CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Galilee Energy Limited

ABN 11 064 957 419

and controlled entities

Contents

Directors' Report

In accordance with a resolution of the Board, the directors present their report on the consolidated entity ("Galilee" or "Group") consisting of Galilee Energy Limited and the entities it controlled at the end of or during the year ended 30 June 2023. The financial statements have been reviewed and approved by the directors based on the recommendation of the Audit Committee.

1. Directors

The directors of Galilee in office during the year and up to the date of this report were:

David Casey	Appointed Director 01/12/2021, Managing Director since 01/12/2021
Ray Shorrocks	Appointed Director 02/12/2013, Non-executive Chairman since 31/03/2018
Stephen Kelemen	Appointed Director 31/03/2018, Non-executive Director since 31/03/2018
Gordon Grieve	Appointed Director 06/09/2019, Non-executive Director since 06/09/2019
Greg Columbus	Appointed Director 17/09/2020, Non-executive Director since 17/09/2020

2. Principal activities

Galilee Energy Limited (The Company) is a Brisbane based energy company with a portfolio of assets primarily focussed onshore Australia.

The principal activity of the consolidated entity is oil and gas exploration and production. The foundation asset of the Company is the Glenaras Gas Project located in the Galilee Basin near Longreach in Queensland and further details are contained within the Managing Director's Report provided earlier in this report and in the Review of Operations below.

3. Strategy

The Company's strategy is to build a balanced portfolio of high quality, conventional and unconventional oil and gas assets. The primary focus is on commercialising the Glenaras Gas Project with an emphasis on the structurally short supplied eastern Australia gas market. Outlook for new gas supply into the east coast market is tight, with gas supply shortfalls forecast over the short to medium term by ACCC and AEMO, this timing accords well with the Company's significant uncontracted resource base.

4. Results from operations

The net loss for the year from continuing operations was $8,940,474 (2022: $19,759,475).

The loss for the year primarily reflects expenditure on well interventions, remedial activities and production optimisation at the Glenaras multi well pilot, Glenaras pilot operating costs and water management projects totalling $11,401,060 (2022: $20,448,188).

5. Dividends

No dividends have been declared, provided for, or paid in respect of the financial year ended 30 June 2023 (2022: Nil).

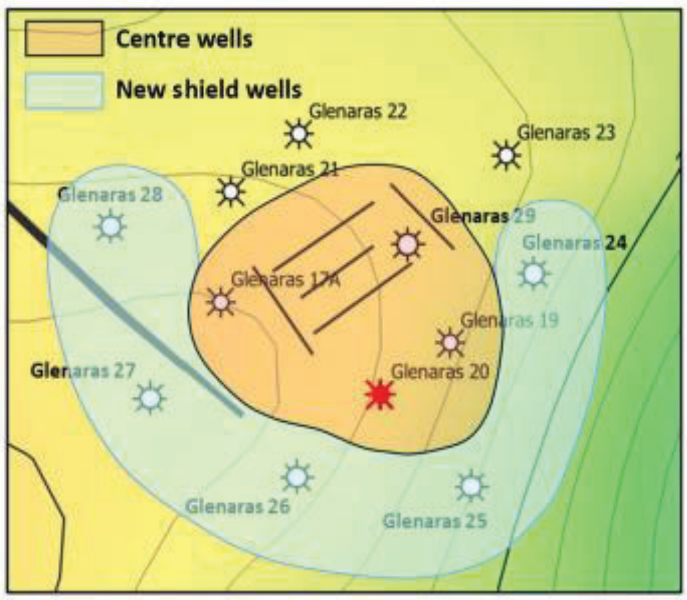
6. Review of operations

The Company's flagship Glenaras multi-well pilot ("Pilot") lies within the highly prospective ATP 2019 permit in Queensland's Galilee Basin. The permit covers an area of approximately 3,200 km2 and is 100% owned and operated by Galilee Energy. Thus far the Company has invested in excess of $150m in the Pilot, yielding a significant coal seam gas Contingent Resource position in the Betts Creek and Aramac coals with a 1C of 308 PJ, a 2C of 2,508 PJ and a 3C of 5,314 PJ. It is one of the largest uncontracted resource positions on the east coast of Australia.

In FY23, Galilee's activity focussed predominantly on i) managing the performance of the Pilot; ii) the ongoing monitoring of the depressurisation of the Betts Creek coals and adjacent sands required to initiate gas desorption and confirm commercial gas production and iii) remedial activities on existing wells to mitigate suspected aquifer crossflow.

Directors' Report (continued)

6. Review of operations (continued)



Schematic of Glenaras Pilot wells

Following the completion of the new six 'shield' well programme late in FY22, the first half of FY23 saw the Pilot performing better than it ever had in its history, achieving a record gas rate of over 100 Mscfd. With all 16 wells online and pumping, water production rates had declined, indicative of decreasing reservoir pressure over an area not seen previously at the Pilot. Notably, while still predominantly solution gas, this was the first time that the gas rate, and in particular gas primarily from the target seams, had shown an increasing trend, or remained steady with concurrent decreasing water rates. This was evidence that a larger area of the Pilot was approaching the desorption pressure window. Furthermore, the reservoir pressure sink was observed to be both deepening and widening across the Pilot.

In the March quarter, an extensive reservoir pressure surveillance programme was conducted at Glenaras 12,15,21,25 and 29. These wells were shut in for pressure build-up monitoring to assess the true extent of pressure reduction and to refine and recalibrate the Pilot's reservoir model. Results of the programme confirmed that the lateral wells and the inner vertical wells had reached the lowest pressure then recorded.

Early in the second half of the year, the Company identified suspected aquifer crossflow from the Aramac sands which was impeding the rate of pressure reduction and contributing to water production, counteracting to some extent the positive impact of the six new shield wells surrounding the Pilot, particularly in the south west. The focus of field work for the balance of FY23 was remediation activity to mitigate the impacts of this crossflow and confine production from these wells solely from the Betts Creek section in order to accelerate pressure drawdown.

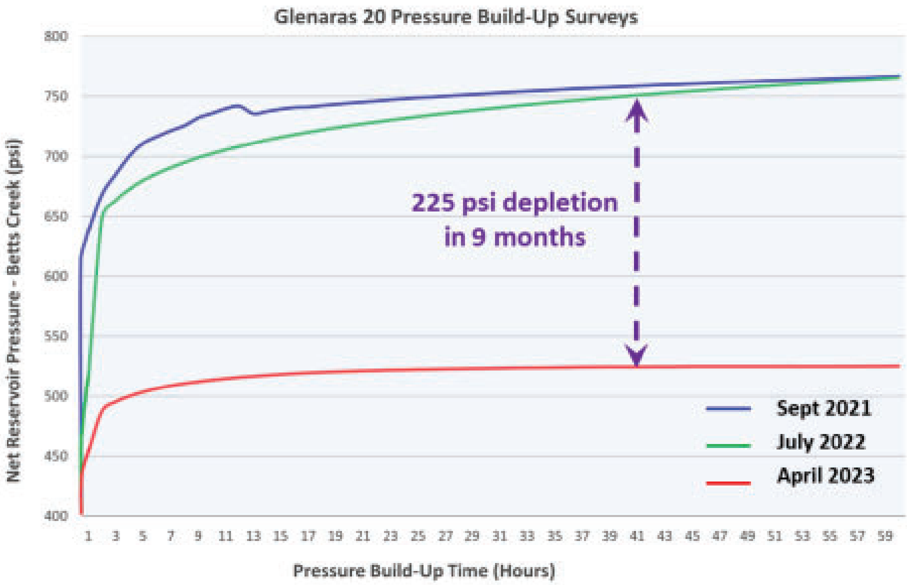
Following successful remedial cementing activities in G26 to isolate this outer shield well from the lower Aramac sands, the well encouragingly was able to be pumped off to the point where it was able to exhibit signs of desorption at the immediate wellbore to record the highest individual well gas rate to date. A detailed review of the water chemistry data and production trends indicated that two other shield wells, G27 and G28, could also benefit from similar remedial operations. The remediation work was successfully completed on these wells in the June Quarter. Water production rates resumed their decline while the gas rates increased, leaving the Pilot well placed at year end to return towards predicted gas production trends.

Directors' Report (continued)

6. Review of operations (continued)

Glenaras Pilot water and gas production history

Most recently, G26, a key well located in the south of the Pilot, has been demonstrating these attributes providing further evidence that the Pilot is starting to yield long anticipated results. Furthermore, there are encouraging signs that the impact of the shield wells on reducing reservoir pressure is now being realised. Pressure depletion in centre wells such as G20 has been significantly enhanced since the most recent shield wells were drilled in mid 2022. There was essentially no pressure depletion prior to the installation of new shield wells (Sept 2021 to July 2022) but significant depletion after (July 2022 to April 2023).



Directors’ Report (continued)

6. Review of operations (continued)

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.

To further enhance understanding of the subsurface at Glenaras, the Company announced at the end of the period the commencement of the Glenaras Pad 3D Seismic Survey across a ~6km2 area covering the Glenaras Pilot and using cutting edge seismic acquisition technology. The Survey’s primary objectives are to improve the structural and stratigraphic resolution of the Betts Creek Beds across the Pilot area as well as identify and increase the definition of any small-scale faulting that may be impacting individual well and Pilot performance. The survey is expected to provide important insights into the complex interaction of the Pilot’s horizontal and vertical wells. Increased and more accurate resolution of the Betts Creek Beds coals will provide optimisation solutions for individual wells and the greater Pilot going forward.

To support efforts for the future commercialisation of the Glenaras gas resource, in September 2022 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.

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.

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 northeast 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’). Demonstrating to potential gas customers the deliverability of gas from Glenaras via suitable downstream infrastructure remains a key priority for the Company.

Activity related to minimising the environmental impact of the Glenaras Project, including taking advantage of its endowment of unusually high quality fresh water to pursue agricultural activities, continued in FY23.

Directors' Report (continued)

6. Review of operations (continued)

Photo of expanded Glenaras irrigation operations

Potential for a genuinely scalable agri-business exists at Glenaras alongside gas production operations. 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 were recorded across the different irrigation areas. These results are very encouraging for the long-term water handling aspects of the Project.

The Project's water resources also underpin the Company's pursuit of potential hydrogen production activities. Galilee has commenced detailed scoping studies and front end engineering work for a demonstration project utilising the abundant relatively fresh water produced at Glenaras.

During the first half of FY23, 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_2 sequestration possibilities as an offset to Scope 1 and 2 emissions.

Galilee has two additional exploration tenements, ATP 2050 (Springsure Project) in the Denison Trough region of the Bowen Basin and ATP 2043 (Kumbarilla Project) in the Surat Basin.

