

# ASX / MEDIA ANNOUNCEMENT



## September 2022 Quarterly Report & Appendix 5B

28 October 2022

### HIGHLIGHTS

- Data from the Glenaras Gas Pilot continues to confirm the geological model as interpreted
- With 17 wells now completed, water production rates in early October have accelerated to 30,000 BWPD and gas approaching 90 Mscfd
- Latest data indicates the Pilot is performing stronger than ever in its history with encouraging reservoir pressure decline
- Target time frame for maiden Glenaras reserves certification remains around end Q1 2023
- Non-binding MoU signed with APA to collaborate on potential development of infrastructure to connect the Glenaras Project to Queensland and interstate gas markets
- Company is well capitalised with net cash of \$9.7 million at September 30 and no debt

Galilee's Managing Director, David Casey commented:

*I am delighted with the results thus far at the Glenaras Project. With 17 wells completed, water production has ramped up strongly and reservoir pressure is declining. We are currently on trend to observe an increasing area of coal below desorption pressure which would see larger volumes of desorbed gas in coming months. This augurs well for the future as the Company continues to confidently head towards Glenaras' maiden reserves certification in 2023.*

*Our non-binding MoU signed with APA Group during the quarter to collaborate on potential development of infrastructure to connect Glenaras to Queensland and interstate gas markets is, in my view, indicative of the positive view taken by gas industry players of the commercial prospects for Glenaras.*

