**516,232**	1,324,524
Total current assets		**19,082,211**	20,600,073
Non-current assets			
Trade and other receivables	10	**1,282,766**	1,272,866
Property, plant and equipment	12	**197,346**	96,568
Right of use asset	13(a)	**323,264**	90,139
Total non-current assets		**1,803,376**	1,459,573
Total assets		**20,885,587**	22,059,646
LIABILITIES			
Current liabilities			
Trade and other payables	14	**1,219,533**	2,247,113
Provisions	15	**-**	-
Lease liability	13(b)	**322,827**	94,477
Total current liabilities		**1,542,360**	2,341,590
Non-current liabilities			
Trade and other payables	14	**-**	63,277
Provisions	15	**2,686,392**	1,664,636
Lease liability	13(b)	**-**	26,912
Total non-current liabilities		**2,686,392**	1,754,825
Total liabilities		**4,228,752**	4,096,415
NET ASSETS		**16,656,835**	17,963,231
EQUITY			
Issued capital	16	**122,050,707**	107,895,707
Reserves	17	**(4,665,794)**	(4,971,552)
Accumulated losses		**(100,728,078)**	(84,960,924)
TOTAL EQUITY		**16,656,835**	17,963,231

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2021

	Issued Capital	Accumulated Losses	Non-controlling Interests Elimination Reserve	Foreign Currency Translation Reserve	Share-based Payments Reserve	Total
	$	$	$	$	$	$
Balance at 1 July 2020	**107,895,707**	**(84,960,924)**	**(7,656,400)**	**(48,456)**	**2,733,304**	**17,963,231**
Loss for the period	**-**	**(18,500,458)**	**-**	**-**	**-**	**(18,500,458)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss	**-**	**(18,500,458)**	**-**	**-**	**-**	**(18,500,458)**
Contributions of equity net of transaction costs	**14,155,000**	**-**	**-**	**-**	**-**	**14,155,000**
Share-based payments expense	**-**	**-**	**-**	**-**	**3,039,062**	**3,039,062**
Transfers	**-**	**2,733,304**	**-**	**-**	**(2,733,304)**	**-**
	14,155,000	**2,733,304**	**-**	**-**	**305,758**	**17,194,062**
Balance at 30 June 2021	**122,050,707**	**(100,728,078)**	**(7,656,400)**	**(48,456)**	**3,039,062**	**16,656,835**
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	-	(16,889,562)	-	-	-	(16,889,562)
Other comprehensive loss	-	-	-	(650)	-	(650)
Total comprehensive loss	-	(16,889,562)	-	(650)	-	(16,890,212)
Contributions of equity net of transaction costs	24,103,281	-	-	-	-	24,103,281
Share-based payments expense	-	-	-	-	987,318	987,318
Transfers	-	236,126	-	-	(236,126)	-
	24,103,281	236,126	-	-	751,192	25,090,599
Balance at 30 June 2020	107,895,707	(84,960,924)	(7,656,400)	(48,456)	2,733,304	17,963,231

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 30 June 2021

	Note	Consolidated	
		30 Jun 21	30 Jun 20
		$	$
Cash flows from operating activities			
Payments for exploration (including GST)		**(19,153,155)**	(14,682,872)
Payments to suppliers and employees (including GST)		**(3,679,689)**	(3,761,008)
GST refunds received		**1,842,911**	1,292,766
Other income received		**6,803,893**	98,000
Interest received		**86,550**	271,851
Interest paid		**(20,730)**	(3,777)
Net cash used in operating activities	26 (a)	**(14,120,220)**	(16,785,040)
Cash flows from investing activities			
Payments for property, plant and equipment		**(248,889)**	(76,161)
Loan repayments from related parties		**750,000**	-
Refunds of/(Payments for) bonds and deposits		**(9,900)**	142,216
Net cash provided by/(used in) investing activities		**491,211**	66,055
Cash flows from financing activities			
Proceeds from issue of shares		**15,000,000**	24,115,003
Share issue costs		**(845,000)**	(761,722)
Payment for principal portion of lease liabilities	13(b)	**(388,306)**	(88,843)
Net cash provided by financing activities		**13,766,694**	23,264,438
Net Increase in cash and cash equivalents		**137,685**	6,545,453
Cash and cash equivalents at the beginning of the period		**18,088,918**	11,543,465
Effects of exchange rates on cash		**-**	-
Cash and cash equivalents at the end of the period	9	**18,226,603**	18,088,918

The above statement of cash flows should be read in conjunction with the accompanying notes.

Index to Notes

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

1. General information

These financial statements include the consolidated financial statements and Notes of Galilee Energy Limited (the Company) and its controlled entities (Galilee Energy or "the Group"). Galilee Energy Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements were approved for issue by the Directors on 23 September 2021.

Galilee Energy Limited is a public company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Level 6, 167 Eagle Street
BRISBANE QLD 4000

Principal activities

The principal activities of Galilee Energy Limited and Subsidiaries, (the Group) is to carry out oil and gas exploration and appraisal. The Group has tenement interests and exploration and evaluation activities in Australia, the United States and Chile.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Compliance with accounting standards

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). The Group is a for-profit entity for financial reporting purposes.

Going concern & judgements

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Group has not generated revenues from operations. As such, the Group's ability to continue to adopt the going concern assumption will depend upon a number of matters including subsequent successful capital raisings in the future of necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

Despite the considerable disruption on global markets due to the uncertainty surrounding the COVID-19 pandemic, the Galilee Board and management team have considerable experience in the sector and have successfully worked through such market volatility and uncertainty and through prudent management we are in a position to focus on the delivery of our growth plans due to the strong financial position of the Company. The Board does not believe the COVID-19 pandemic will impact at all on the ability of the Company to prosecute its strategy nor on its ability to continue as a going concern.

The existing cash reserves are considered adequate to fund the planned expenditure for at least 12 months from the date of this report.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective from 1 July 2020 for the reporting period. Adoption of these accounting standards did not have a material impact to the financial statements.

The Group does not adopt Accounting Standards and Interpretations which have been issued or amended but, at the date of reporting, are not yet effective. In addition, there are no new standards, not yet effective, expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under present circumstances.