At the Springsure Project, review of the multiple conventional gas and coal seam gas exploration opportunities continued. 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).

In ATP 2043, assessment of the coal seam gas and conventional gas prospectivity of the deeper Permian Kianga Formation and Back Creek Group is ongoing in an effort to define potential resource volumes and possible exploration drilling locations. These coal, sand and shale bearing sequences are highly mature for gas and oil generation and are the primary source rocks for the considerable number of conventional gas fields across the region, including the Moonie oil field in close proximity to ATP 2043.

Recent exploration drilling by other operators, targeting the Kianga Formation and Back Creek Group in the ultra-deep, central reaches of the Taroom Trough, immediately west of ATP 2043, has yielded significant gas and liquids. Both the Kianga Formation and the Back Creek Group are known to extend eastwards into ATP 2043 and rise to considerably

Directors' Report (continued)

6. Review of operations (continued)

shallower depths, where they are likely to exist as both conventional gas traps and possibly coal seam gas plays. The shallower depths of these Permian opportunities in ATP 2043 also support greatly improved economics due to reduced drilling costs and more efficient well designs.

In December 2022, 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.

Galilee has a deep commitment to working with community stakeholders in the areas within which we operate.Galilee operates on the basis of mutual respect and co-existence with all of its stakeholders as the key pillar of its community relations with government, landowners and the broader community.

The Board has completed the process of embedding best practice environmental, social and governance ("ESG") principles into its strategy and core business operations. These principles underpin the Company's ability to create and sustain long term value in a rapidly changing world, and to manage the risks and opportunities associated with these changes.

Risk Management

The Company manages both operational and corporate risk in accordance with its risk management policy to ensure that the risks associated with oil and gas exploration activities are identified, measured and mitigated to the lowest practicable level. Risk assessments across the Companies' business are conducted on a regular basis by the management team and are reported through to the Risk Committee. The Board and delegated Risk Management Committee are responsible for overseeing the risk management framework. Policies and procedures are continually developed, reviewed, and enhanced as appropriate to manage the current and changing operational and corporate risks of the business.

Risk	Description	Mitigation Strategy
Pandemic	Potential for Covid-19 pandemic to impact the Company's operations.	Covid-19 contingency plans implemented, and all necessary steps taken in head office and in field operations. The Company is well prepared for any future outbreak that may impact on operations or in head office.
People	Key executives may leave. Shortage of quality, experienced personnel and loss of key staff may adversely impact on operations.	Key potential replacements identified. Critical staff succession planning. Competitive remuneration including incentives offered. Staff development and retention prioritised.
Cybersecurity	Data breach or cyber-attack.	Protections in place to protect data and mitigate security breaches. Regular internal testing and checks carried out on data retrieval by independent 3rd parties.

Directors' Report (continued)

6. Review of operations (continued)

Risk Management (continued)

Risk	Description	Mitigation Strategy
Funding	Given the nature of an exploration company, the requirement exists to raise additional funds to support future exploration, appraisal and operations prior to cashflow. Inability to obtain funding would delay future capital programmes and likely adversely impact the Company's strategy.	Close and active management of the Company's capital requirements. Deep relationships and experience amongst the Board with capital markets in Australia and internationally. Strong relationships maintained with the current shareholder register.
Supply chain risks for operations	The Company imports a number of key items for drilling activities and pilot production facilities from overseas markets and these suppliers may suffer materials shortages which could lead to delay in the Company executing drilling programmes and pilot production operations. No guarantee that even the highest quality third parties will not be impacted by these risks.	The Company works very closely with suppliers and pro-actively to order items, where possible, in advance. Special attention given to maintaining sufficient levels of redundancy in operations. The Company maintains constant dialogue with suppliers and keeps abreast of alternative suppliers should changes in vendor be required.
Geopolitical factors and anti-industry sentiment	Government in Australia intervening in the gas market and imposing reservation policies, fracture stimulation bans, gas price restrictions. Loss of licences due to non-compliance with permit obligations or government obstruction to progressing exploration and development activities. Change in regulation or legislation rendering compliance difficulty.	Pro-active engagement across all levels of government. Responses provided where possible to proposed gas market intervention. Shareholder engagement to ensure that clear narrative is understood by investors. Compliance with all regulatory obligations - work programmes, environmental approvals and permit approvals. The federal government has released the Mandatory Gas Code of Conduct. Galilee qualifies as a small domestic supplier under the Gas Code (gas production of less than 100 PJ per annum) and is therefore exempt from the A$12/GJ price cap for any sale of gas made from 2024 onwards. Galilee has worked closely with the government and the ACCC during the consultation periods as part of the development of the Gas Code, stressing the Company's commitment to existing and growing future domestic gas supply.

Directors' Report (continued)

6. Review of operations (continued)

Risk Management (continued)

Risk	Description	Mitigation Strategy
Land access	Compensation and access agreements are not able to be reached with landowners thereby delaying project.	Good relationships have been fostered with current landowners over many years. Ensure strict compliance with procedures to minimise delays in gaining access. Early engagement with landowners and stakeholders before activities commence.
Exploration, appraisal and contingent resources.	Exploration and appraisal operations have inherent geological and engineering risks. They are an industry wide activity used to discover petroleum resources and mature them to reserves.	The Company has exploration licences in the Galilee, Bowen and Surat basis to mitigate the risk of single basin activity. These licences are across established unconventional and conventional hydrocarbon plays which either have contingent resources or are in close proximity to existing discoveries. The Company's primary project is the Glenaras gas project which contains certified contingent resources, estimated consistent with the Society of Petroleum Engineers (SPE) Petroleum Resources Management System (PRMS). In FY23, additional well interventions and production optimisation was carried out at Glenaras to accelerate the conversion of contingent resources to reserves.
Operations	Operating in the oil and gas industry is associated with a number of risks, including but not limited to explosions, blow outs, equipment and facility failure, people safety, environmental hazards and accidents.	The Company manages operational risk via a separate risk register which is regularly reviewed to ensure operations are being conducted with residual risk as low as reasonably practical, and in accordance with legislative and regulatory standards.

GALILEE ENERGY

Directors' Report (continued)

6. Review of operations (continued)

Risk Management (continued)

Risk	Description	Mitigation Strategy
Climate and sustainability	Galilee recognises that direct physical and indirect non-physical impacts of climate change may impact on our operations and the markets into which we sell our future potential gas. Potential direct risks include those arising from increased severe weather events, longer-term changes in climate patterns, sea level rise, and increased frequency and severity of bushfires. Indirect risks arise from a variety of legal, policy, technology, and market responses to the challenges that climate change poses as society transitions to a lower emissions future. These risks may impact the demand for and competitiveness of Galilee's products and the attractiveness of Galilee as an investment as well as an employer and member of the local communities in which we operate.	The Company assesses and responds to these risks in the following ways: • Understanding, managing and mitigating the risks presented by direct physical impacts; • Understanding, managing and mitigating the impact of climate change and emissions policy on the demand for the Company's products; • Identification of the means by which the Company can reduce its direct emissions and lessen its overall emissions impact. In respect of market risk, the Company's strategy means its gas assets possess a low exposure to the possibility of demand loss from climate change. A favourable market for sale of the Company's gas resources has been confirmed and is expected to continue given the current demand and supply forecasts for its chosen market of the east coast of Australia and the role gas is expected to play as a transitional energy source for firming variable renewable power generation in a lower emissions world.

7. Matters subsequent to the end of financial year

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

8. Environmental regulations and performance statement

The Company conducts its operations in compliance with the Queensland Petroleum and Gas (Production and Safety) Act 2004. These activities are subject to relevant exploration licences, permits and environmental approvals which specify the environmental regulations applicable to the exploration, construction, and operations of petroleum activities as appropriate. Environmental considerations of any activities not already covered by a specific regulation or directive are reviewed with and approved by the Queensland Department of Environment and Science under the Environmental Protection Act 1994. The Company has not recorded or aware of any breaches of any of its environmental licence conditions nor has it been notified of any material environmental breaches by any government agency during the year.

Directors' Report (continued)

9. Shares under option

As at 15 August 2023, no share options have been issued to directors as part of their remuneration.

10. Shares issued on the exercise of options

No options have been exercised during the year ended 30 June 2023 and up to the date of this report.

11. Directors and officer's insurance

The Company has agreed to indemnify the directors, officers and secretaries of the Company and its subsidiaries against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a director or officer of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the financial year, the Company paid premiums for directors' and officers' liability insurance. The contract prohibits disclosure of the details of the nature of the liabilities covered or the premium paid.

The Company has not indemnified its auditors, BDO Audit Pty Ltd.

12. Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

Meetings of directors

The number of meetings of the Company's board of directors and of the Audit, Risk and Remuneration Committees held during the year ended 30 June 2023, and the number of these meetings attended by each appropriate director were:

Name	Meetings of Directors		Meetings of Audit Committee		Meetings of Risk Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
David Casey	5	5	*	*	*	*	*	*
Ray Shorrocks	5	5	*	*	*	*	*	*
Stephen Kelemen	5	5	2	2	3	3	3	3
Gordon Grieve	5	5	2	2	3	3	3	3
Greg Columbus	5	5	2	1	*	*	3	3

A = Number of meetings eligible to attend
B = Number of meetings attended
* = Not member of committee

13. Information on Directors and Company Secretary

Ray Shorrocks

Non-executive Chairman
With over 20 years' experience working in the investment banking industry, Ray is highly conversant and experienced in all areas of mergers and acquisitions and equity capital markets, including a significant track record of transactions in the metals and mining, industrials, and property sectors.

Other directorships in listed companies – current

Hydrocarbon Dynamics Limited (formerly Indago Energy Limited)	Appointed 12/01/16
Auteco Minerals Limited	Appointed 28/01/20
Cygnus Gold Limited	Appointed 30/06/20
Alicanto Minerals Limited	Appointed 07/08/20
Mitre Mining Corporation Limited	Appointed 07/02/23

Former Directorships of Australian listed public companies in the last three years:

Nil

Special responsibilities
Chairman

Interest in Galilee Energy Limited shares and options as at 15 August 2023
2,708,386 shares and 2,875,000 share options.

David Casey

Managing Director
David has over 30 years experience in the management and evaluation of all aspects of the energy business from exploration and appraisal, initial reservoir characterisation and fairway identification through to drilling, testing and production operations. He has worked on assets in Australia, the US, Canada, China, Europe South America and Africa. He has held various technical and management positions in Australian listed public companies up to the level of Managing Director and CEO. David has been actively involved in overseeing the start-up, development and sale of successful exploration and production projects where at Eastern Star Gas he oversaw the building of one of New South Wales' most successful gas companies, growing it from modest beginnings (<$50m) to an ASX200 company, before ultimately being the subject of takeover and a valuation in excess of a billion dollars.