**Building an integrated & diversified sustainable energy company**



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ASX Code  
GLL

## Glenaras Gas Project (ATP 2019) – Galilee 100%

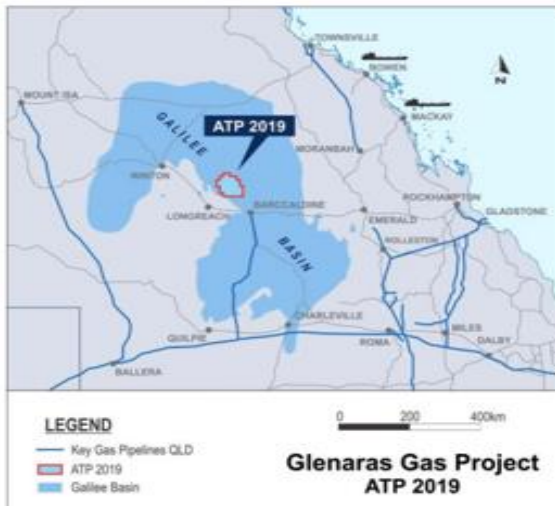


Figure 1: Glenaras Gas Project

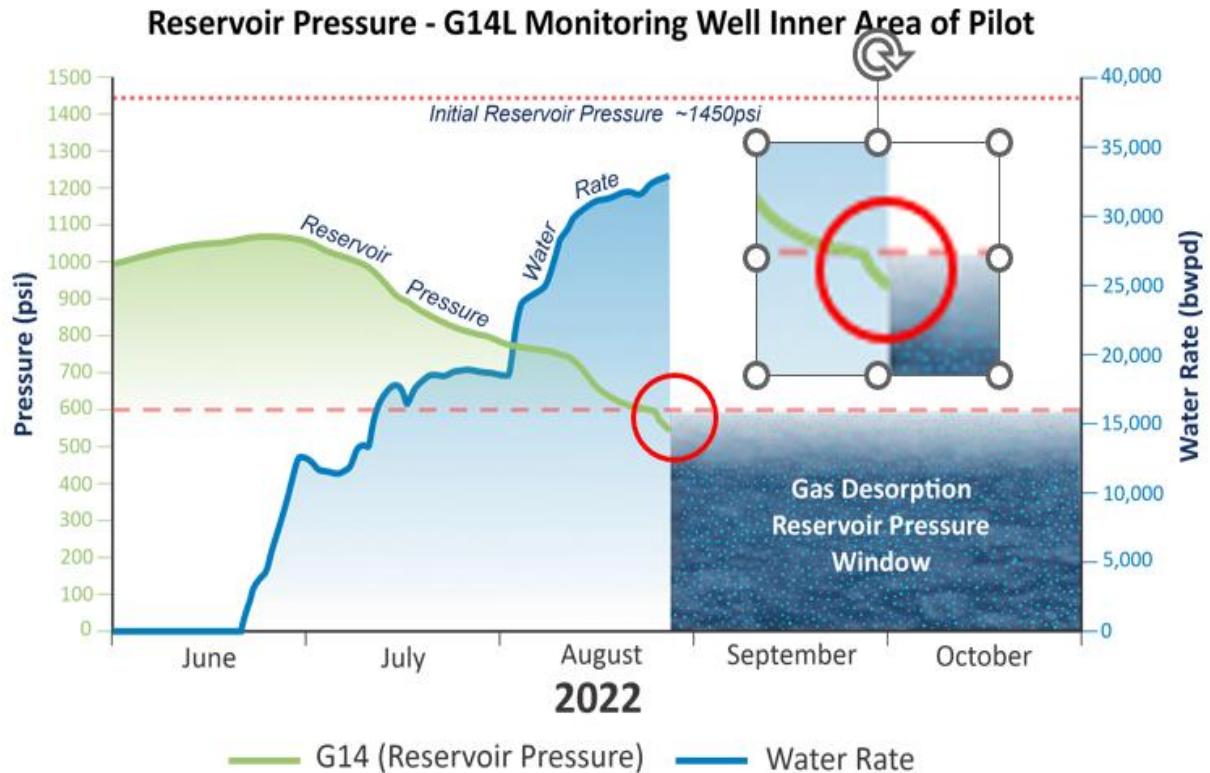
Galilee Energy Limited (ASX:GLL) (“Galilee”) is pleased to provide an update on the Glenaras multi-well pilot programme (“Pilot”) in the Galilee Basin in Queensland (Figure 1). The Glenaras Gas Project (“Project”) is located in ATP 2019, which is 100% owned and operated by Galilee. The Permit covers an area of approximately 3,200km<sup>2</sup>.

With the completion of the Glenaras drilling programme in the June quarter, the focus during the September quarter was on monitoring the depressurisation of the Betts Creek coals and adjacent sands to initiate gas desorption and achieve commercial gas production in support of a material maiden reserves booking in 2023. Based on results thus far, our confidence in the geological modelling remains high.

The Pilot now has 17 wells completed, namely the 11 original wells along with six new wells from the recent programme. The reservoir pressure sink continues to expand and recently collected reservoir pressure data indicates that the Pilot is currently performing better than ever in its history. The pressure sink is now growing faster than it has previously and the Pilot is beginning to expand the volume of coal below the estimated desorption pressure. Pilot water production exceeded 30,000 BWPd and remains high, whilst gas production increased to around 90 Mscfd.



Glenaras 14L, which is currently being used as an important observation well, has recorded its lowest pressure since commencement of the Pilot. This confirms that the R3 seam, in the central region of the Pilot, is within the critical desorption window. Additionally, the vertical production wells surrounding the laterals are also rapidly approaching the critical desorption pressure window. The decline rates observed in these wells is a direct consequence of the additional wells which have recently been put online and the production history plot in Figure 2 highlights the significant changes that are occurring within the Pilot as a consequence.



**Figure 2:** Glenaras 14 reservoir pressure and water production

The data being yielded by the Pilot will underpin the conversion of a portion of the Project’s independently derived and certified Contingent Resource\* estimate to a maiden reserve certification. This remains on schedule for early 2023.