The critical estimates and judgements applied in the preparation of the financial statements are as follows:

Provision for rehabilitation

The Group's exploration activities are subject to various laws and regulations governing the protection of the environment, which require the rehabilitation of permit areas following the completion of exploration and/or production. The Group estimates the future rehabilitation costs at the time of drilling the wells or installation of the assets.

Rehabilitation could involve re-vegetation of the land area affected and the removal of oil and gas wells, and other surface plant and equipment. In some cases, the rehabilitation will occur many years into the future. The Group recognises management's best estimate of the nature, extent and cost of the rehabilitation obligations in the period in which they arise. The Group engages an independent expert to advise on the cost to rehabilitate each well. In addition, future changes to environmental laws and regulations, production estimates and discount rates may affect the calculation of the estimated cost of the rehabilitation estimates. As a result, actual costs incurred in future periods may differ from the estimates.

At 30 June 2021, the cost of the future rehabilitation work on the remaining wells required has been independently assessed by a specialist third party company. These cost estimates have been indexed at CPI (assumed to be 2.0%) to the future date that the rehabilitation work is expected to be undertaken. The resultant schedule of cash flows is then discounted to obtain a present value of the potential rehabilitation liability. With respect to wells drilled and completed as possible production wells, it is assumed that the rehabilitation will be undertaken beyond 12 months from reporting date, with the majority estimated to be in the 2030 financial year. The total of the rehabilitation provision at reporting is $2,686,392 (current - nil and non-current $2,686,392).
(2020: current - nil and non-current $1,664,636).

Joint arrangements

The Group has interests in a number of joint arrangements in the USA:

In accordance with *AASB 11 Joint Arrangements*, the accounting treatment adopted for these joint arrangements depends upon an assessment of the rights and obligations of the parties to the arrangement that are established in each of the joint operating agreements (JOAs) or the farm-in agreement as the case may be. The JOA or farm-in agreement sets out the voting rights of the parties to the agreement. The voting rights determine who has control i.e. the power to direct the operating activities of the joint arrangement.

Based on an analysis of each JOA and farm-in agreement, the Group has classified each of its joint arrangements as a "joint operation" in accordance with the requirements of AASB 11 in that:

- there is joint control because all decisions about the operating activities requires unanimous consent of all the parties, or a group of the parties considered collectively; and
- each party to the joint operation has rights to its respective interest in the assets and revenue of the arrangement, and obligations for its share of the liabilities and expenditure.

As a result, the Group recognises in its financial statements its share of the revenue, expenses, assets and liabilities of each of the joint operations in which it has an interest.

Loans to and investments in subsidiaries

The parent entity has recorded its investments in subsidiaries at cost of $24,098,886 (2020: $24,098,886) less provisions for impairment of $24,098,886 (2020: $24,098,886). The parent entity has also loaned funds to its subsidiaries of $14,178,134 (2020: $14,178,134) primarily to fund exploration activities. The parent entity has impaired the carrying amount of loans by $14,178,134 (2020: $14,178,134). The impairment of the investments and loans has been based on the underlying net assets of the subsidiaries. In future periods, as the exploration activities progress on the various areas of interest, and with changes in other market conditions, the carrying amounts of investments and loans may need to be reassessed in line with the net asset position of the subsidiaries or as otherwise appropriate.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 21.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Galilee Energy Limited (''company'' or ''parent entity'') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Galilee Energy Limited and its subsidiaries together are referred to in these financial statements as the "consolidated entity".

Principles of consolidation

Subsidiaries

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transaction between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Investments in subsidiaries are accounted for at cost in the individual financial statements of Galilee Energy Limited.

Joint arrangements

Joint arrangements are arrangements in which one or more parties have joint control. Joint arrangements are classified as either joint operations or joint ventures.

Joint operations

The Group has entered into joint arrangements which are classified as joint operations because the parties to the joint arrangements have rights to the assets and obligations for the liabilities, rather than to the net assets, of the joint arrangements. The Group has recognised its direct right to, as well as its share of jointly held, assets, liabilities, revenues and expenses of joint operations which have been included in the financial statements under the appropriate headings.

Joint Ventures

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the Group's share of the movements in statement of profit or loss and other comprehensive income of joint ventures are recognised in consolidated statement of profit or loss and other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment.

When the Group's share of post-acquisition losses in a joint venture exceeds its interest in the joint venture (including any long-term interests that form part of the Group's net investment in the joint venture), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Galilee Energy Limited's functional and presentation currency.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for the statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Government grants

Grants that compensate the Group for expenses incurred e.g., Research and Development are recognised in profit or loss when received and are offset against the expenditure to which the grant relates. The state and federal governments have announced temporary measures to help small and medium businesses during the economic downturn associated with the COVID-19 pandemic. The Group received government relief in the form of Job Keeper payments and a temporary cash flow boost payment.

Research and development

Research and development expenditure is recognised as an expense as incurred. Costs incurred on research and development projects (relating to the design and testing of new or improved products or processes) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other developmental expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over the asset's useful life from the point at which the asset is ready for use.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Income tax

The income tax expense or revenue for the year is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Galilee Energy Limited and its wholly owned Australian resident entities have implemented the tax consolidation legislation.

The head entity, Galilee Energy Limited, and the subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Galilee Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated group for the purposes of tax consolidation, where considered recoverable.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with AASB 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less or that are otherwise readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within financial liabilities in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less impairment. Trade receivables are normally due for settlement no more than 30 days from the date of recognition.

Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. For trade receivables the Group applies the general approach permitted under AASB 9, which requires expected lifetime losses to be recognised from initial recognition. There were no trade receivables at 30 June 2021. Loans to employees is secured by shares thus nil expected credit losses were recognised.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses if applicable. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

With the exception of certain equipment, which is depreciated on a units of use basis, depreciation is calculated on a declining basis to allocate the cost of each asset, net of its residual values, over its estimated useful life.
The following rates of depreciation are used:

Office equipment	15% - 30%
Plant and equipment	4% - 50%

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Inventory

Inventories are stated at the lower of cost or net realisable value. Cost includes the cost of purchase net of discounts received and other costs incurred to bring the inventories to their present location and condition. Inventories are drilling and maintenance stocks, which include spares, consumables, maintenance, and drilling tools used for ongoing operations and are valued at cost and expected to be consumed in the next 12 months.

