

ASX / MEDIA ANNOUNCEMENT



December 2022 Quarterly Report & Appendix 5B

30 January 2023

HIGHLIGHTS

- **The Glenaras pilot continues to dewater with the reservoir pressure at the lowest levels achieved so far.**
- **By quarter-end the pilot had achieved a record gas rate of over 100Mscfd.**
- **Notably for the first time, gas production primarily from the target seams had improved or held steady with concurrent decreasing water rates, and is evidence the pilot is approaching the desorption pressure window.**
- **Company is well capitalised with net cash of \$5.8m at December 31 and no debt.**

Galilee's Managing Director, David Casey commented:

It is very encouraging that the Glenaras project is now seeing reservoir pressure at the lowest levels achieved to date. It is particularly encouraging that we are seeing the gas production rate holding, or in some cases increasing, as water production rates decrease. The pressure sink is now growing faster than it has at any stage and the pilot is beginning to expand the volume of coal below the estimated desorption pressure.

Building an integrated & diversified sustainable energy company



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ASX Code
GLL

Glenaras Gas Project (ATP 2019) – Galilee 100%

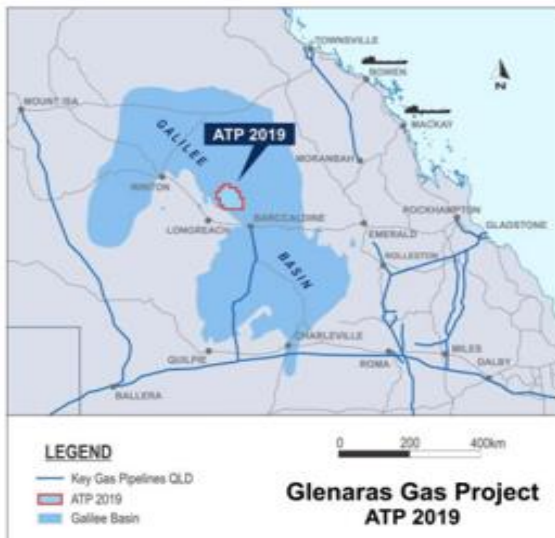


Figure 1: Glenaras Gas Project

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 3,200km².

The primary focus of activity in the December quarter was monitoring the depressurisation of the Betts Creek coals and adjacent sands, required to initiate gas desorption and confirm commercial gas production.

In late December 2022, the Pilot achieved a record gas rate exceeding 100 Mscfd. With all 16 wells online and pumping, the declining water rates are indicative of decreasing reservoir pressure over an area not seen previously at the Pilot. Notably, while still predominantly solution gas, this is the first time that the gas rate, and in particular gas primarily

from the target seams, has shown an increasing trend, or remained steady with concurrent decreasing water rates (See Figure 2). This is evidence that a larger area of the Pilot is approaching the desorption pressure window. Importantly, the reservoir pressure sink has been observed to be both deepening and widening across the Pilot.

