

Chairman's and Managing Director's Address to AGM

23 November 2021

Our 2021 Annual Report was released on October 22nd, this year and provided a comprehensive update on our very busy year. Our progress since then has certainly had its challenges however we believe all the disruptive issues within our control are now resolved.

Under these circumstances, and with the technical challenges of these virtual meetings, we are not proposing to make a full technical presentation at today's meeting, but will of course be happy to answer any questions that you may have.

This is not to say that we have not made good progress during the past year. The successful drilling of the vertical wells around the lateral pilot, followed by a successful pump enhancement programme, made it possible to increase the water offtake rate to around 20,000 barrels a day. This accelerated dewatering enabled us to draw down the reservoir pressure at the central lateral wells, and was clearly followed by an increase in the flow of desorbed gas, as opposed to solution gas, from the R3 seam in which the lateral wells are completed. Perhaps more importantly, the increased water offtake demonstrated clearly that water rates of 20,000 barrels per day and more, enables rapid pressure drawdown across the multi-seam Betts Creek coal sequence over a wide area. Although multiple pump failures – undoubtedly a consequence of gas and solids transport in a transitioning reservoir – meant that we were not able to maintain these high water rates for long enough to fully unlock the very large Glenaras gas resource, we have clearly demonstrated what we can look forward to when we can.

The learnings from the pump failures are essentially twofold: firstly, our well completions going forward will be designed to better allow for handling any coal solids liberated from a depressured seam. And secondly, we need to provide more redundancy in our offtake points, so that high water rates can be maintained even when we suffer occasional and inevitable pump failures.

Plans to deliver this redundancy, together with more robust completion designs, are well advanced. As a first stage of this recovery programme, we are pleased to report today that we have now secured the crew to start later this week on completing the work-overs we started later in October. Successfully completing these workovers will enable us to progress our pressure drawdown in the vertical wells in the outer pilot area.

Hard data now confirms that we have a high quality reservoir, laterally extensive connected coals, and importantly clear evidence of pressure depletion as far as 7km from the central pilot. This augurs well for increased value for shareholders.

We have during the year enjoyed considerable success in demonstrating an ability to handle in a sustainable way the high volumes of water which have to be removed from the coal sequence to liberate the contained gas. As well as solving our water handling and disposal issues, our irrigation installations have been so successful as to open up attractive commercial cropping opportunities which we are currently actively investigating. Our produced water is both hot and relatively fresh, and there are good reasons for optimism on extracting additional value from this produced water through irrigation and other novel technologies such as Hydrogen.

The Company is extremely well positioned for the transition to a lower carbon future. We have an MoU with Sunshot Energy assessing the carbon capture and storage, and hydrogen revenue streams. We are in the early stages also of assessing the viability of mini solar farms for early development activities, and as mentioned earlier, two centre pivot irrigation systems and a third irrigation system are already fully functional.

With the retirement from the board in the middle of this year of our long-term Managing Director, the Board set about identifying and attracting a candidate with the necessary skills to take the Company through its next stage of development. In the knowledge that in a burgeoning gas market this search could be very challenging endeavour, David King agreed to fill the role on an interim basis. We expect shortly to be able to announce a succession plan that will serve the Company well going forward.

In conclusion, we look back on the year of mixed fortunes with great optimism. We have clearly demonstrated what it will take to unlock the highly valuable and strategic Glenaras gas resources, and are totally focused on our primary goal of delivering its gas into the gas-short eastern Australian market. We recognise that our achievements would not have been possible without the support and patience of our shareholders, who we thank unreservedly.

Likewise, we acknowledge the outstanding contribution of our staff and service providers, who have delivered probably our busiest ever programme safely, in accordance with maintaining environmental integrity, and in cooperation with the landowners and community in which we operate.

This announcement was released with the authority of the Board.

About Galilee

Galilee Energy is focused on creating a high value exploration and production company building on its core strengths in coal seam gas appraisal and development. Its primary area of focus is Queensland where it is appraising the Galilee Basin and exploring in the Surat and Bowen Basins whilst looking to add further high quality acreage to its portfolio.