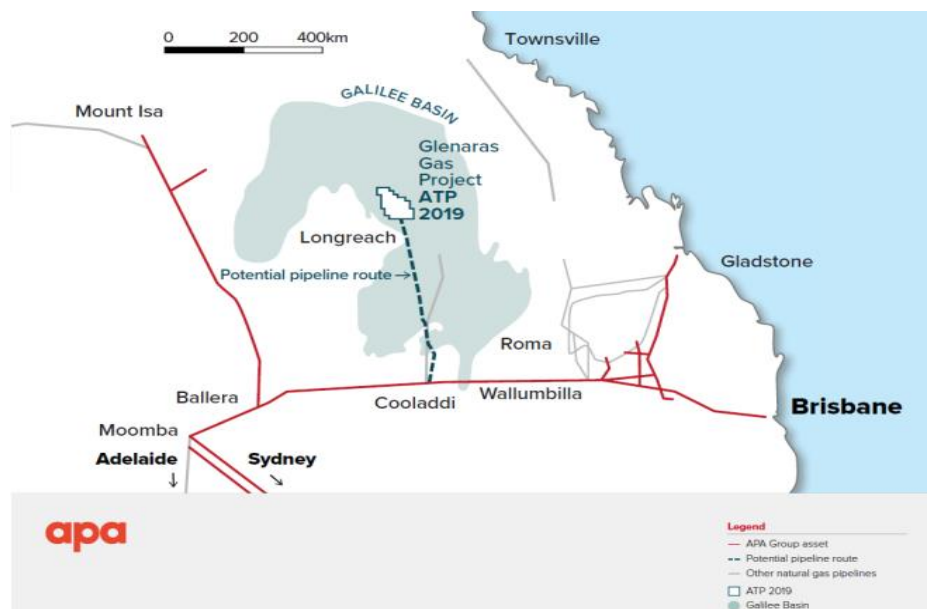
Category	Contingent Resource (PJ)	Area (km <sup>2</sup> )
1C	308	~36
2C	2,508	~1,200
3C	5,314	~2,500

**Table 1:** Glenaras Gas Project Contingent Resources Estimate

During the Quarter the Company signed a non-binding MoU with leading Australian energy infrastructure business, APA Group ('APA'), (through its wholly owned subsidiary APT Management Services Pty Limited) with regards to a potential pipeline to connect the Glenaras Project to east coast gas markets.

The terms of the non-binding MoU provide a framework for Galilee and APA to negotiate agreements under which APA could potentially design, develop and operate the infrastructure to connect the Project and utilise APA's existing assets to provide transport to multiple natural gas markets on the east coast. The MoU could enable further discussions regarding documentation to govern the potential pipeline proceeding to detailed design, route selection and costings.

APA's initial concept is to potentially design and develop a pipeline from the Project to the Cooladdi compressor station on the South West Queensland Pipeline ('SWQP'), (the Galilee Basin Pipeline). The SWQP is owned and operated by the APA Group. The Cooladdi compressor station is approximately 420 km south of the Glenaras Project area.



**Figure 3:** Proposed route of potential pipeline to connect Glenaras Gas Project to the SWQP

A key benefit of connection to the SWQP is the possibility of supplying gas from Glenaras to customers interstate, as well as in Queensland. The SWQP connects the Moomba gas hub in north east South Australia to the Wallumbilla Gas hub, allowing bidirectional flow of gas between Queensland and southern markets via the Moomba to Sydney Pipeline ('MSP') and the Moomba to Adelaide Pipeline System ('MAPS'). At Ballera, there is a connection to the Carpentaria Gas Pipeline which supplies gas to Mount Isa.

Demonstrating to potential gas customers the deliverability of gas from Glenaras via suitable downstream infrastructure is a key priority for the Company. This relationship with APA, one of Australia's leading energy infrastructure business, is a step forward in this regard and the Company looks forward to working with APA to advance the work streams contemplated by the MoU.

The Company continued to make good progress in the Quarter with respect to its efforts to produce energy in an environmentally sensitive manner, with agricultural activities for CO<sub>2</sub> sequestration a key part of this strategy.

Irrigation trials at Glenaras continue to successfully handle the large volumes of fresh water being produced by the Pilot. Currently, the crops being grown are a combination of forage sorghum, barley and a small amount of lucerne. Good yields are still being recorded across the different irrigation areas. These results are very encouraging for the long-term water handling aspects of the Project.

During the quarter the Company also announced its participation in a silvicultural trial designed by Sunshot Industries as a proof of concept for the identification of specific tree species best suited for future use as plantation biomass.

The successful identification of the most efficient plantation biomass could then potentially result in its use on the Company's acreage, irrigated by the fresh water yielded from the Glenaras Gas Project with CO<sub>2</sub> sequestration possibilities as an offset to Scope 1 and 2 emissions.