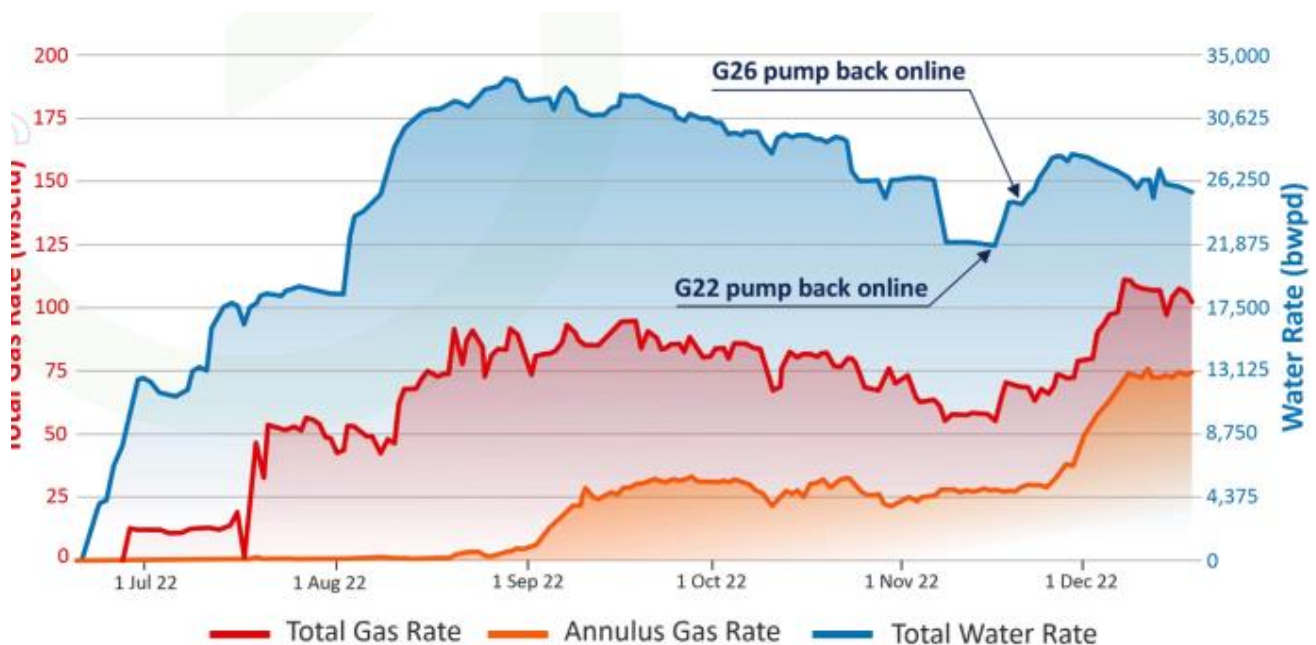


Figure 2: Glenaras Production Rates

In summary, the recent increasing gas production trend demonstrates that the focus of continuing to drive the reservoir pressure lower and getting more coal under the desorption pressure is beginning to achieve the desired results.

The aim of the data being yielded by the Pilot is to underpin the conversion of a portion of the Project's independently derived and certified Contingent Resource* estimate to a maiden reserve certification.

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

Table 1: Glenaras Gas Project Contingent Resources Estimate

Kumbarilla Project (ATP 2043) – Galilee 100%

In conjunction with the ongoing assessment of the identified conventional oil and gas leads and the coal seam gas potential of the Walloons Coal Measures, a review has also commenced on the coal seam gas potential of the Bandanna Coal Measures. These Late Permian coals rise to shallower levels on the eastern flank of the Taroom Trough and lie at drillable depths for exploration and development in ATP 2043. Considerable, deep-seated structuring also exists within the Permian section inside ATP 2043 that may be conducive to fracture enhanced permeability in the coals.

The Late Permian coals of the Bandanna Coal Measures and its stratigraphic equivalents have long been established as commercial coal seam gas targets with world-class production assets in the Spring Gully and Fairview fields on the western flank of the Taroom Trough and the Scotia and Peat fields on the eastern flank.

Springsure Project (ATP 2050) – Galilee 100%

Acquisition of considerable coal mining borehole data within ATP 2050 and its surrounds, has facilitated a review of the coal seam gas potential of the Bandanna Coal Measures. These Late Permian coals extend through a fairway along the permit's north-eastern portion and are analogous to the Mahalo Development located 20 km to the east.

The review is confirming the depth of the coal seams, the architecture and thickness of individual seams and the gas contents, to determine where appropriate exploration wells could be positioned to mature the resource to reserves.

This review is being conducted in parallel to the ongoing assessment of the multiple conventional gas prospects and leads which the seismic reprocessing and remapping have identified in the permit. Any material gas discovery at ATP 2050 can be potentially expedited to market, due to its proximity to both conventional gas production facilities and the planned Mahalo coal seam gas development.

