CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Galilee Energy Limited
ABN 11 064 957 419
and controlled entities

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Directors' report

In accordance with a resolution of the Board, the directors present their report on the consolidated entity ("Galilee" or "Company") consisting of Galilee Energy Limited and the entities it controlled at the end of or during the half-year ended 31 December 2014. The financial statements have been reviewed and approved by the directors based on the recommendation of the Audit Committee.

Directors

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

Dr David King *Non-executive Chairman Since 30/10/2013* Appointed Director 24/09/2013

Peter Lansom *Managing Director Since 30/10/2013* Appointed Director 24/09/2013

Paul Bilston *Executive Director Since 30/10/2013* Appointed Director 24/09/2013

Ray Shorrocks *Non-executive Director Appointed 02/12/13*

Strategy

Galilee Energy Limited (Galilee) is a Brisbane based energy company with a portfolio spanning Australia, Chile and North America.

Galilee has taken measured steps to transition from a company solely focused on its coal seam gas tenements in the Galilee Basin to a company with an international portfolio of exploration and production assets. The aim is to build a balanced portfolio of short and long term growth opportunities in the conventional and unconventional hydrocarbon sector.

Results from operations

The loss from continuing operations after tax for the half-year is $5.674 million (December 2013: loss of $2.457 million). Exploration and evaluation expenditure for the period was $4.974 million compared to $1.211 million for the corresponding reporting period to December 2013. The increase is due to the commencement of exploration activities in the United States.

Review of Operations

Galilee Energy Limited (ASX:GLL) (Galilee) continues to execute its growth strategy, investing in high margin, near term production plays while continuing to progress its large scale exploration projects. The key highlights are as follows:

- Technical Study of the coal seam gas potential in the Magallanes Basin in southern Chile was completed and reviewed with Chile's state owned oil and gas company ENAP. Galilee is in advanced discussion on the preparation of a joint exploration concession (CEOP application) with ENAP.
- Acquired and drilled the first four prospects in a shallow oil project in Illinois. Encouraging results have confirmed a viable petroleum system and a potential shallow oil resource play. Evaluation continuing ahead of further exploration.
- Expansion of interests in Lavaca County Texas. Ground floor participation in an early stage project extending its interest in the Lower Wilcox. Multiple prospects already identified and leased and direct participation in two new prospects. Two wells Hoffer B 1 and Dworsky Haas 1 are being drilled at the date of this report.
- Finalised a JV across a massive, 110,000 acre lease block and permitted and acquired a ~ 40 square mile 3D seismic survey in Kansas during the quarter with recording completed in January 2015.

Directors' report (continued)

Review of Operations (continued)

Chile

Galilee has completed its evaluation and study of the Coal Seam Gas (CSG) potential in the Southern Magallanes Basin in Chile. Under the terms of the MOU with Empresa Nacional del Petróleo (ENAP) the detailed results of the study remain confidential at this time. However, the company is able to confirm that the study supports the likely presence of a significant gas resource in the coals of the Oligocene age Loreto Formation.

In Chile, natural gas prices remain high, and in its recent visit to Chile, the Company was advised that gas prices in the area are in the order of US$8/mmbtu, which will be relatively insensitive to world prices due to the project location. The Company believes this price can support the proposed Magallanes Basin project and is continuing to work with Empresa Nacional del Petróleo (ENAP) to finalise its work ahead of applying for an exploration concession (CEOP) in the first half of 2015.

Illinois Basin

Galilee drilled four wells in the Illinois Basin shallow oil exploration programme during the previous half. These low cost tests have provided strong evidence to support further exploration in the area. Each well confirmed the presence, in multiple horizons, of hydrocarbon charge and migration.

A significant portion of the hydrocarbon indications in the programme was from the deeper targets in the wells. These targets are much more difficult to map using the "surface geology and shallow coal bore and well data" techniques. These techniques can map simple structural traps but will need to be supplemented with additional data for the deeper targets due to the presence of unconformities in the section. The amount of data available on these deeper horizons is limited as historically the drilling success targeting shallow oil has resulted in little need to drill to the deeper targets. For this same reason, and due to the relatively high cost compared to the drilling of wells, very little seismic data has been acquired in the areas around the programme wells.