Most recently was Managing Director and CEO at Talon Energy similarly growing its portfolio and market capitalisation from less than $2m to a high of $70m within 12 months.

He is a member of the Australasian Institute of Mining & Metallurgy, the Petroleum Exploration Society of Australia and a lifetime member of the Society of Petroleum Engineers.

Other directorships in listed companies – current

Talon Energy Limited	Appointed 19/07/20

Former Directorships of Australian listed public companies in the last three years:

Nil

Special responsibilities
Managing Director

Interest in Galilee Energy Limited shares and options as at 15 August 2023
156,250 shares and 156,250 share options and 3,090,434 granted performance rights with terms and conditions (of which 1,340,434 are vested and are exercisable into ordinary shares).

Directors' Report (continued)

13. Information on Directors and Company Secretary (continued)

Stephen Kelemen

Director – Independent Non-executive
Stephen has a diverse petroleum industry experience across reservoir, development, operations and exploration activities in conventional oil & gas, CSG and other unconventional resources from his 40-year career in the industry. Notably he led Santos Ltd's CSG team from its inception in 2004 and drove the growth that enabled Santos to develop a substantial CSG portfolio. Stephen has a Bachelor of Engineering degree from the University of Adelaide. He is an Adjunct Professor for the Centre for Natural Gas (formerly Centre for Coal Seam Gas) at University of Queensland and is the Deputy Chair of the Petroleum for Queensland Exploration Council.

Other directorships in listed companies – current

Elixir Energy Limited	Appointed 06/05/19

Former Directorships of Australian listed public companies in the last three years:

Nil

Special responsibilities
Chairman of Risk Committee and member of Audit and Remuneration Committees

Interest in Galilee Energy Limited shares and options as at 15 August 2023
368,750 shares and 718,750 share options

Gordon Grieve

Director – Independent Non-executive
Gordon has over 30 years' experience as a solicitor and legal counsel working with energy and resources companies in Australia and overseas. He is the current Chairman of Partners at Piper Alderman, leading both their International and Energy & Resources Groups. Gordon is a skilled advisor in relation to corporate governance and compliance issues, company takeovers and schemes of arrangement and has represented companies and directors on all facets of major corporate transactions and commercial litigation.

Other directorships in listed companies – current
Nil

Former Directorships of Australian listed public companies in the last three years:

Nil

Special responsibilities
Chairman of Audit Committee and member of Risk and Remuneration Committees

Interest in Galilee Energy Limited shares and options as at 15 August 2023
316,500 shares and 750,000 share options

Directors' Report (continued)

13. Information on Directors and Company Secretary (continued)

Greg Columbus

Director – Independent Non-executive
Greg has over 30 years of experience in the Energy, Oil and Gas sectors including technical, commercial and executive roles. He is an experienced director with commercial, strategy, corporate finance and legal experience. Greg has gained valuable business experience in delivering large, complex oil and gas projects and has along the course of his career also carved out strong strategic vision and been involved in numerous M&A activities.

Until recently, Greg was the non-executive Chairman of Warrego Energy Limited (ASX:WGO) and he has also been the Managing Director and a Main Board Director for Clarke Energy Group (A Kohler Company) for the past 19 years. Clarke Energy are a privately owned, multinational power solutions company specialising in the engineering, installation and maintenance of power plants and gas compression stations, operating in 28 countries. He is also currently Chairman of Young Presidents Organisation Gold (YPOG) Chapter in South Australia and Talon Energy Limited (ASX:TPD).

Other directorships in listed companies – current

Talon Energy Limited	Appointed 03/04/23

Former Directorships of Australian listed public companies in the last three years:

Warrego Energy Limited	Resigned 17/02/23

Special responsibilities
Chairman of Remuneration Committee and member of Audit Committee

Interest in Galilee Energy Limited shares and options as at 15 August 2023
436,563 shares and 875,000 share options

Stephen Rodgers

Company Secretary - resigned 21 November 2022
Mr Rodgers is a lawyer with over 25 years' experience and holds a Bachelor of Laws degree from Queensland University of Technology. Stephen practiced law with several firms in Brisbane and for many years operated his own specialist commercial and property law practice before joining the ASX listed Sunshine Gas Limited as the in-house Legal and Commercial Counsel. After the successful takeover of SGL by QGC in 2008, Stephen was appointed on a part-time basis as Company Secretary and Legal Counsel to Comet Ridge Limited, a position he still holds. Stephen is also, on a part-time basis the Company Secretary for Blue Energy Limited. Stephen has extensive experience in the operation and running of an ASX listed oil and gas company. Stephen Rodgers resigned as Company Secretary from 21 November 2022.

Andrew Ritter

Company Secretary - appointed 21 November 2022
Andrew is an experienced Company Secretary, 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.

Directors' Report (continued)

14. Remuneration Report (audited)

This report details the FY23 remuneration and fees of the KMP of the Company, who are listed in the table below. For the remainder of this Remuneration Report, the KMP are referred to as either Executive KMP or Non-Executive Directors.

David Casey	Managing Director since 01/12/2021
Ray Shorrocks	Non-executive Chairman since 31/03/2018
Stephen Kelemen	Non-executive Director since 31/03/2018
Gordon Grieve	Non-executive Director since 06/09/2019
Greg Columbus	Non-executive Director since 17/09/2020

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Key management personnel shareholdings

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

A Principles used to determine the nature and amount of remuneration

In consultation with external remuneration consultants when required, the Board determines the remuneration policies of the Company, reviews the remuneration of senior management and determines the remuneration of executive directors. Non-executive director remuneration is considered by the Board within the overall limits approved by shareholders. It was not necessary to engage external remuneration consultants during the year.

Alignment to shareholders' interests

Has economic profit as a core component of plan design, focuses on sustaining medium to long term growth in shareholder wealth and delivering a return on assets, as well as focusing the executive on key non-financial drivers of value, designed to attract and retain high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

The framework provides a mix of fixed and variable pay, and long-term incentives.

Non-executive directors

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board to ensure fees are appropriate and in line with the market.

Directors' Report (continued)

14. Remuneration Report (audited) (continued)

Directors' fees

The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. In accordance with the provisions of Listing Rule 10.11 of the Official Listing Rules of the ASX Limited, a meeting of shareholders held on 27 November 2009 approved the sum of $600,000 per annum to be the total aggregate annual remuneration payable to non-executive Directors of the Company. The current total of base non-executive director remuneration is $346,964. Cash bonuses and other forms of remuneration may be paid to directors at the discretion of the Board in recognition of the achievement of certain key performance indicators and the provision of services outside of the usual role and commitments of a non-executive director.

Executive pay

The executive remuneration and reward framework have the following components:

- base pay and non-monetary benefits
- short term incentives
- share based payments, and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Base pay and non-monetary benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Short term incentives.

Structured as 30% cash component and 70% share-based performance rights, with a focus on delivery of specific short-term objectives aligned with the company's strategies and goals. Bonuses are paid at the discretion of the Board for executive and non-executive's role in meeting these targets.

Share-based payments

Share based payments – options or rights are issued to executives generally over a period based on a long-term incentive basis and short-term incentives basis. These long-term and short-term incentives may include specific price and/or performance targets that relate to the expected outcomes from strategies that have been given a high level of importance in relation to the future growth of the Company.

Superannuation and long service leave

Included in the employment package for key management personnel is the statutory obligation for superannuation and long service leave.

Relationship between remuneration and Company performance

Other than as described in D below (options) there is no direct link between the remuneration of the key management personnel and Company performance. The Company is currently focused on the exploration stage across its projects. Consequently, opportunities for broad performance-based incentives are limited.

Given that remuneration must be commercially reasonable to attract the right calibre of directors and executives, there can be no direct link between remuneration, Company performance and shareholder wealth at the Company's current stage of development.

The Company issues options to provide an incentive for directors and key management personnel to align their interests with the medium to long term interests of shareholders.

Directors' Report (continued)

14. Remuneration Report (audited) (continued)

The table below sets out summary information about the Company's revenues, earnings, and movements in shareholders' wealth for the five years to 30 June 2023:

Item	Unit	2023	2022	2021	2020	2019
Other income – continuing operations		7,771,971	6,152,711	6,803,893	374,272	313,590
Net profit/(loss) before tax		(8,940,474)	(19,759,475)	(18,500,458)	(16,890,212)	(11,450,198)
Net profit(loss) after tax		(8,940,474)	(19,759,475)	(18,500,458)	(16,890,212)	(11,450,198)
Basic loss per share	cents	(2.6)	(6.3)	(6.5)	(6.7)	(5.3)
Last traded share price	cents	9.5	31.0	54.5	58.0	70.0
Remuneration -salary and fees		1,397,302	1,624,563	3,338,968	1,276,459	1,529,404

There were no dividends paid or returns of capital by the company in the five years.

B Details of remuneration

Details of the remuneration of the directors and the other key management personnel (as defined in AASB 124 Related Party Disclosures) of Galilee Energy Limited and the Galilee Energy Group (Group) are set out in the following tables:

	Short-term benefits & fees			Post Employment		Share-based Payments		%
30 June 2023	Salary & fees	Cash bonus *	Termination payments	Super-annuation	Retirement benefits	Performance rights	Total	Performance Based
	$	$	$	$	$	$	$	
Executives:								
D Casey	471,958	87,294*	-	25,292	-	465,794	1,050,338	53.00%
Non-Executive Directors:								
R Shorrocks	136,986	-	-	14,384	-	-	151,370	0.00%
S Kelemen	65,000	-	-	-	-	-	65,000	0.00%
G Grieve	59,361	-	-	6,233	-	-	65,594	0.00%
G Columbus	65,000	-	-	-	-	-	65,000	0.00%
Total	798,305	87,294	-	45,909	-	465,794	1,397,302	

	Short-term benefits & fees			Post Employment		Share-based Payments		%
30 June 2022	Salary & fees	Cash bonus *	Termination payments	Super-annuation	Retirement benefits	Performance Rights	Total	Performance Based
	$	$	$	$	$	$	$	
Executives:								
Dr D King	198,045	-	-	10,934	-	-	208,979	0.00%
D Casey	275,002	375,000*	-	13,748	-	405,852	1,069,602	73.00%
Non-Executive Directors:								
R Shorrocks	136,986	-	-	13,699	-	-	150,685	0.00%
S Kelemen	65,000	-	-	-	-	-	65,000	0.00%
G Grieve	59,361	-	-	5,936	-	-	65,297	0.00%
G Columbus	65,000	-	-	-	-	-	65,000	0.00%
Total	799,394	375,000	-	44,317	-	405,852	1,624,563	

* Cash bonuses are paid at the discretion of the Board. The cash bonus paid in the 2023 financial year was a combination of the contractual sign on incentives for the Managing Director as well as accrued short term incentive based on the Company's Short Term Incentive Plan (STI).

