

Galilee Energy expands its portfolio in Lavaca County



28 October 2014

- **Galilee expands its portfolio and interests in the liquids-rich Lavaca County area**
- **Prudent deployment of capital in multi-target material prospects and wells**
- **Ground floor participation in new project study area to the northeast of the Hoffer B play**
- **Participation in two additional multiple target exploration wells, Dworsky Haas 1 & Williams 2**
- **Interests now include three different trends with two wells expected to spud before the end of 2014.**

Galilee Energy Limited (ASX: **GLL**) (“**Galilee**” or the “**Company**”) is pleased to announce that it has entered into binding agreements that will see it participate in a number of new prospects in the vicinity of the existing Hoffer B play in Lavaca County, onshore Gulf Coast in Texas.

Galilee’s entry into these prospects on extremely favourable terms is both a testament to the relationship that now exists with Galilee and its partners Calex Resources and Gruy LLC, and to the highly prospective nature of the area.

“I am very pleased to see us extend our participation in this area. This portfolio of new prospects provides an excellent risk reward profile for the company. We have high confidence in the prospects based on the first class technical work of the group, the use of 3D seismic data, and the results of previous wells they have drilled in the area. Each of these new prospects has a high chance of success, which we expect to lead to a substantial near term cash flow for the company.” Managing Director Peter Lansom said.

Lower Wilcox Trend

Galilee has been informed by the operator that the first well to be drilled in Galilee’s Texas portfolio, Hoffer B, is expected to spud mid to late December 2014 (subject to the completion of current drilling operations of the rig). The 3-D seismic over this area shows the main target horizon, the Lower Wilcox sandstone, exists in an “umbrella structure” with a prognosed 650 ft of gross sand development, down-faulted on a ~900 acre structural closure.

Recent technical studies have indicated that the Lower Wilcox play extends to the northeast of the Hoffer area, and Galilee has agreed to participate with a 37.5% working interest in a newly formed AMI to extend over this area. The initial focus of the group will be to acquire existing 3D seismic data, and to identify and lease appropriate targets. Recent developments in the play have seen the aggressive entry of a major US based E&P company acquire leases on trend and permit a 14,000 ft test well less than two miles from the proposed Hoffer B well.

Midcox Trend

Calex Resources and its partners have been extremely successful in identifying and drilling shallower (predominantly Midcox) wells structurally updip from the deeper trend being tested in Hoffer B. As a result of its historical drilling program there is a deep understanding of the critical success factors for new wells in this play – significantly reducing the exploration risk faced.

In order to balance its risk profile, Galilee has agreed to participate in some shallower (lower cost) wells in this updip trend which still provide material reserve targets and follow-up drilling.

Dworsky Prospect Area

This prospect covers an existing 440 acre lease position. The primary objectives for exploration in this area lie in the Midcox section, which is in the depth interval 9,700-11,300 ft. The top of the Midcox section is marked by overpressure at about 9,700-10,100 ft and the base by the erosional unconformity at the Lavaca Channel Erosion Surface at around 11,300 ft.

Within the Midcox, discrete point bar and channel sandstones ranging from 15 ft to 65 ft thick have been found to be highly productive. Porosities are generally in the range of 18-22%, with permeabilities of 20-80 millidarcies.

The analog wells for the Dworsky prospect area are the three main producers on Hallettsville South field; the Anderson 1 (Middle Midcox, EUR 22 Bcf and 500,000 bo), the Henkes 1 (Lower Wilcox, EUR 7.5 Bcf and 175,000 bo) and the Etzler 1 (Lower Midcox EUR 7.5 Bcf and 250,000 bo). All three wells produce from different Midcox and Lower Wilcox sandstones indicating potential exists for further undrained sandstones in areas away from existing drilling.

The first well to be drilled on the prospect area is Dworsky Haas 1, expected to spud late 2014. This well will test multiple targets zones identified on 3D seismic, including three different Midcox sandstones and one of the lower Wilcox sandstones.