Galilee is continuing to evaluate the results to date.

Lavaca County - Texas Gulf Coast

On 24 June 2014 Galilee announced it had acquired a 35% WI (24% WI after payout) in a high impact, liquids rich exploration target in the Hoffer B AMI in Lavaca County, Texas.

On 28 October 2014 Galilee entered into binding agreements to expand the portfolio and participate in a number of new prospects in the vicinity of the exciting Hoffer prospect.

Lower Wilcox Trend

Hoffer B (Galilee holds a 37.5% WI before payout with a 28% WI after payout)

The Hoffer B 1 well spudded on 6 January 2015 and drilling operations are continuing at the date of this report.

The well will target a structural closure identified by 3D seismic in the Lower Wilcox formation. The Lower Wilcox reservoir has proven to be a prolific producer in the region and this, combined with the large size of the prospect and the moderate cost of onshore drilling provides a significant high impact addition to Galilee's exploration portfolio.

Galilee expects the well to deliver sweet natural gas with a good liquids yield. Successful testing of the target will result in immediate follow up development wells and rapid commercialisation with an existing pipeline infrastructure located approximately 500m from the well.

Directors' report (continued)

Review of Operations (continued)

Hoffer Extension Area (Galilee 37.5% WI)

Recent technical studies have indicated that the Middle and Lower Wilcox plays extend to the northeast of the Hoffer area and Galilee has agreed to participate with a 37.5% working interest in a newly formed Joint Venture with an AMI extending over this area.

As part of this agreement, the parties have acquired and are evaluating a significant additional 3D seismic data set. The initial results from the evaluation are very exciting with a large number of material prospects and leads identified across both the Middle and Lower Wilcox zones of interest.

The JV is continuing to prioritise areas for leasing and has commenced negotiations with mineral owners for new leases. Approximately 1,000 acres has been leased as of the date of this report.

Midcox Trend

Calex Resources and its partners have been extremely successful in identifying and successfully drilling shallower (predominantly Midcox) wells structurally up dip from the deeper trend being tested in Hoffer B. As a result of its historical drilling programme 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.

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.

Dworsky Haas Prospect Area (Galilee holds a 32.46% WI to casing point in the first well and a 24.35% after casing point)

The Dworsky Hass Prospect area 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.

The analogue wells for the Dworsky prospect area are the three main producers on Halletsville 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.

Dworsky Haas 1

Drilling on Dworsky Haas 1 spudded on Saturday 14 February 2015 and will test multiple zones identified on 3D seismic data, including three different Midcox sandstones and one of the lower Wilcox sandstones.

Spikes East Prospect Area (Galilee holds a 38.94% WI before payout with a 31.15% WI after payout)

The Spikes East Prospect area is located 10 miles south-southwest of Halletsville 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.

Directors' report (continued)

Review of Operations (continued)

Williams 2

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 drilling has been deferred in response to the downturn in commodity pricing and is now scheduled to be drilled in Q3 2015.

Kansas WI (Galilee to earn up to a 75% WI via a farmin - 25% WI for 3D Seismic – 25% for each well drilled to casing point to a total of 75% WI)

Galilee has a binding Joint Venture Agreement ("JVA") to acquire selected leases within 345,600 acre Area of Mutual Interest ("AMI") in Meade County, Kansas. Galilee is the operator for the JVA.

The key reservoir targets are shallow (4,000-6,000 ft) limestones and sandstones in the Carboniferous section, primarily in the Missourian Lansing and Kansas City groups. The reservoirs are generally from 5 to 40 feet thick and often have more than 20% porosity. Secondary objectives exist in the slightly deeper Cherokee Group, Marmaton Group, Morrow Sandstone and Mississippi Lime.

Galilee has now built a comprehensive geological model incorporating well data and selected 2D data that it has acquired over the area. The model has identified a number of significant structure features across the area.

