

December 2021 Quarterly Report & Appendix 5B

Highlights

31 January 2022

- Experienced coal seam gas expert David Casey appointed as Managing Director.
- Workover operations on G10L, G17, G20 and G23 completed successfully with each of these high producing wells back online.
- Total pilot water production restored to a peak of 19,300 BWPD in mid December 2021.
- Direct pressure measurements at Glenaras 14 indicate that reservoir pressure is down to the lowest level observed to date confirming the entire Betts Creek Coals are successfully being de-pressured. This is the first step in unlocking significant gas reserves in multiple coal seams across a large area of the Glenaras field.
- Successful water handling through irrigation, confirmation that our produced water is of a quality to grow a range of commercial crops as we look to monetise our emissions strategy.
- Strong balance sheet with current cash position of \$10.1 million as at 31 December 2021, with no debt.

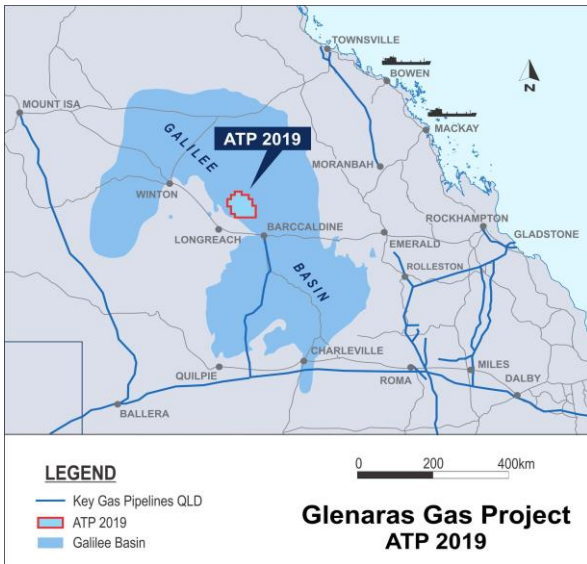
Comments from Managing Director and CEO David Casey:

“Having now had time to review the reservoir and operational challenges past and present, it is clear that the Glenaras Pilot is at an exciting inflection point for gas production, not unlike other successful CSG fields in Australia after years of continued pumping.

With evidence of modest desorption, I am firmly of the view that a concerted effort to achieve what is anticipated to be commercial gas production rates is definitely justified, particularly when considering the size and value of the prize of a 100% owned multi-TCF gas resource on the east coast.”

Glenaras Gas Project (ATP 2019) – GLL 100%

Galilee Energy Limited (ASX:GLL) (“Galilee”) is pleased to provide an update on the Glenaras multi-well pilot programme (“Pilot”) in the Galilee Basin in Queensland (Figure 1).



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

The Project has one of the largest contingent gas resources on the east coast and is strongly positioned to help address AEMO’s forecast eastern Australian domestic market gas shortfall expected from around 2023. The Project’s independently derived and certified Contingent Resource* within the Betts Creek coals are 1C of 308 PJ, 2C of 2,508 PJ and 3C of 5,314 PJ, which represents sufficient gas supply to fulfil 25% of eastern Australian domestic market needs for over 30 years (3C Contingent Resource at 650 PJ/year).

Figure 1 – Glenaras Gas Project.

The workover programme, carried out over two separate campaigns has safely and successfully installed appropriately sized new pumps in the G10L, G17, G20, and G23 wells (see photo below)



incorporating modifications to improve the handling of gas production, leaving the central G14L well (a low water producing horizontal well in the R3 seam) as a valuable observation well.

These pumps were brought back online, with water production gradually restored to a peak rate of 19,300 BWPDP in mid-December 2021.

Workover operations at Glenaras 17

The reason for the November 2021 workover campaign was to restore the high (+18,000 BWPD) water rates which have demonstrably depleted pressures in the entire multi-seam Betts Creek sequence as far as 7 kms from the central Pilot area (ASX release 24 June 2021).

Prior to the previously reported pump failures, the Pump Enhancement Programme (PEP) progressively implemented mid-year (ASX release 29 July 2021) was successfully drawing down the pressure across the Pilot area at an accelerated rate.

The greatly increased rate of pressure draw-down achieved with the PEP is shown schematically in Figure 2 below.

