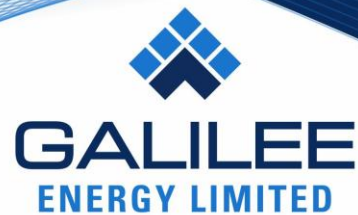


March 2015 Quarterly Report & Appendix 5B

29 April 2015



Galilee Energy Limited (ASX:GLL) (Galilee) is now on the cusp of cash flow, with an exciting discovery that, if proven commercial, will be transformational for the company.

Highlights:

- ❖ **Gas discovery** in Lavaca County with total zones of interest of approximately 200 ft identified. Production casing has been run in the well and testing to commence in the next few weeks.
- ❖ **3D seismic** completed in Kansas with processing and preliminary interpretation completed. A number of potential opportunities identified.

Lavaca County - Texas Gulf Coast

Hoffer B1 Well (Galilee 35% WI, reducing to 28% after payout)

The Hoffer B1 well was spudded on 6 January 2015 and reached total depth (TD) at 14,150 ft (4,313m) measured depth on 12 March 2015.

A number of very significant shows were observed during drilling, both in the lower secondary targets, and also strong shows from sandstones developed in the primary target. A total of thirteen significant shows were recorded at multiple levels in the well, in the depth range 11,230 ft (3,241m) to 14,150 ft (4,313m).

Open hole logs were successfully run to a depth of 11,600 ft ahead of running a production liner. These logs identified a total net pay of 43 ft in the Middle Midcox sandstones, a secondary target in the well. These logs also confirmed a potential 40 ft pay zone in the shallower Yegua Formation. This zone was logged through casing and further evaluation will be necessary to determine the commercial potential of this zone.

Following successful setting of a production liner at 12,700 ft, the well was drilled to a total depth (TD) of 14,150 ft. Drilling of the deeper section required careful management to maintain hole stability as a result of both significant gas influx and extremely high pressures.

Two attempts were made to run open hole logs, however it was not possible to get these to bottom. As a result, given the continued influx of gas and high pressures, the decision was made to run production casing to protect the well and log the well through casing.

The total depth of 14,150 ft was 350 ft shallower than the target depth of the well. It is believed that another 250-300 ft of prospective interval lies below 14,150 ft but this could not be tested in Hoffer B1 due to the high gas pressures and deteriorating hole conditions. In the event that deep development drilling is required on the Hoffer feature, this deeper section will be tested in a subsequent well.

Following the running and cementing of production casing, the Operator ran a cased hole logging suite. Processing and interpretation of these logs can allow for a qualitative evaluation of the potential productive zones in the well, but cannot directly quantify net pay.

The processing and interpretation of the logs is very encouraging and is strongly correlated to the shows identified during drilling, and the open hole log data where it is available.

The cased hole logging suite identified:

- Gross sandstone totalling approximately 30 ft in the Middle Midcox and Lower Wilcox. This is in addition to the 43 ft previously identified on open hole logs in the Middle Midcox.
- Gross sandstone totalling approximately 90 ft in the primary target.

Added to the pay already identified, this provides for combined zones of interest of almost 200 ft in the Hoffer B1 well.

The Operator is currently preparing perforating and testing plans, and Galilee will advise the market of the timing of these as soon as they are available.

An independent reserve analysis of the zones which have been encountered in the Hoffer B1 well will be conducted once production testing operations have been completed. This could take several months.

The high pressures and gas influx across a range of different zones impacted on the time taken to drill the well, and required careful management and additional rig time as well as an additional casing string. This has resulted in an increased completed well cost of approximately US\$670,000 net to Galilee. Utilising the information from this well will allow future wells to be drilled more efficiently. Galilee does not expect this to materially impact the returns anticipated from the project if the production testing demonstrates commercial flow. Further to this, the Operator is continuing to see significant discounting on rig and frac equipment which will positively impact future exploration and development costs in the area.

Galilee is participating on equal terms with the other Joint Venture partners for a 35% working interest (WI) (reducing to 28% after payout) in the Hoffer Prospect in Lavaca County, Texas.

