

ASX / MEDIA ANNOUNCEMENT



March 2023 Quarterly Report & Appendix 5B

26 April 2023

HIGHLIGHTS

- Remedial activity completed at several key Glenaras wells to isolate the lower Aramac sands and prevent water crossflow
- The Company believes this could significantly change pilot dynamics and accelerate pressure drawdown
- \$7.7m R&D receipt approved by ATO with cash received on 15th April
- Scoping study for hydrogen demonstration project at Glenaras to commence in June Quarter
- Cash balance of \$3.4m at 31 March, in addition to \$7.7m R&D refund, with no debt sees Company funded through to end 2023.

Galilee's Managing Director, David Casey commented:

"While the Glenaras pilot continues to present the occasional challenge, as many pilots do, it should not be forgotten that the current pilot configuration has only been producing for the last 8 months and it is not unusual for some pilots to take longer than this to achieve commercial gas rates. Moreover, the remedial activities conducted over the quarter leaves the project well placed to get us back on track towards predicted gas production trends. Our view remains the same, that the pressure sink is continuing to grow while the volume of coal approaching the estimated desorption pressure is still expanding.

With the recent R&D rebate, the Company is very well funded to achieve the outcome we seek at Glenaras as well as conduct other activities, including a hydrogen scoping study utilising the abundant hot, essentially fresh water produced at the pilot".

Building an integrated & diversified sustainable energy company



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ASX Code
GLL

Glenaras Gas Project (ATP 2019) – Galilee 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 3,200km².

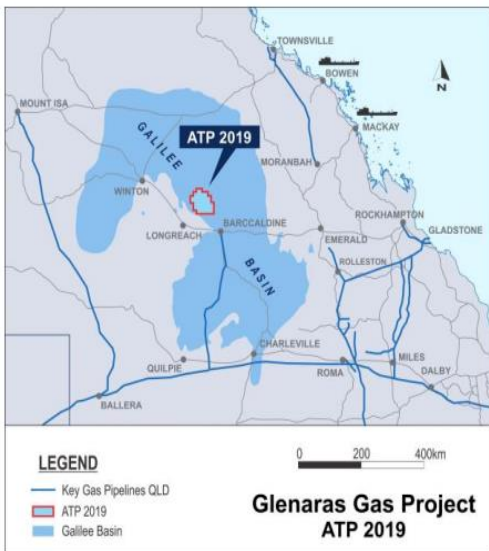


Figure 1: Glenaras Gas Project

The primary focus of activity in the March quarter was ongoing monitoring of the depressurisation of the Betts Creek coals and adjacent sands, required to initiate gas desorption and confirm commercial gas production, as well as remedial activities on existing wells to mitigate suspected aquifer crossflow.

Following the successful remedial cementing activities in Glenaras 26 to isolate this well from the lower Aramac sands, (Glenaras 26 water chemistry now identical to the other Pilot wells) this well encouragingly was able to be pumped off to the point where it was able to exhibit signs of gas desorption at the immediate wellbore to record the highest individual well gas rate to date.

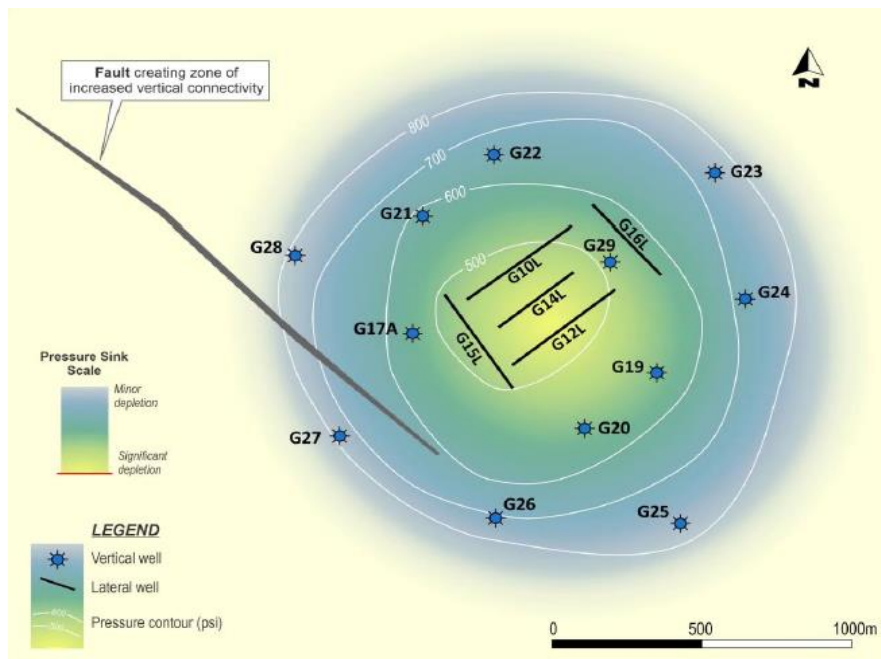


Figure 2: Glenaras pressure map with well locations

While the gas rate at Glenaras 26 then exhibited a decline, this was to be expected and is due to it being an isolated shield well with water recharge. Importantly, what this well highlights is that desorption can be achieved and that with continued pumping the pressure should be reduced over a sufficient area for material gas desorption to occur.