Right of use asset

Under AASB16, as a lessee the Group recognises a right-of-use asset, representing its right to use the underlying asset, and a lease liability, for all leases with a term of more than 12 months; exempting those leases where the underlying asset is deemed to be of a low value.

The right-of-use asset are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities and for impairment losses, assessed in accordance with the Group's impairment policies. The cost of lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the life of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether purchase, renewal or termination options are reasonably certain to be exercised.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of resource. The determination of a mineral resource is itself an estimation process that requires varying degrees of uncertainty, and this directly impacts on the application of full cost for areas of interest. All costs are expensed in the period it is incurred until such time as an economically recoverable resource has been identified.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation because of past events for which it is probable that an outflow of economic benefits will result, and the amount of the outflow can be reliably estimated. Provisions are not recognised for future operating losses.

Rehabilitation

A provision for rehabilitation is recognised when there is a present obligation to rehabilitate an area disturbed, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A development asset is being created, to the extent that the development relates to future production activities, which in turn is offset by a provision for rehabilitation.

Where there are a number of similar obligations, the likelihood that an outflow will be required is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Provisions are measured at the present value of an independent assessment of the best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Provision is made for the Group's liability for wages and salaries, including non-monetary benefits, annual leave and long service leave arising from services rendered by employees up to reporting date. Employee benefits that are expected to be settled within one year are measured at the amounts expected to be paid when the liability is settled.

The liability for annual leave and long service leave expected to be settled with 12 months is recognised in the current provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term obligations

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service is recognised in the non-current provision for employee benefits. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match, as closely as possible, the expected timing of cash flows.

Retirement benefit obligations

The Group makes contributions to defined superannuation funds. The contributions are recognised as an expense as they become payable.

Share-based equity settled benefits

The Group provides additional benefits to employees in the form of share-based compensation, whereby, subject to certain conditions, part of an employee’s remuneration includes an entitlement to receive performance rights or options over shares ("equity-settled transactions").

The fair value of the share-based compensation granted to employees and consultants is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or performance rights.

Fair value of a performance right or option is measured at grant date using a binomial or Black-Scholes pricing model that takes into account the exercise price, the term, any market performance conditions (the impact of non-market performance vesting conditions is excluded), the underlying share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the expected risk free interest rate for the term of the option or performance right.

Non-market vesting conditions are considered in the estimate of the number of rights or options that are expected to ultimately vest. At the end of each reporting period, the number of rights/options expected to vest based on the non-market vesting conditions is revised. The impact of the revision to the original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, e.g., as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled.

No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are also presented on a gross GST basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented in the receipts from customers or payments to suppliers.

Notes to the Consolidated Financial Statements (continued)

3. Other Income

	Consolidated	
	30 Jun 21	30 Jun 20
	$	$
Jobkeeper payments	**191,100**	48,000
Cash Flow Boost payments	**50,000**	50,000
R&D Tax Incentive	**6,562,793**	-
	6,803,893	98,000

4. Expenses

		Consolidated	
		30 Jun 21	30 Jun 20
Loss before income tax includes the following specific expenses:		**$**	$
(a)	**Exploration and evaluation expenditure**		
	Australia	**(18,429,849)**	(13,668,212)
	United States	**-**	-
	Chile	**-**	(381)
		(18,429,849)	(13,668,593)
(b)	**Employee benefits expense**		
	Employee benefits expense	**(1,174,207)**	(1,267,280)
	Directors' fees	**(374,517)**	(283,250)
	Share based payments expense	**(3,039,062)**	(987,318)
	Defined contribution superannuation expense	**(85,607)**	(77,417)
		(4,673,393)	(2,615,265)

The amount presented above include amounts paid to Key Management Personnel.

(c)	**Contractor and consultants' costs**		
	Consulting fees	**(843,717)**	(282,424)
		(843,717)	(282,424)

The amount presented above include amounts paid to Key Management Personnel.

(d)	**Other expenses include the following specific items:**		
	Auditors remuneration		
	- auditing or reviewing the financial reports	**(68,320)**	(45,591)
	- taxation services	**(9,108)**	(20,056)
	Finance costs associated with lease liabilities	**(20,730)**	(3,777)
	Other occupancy costs	**(21,050)**	(30,021)
	Depreciation	**(525,460)**	(142,340)
	Other administration and office costs	**(794,011)**	(439,212)
	Foreign exchange losses/gains (net)	**-**	1,708
		(1,438,679)	(679,289)

Notes to the Consolidated Financial Statements (continued)

5. Income tax

	Consolidated	
	30 Jun 21	**30 Jun 20**
Recognised in the statement of profit or loss and other comprehensive income	**$**	$
Current tax benefit	**(6,615,503)**	(4,780,900)
De-recognition of deferred tax losses	**6,615,503**	4,780,900
	-	-
Numerical reconciliation of income tax expense to prima facie tax on accounting profit		
Loss before income tax	**(18,500,458)**	(16,889,562)
Tax at the Australian tax rate of 30% (2020 30%)	**(5,550,137)**	(5,066,869)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	**6,753**	(10,226)
Share-based payments expensed	**911,719**	296,195
Research and development tax offset received	**(1,983,838)**	-
Prior year tax losses converted to research and development tax offset	**-**	-
Current year tax losses not recognised	**6,615,503**	4,780,900
Income tax expense/(credit)	**-**	-
Unused tax losses		
Income losses		
Australian income losses	**85,213,995**	70,050,812
US income losses	**12,060,233**	12,060,233
	97,274,228	82,111,045
Australian capital losses	**3,204,839**	3,204,839
Total unused tax losses	**100,479,067**	85,315,884
Potential tax benefit		
Australian losses @ 30%	**25,564,199**	21,015,244
US Losses @ 40%	**4,824,093**	4,824,093
Capital losses @ 30%	**961,452**	961,452

Notes to the Consolidated Financial Statements (continued)

6. Interests of Key Management personnel

The totals of remuneration paid to Key Management Personnel of the Group during the year are as follows:

	Consolidated	
	30 Jun 21	30 Jun 20
	$	$
Short-term employee benefits	**846,331**	653,352
Cash bonus	**242,340**	122,831
Post-employment benefits	**47,477**	42,107
Long-term employment benefits	**-**	29,555
Share based payments	**2,202,820**	428,614
	3,338,968	1,276,459

7. Auditor's remuneration

	Consolidated	
	30 Jun 21	30 Jun 20
Remuneration of the auditor of the parent company for:	**$**	$
Audit services		
- Auditing or reviewing the financial statements	**68,320**	45,591
Non-audit services		
- Tax consulting and compliance services	**9,108**	20,056
	77,428	65,647

The professional tax services rendered relate to advice on Galilee's Employee Share Scheme and review of JobKeeper assistance eligibility.