Hoffer Extension Area (Galilee 37.5% WI)

Work has continued on the 3D data set that covers the Hoffer extension area. This has seen continual refinement of a number of the prospects previously identified. The Joint Venture (JV) now has over 1,500 acres under lease covering a number of quality prospects.

Some of these prospects are dependent on the outcome of production testing of the Hoffer B1 primary target. Others are addressing the more common production target in the area, the shallower Wilcox Group.

Dworsky Prospect Area (Galilee 32.46% WI, reducing to 24.35% after casing point)

The Dworsky 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.

Dworsky Haas 1

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

The well was drilled without incident and below estimated cost to a TD of 11,600 ft on 11 March 2015. A number of subdued shows were observed in the key Midcox targets, however unfortunately open hole logs identified that these sands were all tight, and unlikely to be capable of commercial production. As a result the deeper part of the well below 10,150 ft will be plugged and abandoned, and a testing programme will be conducted on certain shallower show zones encountered in the depth interval 9,000 ft to 10,000 ft. This work will commence once testing work is completed at Hoffer B1 and is currently expected either late Q2 or early Q3, 2015.

Spikes East Prospect Area (Galilee 38.94% WI reducing to 31.15% after payout)

The Spikes East Prospect area is 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 sandstone build-ups ranging in size from 50 to 150 acres which have not been adequately tested by previous drilling.

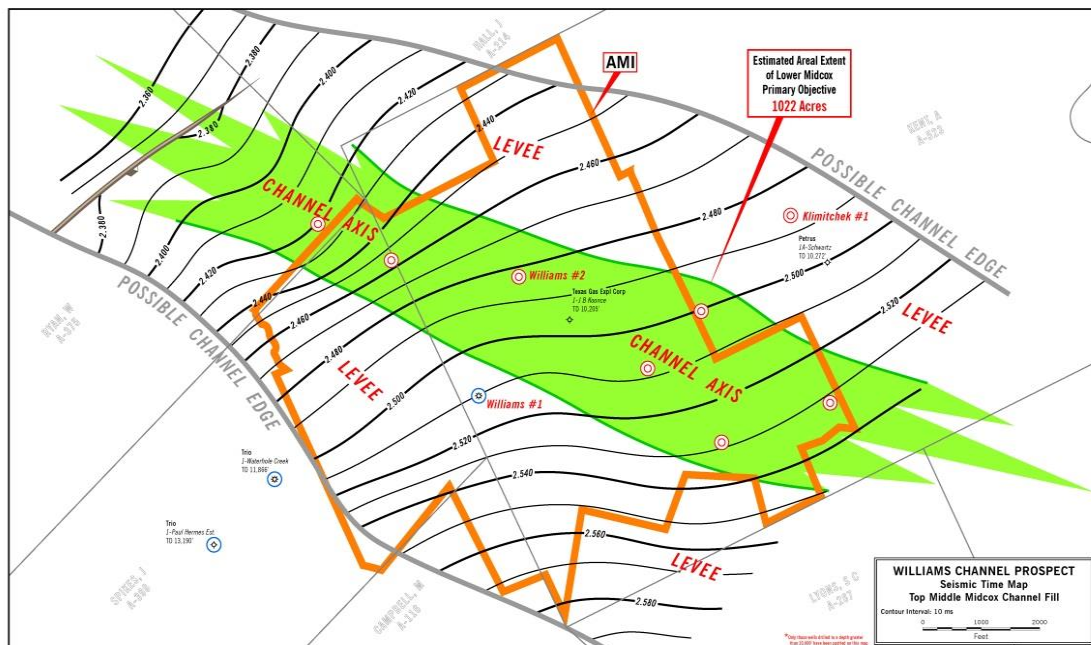


Figure 3 – Seismic time structure map of the Williams Channel

Williams 2

The first well to be drilled to test the channel axis, Williams 2, is located 2500 ft northeast of the Williams 1 flank well which had poor sandstone development. 3D seismic data indicates greatly increased thickness (approximately 200 ft) of Middle Midcox sandstone 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 a depth of 12,500 ft and is currently scheduled to be drilled in Q3 2015.