Following a pause during the quarter due to rainfall, remedial activities recommenced in March. A detailed review of the water chemistry data and recent production trends indicated that crossflow between the lower Aramac sands and the Betts Creek section appeared to be occurring in two other wells drilled in 2022, namely Glenaras 27 and Glenaras 28 and that this was a possible reason why the Pilot has taken longer to realise predicted gas trends. Following remedial work at Glenaras 26 the Glenaras 27 and Glenaras 28 wells were the highest water producers in the field so it was decided to undertake similar remedial operations in these wells with cementing operations successfully completed at Glenaras 27 in March, followed by Glenaras 28 in early April.

The Company believes that this work has the potential to significantly change the Pilot dynamics and accelerate pressure drawdown and the gas desorption process as seen at Glenaras 26. Prior to the commencement of this remediation programme, gas rates were circa 100 Mscfd and the water rate was 23,500 BWPD. The reservoir pressure monitoring conducted over the last month has shown that the pressure sink has continued to expand and pressures are now at the lowest levels recorded. Encouragingly, there have been a number of observations in the field that are consistent with increased presence of gas, clearly indicating that the reservoir is in transition.



Photo of expanded Glenaras irrigation operations

Kumbarilla Project (ATP 2043) – Galilee 100%

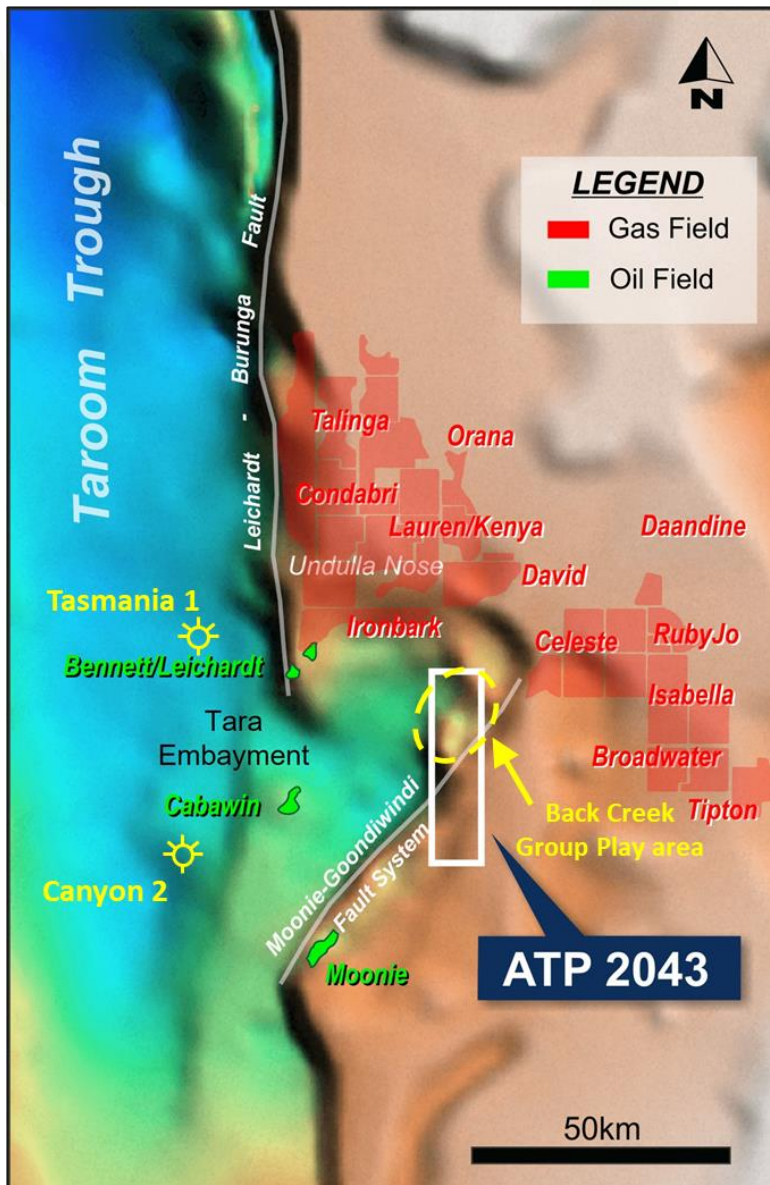


Figure 3: ATP 2043 location on eastern flank of Taroom Trough.