As part of the JVA, Galilee commissioned a ~ 40 square mile 3D seismic survey over the eastern portion of the AMI. Work on this survey commenced with permitting completed in early November and surveying completed in December. The acquisition company, Lonestar Geophysical Surveys LLC, completed recording on 26 January 2015 following the end of the reporting period. Rehabilitation and de-permitting is currently underway and the data processors expect preliminary results to be ready in early March.

Galilee Gas Project (ATP 529P - Galilee 50%, AGL 50% and operator)

Galilee holds a prospective coal seam gas and hydrocarbon tenement in the Galilee Basin in central Queensland through subsidiary, Galilee Resources Limited – tenement ATP 529P covers approximately 3,953 km^2. ATP 529P is held in a 50/50 joint venture with AGL Energy Limited (AGL) under which AGL is the operator.

Galilee continues to work with AGL, the Operator of ATP529P, on progressing the recompletion and testing of the R1 coal in Glenaras pilot. No further information is available at this time.

Auditor's independence declaration

The auditor's independence declaration is included on Page 5 of the interim financial report for the half-year.

Signed in accordance with a resolution made pursuant to s306(3) of the Corporations Act 2001.
On behalf of the Directors

Dr David King
Chairman

Brisbane, 12 March 2015

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DECLARATION OF INDEPENDENCE BY A J WHYTE TO DIRECTORS OF GALILEE ENERGY LIMITED

As lead auditor of Galilee Energy Limited for the half-year ended 31 December 2014, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A J Whyte

Director

BDO Audit Pty Ltd

Brisbane, 12 March 2015

Consolidated Statement of Profit or Loss & Other Comprehensive Income

for the half-year ended 31 December 2014

	Consolidated	
	31 Dec 14	31 Dec 13
	$'000	$'000
Revenue and other income		
Interest received	**433**	613
Other income	**6**	4
	439	617
Expenses		
Exploration and evaluation costs	**(4,974)**	(1,211)
Employee benefits expense	**(485)**	(472)
Directors' remuneration	**(68)**	(83)
Consulting fees	**(41)**	(967)
New project evaluation and analysis	**(265)**	-
Administration expenses	**(280)**	(341)
Total expenses	**(6,113)**	(3,074)
Loss before income tax	**(5,674)**	(2,457)
Income tax benefit/(expense)	**-**	-
LOSS FOR THE PERIOD	**(5,674)**	(2,457)
Other comprehensive (loss)/income, net of income tax		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	**(184)**	-
TOTAL OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	**(184)**	-
TOTAL COMPREHENSIVE LOSS	**(5,858)**	(2,457)
LOSS PER SHARE	**Cents**	Cents
Basic loss per share	**3.75**	1.61
Diluted loss per share	**3.75**	1.61

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2014

	Note	Consolidated 31 Dec 14 $'000	30 Jun 14 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**19,600**	25,686
Trade and other receivables	5	**302**	338
Total current assets		**19,902**	26,024
Non-current assets			
Trade and other receivables	5	**729**	713
Property, plant and equipment		**61**	110
Total non-current assets		**790**	823
Total assets		**20,692**	26,847
LIABILITIES			
Current liabilities			
Trade and other payables	6	**314**	609
Total current liabilities		**314**	609
Non-current liabilities			
Provisions		**421**	431
Total non-current liabilities		**421**	431
Total liabilities		**735**	1,040
NET ASSETS		**19,957**	25,807
EQUITY			
Issued capital	7	**60,228**	60,228
Reserves		**(6,859)**	(6,683)
Accumulated losses		**(33,412)**	(27,738)
TOTAL EQUITY		**19,957**	25,807