Galilee has agreed to a 38.94% WI before payout (31.15% WI after payout) in the Spikes Creek East prospects.

Illinois Basin (75% WI)

During the quarter Galilee reviewed the previous drilling results and the exploration model being used to identify drilling prospects. Late in the quarter the Company held a workshop with the operator and it was agreed that any further targets would require much better seismic control ahead of drilling.

A review is now being carried out to identify potential areas where existing seismic is available that could improve the subsurface control and increase the chance of success for any future drilling operations.

The company does not expect to carry out any drilling activities in the next quarter.

Galilee, through its wholly owned US subsidiary funds 100% of the dry hole cost for the first well on each prospect to earn a 75% working interest in the prospect.

Kansas Shallow Oil & Gas (farming in to earn up to 75%WI)

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

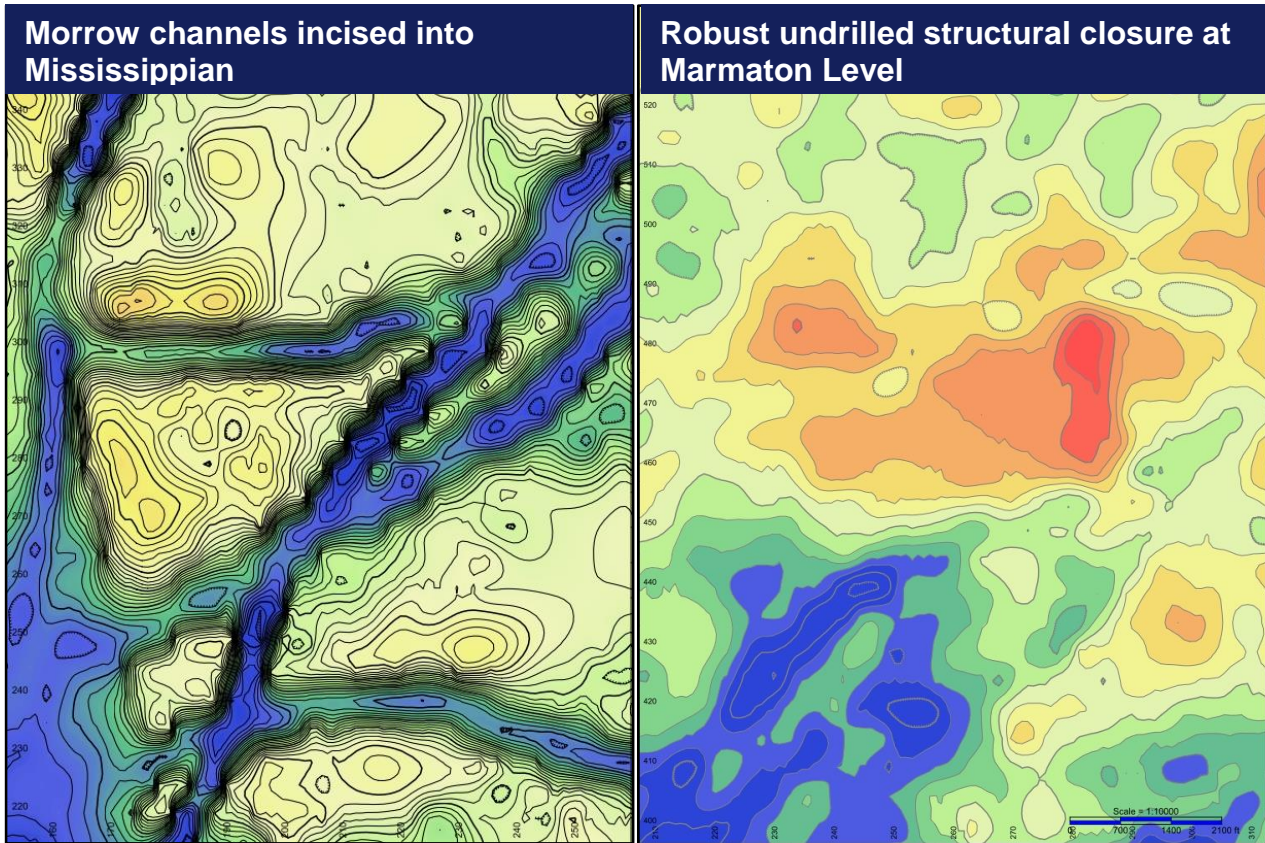
The key reservoir targets are shallow (4,000-6,000 ft) limestones and sandstones in the Carboniferous section, primarily in the Missourian Lansing and Kansas City groups. The reservoirs are generally from 5 to 40 feet thick and often have more than 20% porosity.