Galilee has agreed to a 32% WI before payout (24% WI after payout) in the Dworsky prospect. Galilee will pay an entry cost of US\$114,000 to cover a share of historic lease and seismic costs and the expected total cost to Galilee to casing point is ~US\$900,000 including entry costs.

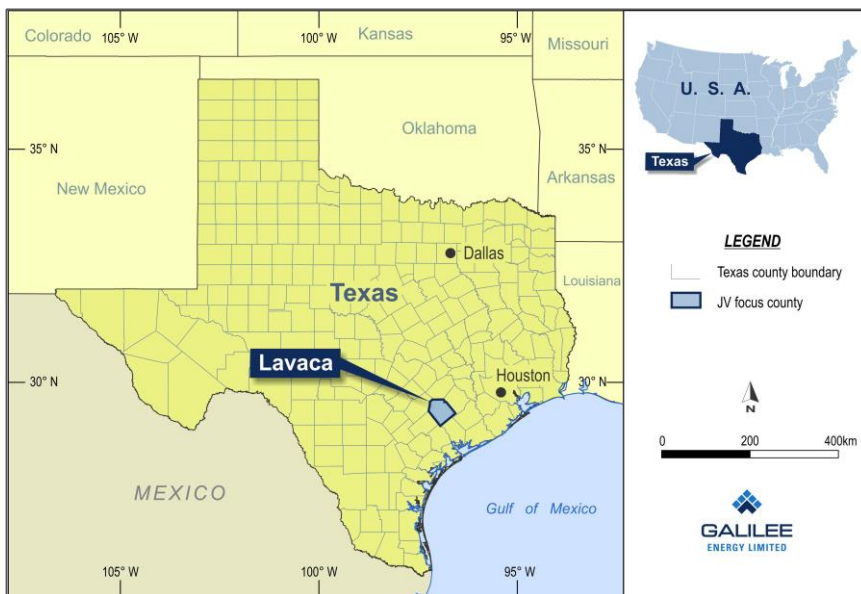
Spikes East Prospect Area

Calex Resources Inc. and Gruy LLC control approximately 1300 acres in the Spikes East Prospect area, located 10 miles south-southwest of Hallettsville in Lavaca County. The acreage lies on the downdip one third of the Midcox producing trend, south of the highly productive Exxon Koerth, Trio Hoffer and Trio Hermes Midcox wells. 3D seismic data indicates the presence of a 2000-2500 acre Middle Midcox depositional channel complex, named the Williams Channel, which contains multiple individual sand build-ups, ranging in size from 50 to 150 acres which have not been adequately tested by previous drilling.

The first well to be drilled to test the channel axis, Williams 2, is located 2500 ft northeast of Williams 1 flank well which had poor sandstone development. 3D seismic data indicates greatly increased thickness (approximately 200 ft) of Middle Midcox sands at this location, at a structural position high to the previous wells. The prospective area of the axial portion of the Williams Channel covers in excess of 1000 acres providing for multiple follow wells if successful.

The Williams 2 well is forecast to be drilled to depth of 12,500 ft and is currently scheduled to be drilled in Q1 2015.

Galilee has agreed to a 40% WI before payout (32% WI after payout) in the Spikes Creek East prospects. Galilee's entry cost for historical lease and seismic costs is US\$240,000. Total expected cost to Galilee to casing point US\$1,200,000 including entry costs.



Map 1 – location of Lavaca County, Texas

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About Galilee

Galilee's new board and management is focused on building and expanding its asset mix to create a mid-tier exploration and production company. Galilee has a clear plan to grow shareholder value and the capacity to execute.

- Strong Balance sheet
- Proven successful Board and Management
- New strategic direction

Directors

Chairman - David King
 Managing Director – Peter Lansom
 Executive Director – Paul Bilston
 Non-executive Director – Ray Shorrocks

Shares

Shares on issue – 152,140,466
 Top 20 holders – 54.48% *
 Directors and Management – 6.22%

*As at 26 August 2014