8. Earnings per share

Performance rights and options are not included in the calculation of earnings per share because they are not considered dilutive as the Group has losses.

		Consolidated	
		30 Jun 21	**30 Jun 20**
(a)	**Earnings used in calculating basic and diluted earnings per share:**	**$**	**$**
	Loss for the year	**(18,500,458)**	(16,889,562)
	Loss used in the calculation of the basic and dilutive earnings per share	**(18,500,458)**	(16,889,562)
		Number	**Number**
(b)	**Weighted average number of ordinary shares used as the denominator**		
	Weighted average number of ordinary shares used in calculating basic earnings per share	**286,128,136**	**251,684,919**
	Adjustments for the calculation of diluted earnings per share:		
	Options/performance rights	**-**	-
	Weighted average number of ordinary shares used in calculating diluted earnings per share	**286,128,136**	251,684,919

Notes to the Consolidated Financial Statements (continued)

9. Cash and cash equivalents

	Consolidated	
	30 Jun 21	30 Jun 20
	$	$
Cash at bank and on hand	**2,773,870**	3,188,918
Deposits at call	**15,452,733**	14,900,000
Cash at bank and on hand	**18,226,603**	18,088,918

10. Trade and other receivables

	Note	Consolidated	
	Note	**30 Jun 21**	30 Jun 20
Current		**$**	$
Other receivables		**223**	791
GST receivable		**118,287**	314,824
Interest receivable		**5,766**	41,632
Prepayments		**215,100**	79,384
Loan to employees	28	**-**	750,000
		339,376	1,186,631
Non-Current		**$**	$
Environmental bonds and deposits		**1,240,648**	1,230,748
Rental bond		**42,118**	42,118
		1,282,766	1,272,866
		1,622,142	2,459,497

11. Inventory

	Consolidated	
	30 Jun 21	30 Jun 20
	$	$
Drilling and maintenance stocks	**516,232**	1,324,524
Total current inventories at lower of cost and net realisable value	**516,232**	**1,324,524**

12. Property, plant and equipment

	Consolidated	
	30 Jun 21	30 Jun 20
	$	$
Plant and equipment at cost	**584,714**	342,723
Accumulated depreciation	**(399,250)**	(257,185)
	185,464	85,538
Office equipment at cost	**185,526**	178,628
Accumulated depreciation	**(173,644)**	(167,598)
	11,882	11,030
	197,346	96,568

Notes to the Consolidated Financial Statements (continued)

12. Property, plant and equipment (continued)

Movements in carrying amounts of property, plant and equipment

	Office equipment	Plant and equipment	Total
	$	**$**	**$**
Balance, 1 July 2020	**11,030**	**85,538**	**96,568**
Additions	**6,898**	**241,991**	**248,889**
Disposals	**-**	**-**	**-**
Depreciation	**(6,046)**	**(142,065)**	**(148,111)**
Balance, 30 June 2021	**11,882**	**185,464**	**197,346**

	Office equipment	Plant and equipment	Total
	$	**$**	**$**
Balance, 1 July 2019	8,775	82,428	91,203
Additions	20,482	55,679	76,161
Disposals	-	-	-
Depreciation	(18,227)	(52,569)	(70,796)
Balance, 30 June 2020	11,030	85,538	96,568

Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the parent company and its subsidiaries.

13. Leases

(a) Right of use asset

	Consolidated	
	30 Jun 21	30 Jun 20
	$	$
Right of use asset	**772,158**	161,683
Accumulated amortisation	**(448,894)**	(71,544)
	323,264	90,139

(b) Lease Liability

	Consolidated	
	30 Jun 21	30 Jun 20
Lease Liabilities	**$**	$
Balance at the beginning of the year	**121,389**	214,009
Additions	**610,474**	-
Interest expense related to lease liabilities	**(20,730)**	(3,777)
Repayment of lease liabilities	**(388,306)**	(88,843)
Balance at the end of the year	**322,827**	**121,389**

The maturity of lease liabilities at 30 June 2021 were as follows:

Period ending 30 June	
2022	328,307
2023	-
Effect of discounting	(5,480)
Lease liability 30 June 2021	**322,827**
Short-term lease liability	322,827
Long-term lease liability	-

Notes to the Consolidated Financial Statements (continued)

13. Leases (continued)

During the year, the Group entered into a lease agreement with Suez Water Technologies for a minimum lease period of 14 months with the ability to extend by mutual consent of both parties. The lease agreement is for the hire of a containerised water treatment plant sized to produce approximately 1.8 megalitres of reverse osmosis permeate.

The right-of-use asset is measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities and for impairment losses, assessed in accordance with the Group's impairment policies. The cost of lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the life of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether purchase, renewal or termination options are reasonably certain to be exercised.

14. Trade and other payables

	Consolidated	
	30 Jun 21	30 Jun 20
Current	**$**	$
Trade payables	**937,175**	2,010,259
Other payables	**173,081**	108,952
Employee benefits	**109,277**	127,902
	1,219,533	2,247,113
Non-Current		
Employee benefits	**-**	63,277
	-	63,277
	1,219,533	2,310,390

15. Provisions

	Consolidated	
	30 Jun 21	30 Jun 20
Current	**$**	$
Restoration & rehabilitation	**-**	-
	-	-
Non-current		
Restoration & rehabilitation	**2,686,392**	1,664,636
	2,686,392	1,664,636
	2,686,392	1,664,636

The amount of restoration and rehabilitation represents the obligation to restore land disturbed during exploration and evaluation activities to the conditions specified in the legislation.