Directors' Report (continued)

14. Remuneration Report (audited) (continued)

C Service agreement

Remuneration and other terms of employment for the Managing Director are as follows:

David Casey, Managing Director – appointed 1 December 2021

Term of agreement – open-ended agreement commencing 1 December 2021:

- Remuneration of $450,000 per annum plus 10.5% superannuation;
- Sign-on fee of $250,000 (less tax) payable upfront and repayable immediately if, for whatever reason, Mr Casey ceases to be employed by the Company prior to 1 December 2022;
- Notice period for resignation or termination of employment of 3 months, other than where the Company terminates for cause.
- For the year ended 30 June 2023, Mr Casey's short term incentive (STI) allocation was determined to be 30% cash ($74,588) and 70% equity (547,288 Performance Rights). Both elements were subject to various performance measures being satisfied. Of these amounts, 50% of the cash component ($37,294) has been accrued, 265,434 STI performance rights have been vested and 281,854 STI performance rights have lapsed.
- As reported in the prior year, Mr Casey was awarded Performance Rights following his appointment on 1 December 2021, as follows:
  - STI of up to 1,000,000 Performance Rights subject to various performance measures being satisfied and;
  - Long term incentives (LTI) of up to 2,500,000 Performance Rights, in three separate tranches vesting over a three-year period commencing from 1 July 2022, subject to various performance measures being satisfied.
  - As at reporting date, the following Performance Rights have vested:
    - STI Performance Rights - 700,000 (300,000 Performance Rights have lapsed)
    - LTI Performance Rights - 375,000 (375,000 Performance Rights have lapsed & 1,750,000 Performance Rights remain subject to performance measures in subsequent years)

The performance conditions within the STI and LTI plans have been established based on benchmarking against similar entities. The STI plan includes KPIs of corporate performance, project deliverables, health & safety, and individual deliverables. The LTI plan is for a period of three years and includes service retention, absolute TSR performance (for each financial year) and relative TSR performance (for each financial year). The assessment of performance against the various KPIs for the financial year ended 30 June 2023 was carried out by the Remuneration Committee and recommended to the Board of Directors in determining the outcomes.

Other than a Letter of Appointment confirming the terms of their office, the non-executive directors of the Company do not have any formal service or contracting agreement in place with the Company. Other than the Managing Director and the Board there are no other KMPs.

D Share based compensation

Directors' share options

During the year, there are no share options were granted to the Directors. The balance of Directors share options at year end are as follows:

	Grant date	Opening balance	Granted as share placements	Exercised	Expired	Closing balance	% Vested & Exercisable
D Casey	-	156,250	-	-	-	156,250	0%
R Shorrocks	-	2,875,000	-	-	-	2,875,000	0%
G Grieve	-	750,000	-	-	-	750,000	0%
S Kelemen	-	718,750	-	-	-	718,750	0%
G Columbus	-	875,000	-	-	-	875,000	0%
		5,375,000	-	-	-	5,375,000	

Directors' Report (continued)

14. Remuneration Report (audited) (continued)

D Share based compensation (continued)

Performance rights

During the year, the following performance rights were granted to directors as part of their remuneration with service and market conditions.

Director name	No. of rights	Grant date	Assumed vesting date	Expiry date	Share price on grant date	Fair value dollars
David Casey	437,830	24-Nov-22	01-Jul-23	01-Jul-23	0.2750	0.2750
	109,458	24-Nov-22	01-Jul-23	01-Jul-23	0.2750	0.1248
	547,288					

The balance of performance rights on issue at year end and the movements during the year are as follows:

Director name	Balance at start	Granted as remuneration	Exercised	Vested	Expired	Forfeited	Balance at end
David Casey	3,500,000	547,288	-	(1,340,434)	-	(956,854)	1,750,000
	3,500,000	547,288	-	(1,340,434)	-	(956,854)	1,750,000

Vested performance rights 450,000 shares were exercisable as at 30 June 2023.

E Key Management Personnel shareholdings

The number of ordinary shares in Galilee Energy Limited held by each KMP of the Group during the financial year is as follows:

30 June 2023	Balance at beginning of year	Granted as remuneration during the year	Shares acquired	Other changes	Balance at end of year
Directors					
David Casey	156,250	-	-	-	156,250
Ray Shorrocks	2,708,386	-	-	-	2,708,386
Stephen Kelemen	368,750	-	-	-	368,750
Gordon Grieve	316,500	-	-	-	316,500
Greg Columbus	436,563	-	-	-	436,563
Total Directors	3,986,449	-	-	-	3,986,449

F Loans to Key Management Personnel

Nil

G Transactions with Directors or Director related entities

Nil

End of audited Remuneration Report

Directors' Report (continued)

15. Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent Company, its related practices and non-related audit firms. The professional tax services rendered relate to advice on tax compliance and preparation of the R&D application.

	30 Jun 23	30 Jun 22
	$	$
Non-audit services		
- Tax consulting and compliance services	**44,616**	39,896

16. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report. Signed in accordance with a resolution made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors

Raymond Shorrocks
Chairman

Brisbane, 15 August 2023

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Fax: +61 7 3221 9227
www.bdo.com.au

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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF GALILEE ENERGY LIMITED

As lead auditor of Galilee Energy Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Galilee Energy Limited and the entities it controlled during the year.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 15 August 2023

Consolidated Statement of Profit or Loss & Other Comprehensive Income
for the year ended 30 June 2023

	Note	Consolidated 30 Jun 23 $	30 Jun 22 $
Revenue and other income			
Interest received		**184,020**	28,798
Other income	3	**7,771,971**	6,152,711
		7,955,991	6,181,509
Expenses			
Exploration and evaluation costs	4 (a)	**(11,401,060)**	(20,448,188)
Employee benefits expense	4 (b)	**(3,208,057)**	(3,167,691)
Consulting fees	4 (c)	**(679,634)**	(566,235)
Business development		**(34,156)**	(28,345)
Administration expenses	4 (d)	**(1,573,558)**	(1,730,525)
Total expenses		**(16,896,465)**	(25,940,984)
Loss before income tax		**(8,940,474)**	(19,759,475)
Income tax benefit/(expense)	5	**-**	-
Loss for the year		**(8,940,474)**	(19,759,475)
Other comprehensive (loss)/income, net of income tax		-	-
TOTAL COMPREHENSIVE LOSS		**(8,940,474)**	(19,759,475)
LOSS PER SHARE		**Cents**	Cents
Basic and diluted loss per share		**2.6**	6.3

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 30 June 2023

	Note	Consolidated 30 Jun 23 $	30 Jun 22 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**7,313,567**	16,149,733
Trade and other receivables	10	**453,533**	647,692
Total current assets		**7,767,100**	16,797,425
Non-current assets			
Trade and other receivables	10	**1,352,786**	1,414,981
Property, plant and equipment	11	**268,271**	119,715
Right of use asset	12(a)	**239,066**	245,239
Total non-current assets		**1,860,123**	1,779,935
Total assets		**9,627,223**	18,577,360
LIABILITIES			
Current liabilities			
Trade and other payables	13	**708,939**	2,905,639
Lease liability	12(b)	**191,249**	103,024
Total current liabilities		**900,188**	3,008,663
Non-current liabilities			
Trade and other payables	13	**51,469**	34,890
Provisions	14	**4,832,598**	4,175,833
Lease liability	12(b)	**42,298**	138,287
Total non-current liabilities		**4,926,365**	4,349,010
Total liabilities		**5,826,553**	7,357,673
NET ASSETS		**3,800,670**	11,219,687
EQUITY			
Issued capital	15	**134,087,081**	134,087,081
Reserves	16	**(935,184)**	(2,456,641)
Accumulated losses		**(129,351,227)**	(120,410,753)
TOTAL EQUITY		**3,800,670**	11,219,687

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2023

	Issued Capital	Accumulated Losses	Non-controlling Interests Elimination Reserve	Foreign Currency Translation Reserve	Share-based Payments Reserve	Total
	$	$	$	$	$	$
Balance at 1 July 2022	**134,087,081**	**(120,410,753)**	**(7,656,400)**	**(48,456)**	**5,248,215**	**11,219,687**
Loss for the period	-	(8,940,474)	-	-	-	**(8,940,474)**
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	(8,940,474)	-	-	-	**(8,940,474)**
Contributions of equity net of transaction costs	-	-	-	-	-	-
Share-based payments expense	-	-	-	-	1,521,457	**1,521,457**
Balance at 30 June 2023	**134,087,081**	**(129,351,227)**	**(7,656,400)**	**(48,456)**	**6,769,672**	**3,800,670**
Balance at 1 July 2021	122,050,707	(100,728,078)	(7,656,400)	(48,456)	3,039,062	16,656,835
Loss for the period	-	(19,759,475)	-	-	-	(19,759,475)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	(19,759,475)	-	-	-	(19,759,475)
Contributions of equity net of transaction costs	12,036,374	-	-	-	1,000,023	13,036,397
Share-based payments expense	-	-	-	-	1,285,930	1,285,930
Transfers	-	76,800	-	-	(76,800)	-
	12,036,374	76,800	-	-	2,209,153	14,322,327
Balance at 30 June 2022	134,087,081	(120,410,753)	(7,656,400)	(48,456)	5,248,215	11,219,687

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 30 June 2023

	Note	Consolidated 30 Jun 23 $	30 Jun 22 $
Cash flows from operating activities			
Payments for exploration (including GST)		**(13,879,776)**	(18,314,502)
Payments to suppliers and employees (including GST)		**(3,976,992)**	(4,090,461)
GST refunds received		**1,537,995**	1,702,457
Other income received		**7,771,971**	6,147,581
Interest received		**123,118**	25,937
Interest paid	25(c)	**(12,261)**	(10,798)
Net cash used in operating activities	25(a)	**(8,435,945)**	(14,539,786)
Cash flows from investing activities			
Payments for property, plant and equipment		**(296,367)**	(34,540)
Refunds of/(Payments for) bonds and deposits		**62,195**	(142,115)
Net cash provided by/(used in) investing activities		**(234,172)**	(176,655)
Cash flows from financing activities			
Proceeds from issue of shares		-	13,810,221
Share issue costs		**-**	(773,824)
Payment for principal portion of lease liabilities	25(c)	**(166,049)**	(396,826)
Net cash provided by financing activities		**(166,049)**	12,639,571
Net Increase in cash and cash equivalents		**(8,836,166)**	(2,076,870)
Cash and cash equivalents at the beginning of the period		**16,149,733**	18,226,603
Cash and cash equivalents at the end of the period	9	**7,313,567**	16,149,733

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the Consolidated Financial Statements
for the year ended 30 June 2023

1. General information

These financial statements include the consolidated financial statements and Notes of Galilee Energy Limited (the Company) and its controlled entities (Galilee Energy or "the Group"). Galilee Energy Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements were approved for issue by the Directors on 15 August 2023.