New Ventures

During the quarter the Company signed a non-binding memorandum of Understanding (MoU) with Oil India Limited (OIL) to investigate partnering on CSG opportunities in India and Australia. OIL is a state-owned enterprise of the Government of India and is the country's second largest national oil and gas company. It operates and participates in multiple domestic Indian exploration and production ventures as well as owning a significant international portfolio of assets spread across seven countries and three continents.

Gas Market Update

During the December quarter, gas prices in eastern Australian markets reached record levels with the LNG netback price at the Wallumbilla Gas Supply Hub exceeding \$66/GJ in October before ending the period at what was still an extremely robust \$33.74/GJ, according to ACCC data. The price movements continue to highlight the need for uncontracted gas resources located in proximity to centres of demand.

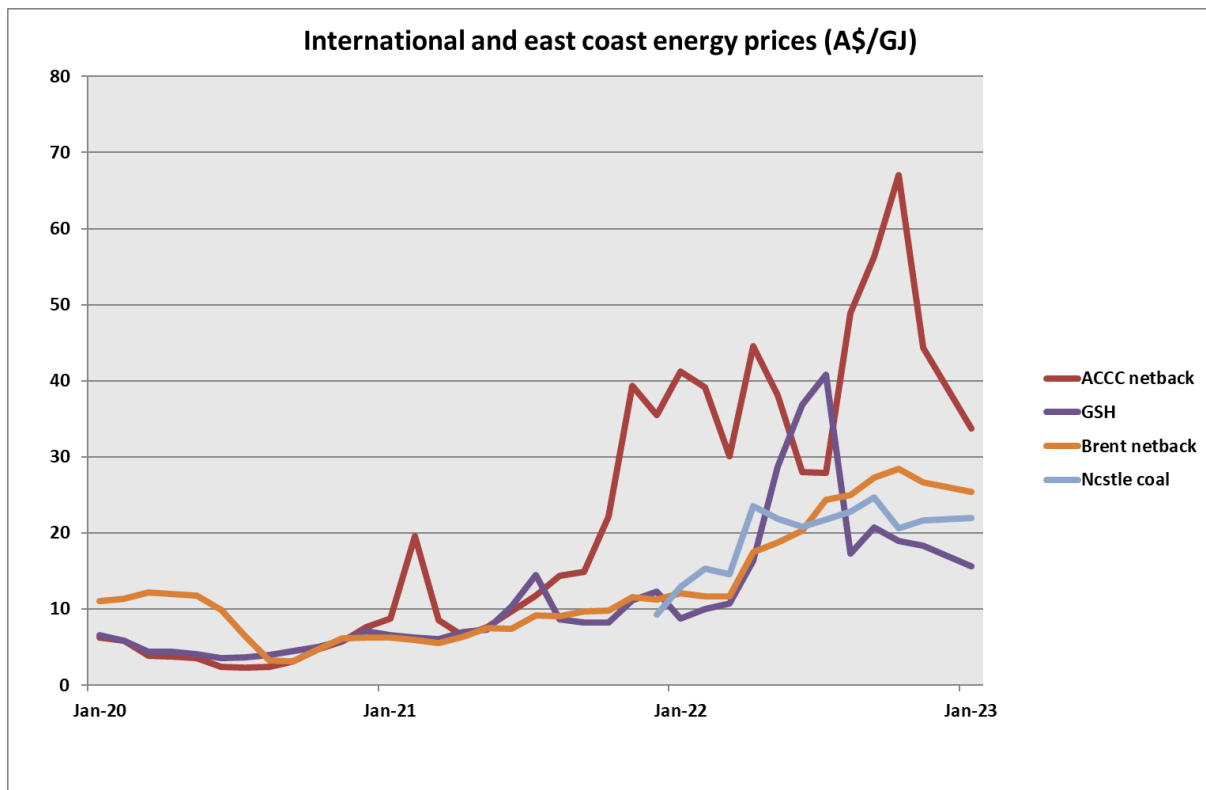


Figure 3: Energy Quest (ACCC, AEMO and EIA data)

The LNG netback price is a measure of an export parity price that a gas supplier can expect to receive for exporting its gas. It is calculated by taking the price that could be received for LNG and subtracting or 'netting back' the costs incurred by the supplier to convert the gas to LNG and ship it to the destination port. With tight local gas supply, LNG netback prices based on Asian LNG spot prices currently play an important role in influencing gas prices in the east coast gas market.