	Consolidated	
	30 Jun 21	**30 Jun 20**
Movements in carrying amounts of restoration and rehabilitation provision	$	$
Balance at the beginning of the year	**1,664,636**	2,039,527
Increase/(reduction) in amount provided	**1,021,756**	(374,891)
Balance at the end of year	**2,686,392**	1,664,636

Notes to the Consolidated Financial Statements (continued)

15. Provisions (continued)

In accordance with AASB 137, from 1 January 2017 the Edward Street lease becomes an onerous contract because the economic benefits from occupying the premises are now nil and there is an ongoing cost until the end of the lease term arising from the shortfall in the amount of the sub-lease rental. As a result, a provision for the full amount of the ongoing rental obligations under the sub-lease was initially recognised and is being reduced over the lease term as the sub-lease rental is received. The sub-lease contract expired in November 2019.

	Consolidated	
	30 Jun 21	**30 Jun 20**
Movements in carrying amounts of obligations under sub-lease provision	**$**	$
Balance at the beginning of the year	**-**	21,809
Reduction of rental obligations under sub-lease	**-**	(21,809)
Balance at the end of year	**-**	-

16. Issued Capital

	Consolidated	
	30 Jun 21	30 Jun 20
Ordinary shares	**$**	$
Ordinary shares - fully paid	**125,717,946**	110,717,946
Transaction costs relating to share issues (net of tax)	**(3,667,239)**	(2,822,239)
	122,050,707	107,895,707

	30 Jun 21	30 Jun 20	**30 Jun 21**	30 Jun 20
Movements in ordinary shares	**Number of Shares**		**$**	$
Balance at the beginning of the year	**271,451,032**	225,679,361	**107,895,707**	83,792,426
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
Options exercised @ 63 cents	**23,809,524**	-	**15,000,000**	-
Share issue costs	-	-	**(845,000)**	(761,722)
Balance at the end of the year	**295,260,556**	271,451,032	**122,050,707**	107,895,707

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Capital Management

Management controls the capital of the Group to ensure that it can fund its operations and continue as a going concern.

The Group's capital comprises equity as described in the statement of financial position supported by financial assets. There are no externally imposed capital requirements.

Management manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. Responses to these changes include management of debt levels and share issues. There have been no changes in the strategy since the prior year.

Notes to the Consolidated Financial Statements (continued)

17. Reserves

	Consolidated	
	30 Jun 21	30 Jun 20
	$	$
Share based payments	**3,039,062**	2,733,304
Foreign currency translation	**(48,456)**	(48,456)
Non-controlling interest elimination reserve	**(7,656,400)**	(7,656,400)
	(4,665,794)	(4,971,552)

Share based payments reserve

This reserve reflects the fair value of equity instruments granted under share-based payment arrangements.

Foreign currency translation reserve

The foreign currency translation reserve records the exchange differences arising on translation of foreign subsidiaries.

Non-controlling interest's elimination reserve

This reserve has arisen as a result of the acquisition of the non-controlling interests in subsidiary company Galilee Resources Pty Ltd. The value of consideration paid for the non-controlling interests was greater than the carrying value of the non-controlling interests acquired.

	Non-controlling interest elimination	Foreign currency translation	Share based payments	Total
Movements in reserves - 2021	**$**	**$**	**$**	**$**
Balance at the beginning of the year	(7,656,400)	(48,456)	2,733,304	(4,971,552)
Grant of performance rights	-	-	3,039,062	3,039,062
Transfer to retained earnings			(2,733,304)	(2,733,304)
Foreign currency translation	-	-	-	-
Balance at the end of year	(7,656,400)	(48,456)	3,039,062	(4,665,794)
Movements in reserves - 2020				
Balance at the beginning of the year	(7,656,400)	(47,806)	1,982,112	(5,722,094)
Grant of performance rights	-	-	987,318	987,318
Transfer to retained earnings			(236,126)	(236,126)
Foreign currency translation	-	(650)	-	(650)
Balance at the end of year	(7,656,400)	(48,456)	2,733,304	(4,971,552)

18. Interest in joint operation

Subsidiary	Agreement	Interest	Comment
Galilee Energy Texas LLC	Hoffer-Klimitchek Area Lavaca County Participation Agreement and Joint Operating Agreement	3%	Working interest reduced to 3% after payback.
Galilee Energy Kansas LLC	• Key Terms Agreement • Joint Venture Agreement • Joint Operating Agreement	25% 50% 75%	Interest earned after: 3D seismic Well 1 to Casing point Well 2 to casing point

The Group's accounting policy is to expense its interests in the joint operations until such time an economically recoverable resource has been identified.

Notes to the Consolidated Financial Statements (continued)

19. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name of entity	Country of Incorporation	Class of equity	Equity Holding 2021	Equity Holding 2020
Galilee Resources Pty Ltd	Australia	Ordinary	100%	100%
Beaconsfield Energy Development Pty Ltd	Australia	Ordinary	100%	100%
Capricorn Energy Pty Ltd	Australia	Ordinary	100%	100%
Galilee Energy Surat Pty Ltd	Australia	Ordinary	100%	100%
Capricorn Agricultural Technologies Pty Ltd	Australia	Ordinary	100%	100%
Galilee Energy US LLC	United States	Ordinary	100%	100%
Galilee Energy Texas LLC	United States	Ordinary	100%	100%
Galilee Energy Kansas LLC	United States	Ordinary	100%	100%
Galilee Energy Illinois LLC	United States	Ordinary	100%	100%
Galilee Energy Chile SpA	Chile	Ordinary	100%	100%

All subsidiaries have the same reporting date as the parent, Galilee Energy Limited.