GLENARAS PILOT - PRESSURE HISTORY

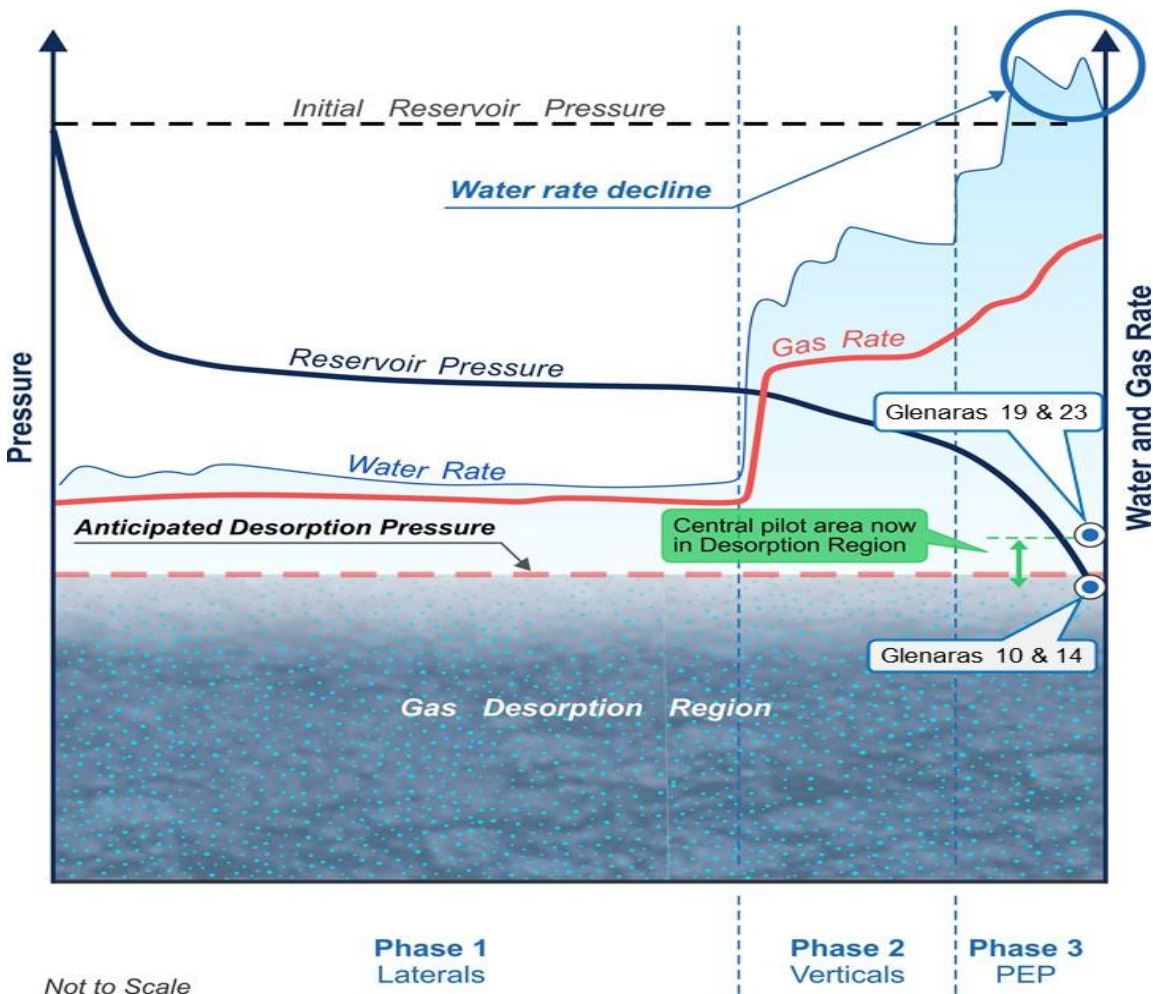


Figure 2 - Glenaras Pilot – pressure history

Encouragingly no significant pump downtime has been experienced, with Pilot water production declining from the peak rate in December 2021. The reduction in water rates is associated with a reduction in reservoir pressure and the onset of modest gas desorption, although this does not necessarily translate to simultaneous increased gas production which is often delayed, particularly in low rank coals, requiring sustained pressure reduction over time. The challenge going forward is to expedite this process in the most cost-effective manner.

Water handling projects



Oats after 10 days of planting on pivot 2 area.

Efficient water handling remains critical to the efficient operation of the Pilot. During the quarter, three irrigation areas were successfully utilised. R&D efforts to develop an understanding of intensive cropping options continue to be progressed. Four different forage fodder species have now been tested for suitability and yield. The water handling capacity of the irrigation schemes together with the on-site water storage and reverse osmosis plant is in excess of 20,000 BWPD.