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2014

	Issued Capital $'000	Accumulated Losses $'000	Proportionate Interests Reserve $'000	Foreign Currency Translation Reserve $'000	Share-based Payments Reserve $'000	Total $'000
Balance at 1 July 2014	**60,228**	**(27,738)**	**(7,656)**	**-**	**973**	**25,807**
Loss for the period	**-**	**(5,674)**	**-**	**-**	**-**	**(5,674)**
Other comprehensive income	**-**	**-**	**-**	**(184)**	**-**	**(184)**
Total comprehensive income/(loss)	**-**	**(5,674)**	**-**	**(184)**	**-**	**(5,858)**
Share-based payments expense	**-**	**-**	**-**	**-**	**8**	**8**
Balance at 31 December 2014	**60,228**	**(33,412)**	**(7,656)**	**(184)**	**981**	**19,957**
Balance at 1 July 2013	60,228	(25,137)	(7,656)	-	967	28,402
Loss for the period	-	(2,457)	-	-	-	(2,457)
Total comprehensive income/(loss)	-	(2,457)	-	-	-	(2,457)
Share-based payments expense	-	-	-	-	(6)	(6)
Balance at 31 December 2013	60,228	(27,594)	(7,656)	-	961	25,939

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2014

	Consolidated	
	31 Dec 14	31 Dec 13
	$'000	$'000
Cash flows from operating activities		
Payments to suppliers and employees (including GST)	**(1,093)**	(3,105)
Payments for exploration	**(5,642)**	-
Other revenue	**17**	1,194
Interest received	**496**	501
Net cash used in operating activities	**(6,222)**	(1,410)
Cash flows from investing activities		
Payments for property, plant and equipment	**(34)**	(10)
Proceeds from disposal of property, plant and equipment	**129**	-
Refunds of/(Payments for) bonds and deposits	**(27)**	-
Net cash provided by investing activities	**68**	(10)
Net Decrease in cash and cash equivalents	**(6,154)**	(1,420)
Cash and cash equivalents at the beginning of the period	**25,687**	27,393
Effects of exchange rates on cash	**67**	-
Cash and cash equivalents at the end of the period	**19,600**	25,973

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2014

1. Principal Activities

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

There have been no significant changes in the nature of the Group's principal activities during the half-year.

2. Basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2014 and are presented in Australian Dollar ($AUD) which is the functional currency of the Parent Company. The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 “Interim Financial Reporting”.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The interim financial statements do not include all of the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the Group together with any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

3. Significant accounting policies

The accounting policies adopted in the preparation of this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period. The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

The Group has adopted all of the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. There was no material impact on the financial report as a result of the adoption of these standards.

4. 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). 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 statement of 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.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2014

4. Segment Information (continued)

Segment performance
The following table shows the revenue and exploration and evaluation expenditure information regarding the Group's operating segments for 31 December 2014.

	Australia		United States		Chile	
	Qld	Illinois	Texas	Kansas		Total
31 December 2014	$	$	$	$	$	$
Segment Result						
Segment Revenue	-	-	-	-	-	-
Exploration & evaluation costs written off	(31)	(1,282)	(1,965)	(1,547)	(149)	(4,974)
Segment result before tax	(31)	(1,282)	(1,965)	(1,547)	(149)	(4,974)

Reconciliation of segment result to Group loss before tax	
Interest revenue	433
Other income	6
Employee benefits expense	(485)
Directors' remuneration	(68)
Consulting fees	(41)
Business development	(265)
Administration expenses	(280)
Loss before tax	(5,674)

For the half-year ended 31 December 2013, management identified the Group as having only one operating segment, being exploration and evaluation of coal seam gas deposits in Queensland. Accordingly, all significant operating decisions were based upon analysis of the consolidated entity as one segment. The financial results from the segment are equivalent to the financial statements of the consolidated entity as a whole.

5. Trade and other receivables

	31 Dec 14	30 Jun 14
Current	$'000	$'000
Trade receivables	6	9
Interest receivable	195	269
Prepayments	101	60
	302	338
Non-Current		
Environmental bonds and deposits	729	713
	1,031	1,051

6. Trade and other payables

	31 Dec 14	30 Jun 14
Current	$'000	$'000
Trade & other payables	297	567
Employee benefits	17	42
	314	609

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2014

7. Issued Capital

No shares were issued during the 31 December 2014 half-year or the prior half-year to 31 December 2013.