Corporate

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

The Company continues to maintain a strong cash position as at 31 December 2022 of \$5.8 million, with no debt. During the period, the Company spent \$3.2 million on exploration and evaluation activities, a substantial reduction versus the September 2022 quarter.

This level of cash outflow was a result of the timing of invoices payable for the unusually intense activity level related to the 6 well drilling programme at Glenaras which was completed during the June 2022 quarter. All drilling, completion and connection costs associated with that programme have now been paid and peak spend with respect to the Pilot has passed and the Company expects spending to significantly moderate in future quarters.

During the quarter, Stephen Rodgers resigned as Company Secretary after eight years' service to Galilee. Andrew Ritter was appointed as Company Secretary on November 21, 2022. Andrew Ritter is a Chartered Company Secretary and Fellow of the Chartered Governance Institute with more than 20 years' experience, having worked with many ASX listed companies across a variety of industry sectors.

The 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%

** 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:

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About Galilee

Galilee Energy is well advanced on a pathway to becoming 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 natural gas resources on the east coast of Australia at a time of acute gas shortages. The Glenaras Gas Project, located within Queensland's Galilee Basin, is on the cusp of commercialisation. The location and environmental credentials of the project, including low CO₂ natural gas and freshwater production to facilitate agricultural activities for CO₂ sequestration, uniquely positions Galilee as a future material supplier of sustainable energy.

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")

31 December 2022

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	11	22
1.2 Payments for:		
(a) exploration & evaluation	(3,208)	(8,528)
(b) development	-	-
(c) production	-	-
(d) staff costs	(390)	(888)
(e) administration and corporate costs	(336)	(713)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	32	48
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	(3,891)	(10,059)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(296)
(d) exploration & evaluation	-	-
(e) investments	(22)	(22)
(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	84	84
2.6 Net cash from / (used in) investing activities	62	(234)
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	(26)	(51)
3.10 Net cash from / (used in) financing activities	(26)	(51)

Consolidated statement of cash flows

Current quarter	Year to date (6 months)
\$A'000	\$A'000

4. Net increase/ (decrease) in cash and cash equivalents for the period

- 4.1 Cash and cash equivalents at beginning of period
 4.2 Net cash from / (used in) operating activities (item 1.9 above)
 4.3 Net cash from / (used in) investing activities (item 2.6 above)
 4.4 Net cash from / (used in) financing activities (item 3.10 above)
 4.5 Effect of movement in exchange rates on cash held

9,661	16,150
(3,891)	(10,059)
62	(234)
(26)	(51)
-	-
5,806	5,806

4.6 Cash and cash equivalents at end of period

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

- 5.1 Bank balances
 5.2 Call Deposits
 5.3 Bank overdrafts
 5.4 Other (provide details)

Current quarter \$A'000	Previous quarter \$A'000
86	152
5,720	9,509
-	-
-	-
5,806	9,661

5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
 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

Current quarter \$A'000
247
-

6.1 - Directors' fees.

7. Financing facilities

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**

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000
-	-

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

- 8.1 Net cash from / (used in) operating activities (item 1.9)
 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)

\$A'000
(3,891)
-
(3,891)
5,806
-
5,806
1.49

- 8.4 Cash and cash equivalents at quarter end (item 4.6)
 8.5 Unused finance facilities available at quarter end (item 7.5)
 8.6 Total available funding (item 8.4 + item 8.5)

8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)

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: Answer: No. As outlined in the June 2022, September 2022 and December 2022 Quarterly Reports, the level of intensity of cash outflow during the December 2022 quarter was due to the payment of the remaining costs on the 6 well drilling programme executed in the earlier quarter. All costs in relation to the 6 well drilling programme have now been paid.

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?

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

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.

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: 30 January 2023

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.