To date Pivot 1 has had five cuts of forage sorghum, Pivot 2 has had two cuts of forage oats and the



Second sorghum crop at pivot 1 area.

most recent travelling irrigator area had its first cut of forage barley. The plan for the next quarter is to plant the Pivot 2 area with a new forage sorghum varietal. Other irrigation areas will be intensively sampled to confirm soil improvement to date and will be rested in early Q2 2022.

The performance of the cropping trials is a clear demonstration that the produced water is of sufficient quality to grow a range of commercial crops. This will create significant opportunities for value creation



Drone shot of pivot areas 1 and 2.

beyond the existing gas business and represents the first step of an integrated process for Galilee as it looks to leverage off its unique position to manage and monetise its emissions strategy.

ATP 2019 Seismic Reprocessing Project

1,499km of legacy 2D seismic has been fully reprocessed across ATP 2019 (Figure 3) and interpreted, providing increased resolution and understanding of the structural-stratigraphic architecture of the coal seam gas bearing Betts Creek Beds and Aramac Coal Measures. Greater definition is now evident around fault delineation and coal seam distribution, which in turn will support the planning and placement of future exploration and appraisal wells, both around the current Glenaras pilot and elsewhere across the approximately ~3,200 km² of certified Contingent Resource.

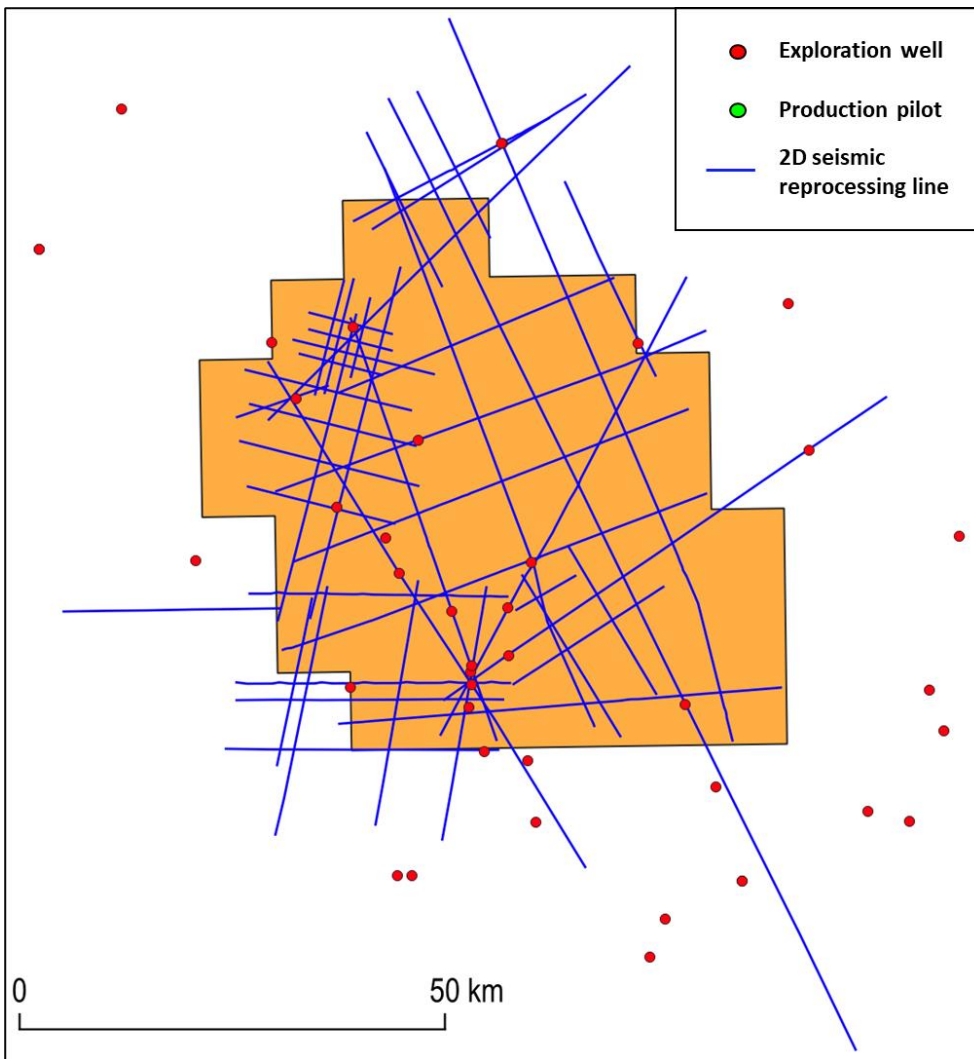


Figure 3 - ATP 2019 seismic reprocessing base map.