Secondary objectives exist in the slightly deeper Cherokee Group, Marmaton Group, Morrow Sandstone and Mississippi Lime.

Galilee 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.

The seismic data has been processed, and the data is of a very high quality. The results are currently being incorporated into the existing geological model. Prospect and lead generation will follow from this work and is well underway.

This work has resulted in the identification of a number of opportunities in different zones. Following are two example of the opportunities identified.



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)

Chile

Late last year Galilee completed its evaluation and study of the Coal Seam Gas (CSG) potential in the Southern Magallanes Basin in Chile. As advised, 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.

An exploration work program has been developed ahead of applying for the exploration concession (CEOP), and the company is working to finalise the work program and an agreement with Empresa Nacional del Petróleo (ENAP) regarding their participation level in the proposed CEOP ahead of submitting the application.

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

AGL Energy as operator of ATP 529P announced a review of their upstream business during the quarter, this review is expected to be completed in May. Galilee has held a number of discussions with AGL regarding any potential impact of this on the proposed work program, the recompletion of the R1 seam in the Glenaras pilot. Galilee will provide an update once the outcome of this review and the impact on ATP 529P is known.

Financials

The company continues to maintain a very strong cash position of \$17.3 million and no debt. Forecast expenditure for the next quarter includes the outstanding drilling, completion and connection costs for the Hoffer B1 well and the pre-payment for participation in the Spikes East prospect area. At report date limited expenditure is anticipated elsewhere in the portfolio. The cash flow for the Quarter is presented in the attached Appendix 5B report.

Peter Lansom
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About Galilee

Galilee's Board and management are 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 – 55.32% *
Directors and Management – 7.23%

*As at 17 April 2015

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Galilee Energy Limited

ABN

11 064 957 419

Quarter ended ("current quarter")

31 March 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(2,301) (281)	(7,842) (1,154)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	219	730
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other Contract termination	- -	(268) -
Net Operating Cash Flows	(2,363)	(8,534)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- (36)	- (36)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- -	129 -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	41	40
Net investing cash flows	5	133
1.13 Total operating and investing cash flows (carried forward)	(2,358)	(8,401)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(2,358)	(8,401)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	(26)
Net financing cash flows	-	(26)
Net increase (decrease) in cash held	(2,358)	(8,427)
1.20 Cash at beginning of quarter/year to date	19,600	25,687
	76	58
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	\$17,318	17,318

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	144
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payment to related parties for fees per service

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,807
4.2	Development	
4.3	Production	
4.4	Administration	421
Total		

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,867	2,174
5.2 Deposits at call	15,451	17,426
5.3 Bank overdraft	-	-
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	17,318	19,600

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

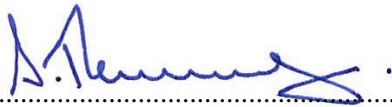
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	152,140,466	152,140,466		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	Unquoted 1,150,000 1,150,000 1,150,000	Nil	<i>Exercise price</i> 25 cps 30 cps 35 cps	<i>Expiry date</i> 1.12.15 1.12.16 1.12.17
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 29/04/15
(Company secretary)

Print name: Stephen Rodgers

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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