Galilee Energy Limited is a public company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Level 6, 167 Eagle Street
BRISBANE QLD 4000

Principal activities

The principal activities of Galilee Energy Limited and Subsidiaries, is to carry out oil and gas exploration and appraisal. The Group has tenement interests and exploration and evaluation activities in Australia, the United States and Chile.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Compliance with accounting standards

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting standards Board ("AASB") and the Corporations Act 2001, as appropriate for "for-profit" oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). The Group is a for-profit entity for financial reporting purposes.

Going concern & judgements

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity has net operating cash outflows for the full year of $8,435,945 and as at 30 June 2023 has cash and cash equivalents of $7,313,567. The consolidated entity also generated a loss after tax of $8,940,474.

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following conditions:

- successful receipt of research and development (R&D) grant;
- the ability of the consolidated entity to raise sufficient capital and when necessary; and
- the ability to complete successful development and commercialisation of its projects in a manner that generates sufficient operating cash inflows.

These conditions give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern. The directors believe that the going concern basis of preparation is appropriate due to the Company's proven history of successfully raising funds and successful receipt of R&D grant for the year ended 30 June 2023 and previous years.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective from 1 July 2022 for the reporting period. Adoption of these accounting standards did not have a material impact to the financial statements.

The Group does not adopt Accounting Standards and Interpretations which have been issued or amended but, at the date of reporting, are not yet effective. In addition, there are no new standards, not yet effective, expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under present circumstances.

The critical estimates and judgements applied in the preparation of the financial statements are as follows:

Provision for rehabilitation

The Group's exploration activities are subject to various laws and regulations governing the protection of the environment, which require the rehabilitation of permit areas following the completion of exploration and/or production. The Group estimates the future rehabilitation costs at the time of drilling the wells or installation of the assets.

Rehabilitation could involve re-vegetation of the land area affected and the removal of oil and gas wells, and other surface plant and equipment. In some cases, the rehabilitation will occur many years into the future. The Group recognises management's best estimate of the nature, extent and cost of the rehabilitation obligations in the period in which they arise. The Group engages an independent expert to advise on the cost to rehabilitate each well. In addition, future changes to environmental laws and regulations, production estimates and discount rates may affect the calculation of the estimated cost of the rehabilitation estimates. As a result, actual costs incurred in future periods may differ from the estimates.

At 30 June 2023, the cost of the future rehabilitation work on the remaining wells required has been independently assessed by a specialist third party company. These cost estimates have been indexed at CPI (assumed to be 2.5%) to the future date that the rehabilitation work is expected to be undertaken. The resultant schedule of cash flows is then discounted to obtain a present value of the potential rehabilitation liability. With respect to wells drilled and completed as possible production wells, it is assumed that the rehabilitation will be undertaken beyond 12 months from reporting date with the majority estimated to be in the 2030 financial year. The total of the rehabilitation provision at reporting is $4,832,598 (current - nil and non-current $4,832,598). (2022: current - nil and non-current $4,175,833) as disclosed in Note 14.

Joint arrangements

The Group is not active but has interests in a number of joint arrangements in the USA:

In accordance with *AASB 11 Joint Arrangements*, the accounting treatment adopted for these joint arrangements depends upon an assessment of the rights and obligations of the parties to the arrangement that are established in each of the joint operating agreements (JOAs) or the farm-in agreement as the case may be. The JOA or farm-in agreement sets out the voting rights of the parties to the agreement. The voting rights determine who has control i.e. the power to direct the operating activities of the joint arrangement.

Based on an analysis of each JOA and farm-in agreement, the Group has classified each of its joint arrangements as a "joint operation" in accordance with the requirements of AASB 11 in that:

- there is joint control because all decisions about the operating activities requires unanimous consent of all the parties, or a group of the parties considered collectively; and
- each party to the joint operation has rights to its respective interest in the assets and revenue of the arrangement, and obligations for its share of the liabilities and expenditure.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Joint arrangements (continued)

As a result, the Group recognises in its financial statements its share of the revenue, expenses, assets and liabilities of each of the joint operations in which it has an interest.

Loans to and investments in subsidiaries

The parent entity has recorded its investments in subsidiaries at cost of $24,098,886 (2022: $24,098,886) less provisions for impairment of $24,098,886 (2022: $24,098,886). The parent entity has also loaned funds to its subsidiaries of $14,178,134 (2022: $14,178,134) primarily to fund exploration activities. The parent entity has impaired the carrying amount of loans by $14,178,134 (2022: $14,178,134).

The impairment of the investments and loans has been based on the underlying net assets of the subsidiaries. In future periods, in the event that the exploration activities progress on the various areas of interest, and with changes in other market conditions, the carrying amounts of investments and loans may need to be reassessed in line with the net asset position of the subsidiaries or as otherwise appropriate.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 20.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Galilee Energy Limited as at 30 June 2023 and the results of all subsidiaries for the year then ended.

Principles of consolidation

Subsidiaries

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.
Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transaction between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Investments in subsidiaries are accounted for at cost in the individual financial statements of Galilee Energy Limited.

Joint arrangements

Joint arrangements are arrangements in which one or more parties have joint control. Joint arrangements are classified as either joint operations or joint ventures.

Joint operations

The Group has entered into joint arrangements which are classified as joint operations because the parties to the joint arrangements have rights to the assets and obligations for the liabilities, rather than to the net assets, of the joint arrangements. The Group has recognised its direct right to, as well as its share of jointly held, assets, liabilities, revenues and expenses of joint operations which have been included in the financial statements under the appropriate headings.

Joint ventures

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the Group's share of the movements in statement of profit or loss and other comprehensive income of joint ventures are recognised in consolidated statement of profit or loss and other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Joint ventures (continued)

When the Group's share of post-acquisition losses in a joint venture exceeds its interest in the joint venture (including any long-term interests that form part of the Group's net investment in the joint venture), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Galilee Energy Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for the statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Government grants

Grants that compensate the Group for expenses incurred e.g., Research and Development grant are recognised in profit or loss when received as other income.

Research and development

Research and development expenditure is recognised as an expense as incurred. Costs incurred on research and development projects (relating to the design and testing of new or improved products or processes) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Research and development (continued)

completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other developmental expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over the asset's useful life from the point at which the asset is ready for use.

Income tax

The income tax expense or revenue for the year is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Galilee Energy Limited and its wholly owned Australian resident entities have implemented the tax consolidation legislation.

The head entity, Galilee Energy Limited, and the subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Galilee Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated group for the purposes of tax consolidation, where considered recoverable.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with AASB 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less or that are otherwise readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within financial liabilities in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less impairment. Trade receivables are normally due for settlement no more than 30 days from the date of recognition.

Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. For trade receivables the Group applies the simplified approach permitted under AASB 9, which requires expected lifetime losses to be recognised from initial recognition. There were no trade receivables at 30 June 2023.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses if applicable. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item

2. Significant accounting policies (continued)

can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

With the exception of certain equipment, which is depreciated on a units of use basis, depreciation is calculated on a declining basis to allocate the cost of each asset, net of its residual values, over its estimated useful life.
The following rates of depreciation are used:

Office equipment	15% - 30%
Plant and equipment	4% - 50%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Inventory

Inventories are stated at the lower of cost or net realisable value. Cost includes the cost of purchase net of discounts received and other costs incurred to bring the inventories to their present location and condition. Inventories are drilling and maintenance stocks, which include spares, consumables, maintenance, and drilling tools used for ongoing operations and are valued at cost and expected to be consumed in the next 12 months.

Right of use asset

Under AASB16, as a lessee the Group recognises a right-of-use asset, representing its right to use the underlying asset, and a lease liability, for all leases with a term of more than 12 months; exempting those leases where the underlying asset is deemed to be of a low value.

The right-of-use asset are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities and for impairment losses, assessed in accordance with the Group's impairment policies. The cost of lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the life of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether purchase, renewal or termination options are reasonably certain to be exercised.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of resource. The determination of a mineral resource is itself an estimation process that requires varying degrees of uncertainty, and this directly impacts on the application of full cost for areas of interest. All costs are expensed in the period it is incurred until such time as an economically recoverable resource has been identified.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation because of past events for which it is probable that an outflow of economic benefits will result, and the amount of the outflow can be reliably estimated. Provisions are not recognised for future operating losses.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Rehabilitation

A provision for rehabilitation is recognised when there is a present obligation to rehabilitate an area disturbed, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A development asset is being created, to the extent that the development relates to future production activities, which in turn is offset by a provision for rehabilitation.

Where there are a number of similar obligations, the likelihood that an outflow will be required is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of an independent assessment of the best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Provision is made for the Group's liability for wages and salaries, including non-monetary benefits, annual leave and long service leave arising from services rendered by employees up to reporting date. Employee benefits that are expected to be settled within one year are measured at the amounts expected to be paid when the liability is settled.

The liability for annual leave and long service leave expected to be settled with 12 months is recognised in the current payables

Other long-term obligations

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service is recognised in the non-current payables. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match, as closely as possible, the expected timing of cash flows.

Retirement benefit obligations

The Group makes contributions to defined superannuation funds. The contributions are recognised as an expense as they become payable.

Share-based equity settled benefits

The Group provides additional benefits to employees in the form of share-based compensation, whereby, subject to certain conditions, part of an employee's remuneration includes an entitlement to receive performance rights or options over shares ("equity-settled transactions").

The fair value of the share-based compensation granted to employees and consultants is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or performance rights.

Fair value of a performance right or option is measured at grant date using a binomial or Black-Scholes pricing model that takes into account the exercise price, the term, any market performance conditions (the impact of non-market performance vesting conditions is excluded), the underlying share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the expected risk free interest rate for the term of the option or performance right.

Non-market vesting conditions are considered in the estimate of the number of rights or options that are expected to ultimately vest. At the end of each reporting period, the number of rights/options expected to vest based on the non-market vesting conditions is revised. The impact of the revision to the original estimates, if any, is recognised in profit or

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

loss with a corresponding adjustment to equity. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

If the company reacquires its own equity instruments, e.g., as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled.