ATP 2043 Kumbarilla Project – GLL 100%

Exploration work continues at ATP 2043, progressing the understanding of both the conventional oil and gas prospectivity and coal seam gas prospectivity of the permit. High-grading of future drilling locations remains the primary objective through integration of the reprocessed 675km of 2D seismic with the existing regional well control, the Kumbarilla Central 1, 2 & 3 exploration wells and the adjacent PL 1009 pilot production data gained from the data exchange with Shell.

ATP 2050 Springsure Project – GLL 100%

The Permian stratigraphic section in ATP 2050 hosts conventional gas prospectivity and Late Permian coal seam gas prospectivity, both of which have been proven commercial in the adjacent northern Denison conventional gas fields and the Mahalo project. Evaluation of multiple opportunities for both play types is ongoing with the intention of maturing high integrity locations for exploration drilling.

ATP 2050 is strategically located in close proximity to present day conventional gas facilities and future planned coal seam gas facilities, which places potential new discoveries in a strong position for rapid development and supply to the east coast domestic and export markets.

Corporate

The cash flow for the quarter is presented in the accompanying Appendix 5B (quarterly Cashflow Report). The Company continues to maintain a very strong cash position as at 31 December 2021 of \$10.1 million, with no debt.

During the period, the Company spent \$2.9 million on exploration and evaluation activities, primarily on the Glenaras pilot pump enhancement programme, water management projects and Glenaras Pilot operating activities.

During the quarter, the Board of Galilee Energy announced the appointment of Mr David Casey as Managing Director, effective 1 December 2021 to lead the Company into the next phase of its commercial development.

Mr Casey is an internationally recognised expert in coal seam gas (CSG) exploration and developments with extensive experience as manager and technical expert/advisor in projects across Australia and Asia. He has previously served in senior executive roles in several ASX listed companies, most notably in Eastern Star Gas Limited, where, as Managing Director he was instrumental in the establishment of 2+TCF reserves at the Narrabri Gunnedah Basin CSG Project prior to that company's sale to Santos for a total in excess of A\$1Bn.

Following Mr Casey's appointment, Dr King has stepped down as Managing Director, and in accordance with good corporate practice retired from the Board after eight years' service to the Company as Chairman, non-executive Director and interim Managing Director, effective from 1 December 2021.

The Company's Annual General Meeting was held on 23 November 2021, at which all resolutions were passed.

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

Petroleum Tenements Held

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

Table 1

For further information contact:

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

** Listing Rule 5.42 + The details of Contingent Resources referenced throughout this release in respect to ATP 2019 were announced to the market on 1 September 2015. In accordance with Listing Rule 5.42.3, Galilee Energy confirms that it is not aware of any new information or data that materially affects the information in that market announcement reporting the details of the Contingent Resources for ATP 2019 and that all of the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.*

About Galilee

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

This announcement was released with the authority of the Board.

Directors

Chairman – Ray Shorrocks

Managing Director – David Casey

Non-Executive Director – Stephen Kelemen

Non-Executive Director – Gordon Grieve

Non-Executive Director – Greg Columbus

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

GALILEE ENERGY LIMITED

ABN

11 064 957 419

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) exploration & evaluation	(2,944)	(6,517)
(b) development	-	-
(c) production	-	-
(d) staff costs	(429)	(929)
(e) administration and corporate costs	(116)	(251)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - Inventory	-	-
1.9 Net cash from / (used in) operating activities	(3,471)	(7,678)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(3)	(14)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - Rental bonds received	135	(142)
2.6 Net cash from / (used in) investing activities	132	(156)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other - Payment for principal portion of lease liabilities	(92)	(268)
3.10 Net cash from / (used in) financing activities	(92)	(268)

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
4. Net increase/ (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	13,556	18,227
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,471)	(7,678)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	132	(156)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(92)	(268)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	10,125	10,125
5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	265	219
5.2 Call Deposits	9,860	13,337
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,125	13,556
6. Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1 Aggregate amount of payments to related parties and their associates included in item 1	323	
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-	
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments		
6.1 - Directors' fees.		
7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
8. Estimated cash available for future operating activities	\$A'000	
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,471)	
8.2 (Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-	
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,471)	
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,125	
8.5 Unused finance facilities available at quarter end (item 7.5)	-	
8.6 Total available funding (item 8.4 + item 8.5)	10,125	
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.9	
Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.		
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:		
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?		
Answer:		
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?		
Answer:		
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?		
Answer:		

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

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

Compliance statement

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

Date: 31 January 2022

Authorised by: The Board of Directors

(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee"
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.