20. Share based payments

Share-based payments expense

The share-based payments expense included in the financial statement with respect to Options issued during the year is as follows:

	Note	Consolidated 30 Jun 21 $	Consolidated 30 Jun 20 $
Statement of profit or loss and other comprehensive income			
Share-based payments expense included in employee benefits expense		3,039,062	987,318
Movements in share-based payments reserve			
Balance at the beginning of the period		2,733,304	1,982,112
Share-based payments included in employee benefits expense		3,039,062	987,318
Transfer to retained earnings		(2,733,304)	(236,126)
Balance at the end of the period	17	3,039,062	2,733,304

The types of share-based payment plans are described below:

Share options

Options are granted either under the Company's Employee Share Incentive Option Plan or on terms determined by the directors or otherwise approved by the Company at a general meeting. The options are granted for no consideration. Options are usually granted for a three to four-year period and entitlements to the options are vested on a time basis and/or on specific performance-based criteria such as share price increases or reserves certification. Options granted either under the plan or otherwise as described above carry no dividend or voting rights. When exercisable, each option is convertible to one ordinary share.

During the year 2,500,000 share options were granted to employees and contractors.

Notes to the Consolidated Financial Statements (continued)

20. Share based payments (continued)

Share options (continued)

The following table shows the number and movements of share options during the year and on issue at balance date.

Grant date	Expiry date	Opening balance	Granted during the period	Forfeited during the period	Exercised during the period	Expired during the period	Closing balance	% Vested & Exercisable
01-Dec-20	01-Dec-23	-	8,000,000	-	-	-	8,000,000	100%
18-Feb-21	01-Dec-23	-	2,500,000	-	-	-	2,500,000	100%
		-	10,500,000	-	-	-	10,500,000	

The amount assessed as fair value at grant date of options issued to directors and employees is allocated equally over the period from grant date to vesting date.

The fair value of the share options issued during the year was determined using a Black-Scholes option pricing model and Monte Carlo simulation taking into account the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and, as the options had already vested, an estimate of the anticipated exercise date. The following table lists the inputs to the model used to value the share options granted during the year.

Input Variables	Input	Input
Options granted	8,000,000	2,500,000
Grant date	01-Dec-20	18-Feb-21
Vesting date	01-Dec-20	18-Feb-21
Exercise period	3 years	3 years
Expected exercise date	30-Nov-23	18-Feb-24
Expected life	3 years	3 years
Exercise price	150 cents	150 cents
Risk free rate	0.27%	0.27%
Expected annual volatility	86.9%	86.9%
Annual rate of dividends	0%	0%
Value per option	27.54 cents	33.45 cents

Employee Performance Share Rights

Employee Performance Rights are provided to certain employees via the Galilee Energy Limited Performance Rights Plans for employees and contractors. Performance Rights are granted on terms determined by the directors.

The object of the plans is to:

(a) provide an incentive for employees/contractors to remain in their employment and continue to provide services to the Group in the long-term;
(b) recognise the ongoing efforts and contributions of employees/contractors to the long-term performance and success of the Group; and
(c) provide employee/contractors with the opportunity to acquire performance rights, and ultimately shares in Galilee Energy Limited.

Performance Rights are issued for no consideration and provide an equity-based reward for employees that is linked with achieving performance conditions determined when the Performance Rights are granted. The performance criteria are determined on a case-by-case basis by the Board. These performance criteria are likely to be matters such as length of employment, successful operational results and/or direct increase in shareholder value linked to the share price of the Company or performance targets.

During the year, no performance share rights were granted.

Notes to the Consolidated Financial Statements (continued)

20. Share based payments (continued)

The following table shows the movement in the number of performance rights granted in the prior periods and the balance at 30 June 2021.

Grant date	Expiry date	Opening balance	Granted during the period	Forfeited during the period	Exercised during the period	Expired during the period	Closing balance	% Vested
30-Nov-18	30-Nov-20	4,700,000	-	-	-	4,700,000	-	0%
19-Dec-18	30-Nov-20	3,750,000	-	-	-	3,750,000	-	0%
20-Dec-18	30-Nov-20	1,000,000	-	-	-	1,000,000	-	0%
16-Jul-19	30-Nov-20	200,000	-	-	-	200,000	-	0%
27-Dec-19	30-Nov-20	250,000	-	-	-	250,000	-	0%
		9,900,000	-	-	-	9,900,000	-	

Subject to the employee or director remaining in the employment of the Company, the performance rights previously granted would have vested on the condition of at least 500PJ of 2P reserves being booked on or before 30 November 2020.

The reserves booking condition was not met by 30 November 2020 and therefore the full balance of performance rights expired during the year.

21. Parent company information

The assets, liabilities and results of the parent company are disclosed below in accordance with the accounting policy described in Note 2.

Galilee Energy Limited	**30 Jun 21** **$**	30 Jun 20 $
Assets		
Current assets	**19,146,505**	20,654,467
Non-current assets	**1,751,358**	1,417,455
Total assets	**20,897,863**	22,071,922
Liabilities		
Current liabilities	**1,543,467**	2,369,609
Non-current liabilities	**3,833,393**	2,874,913
Total liabilities	**5,376,860**	5,244,522
Net assets	**15,521,003**	16,827,400
Shareholders' Equity		
Issued capital	**122,050,706**	107,895,707
Reserves	**3,039,062**	2,733,304
Accumulated losses	**(109,568,765)***	(93,801,611)*
Total shareholders' equity	**15,521,003**	16,824,400
Loss for the year	**(18,500,458)**	(18,026,044)
Total comprehensive loss for the year	**(18,500,458)**	(18,026,044)

***Accumulated Losses**

	30 Jun 21 **$**	30 Jun 20 $
Balance at the beginning of the year	**(93,801,611)**	(76,011,693)
Loss for the period	**(18,500,458)**	(18,026,044)
Total comprehensive loss	**(112,302,069)**	(94,037,737)
Transfers from share-based payments reserve	**2,733,304**	236,126
Balance at the end of the year	**(109,568,765)**	(93,801,611)

Notes to the Consolidated Financial Statements (continued)

21. Parent company information (continued)

The parent company did not have any contingent liabilities at 30 June 2021 (2020: $Nil). The parent company has not entered into any guarantees in relation to the debts of its subsidiaries (2020: $Nil).