No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are also presented on a gross GST basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented in the receipts from customers or payments to suppliers.

Notes to the Consolidated Financial Statements (continued)

3. Other Income

	Consolidated	
	30 Jun 23	30 Jun 22
	$	$
Sundry Income	**45,900**	31,200
R&D Tax Incentive	**7,726,071**	6,121,511
	7,771,971	6,152,711

4. Expenses

		Consolidated	
		30 Jun 23	30 Jun 22
Loss before income tax includes the following specific expenses:		**$**	$
(a)	**Exploration and evaluation expenditure**		
	Australia	**(11,401,060)**	(20,448,188)
		(11,401,060)	(20,448,188)
(b)	**Employee benefits expense**		
	Employee benefits expense	**(1,275,981)**	(1,471,296)
	Directors' fees	**(326,347)**	(324,889)
	Share based payments expense	**(1,521,457)**	(1,285,930)
	Defined contribution superannuation expense	**(84,272)**	(85,576)
		(3,208,057)	(3,167,691)

The amount presented above include amounts paid to Key Management Personnel.

(c)	**Contractor and consultants' costs**		
	Consulting fees	**(679,634)**	(566,235)
		(679,634)	(566,235)
(d)	**Other expenses include the following specific items:**		
	Auditors remuneration		
	- auditing or reviewing the financial reports	**(67,000)**	(50,400)
	- taxation services	**(44,616)**	(39,896)
	Finance costs associated with lease liabilities	**(12,261)**	**(10,798)**
	Other occupancy costs	**(22,109)**	(64,887)
	Depreciation - PPE	**(147,812)**	(112,171)
	Depreciation – Right of use assets	**(164,458)**	(393,336)
	Other administration and office costs	**(1,115,302)**	(1,059,037)
		(1,573,558)	(1,730,525)

Notes to the Consolidated Financial Statements (continued)

5. Income tax

	Consolidated	
	30 Jun 23	30 Jun 22
Recognised in the statement of profit or loss and other comprehensive income	$	$
Current tax benefit	**(4,517,873)**	(7,367,903)
De-recognition of deferred tax balances	**4,517,873**	7,367,903
	-	-
Numerical reconciliation of income tax expense to prima facie tax on accounting profit		
Loss before income tax	**(8,940,474)**	(19,759,475)
Tax at the Australian tax rate of 30% (2021 30%)	**(2,682,142)**	(5,927,843)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	**25,653**	10,614
Share-based payments expensed	**456,437**	385,779
Research and development tax offset received	**(2,317,821)**	(1,836,453)
Current year moment in deferred tax balances not recognised	**4,517,873**	7,367,903
Income tax expense/(benefit)	-	-
Unused tax losses		
Income losses		
Australian income losses	**93,995,422**	79,035,796
US income losses	**12,058,436**	12,058,436
	106,053,858	91,094,232
Australian capital losses	**3,204,839**	3,204,839
Total unused tax losses	**109,258,697**	94,299,071
Potential tax benefit		
Australian losses @ 30%	**28,198,627**	23,710,739
US Losses @ 21%	**2,532,272**	2,532,272
Capital losses @ 30%	**961,452**	961,452

Notes to the Consolidated Financial Statements (continued)

6. Interests of Key Management personnel

The totals of remuneration paid to Key Management Personnel of the Group during the year are as follows:

	Consolidated	
	30 Jun 23	30 Jun 22
	$	$
Short-term employee benefits	**798,305**	799,394
Cash bonus	**87,294**	375,000
Post-employment benefits	**45,909**	44,317
Share based payments	**465,794**	405,852
	1,397,302	1,624,563

7. Auditor's remuneration

	Consolidated	
	30 Jun 23	30 Jun 22
Remuneration of the auditor of the parent company for:	**$**	$
Audit services		
- Auditing or reviewing the financial statements	**67,000**	50,400
Non-audit services		
- Tax consulting and compliance services	**44,616**	39,896
	111,616	90,296

The professional tax services rendered relate to advice on tax compliance and preparation of the R&D application.

8. Earnings per share

Performance rights and options are not included in the calculation of earnings per share because they are not considered dilutive as the Group has losses.

		Consolidated	
		30 Jun 23	**30 Jun 22**
(a)	**Earnings used in calculating basic and diluted earnings per share:**	**$**	$
	Loss for the year	**(8,940,474)**	(19,759,475)
	Loss used in the calculation of the basic and dilutive earnings per share	**(8,940,474)**	(19,759,475)
		Number	**Number**
(b)	**Weighted average number of ordinary shares used as the denominator**		
	Weighted average number of ordinary shares used in calculating basic earnings per share	**338,537,499**	312,567,733
	Adjustments for the calculation of diluted earnings per share:		
	Options/performance rights	**-**	-
	Weighted average number of ordinary shares used in calculating diluted earnings per share	**338,537,499**	312,567,733

Notes to the Consolidated Financial Statements (continued)

9. Cash and cash equivalents

	Consolidated	
	30 Jun 23	30 Jun 22
	$	$
Cash at bank and on hand	**1,313,567**	2,136,129
Deposits at call	**6,000,000**	14,013,604
Cash at bank and on hand	**7,313,567**	16,149,733

10. Trade and other receivables

	Note	Consolidated	
		30 Jun 23	30 Jun 22
Current		**$**	$
Other receivables		**817**	9,648
GST receivable		**120,236**	375,551
Interest receivable		**69,530**	8,628
Prepayments		**262,950**	253,865
		453,533	647,692
Non-Current		**$**	$
Environmental bonds and deposits		**1,310,668**	1,372,863
Rental bond		**42,118**	42,118
		1,352,786	1,414,981
		1,806,318	2,062,673

11. Property, plant and equipment

	Consolidated	
	30 Jun 23	30 Jun 22
	$	$
Plant and equipment at cost	**879,814**	584,714
Accumulated depreciation	**(638,836)**	(501,939)
	240,978	82,775
Office equipment at cost	**221,334**	220,066
Accumulated depreciation	**(194,041)**	(183,126)
	27,293	36,940
	268,271	119,715

Notes to the Consolidated Financial Statements (continued)

11. Property, plant and equipment (continued)

Movements in carrying amounts of property, plant and equipment

	Office equipment	Plant and equipment	Total
	$	$	$
Balance, 1 July 2022	**36,940**	**82,775**	**119,715**
Additions	**1,267**	**295,100**	**296,367**
Disposals	**-**	**-**	**-**
Depreciation	**(10,914)**	**(136,897)**	**(147,811)**
Balance, 30 June 2023	**27,293**	**240,978**	**268,271**

	Office equipment	Plant and equipment	Total
	$	$	$
Balance, 1 July 2021	11,882	185,464	197,346
Additions	34,540	-	34,540
Disposals	-	-	-
Depreciation	(9,482)	(102,689)	(112,171)
Balance, 30 June 2022	36,940	82,775	119,715

12. Leases

(a) Right of use asset

	Consolidated	
	30 Jun 23	30 Jun 22
	$	$
Right of use asset – office accommodation	**473,595**	315,310
Accumulated amortisation	**(234,529)**	(70,071)
	239,066	245,239

(b) Lease Liability

	Consolidated	
	30 Jun 23	30 Jun 22
	$	$
Lease Liabilities	**233,547**	241,311

The maturity of lease liabilities at 30 June 2023 were as follows:

Period ending 30 June	
2024	191,249
2025	42,298
Lease liability 30 June 2023	**233,547**
Short-term lease liability	191,249
Long-term lease liability	42,298
Lease liability 30 June 2022	241,311
Short-term lease liability	103,024
Long-term lease liability	138,287

During the year, the Group renewed the Sydney office lease agreement for a minimum lease period of 24 months with the ability to extend by mutual consent of both parties. For the financial year ended 30 June 2023, the addition of lease liability is $158,285.

Notes to the Consolidated Financial Statements (continued)

13. Trade and other payables

	Consolidated	
	30 Jun 23	30 Jun 22
Current	$	$
Trade payables	360,155	2,593,092
Other payables	218,769	220,938
Employee benefits	130,015	91,609
	708,939	2,905,639
Non-Current		
Employee benefits	51,469	34,890
	51,469	34,890
	760,408	2,940,529

14. Provisions

	Consolidated	
	30 Jun 23	30 Jun 22
Current	$	$
Restoration & rehabilitation	-	-
	-	-
Non-current		
Restoration & rehabilitation	4,832,598	4,175,833
	4,832,598	4,175,833
	4,832,598	4,175,833

The amount of restoration and rehabilitation represents the obligation to restore land disturbed during exploration and evaluation activities to the conditions specified in the legislation.

	Consolidated	
	30 Jun 23	30 Jun 22
Movements in carrying amounts of restoration and rehabilitation provision	$	$
Balance at the beginning of the year	4,175,833	2,686,392
Increase/(reduction) in amount provided	656,765	1,489,441
Balance at the end of year	4,832,598	4,175,833

Notes to the Consolidated Financial Statements (continued)

15. Issued Capital

	Consolidated	
	30 Jun 23	30 Jun 22
Ordinary shares	**$**	$
Ordinary shares - fully paid	**139,528,167**	139,528,167
Transaction costs relating to share issues (net of tax)	**(5,441,086)**	(5,441,086)
	134,087,081	134,087,081

	30 Jun 23	30 Jun 22	**30 Jun 23**	30 Jun 22
Movements in ordinary shares	**Number of Shares**		**$**	$
Balance at the beginning of the year	**338,537,499**	295,260,556	**134,087,081**	122,050,707
Share placement @ 32 cents	-	43,156,943	-	13,810,221
Share issued for performance rights vested & exercised @ nil	-	120,000	-	-
Options exercised @ 63 cents	-	-	-	-
Share issue costs – cash component	-	-	-	(773,824)
Share issue costs – broker options	-	-	-	(1,000,023)
Balance at the end of the year	**338,537,499**	338,537,499	**134,087,081**	134,087,081

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Capital Management

Management controls the capital of the Group to ensure that it can fund its operations and continue as a going concern.

The Group's capital comprises equity as described in the statement of financial position supported by financial assets. There are no externally imposed capital requirements.

Management manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. Responses to these changes include management of debt levels and share issues. There have been no changes in the strategy since the prior year.

16. Reserves

	Consolidated	
	30 Jun 23	30 Jun 22
	$	$
Share based payments	**6,769,672**	5,248,215
Foreign currency translation	**(48,456)**	(48,456)
Non-controlling interest elimination reserve	**(7,656,400)**	(7,656,400)
	(935,184)	(2,456,641)

Share based payments reserve

This reserve reflects the fair value of equity instruments granted under share-based payment arrangements.