## ATP 2043 Kumbarilla Project – Galilee 100%

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Prospect scale review continues for identification of future conventional oil and gas and coal seam gas drilling locations across the permit. Integration of the fully reprocessed 675km of 2D seismic has delineated multiple conventional oil and gas leads that are analogous to nearby discovered fields on the eastern flank of the Taroom Trough, including the on-trend Moonie oil field, which has so far produced approximately 24 million barrels of oil. The seismic is also being integrated with the previously drilled Kumbarilla-1, 2 & 3 coal seam gas exploration wells to determine the next round of drilling activity in the world-class Walloons coal seam gas fairway, over which the permit lies.

## ATP 2050 Springsure Project – Galilee 100%

Reprocessing of the full 696km of 2D seismic within and around the permit has identified multiple, drillable conventional gas prospects with additional, encouraging leads also mapped. The gas prospects are analogous to the immediately adjacent northern Denison gas fields with potential for gas resources in stacked Early to Late Permian sands. A recent petrophysics study has further upgraded the prospectivity of the prospects and leads in ATP 2050, indicating potential likelihood of missed gas pay in previous exploration wells in and surrounding the permit, increasing the probability of an active gas system at multiple levels.

Coal seam gas prospectivity is also interpreted across a 50km fairway along the eastern flank of ATP 2050. The primary target is the Late Permian Bandanna Coal Measures, which are analogous to the nearby Mahalo development (20km to the east) with coal development confirmed in ATP 2050 by numerous, prior coal boreholes. Initial drilling locations are currently being assessed.

## Gas Market Update

The invasion of Ukraine by Russia in the March Quarter has triggered a major energy crisis which continues to impact global energy markets. The conflict has added further pressure and uncertainty to an already tight natural gas market, particularly in Europe. As the IEA noted in its analysis of global gas prices for Q3 CY22:

*Europe’s surging demand for LNG to replace Russian pipeline gas supply has led to an exceptionally tight global market. Record high European gas prices have turned the continent into a premium market for LNG, drawing deliveries from other regions, and resulting in supply tensions and demand destruction in several markets.*

During the quarter, gas prices in eastern Australian markets remained at extremely elevated and potentially unsustainable levels, with the LNG netback price at the Wallumbilla Gas Supply Hub at \$56.26 at September 30 and stronger still post quarter end according to ACCC data. The price is up 15% on the June quarter and a remarkable 279% higher than a year ago. The price movements highlight the need for uncontracted gas resources located in proximity to centres of demand.

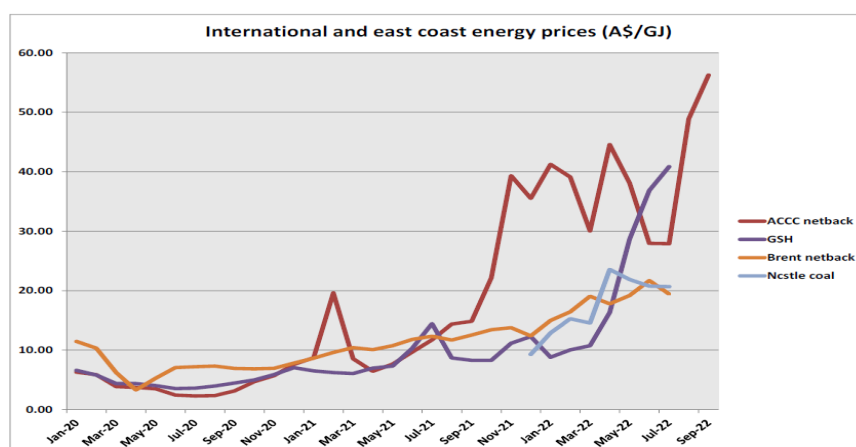


Figure 4: Energy Quest September 2022 Report (ACCC, AEMO and EIA data)

## Corporate

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The cashflow for the Quarter is presented in the accompanying Appendix 5B (Quarterly Cashflow Report).