8. Share based payments

During the half-year, performance rights were granted to certain employees and contractors in accordance with the Galilee Energy Limited Performance Rights Plans for employees and contractors. 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.

All performance rights granted during the half-year vest subject to a market condition in addition to the employee/contractor satisfying a service condition relating to the completion of a specified period of employment/engagement. The market condition required is a share price hurdle which is to be achieved at each vesting date.

The fair value of performance rights is measured at grant date and is determined using a binomial or Black-Scholes pricing model that takes into account the term of the performance right, the underlying share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

Where the performance rights are granted subject only to service conditions and non-market performance conditions, in accordance with the relevant accounting standard, it is assumed that the service condition will be met and the Galilee Energy Limited share price at grant date is used to determine the fair value of the performance rights issued. The non-market performance conditions are taken into account based on the number of performance rights that actually vest. Where the performance rights are granted subject to a market condition in addition to the service condition, the pricing model also takes into account the probability that the market condition will be satisfied/not satisfied during the term of the performance rights e.g. “monte carlo” simulation technique.

Performance rights granted during the 31 December 2014 half-year and on issue at reporting date are as follows:

	No. of Rights	Service Period		Vesting Date	Grant Date	Fair Value	Performance Condition
Issue No		From	To				
Tranche 1	1,150,000	1-Jul-14	31-Dec-15	31-Dec-15	20-Nov-14	2.8 cents	Share price 25 cents
Tranche 2	1,150,000	1-Jul-14	31-Dec-16	31-Dec-16	20-Nov-14	3.7 cents	Share price 30 cents
Tranche 3	1,150,000	1-Jul-14	31-Dec-17	31-Dec-17	20-Nov-14	4.2 cents	Share price 35 cents

There were no performance rights granted during the December 2013 half-year.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2014

8. Share based payments (continued)

The share based payments expense included in the half-year financial statements with respect to performance rights granted during the half-year and those already issued in prior years and the movements in the Share-based Payments Reserve are as follows:

	Dec-14	Dec-13
	$'000	$'000
Statement of comprehensive income		
Share based payments expense included in employee benefits expense	**8**	(6)

	Dec-14	Dec-13
Share based payments reserve	**$'000**	$'000
Balance at the beginning of the period	**973**	967
Share based payments during the half year	**8**	(6)
Balance at the end of the period	**981**	961

9. Contingent liabilities

The directors are not aware of any contingent assets or liabilities.

10. Commitments

Operating lease commitments

Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.

	Dec-14	Jun-14
Payable - minimum lease payments	**$'000**	$'000
- not later than 12 months	**135**	13
- between 12 months and 5 years	**585**	-
	720	13

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $532,698 (June 2014: $592,698) as follows:
The bank guarantees are secured by term deposits.

- $532,698 (June 2014: $532,698) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees; and
- $nil (June 2014: $60,000) to the landlord of the Brisbane office premises to support the Group's obligations under the lease of the Ann Street, Brisbane premises.

National Australia Bank Limited have provided a bank guarantee amounting to $86,860 (June 2014: $nil) to support the Group’s obligations under the lease of the Edward Street, Brisbane premises.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2014

10. Commitments (continued)

Exploration expenditure

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under the agreements. The timing and amount of exploration expenditure and obligations of the Group are subject to the minimum work or expenditure requirements of the permit conditions or farm-in agreements (where applicable) and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest. The obligations are not provided for in the financial statements.

	Dec-14	Jun-14
Minimum expenditure requirements	**$'000**	$'000
- not later than 12 months	**1,407**	1,882
- between 12 months and 5 years	**-**	-
	1,407	1,882

11. Events occurring after balance date

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

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:

(i) complying with ASSB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

Dr David King
Chairman

Brisbane, 12 March 2015

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INDEPENDENT AUDITOR'S REPORT

To the members of Galilee Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Galilee Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Galilee Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Galilee Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Galilee Energy Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit Pty Ltd

BDO

A J Whyte

Director

Brisbane, 12 March 2015