Foreign currency translation reserve

The foreign currency translation reserve records the exchange differences arising on translation of foreign subsidiaries.

Notes to the Consolidated Financial Statements (continued)

16. Reserves (continued)

Non-controlling interest's elimination reserve

This reserve has arisen as a result of the acquisition of the non-controlling interests in subsidiary company Galilee Resources Pty Ltd. The value of consideration paid for the non-controlling interests was greater than the carrying value of the non-controlling interests acquired.

17. Interest in joint operation

Subsidiary	Agreement	Interest	Comment
Galilee Energy Texas LLC	Hoffer-Klimitchek Area Lavaca County Participation Agreement and Joint Operating Agreement	3%	Working interest reduced to 3% after payback.
Galilee Energy Kansas LLC	• Key Terms Agreement • Joint Venture Agreement • Joint Operating Agreement	 25% 50% 75%	Interest earned after: 3D seismic Well 1 to casing point Well 2 to casing point

The Group's accounting policy is to expense its interests in the joint operations until such time an economically recoverable resource has been identified. There have been no activities during the last four years and these interests are not strategic or material to the operations of the Company.

18. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name of entity	Country of Incorporation	Class of equity	Equity Holding 2023	Equity Holding 2022
Galilee Resources Pty Ltd	Australia	Ordinary	100%	100%
Beaconsfield Energy Development Pty Ltd	Australia	Ordinary	100%	100%
Capricorn Energy Pty Ltd	Australia	Ordinary	100%	100%
Galilee Energy Surat Pty Ltd	Australia	Ordinary	100%	100%
Capricorn Agricultural Technologies Pty Ltd	Australia	Ordinary	100%	100%
Galilee Energy India Pty Ltd	Australia	Ordinary	100%	-
Galilee Energy US LLC	United States	Ordinary	100%	100%
Galilee Energy Texas LLC	United States	Ordinary	100%	100%
Galilee Energy Kansas LLC	United States	Ordinary	100%	100%
Galilee Energy Illinois LLC	United States	Ordinary	100%	100%
Galilee Energy Chile SpA	Chile	Ordinary	100%	100%

All subsidiaries have the same reporting date as the parent, Galilee Energy Limited.

Notes to the Consolidated Financial Statements (continued)

19. Share based payments

Share-based payments expense

The share-based payments expense included in the financial statement with respect to options and performance rights issued during the year is as follows:

	Consolidated	
	30 Jun 23	30 Jun 22
	$	$
Statement of profit or loss and other comprehensive income		
Share-based payments expense included in employee benefits expense	**1,521,457**	1,285,930
Statement of changes in equity		
Share based payments issued to brokers as transaction cost	**-**	1,000,023

The types of share-based payment plans are described below:

Share options

Options are granted either under the Company's Employee Share Incentive Option Plan or on terms determined by the directors or otherwise approved by the Company at a general meeting. The options are granted for no consideration. Options are usually granted for a three to four-year period and entitlements to the options are vested on a time basis and/or on specific performance-based criteria such as share price increases or reserves certification. Options granted either under the plan or otherwise as described above carry no dividend or voting rights. When exercisable, each option is convertible to one ordinary share.

No share options were granted to employees and contractors as part of their remuneration.

The following table shows the number and movements of share options during the year and on issue at reporting date.

Grant date	Expiry date	Opening balance	Granted during the period	Forfeited during the period	Exercised during the period	Expired during the period	Closing balance	% Vested & Exercisable
01-Dec-20	01-Dec-23	8,000,000	-	-	-	-	8,000,000	-
18-Feb-21	01-Dec-23	2,500,000	-	-	-	-	2,500,000	-
03-Mar-22	04-Sep-23	36,922,568	-	-	-	-	36,922,568	-
26-Apr-22	04-Sep-23	1,375,000	-	-	-	-	1,375,000	-
02-Jun-22	04-Sep-23	4,380,750	-	-	-	-	4,380,750	-
26-Apr-22	31-Dec-24	3,323,031	-	-	-	-	3,323,031	-
26-Apr-22	31-Dec-24	3,323,031	-	-	-	-	3,323,031	-
		59,824,380	-	-	-	-	59,824,380	

Notes to the Consolidated Financial Statements (continued)

19. Share based payments (continued)

Share options (continued)

The share options are assessed at the fair value at the grant date. The fair value of the share options issued was determined using a Black-Scholes option pricing model taking into account the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and, as the options had already vested, an estimate of the anticipated exercise date.

The following table lists the inputs to the model used to value the share options granted during the current and previous years:

Input Variables	Input	Input	Input	Input
Options granted	8,000,000	2,500,000	3,323,031	3,323,031
Grant date	01-Dec-20	18-Feb-21	26-Apr-22	26-Apr-22
Vesting date	01-Dec-20	18-Feb-21	26-Apr-22	26-Apr-22
Exercise period	3 years	3 years	2.7 years	2.7 years
Expected exercise date	30-Nov-23	18-Feb-24	31-Dec-24	31-Dec-24
Expected life	3 years	3 years	2.7 years	2.7 years
Exercise price	150 cents	150 cents	44.8 cents	51.2 cents
Risk free rate	0.27%	0.27%	1.00%	1.00%
Expected annual volatility	86.9%	86.9%	48.5%	48.5%
Annual rate of dividends	0%	0%	0%	0%
Value per option	27.54 cents	33.45 cents	16.13 cents	14.00 cents

Notes to the Consolidated Financial Statements (continued)

19. Share based payments (continued)

Employee Performance Share Rights

Employee Performance Rights are provided to certain employees via the Galilee Energy Limited Performance Rights Plans for employees and contractors. Performance Rights are granted on terms determined by the directors.

The object of the plans is to:

(a) provide an incentive for employees/contractors to remain in their employment and continue to provide services to the Group in the long-term;
(b) recognise the ongoing efforts and contributions of employees/contractors to the long-term performance and success of the Group; and
(c) provide employee/contractors with the opportunity to acquire performance rights, and ultimately shares in Galilee Energy Limited.

Performance Rights are issued for no consideration and provide an equity-based reward for employees that is linked with achieving performance conditions determined when the Performance Rights are granted. The performance criteria are determined on a case-by-case basis by the Board. These performance criteria are likely to be matters such as length of employment, successful operational results and/or direct increase in shareholder value linked to the share price of the Company or performance targets.

During the year, 3,763,265 performance share rights were granted of which nil shares vested at 30 June 2023.

The following table shows the movement in the number of performance rights granted in the prior periods and the balance at 30 June 2023.

Grant date	Assumed Vesting date	Opening balance	Granted during the period	Vested during the period	Forfeited during the period	Expired during the period	Closing balance	% Vested
01-Jul-21	01-Jul-22	1,000,000	-	(400,000)	(600,000)	-	-	40%
01-Jul-21	30-Jun-23	1,000,000	-	(400,000)	(600,000)	-	-	40%
01-Jul-21	30-Jun-24	1,000,000	-	-	-	-	1,000,000	0%
01-Dec-21	01-Jul-22	500,000	-	(250,000)	(250,000)	-	-	50%
01-Dec-21	24-Nov-22	500,000	-	(450,000)	(50,000)	-	-	90%
01-Dec-21	30-Jun-23	750,000	-	(375,000)	(375,000)	-	-	50%
01-Dec-21	30-Jun-24	750,000	-	-	-	-	750,000	0%
01-Dec-21	30-Jun-25	1,000,000	-	-	-	-	1,000,000	0%
02-Feb-22	30-Jun-23	125,000	-	-	(125,000*)	-	-	0%
02-Feb-22	30-Jun-24	125,000	-	-	(125,000*)	-	-	0%
02-Feb-22	30-Jun-25	125,000	-	-	(125,000*)	-	-	0%
16-Aug-22	30-Jun-23		708,335	(283,334)	(425,001)	-	-	40%
16-Aug-22	30-Jun-24		708,333	-	-	-	708,333	0%
16-Aug-22	30-Jun-25		708,332	-	-	-	708,332	0%
24-Nov-22	01-Jul-23		547,288	(265,434)	(281,854)	-	-	48%
01-Sep-22	01-Jul-23		1,090,977	(805,193)	(285,784)	-	-	74%
		6,875,000	3,763,265	(3,228,961)	(3,242,639)	-	4,166,665	

*Forfeited as service condition was not met.

Notes to the Consolidated Financial Statements (continued)

19. Share based payments (continued)

Employee Performance Share Rights (continued)

For the performance rights granted during the current financial year, both Black Sholes and Monte Carlo simulation methodologies were used to determine the fair value of performance rights at grant date to meet the different terms and conditions.

The Black Scholes model was used to determine the fair value of performance rights as follows:

Grant date	Assumed Vesting date	Performance rights Granted	Share price at grant date	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date
			$				$
16-Aug-22	30-Jun-23	283,335	0.3600	70.00%	0.00%	2.912%	0.3600
16-Aug-22	30-Jun-24	283,333	0.3600	70.00%	0.00%	2.912%	0.3600
16-Aug-22	30-Jun-25	283,332	0.3600	70.00%	0.00%	2.912%	0.3600
24-Nov-22	01-Jul-23	437,830	0.2750	70.00%	0.00%	3.106%	0.2750
01-Sep-22	01-Jul-23	1,003,987	0.3550	70.00%	0.00%	1.248%	0.3550
		2,291,817					

Monte Carlo simulation methodology was used to determine the fair value of performance rights as follows:

Grant date	Assumed Vesting date	Performance rights Granted	Share price at grant date	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date
			$				$
16-Aug-22	30-Jun-23	212,500	0.3600	70.00%	0.00%	2.912%	0.2412
16-Aug-22	30-Jun-24	212,500	0.3600	70.00%	0.00%	2.912%	0.2072
16-Aug-22	30-Jun-25	212,500	0.3600	70.00%	0.00%	2.912%	0.2141
16-Aug-22	30-Jun-23	212,500	0.3600	70.00%	0.00%	2.912%	0.2511
16-Aug-22	30-Jun-24	212,500	0.3600	70.00%	0.00%	2.912%	0.2238
16-Aug-22	30-Jun-25	212,500	0.3600	70.00%	0.00%	2.912%	0.2310
24-Nov-22	01-Jul-23	109,458	0.2750	70.00%	0.00%	3.106%	0.1248
01-Sep-22	01-Jul-23	86,990	0.3550	70.00%	0.00%	3.276%	0.2325
		1,471,448					

The weighted average share price of performance rights granted during the financial year was $0.29. (2022: $0.3516)

The weighted average remaining contractual life of performance rights at the end of the financial year was 1 year. (2022: 1.31 years)

Notes to the Consolidated Financial Statements (continued)

20. Parent company information

The assets, liabilities and results of the parent company are disclosed below in accordance with the accounting policy described in Note 2.