The Company continues to maintain a very strong cash position as at 30 September 2022 of \$9.7 million, with no debt. During the period, the Company spent \$5.3 million on exploration and evaluation activities, primarily related to the six well drilling programme as well as on the Glenaras water management projects and Glenaras pilot operating activities.

This level of cash outflow in the quarter is a result of the timing of invoices payable for the unusually intense activity level related to the 6 well drilling programme at Glenaras during the preceding quarter. The cash outflow in the September quarter is not representative of a typical quarter for the Company. Peak spend with respect to the Pilot has passed and the Company expects spending to significantly moderate in future quarters.

The Appendix 5B includes an amount in item 6.1 which constitutes director's fees paid in the September 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%

*\* 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.*

This announcement was released with the authority of the Board.

**For further information, contact:**

**David Casey – Managing Director**

**Galilee Energy Limited**

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## About Galilee

Galilee Energy is advancing towards being an integrated and diversified sustainable energy company and a key supplier of natural gas to the east coast market of Australia. The company is the 100% owner of one of the largest uncontracted gas resources on the east coast of Australia, located within the Glenaras Gas Project in Queensland's Galilee Basin. The Glenaras project's location and environmental credentials, including the production of fresh water from its coals for beneficial use in crop production along with low CO2 levels, positions Galilee with the unique opportunity to be a material supplier of sustainable energy with minimal environmental impact.

### Directors

Chairman – Ray Shorrocks

Non-Executive Director – Gordon Grieve

Managing Director – David Casey

Non-Executive Director – Greg Columbus

Non-Executive Director – Stephen Kelemen



## Appendix 5B

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

Name of entity

**GALILEE ENERGY LIMITED**

ABN

**11 064 957 419**

Quarter ended ("current quarter")

**30 September 2022**

#### Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
<b>1. Cash flows related to operating activities</b>		
1.1 Receipts from customers	11	11
1.2 Payments for:		
(a) exploration & evaluation	(5,320)	(5,320)
(b) development	-	-
(c) production	-	-
(d) staff costs	(498)	(498)
(e) administration and corporate costs	(377)	(377)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	16
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	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(6,168)</b>	<b>(6,168)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(296)	(296)
(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	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(296)</b>	<b>(296)</b>
<b>3. Cash flows from financing activities</b>		
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	(25)	(25)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(25)</b>	<b>(25)</b>

**Consolidated statement of cash flows**

	Current quarter \$A'000	Year to date \$A'000
<b>4. Net increase/ (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	16,150	16,150
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(6,168)	(6,168)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(296)	(296)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(25)	(25)
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>9,661</b>	<b>9,661</b>

	Current quarter \$A'000	Previous quarter \$A'000
<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	152	332
5.2 Call Deposits	9,509	15,818
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,661</b>	<b>16,150</b>

	Current quarter \$A'000
<b>6. Payments to related parties of the entity and their associates</b>	
6.1 Aggregate amount of payments to related parties and their associates included in item 1	324
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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<b>7. Financing facilities</b>		
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
<b>7.4 Total financing facilities</b>	-	-

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.

	\$A'000
<b>8. Estimated cash available for future operating activities</b>	
8.1 Net cash from / (used in) operating activities (item 1.9)	(6,168)
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)	(6,168)
8.4 Cash and cash equivalents at quarter end (item 4.6)	9,661
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	9,661
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>1.6</b>

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: No. As outlined in the June 2022 and September 2022 Quarterly Reports, the level of intensity of cash outflow during the September quarter was due to the 6 well drilling programme executed in the prior quarter. On the basis that the cash expenditure rate is returned to the equivalent of the March 2022 quarter, which the Board has no reason to believe will not be the case given the 6 well drilling programme has been successfully completed, it is estimated that the Company would have sufficient funds available to meet the costs of more than 2 quarters.

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: No steps currently undertaken. In the event the Company needs to raise further cash, it will assess all options for raising funds, including third party funding and equity. The Company has no reason to believe any steps taken in this regard will not be successful.

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: Yes. The Directors believe there is sufficient cash available for the Company to continue operating until further funding is obtained.

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: 28 October 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.