Assessment of the coal seam gas prospectivity of the deeper Permian Back Creek Group coal measures is ongoing in an effort to define potential resource volumes and possible drilling exploration drilling locations in ATP 2043. The presence of Permian coal measures in ATP 2043 has been effectively confirmed through the integration of local, historical drilling results and the reprocessed seismic data. The Back Creek Group coals are highly mature for gas generation and are the primary source rock for the considerable number of conventional gas fields across the extensive western flank of the Taroom Trough, confirming their gas-rich nature and coal seam gas potential.

In addition to its coal seam gas potential, the Back Creek Group also hosts a significant conventional oil and gas play type that is interpreted to possibly extend into ATP 2043. This conventional oil and gas potential is supported by the presence of the Cabawin Field, which is located in the deeper, source kitchen locales of the Taroom Trough approximately 30km west of ATP 2043 (Figure 3). Production testing of the deep, interbedded sandstones and coals of the Back Creek Group in the Cabawin Field flowed gas and light oil to surface. These same geological units are mapped to extend directly east and dip upwards to shallower depths in ATP 2043, where there are strong indications of structural trapping mechanisms on the eastern flank of the Taroom Trough within the Moonie-Goondiwindi Fault System.

Further evidence of the strong gas and liquid hydrocarbon potential of the Back Creek Group coals is provided by both Shell’s Tasmania 1 exploration well and Omega Oil and Gas Limited’s Canyon 2 exploration well, which intersected high gas readings while drilling through the Back Creek Group.

Springsure Project (ATP 2050) – Galilee 100%

Review of the multiple conventional gas and coal seam gas exploration opportunities is ongoing with potential well designs being considered for possible initial drilling. Conventional gas prospects and leads have been identified in stacked reservoirs throughout the Early and Late Permian stratigraphic section, which are analogous to the adjacent Northern Denison gas fields. In addition, an unconventional coal seam gas play is being evaluated in the Late Permian Bandanna Coal Measures, which is analogous to the nearby Mahalo Development (20km east of ATP 2050).

Strategically, ATP 2050 is located in close proximity to both existing conventional gas production facilities and the planned Mahalo coal seam gas development, potentially expediting to the east coast market any Reserves that are matured.

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 March 31, 2023 cash was \$3.4 million, with no debt. Late in the Quarter the ATO approved the Company's R&D application and subsequently the Company has received an R&D tax offset of \$7.7m for the 2021/22 financial year on 15th April, 2023.

This R&D receipt both strengthens the Company's cash position as well as providing additional options for the Company in terms of accelerating activities at the Pilot to enhance de-watering as well as detailed scoping analysis and front end engineering work on a potential hydrogen demonstration at Glenaras.

During the period, the Company spent \$1.7 million on exploration and evaluation activities, a substantial reduction versus the December 2022 quarter. This expenditure was primarily on Glenaras operations and well remediation reflecting the lower level of spend after completion of the previous drilling programme. 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%

This announcement was released with the authority of the Board.

For further information, contact:

David Casey – Managing Director

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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 March 2023

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers	11	33
1.2 Payments for:		
(a) exploration & evaluation	(1,709)	(10,992)
(b) development	-	-
(c) production	-	-
(d) staff costs	(382)	(1,270)
(e) administration and corporate costs	(281)	(239)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	36	84
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	(2,325)	(12,384)
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)
(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
2.6 Net cash from / (used in) investing activities	-	(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	(70)	(121)
3.10 Net cash from / (used in) financing activities	(70)	(121)

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 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	5,806	16,150
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,325)	(12,384)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(234)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(70)	(121)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	3,411	3,411

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	80	86
5.2 Call Deposits	3,331	5,720
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)	3,411	5,806

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
222
-

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 \$A'000	Amount drawn at quarter end \$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
(2,325)
-
(2,325)
3,411
-
3,411
1.47

- 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 recent quarters was due to the payment of the remaining costs on the 6 well drilling programme executed in the earlier quarter and there has been a steady decline in cash expenditure at the Glenaras pilot since the completion of that drilling programme. 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: As announced to the market on 28th March and 17th April and included in the attached report, the Company has received \$7.73 million in relation to the FY22 R&D refund. No further steps have currently been 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. As announced to the market on the 28th March and 17th April and included in the attached report, the Company has received \$7.73 million in relation to the FY22 R&D refund. 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: 26 April 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.