Galilee Energy Limited	30 Jun 23 $	30 Jun 22 $
Assets		
Current assets	**7,767,100**	16,797,425
Non-current assets	**1,872,399**	1,792,210
Total assets	**9,639,499**	18,589,635
Liabilities		
Current liabilities	**901,295**	3,009,769
Non-current liabilities	**6,073,365**	5,496,010
Total liabilities	**6,974,660**	8,505,779
Net assets	**2,664,839**	10,083,856
Shareholders' Equity		
Issued capital	**134,087,081**	134,087,081
Reserves	**6,769,672**	5,248,215
Accumulated losses	**(138,191,914)***	(129,251,440)*
Total shareholders' equity	**2,664,839**	10,083,856
Loss for the year	**(8,940,474)**	(19,759,475)
Total comprehensive loss for the year	**(8,940,474)**	(19,759,475)

***Accumulated Losses**

	30 Jun 23 $	30 Jun 22 $
Balance at the beginning of the year	**(129,251,440)**	(109,568,765)
Loss for the period	**(8,940,474)**	(19,759,475)
Total comprehensive loss	**(138,191,914)**	(129,328,240)
Transfers from share-based payments reserve	**-**	76,800
Balance at the end of the year	**(138,191,914)**	(129,251,440)

The parent company did not have any contingent liabilities at 30 June 2023 (2022: $Nil). The parent company has not entered into any guarantees in relation to the debts of its subsidiaries (2022: $Nil).

21. Contractual commitments

The group had no contractual commitments for the acquisition of property, plant and equipment at 30 June 2023 (2022: $ Nil). The parent company has not guaranteed the debts of any subsidiary company (2022: $ Nil), other than through its tax sharing and tax funding agreements.

22. Contingent Liabilities

The directors are not aware of any contingent assets or liabilities for the Group (2022: $ Nil).

Notes to the Consolidated Financial Statements (continued)

23. Commitments

Bank guarantees

National Australia Bank have provided bank guarantees totalling $1,294,950 (June 2022: $1,378,705) as follows:
The bank guarantees are secured by term deposits.

- $1,252,832 (June 2022: $1,336,587) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees; and
- $42,118 (June 2022: $42,118) to the landlord of the Brisbane office premises to support the Group's obligations under the lease of the Eagle Street, Brisbane premises.

Exploration expenditure

In order to maintain its interests in the exploration permits in which the Group is involved, the Group is required to meet certain conditions imposed by the various statutory authorities granting the exploration permits or that are imposed by the various joint arrangements entered into by the Group. These conditions include minimum expenditure commitments.

At reporting date, the Group's minimum work program commitments for the Galilee Basin permit (ATP 2019) have been met. Springsure (ATP 2050) is in year 4 and Kumbarilla (ATP 2043) is in year 5 of their respective initial six year work programmes. They are fully compliant with the commitments on these tenements.

Actual expenditure may vary significantly from the minimum commitment obligations and will be dependent on the outcome of exploration activity currently being planned.

Commitments in the United States of America and South America in the next 12 months are nil (2022: $ Nil). There are no commitments beyond 30 June 2023.

24. Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the geographic location of its respective areas of interest (tenements), all assets of the group are located in Australia. The internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources are prepared on the same basis.

The principal operating activities of the Group are the exploration and evaluation of its tenements for oil and gas reserves. Other than the expensing of exploration and evaluation expenditure, income and expenditure as per the consolidated statement of profit or loss and other comprehensive income consists of incidental revenue including interest and corporate overhead expenditure which are not allocated to the Group's operating segments.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Segment performance

Operating segments are presented using the 'management approach', where information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Group operates predominantly in one segment, Australia. The primary financial statements reflect this segment.

Notes to the Consolidated Financial Statements (continued)

25. Notes to the Statement of Cash Flows

		Note	Consolidated	
			30 Jun 23	30 Jun 22
(a)	**Reconciliation of cash flow from operations**		**$**	$
	Loss for the period		**(8,940,474)**	(19,759,475)
	Depreciation		**312,269**	505,507
	Share-based payments		**1,521,457**	1,285,930
	Changes in operating assets and liabilities			
	Decrease/(Increase) in trade and other receivables		**203,244**	(269,551)
	(Decrease)/Increase in trade payables and accruals		**(2,180,121)**	1,730,895
	Decrease/(Increase) in prepayments		**(9,085)**	(38,765)
	(Decrease)/Increase in provisions		**656,765**	1,489,441
	(Decrease)/Increase in inventory		**-**	516,232
			(8,435,945)	(14,539,786)

		Consolidated	
(b)	**Non-cash financing and investing activities**		
		30 Jun 23	30 Jun 22
		Units of options	Units of options
	Shares issued under employee share option plan	**-**	-
	Free attaching options issued as part of share placements	**-**	42,678,318
	Share options issued to brokers as part of share placements	**-**	6,646,062
		-	49,324,380

(c) Reconciliation of liabilities arising from financial activities

	1 Jul 22					**30 Jun 23**
	Opening balance	**Interest expense**	**Interest payment**	**Principal repayment**	**Non-cash changes**	**Closing balance**
	$	**$**	**$**	**$**	**$**	**$**
Lease liability	241,311	12,261	(12,261)	(166,049)	158,285	233,547
	241,311	12,261	(12,261)	(166,049)	158,285	233,547

	1 Jul 21					30 Jun 22
	Opening balance	Interest expense	Interest payment	Principal repayment	Non-cash changes	Closing balance
	$	$	$	$	$	$
Lease liability	322,827	10,798	(10,798)	(396,826)	315,310	241,311
	322,827	10,798	(10,798)	(396,826)	315,310	241,311

26. Events occurring after reporting date

There has not arisen in the interval between the end of the year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of directors, to affect significantly the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Notes to the Consolidated Financial Statements (continued)

27. Related party transactions

Parent entity

The parent company within the Group and the ultimate parent company is Galilee Energy Limited.

Subsidiaries

Interests in subsidiaries are set out in note 18.

28. Financial risk management

Overview

The Group's principal financial instruments comprise, payables, lease liabilities, cash, term deposits. The main risks arising from the Group's financial assets and liabilities are interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies, and processes for measuring and managing risk. There have been no significant changes since the previous financial year to the exposure or management of these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The key risks are monitored and reviewed on a regular basis and as circumstances change (e.g. acquisition of new entity or project) policies are created or revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst minimising potential adverse effects on financial performance.

Given the nature and size of the business, and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains.

The Group's financial instruments consist of deposits with banks, short-term investments, accounts receivable, payable and lease liabilities. The totals for each category of financial instruments are as follows:

		Consolidated	
	Note	**30 Jun 23**	30 Jun 22
Financial Assets		**$**	$
Cash and cash equivalents	9	**7,313,567**	16,149,733
Trade and other receivables	10	**1,806,318**	2,062,673
		9,119,885	18,212,406
Financial Liabilities			
Trade and other payables	13	**708,939**	2,940,529
Lease liabilities	12(b)	**233,547**	241,311
		942,486	3,181,840

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

Specific financial risk exposures and management are summarised below.

Notes to the Consolidated Financial Statements (continued)

28. Financial risk management (continued)

Interest rate risk

Exposure to interest rate risk arises on cash and term deposits recognised at reporting date because a future change in interest rates will affect future cash flows received from variable rate financial instruments or the fair value of fixed rate financial instruments.

Interest rate risk is managed by forecasting future cash requirements (generally up to one year). Cash deposit interest rate information is obtained from a variety of banks over a variety of periods (usually one month up to six-month term deposits) and funds are then invested in an optimised fashion to maximise interest returns.

The Group's financial assets and liabilities bear variable or effective interest rates which are summarised in the table below.

	Interest rate (% p.a.)	
	Variable Interest Rate	Effective Interest Rate
Financial Asset		
Cash and cash equivalents	0.5% - 4.85%	
Financial Liability		
Lease Liability		3%

Interest rate sensitivity

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable. These sensitivities assume that the movement in a particular variable is independent of other variables.
A sensitivity of 2% interest rate has been selected as this is considered reasonable given the current market conditions. A 2% movement in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

Interest rate sensitivity	Profit or Loss		Equity	
	2% increase	2% decrease	2% increase	2% decrease
2023 - Consolidated	$	$	$	$
Cash and cash equivalents and restricted cash	146,271	(146,271)	146,271	(146,271)
2022 - Consolidated				
Cash and cash equivalents and restricted cash	322,995	(322,995)	322,995	(322,995)

Credit risk

The Group is exposed to significant credit risk through its cash and cash equivalents. At 30 June 2023, the Group had $1.314 million excluding term deposits (2022: $2.136 million) in accounts with the National Australia Bank that has A+ credit rating.

GALILEE ENERGY

Notes to the Consolidated Financial Statements (continued)

28. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid.

The following table shows the contractual maturity for non-derivative financial liabilities.

	Note	<1 year	<5 years	>5 years	Total Contractual Cash Flows	Carrying Amount
Consolidated - 30 June 2023		**$**	**$**	**$**	**$**	**$**
Trade and other payables	13	708,939	-	-	708,939	708,939
Lease liability	12(b)	198,980	43,059	-	242,039	242,039
		907,919	**43,059**	**-**	**950,978**	**950,978**
Consolidated - 30 June 2022						
Trade and other payables	13	2,905,638	-	-	2,905,638	2,905,638
Lease liability	12(b)	108,864	141,084	-	249,948	249,948
		3,014,502	141,084	-	3,155,586	3,155,586

Fair value estimation

The Group has no financial assets or financial liabilities for which the fair value differs materially from the carrying value in the financial statements.

Directors' declaration

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

Raymond Shorrocks
Chairman

Brisbane, 15 August 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Galilee Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Galilee Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Provision for rehabilitation

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 14. The Group has recognised provision for rehabilitation as at 30 June 2023. The provision for rehabilitation was a key audit matter due to judgement involved in estimating expected costs and timing to rehabilitate disturbed areas in future periods and the amount is material.	Our procedures, amongst others, included: • Checking the mathematical accuracy of the provision calculation and agreeing the underlying inputs used within the calculation to management's expert report; • Assessing the competence, capability and objectivity of the Group's, external experts used in the determination of the provision estimate; and • Evaluating the completeness of the provisions through examination of the Group's operating locations and corroborating with ASX announcements and minutes review.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' Report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Galilee Energy Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 15 August 2023