22. Contractual commitments

The parent company had no contractual commitments for the acquisition of property, plant and equipment at 30 June 2021 (2020: $ Nil). The parent company has not guaranteed the debts of any subsidiary company (2020: $ Nil), other than through its tax sharing and tax funding agreements.

23. Contingent Liabilities

The directors are not aware of any contingent assets or liabilities for the Group (2020: $ Nil).

24. Commitments

Bank guarantees

National Australia Bank have provided bank guarantees totalling $1,236,590 (June 2020: $1,236,590) as follows:
The bank guarantees are secured by term deposits.

- $1,194,472 (June 2020: $1,194,472) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees; and
- $42,118 (June 2020: $42,118) to the landlord of the Brisbane office premises to support the Group's obligations under the lease of the Eagle Street, Brisbane premises.

Exploration expenditure

In order to maintain its interests in the exploration permits in which the Group is involved, the Group is required to meet certain conditions imposed by the various statutory authorities granting the exploration permits or that are imposed by the various joint arrangements entered into by the Group. These conditions include minimum expenditure commitments.

At reporting date, the Group's minimum work program commitments for the Galilee Basin permit (ATP 2019) have been met. For Springsure (ATP 2050) and Kumbarilla (ATP 2043), these permits are both in year 2 of their initial, six year work programme and fully compliant with the commitments on these tenements.

Actual expenditure may vary significantly from the minimum commitment obligations and will be dependent on the outcome of exploration activity currently being planned.

Commitments in the United States of America and South America in the next 12 months are nil (2020: $ Nil). There are no commitments beyond 30 June 2021.

25. 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 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 (continued)

Segment Information (continued)

Segment performance

The following table shows the revenue and exploration and evaluation expenditure information regarding the Group's operating segments for 30 June 2021 and 30 June 2020.

	Australia		United States		South America	
	Qld	Illinois	Texas	Kansas	Chile	Total
30 June 2021	$	$	$	$	$	$
Segment Result						
Exploration & evaluation costs	(18,488,623)	-	-	-	-	(18,488,623)
Segment result before tax	(18,488,623)	-	-	-	-	(18,488,623)
Reconciliation of segment result to Group loss before tax						
Interest revenue						95,987
Other income						6,803,893
Employee benefits expense						(4,673,393)
Consulting fees						(843,717)
Business development						(14,700)
Administration expenses						(1,379,905)
Loss before tax						(18,500,458)
30 June 2020						
Segment Result						
Exploration & evaluation costs	(13,668,212)	-	-	-	(381)	(13,668,593)
Segment result before tax	(13,668,212)	-	-	-	(381)	(13,668,593)
Reconciliation of segment result to Group loss before tax						
Interest revenue						276,272
Other income						98,000
Employee benefits expense						(2,615,265)
Consulting fees						(282,424)
Business development						(18,263)
Administration expenses						(679,289)
Loss before tax						(16,889,562)

Notes to the Consolidated Financial Statements (continued)

26. Notes to the Statement of Cash Flows

		Note	Consolidated	
			30 Jun 21	30 Jun 20
(a)	**Reconciliation of cash flow from operations**		**$**	$
	Loss for the period	25	**(18,500,458)**	(16,889,562)
	Depreciation		**533,976**	142,340
	Inventory write-off		**8,516**	-
	Share-based payments		**3,039,062**	987,318
	Net exchange differences		**-**	(650)
	Changes in operating assets and liabilities			
	Decrease in trade and other receivables		**257,897**	(153,091)
	Decrease in trade payables and accruals		**(182,613)**	799,682
	Decrease/(Increase) in prepayments		**(135,717)**	(79,384)
	(Decrease)/Increase in provisions		**939,854**	(330,527)
	(Decrease)/Increase in inventory		**(80,737)**	(1,261,166)
			(14,120,220)	(16,785,040)

(b) Non-cash financing and investing activities

	Consolidated	
	30 Jun 21	30 Jun 20
Shares issued under employee share option plan	**10,500,000**	750,000
	10,500,000	750,000

(c) Reconciliation of liabilities arising from financial activities

	1 Jul 20 Opening balance	Cash Inflows	Interest Expense	Principal repayment	Non-cash changes	30 Jun 21 Closing balance
	$	$	$	$	$	$
Lease liability	121,389	-	20,730	388,306	610,474	322,827
	121,389	-	20,730	388,036	610,474	322,827

27. Events occurring after reporting date

On 29 July 2021, the Department of Environment and Science required Galilee Energy to provide additional surety of $277,137.96 with respect to ATP2019. This increase was due to the additional wells drilled during the reporting period.

28. Related party transactions

Parent entity

The parent company within the Group and the ultimate parent company is Galilee Energy Limited.

Subsidiaries

Interests in subsidiaries are set out in note 18.

Notes to the Consolidated Financial Statements (continued)

28. Related party transactions (continued)

Key management personnel

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 the participant option holders amounting to $750,000 for the sole purpose of satisfying the exercise price of Option (Loans). Included in the loans was an amount of $437,500 advanced to the Managing Director Mr Peter Lansom.

The terms and conditions of the loan to Peter Lansom were as follows:

1. The loan was provided for the sole purpose of facilitating the exercise of the 18 November 2019 Options;
2. The term was varied to 24 months, with interest payable on the balance of the loan accruing from November 2020, 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 instalments were varied from two (2) equal instalments of 18 November 2020 and 18 May 2021 to a single payment on 18 November 2021; 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,

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. Supplementary information relating to key management personnel are set out in the remuneration report.

The loan to Peter Lansom, including interest, was fully paid on 22 June 2021.

Terms and conditions

All transactions with related parties are made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

Transactions with controlled entities

Transactions between Galilee Energy Limited and its subsidiaries during the year included:

- Loans advanced to subsidiaries; and
- Investments in subsidiaries

Loans to subsidiaries have been impaired as noted in Note 2 Critical Estimates and Judgements – Loans to and investments in subsidiaries. The loans to subsidiaries are interest free, repayable in cash at call and are unsecured.

Notes to the Consolidated Financial Statements (continued)

29. Financial risk management

Overview

The Group's principal financial instruments comprise receivables, payables, lease liabilities, available for sale financial assets, cash, term deposits and financial liabilities at fair value. The main risks arising from the Group's financial assets and liabilities are interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. There have been no significant changes since the previous financial year to the exposure or management of these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The key risks are monitored and reviewed on a regular basis and as circumstances change (e.g. acquisition of new entity or project) policies are created or revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst minimising potential adverse effects on financial performance.

Given the nature and size of the business, and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains.

The Group's financial instruments consist of deposits with banks, short-term investments, accounts receivable, payable and lease liabilities. The totals for each category of financial instruments are as follows:

		Consolidated	
	Note	30 Jun 21	30 Jun 20
Financial Assets		$	$
Cash and cash equivalents	9	**18,226,603**	18,088,918
		18,226,603	18,088,918
Financial Liabilities			
Trade and other payables	14	**1,219,533**	2,310,390
Lease liabilities	13(b)	**322,827**	121,389
		1,542,360	2,431,779

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

Specific financial risk exposures and management are summarised below.

Interest rate risk

Exposure to interest rate risk arises on cash and term deposits recognised at reporting date because a future change in interest rates will affect future cash flows received from variable rate financial instruments or the fair value of fixed rate financial instruments.

Interest rate risk is managed by forecasting future cash requirements (generally up to one year). Cash deposit interest rate information is obtained from a variety of banks over a variety of periods (usually one month up to six-month term deposits) and funds are then invested in an optimised fashion to maximise interest returns.

Notes to the Consolidated Financial Statements (continued)

29. Financial risk management (continued)

The Group's financial assets and liabilities bear variable or effective interest rates which are summarised in the table below.

	Interest rate (% p.a.)	
	Variable Interest Rate	Effective Interest Rate
Financial Asset		
Cash and cash equivalents	0.05% - 0.35%	
Financial Liability		
Lease Liability		4%

Interest rate sensitivity

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable. These sensitivities assume that the movement in a particular variable is independent of other variables.
A sensitivity of 2% interest rate has been selected as this is considered reasonable given the current market conditions. A 2% movement in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2021.

Interest rate sensitivity	Profit or Loss		Equity	
	2% increase	2% decrease	2% increase	2% decrease
2021 - Consolidated	$	$	$	$
Cash and cash equivalents and restricted cash	364,730	(364,730)	364,730	(364,730)
2020 - Consolidated				
Cash and cash equivalents and restricted cash	361,778	(361,778)	361,778	(361,778)

Credit risk

The Group is exposed to significant credit risk through its cash and cash equivalents. At 30 June 2021, the Group had $2.784 million excluding term deposits (2020: $3.189 million) in accounts with the National Australia Bank.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid.

Notes to the Consolidated Financial Statements (continued)

29. Financial risk management (continued)

The following table shows the contractual maturity for non-derivative financial liabilities.

	Note	<1 year	>3 years	>5 years	Total Contractual Cash Flows	Carrying Amount
Consolidated - 30 June 2021		**$**	**$**	**$**	**$**	**$**
Trade and other payables	14	1,219,533	-	-	1,219,533	1,219,533
Lease liability	13(b)	322,827	-	-	328,306	322,827
		1,542,360	-	-	1,547,839	1,542,360
Consolidated - 30 June 2020						
Trade and other payables	14	2,247,113	-	63,277	2,310,390	2,310,390
Lease liability	13(b)	94,477	26,912	-	121,389	121,389
		2,341,590	26,912	63,277	2,431,779	2,431,779

Foreign exchange risk

Foreign exchange risk arises from financial assets and liabilities denominated in a currency that is not the operating entity's functional currency. The Group's reporting currency is Australian dollars (AUD). At reporting date, the Group's financial liabilities is nil.

As a result of activities overseas, the Group's statement of financial position can be affected by movements in exchange rates. The Group also has transactional currency exposures. Such exposures arise from transactions denominated in currencies other than the functional currency of the Group. The Group's exposure to foreign currency risk primarily arises from the Group's operations overseas, namely in the USA.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk. The Group's policy is to generally convert its local currency to US dollars at the time of transaction. The Group has, on rare occasions, taken the opportunity to move Australian dollars into foreign currency (ahead of a planned requirement for those foreign funds) when exchange rate movements have moved significantly in favour of the Australian dollar, and management considers that the currency movement is extremely likely to move back in subsequent weeks or months. Therefore, the opportunity has been taken to lock in currency at a favourable rate to the Group. This practice is expected to be the exception, rather than the normal practice.

Fair value estimation

The Group has no financial assets or financial liabilities for which the fair value differs materially from the carrying value in the financial statements.

Directors' declaration

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

Raymond Shorrocks
Chairman

Brisbane, 23 September 2021

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 REPORT

To the members of Galilee Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Galilee Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going Concern

Key audit matter	How the matter was addressed in our audit
Refer to Note 2 The financial statements have been prepared on the going concern basis, which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and realise assets and settle liabilities in the ordinary course of business. As the Group generates no revenue and is reliant on funding from other sources such as capital raising, there is significant judgement involved in determining whether the going concern basis adopted is appropriate and is critical to the understanding of the financial statements as a whole. As a result, this matter was considered key to our audit.	Our procedures, amongst others, included: • Assessing the cash flow forecasts provided by management and challenging the assumptions therein to determine whether there is consistency with management's intention and stated business and operational objectives. • Checking the mathematical accuracy of the cash flow forecasts. • Performing sensitivity analysis, on the cash flow forecast provided to determine if the Group has sufficient funds to continue as a going concern for the next 12 months.

Provision for rehabilitation

Key audit matter	How the matter was addressed in our audit
Refer to Note 15 The Group has recognised provision for rehabilitation as at 30 June 2021. The provision for rehabilitation was a key audit matter due to judgement involved in estimating expected costs and timing to rehabilitate disturbed areas in future periods and the amount is material.	Our procedures, amongst others, included: • Checking the mathematical accuracy of the provision calculation and agreeing the underlying inputs used within the calculation to management's expert report; • Assessing the competence, capability and objectivity of the Group's, external experts used in the determination of the provision estimate; and • Evaluating the completeness of the provisions through examination of the Group's operating locations and corroborating with ASX announcements and minutes review.

Other information

The directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Galilee Energy Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 23 September 2021