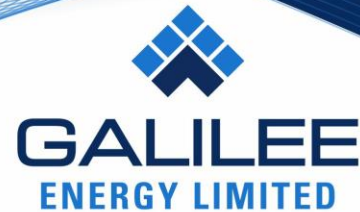


Company update

ASX/MEDIA ANNOUNCEMENT

12 October 2015



COMPANY UPDATE

Galilee Energy Limited (ASX:GLL) (“Galilee” or the “Company”) continues to deliver on its renewed strategy that was outlined in April 2014. Since the new Board and management team was elected the asset base of Galilee has gone through a period of significant growth. The immediate focus is unlocking the value of these projects through booking reserves in the Galilee Basin and moving towards production in the US projects.

A new presentation is attached to this announcement which outlines a compelling investment case and Galilee’s near term milestones.

INVESTMENT HIGHLIGHTS

- Well funded, diversified oil and gas explorer trading near cash backing
- Experienced leadership team with a demonstrated track record of top tier Australian CSG and conventional exploration success, with exceptionally strong alignment with the directors and management who are well invested with c.11% ownership
- Galilee continues to focus its funds on high impact exploration and has significantly reduced its corporate expenditure over the last two years
- Execution on corporate strategy is accelerating with significant achievements in all three focus areas (maximising value of Glenaras Gas Project, building production base, growing exploration portfolio)
- 100% owned Glenaras Gas Project is a highly strategic asset with an opportunity to supply cheap gas into the structurally undersupplied east coast gas market
- Onshore US assets have potential to generate near term US\$ cash flows with follow-up drilling scheduled for late 2015 on the liquids rich Hoffer gas discovery
- Excellent CSG exploration potential in Chile represents a valuable long term growth option

Managing Director Peter Lansom said “Over the last 2 years Galilee has constructed a portfolio of strategic assets with a diversification of development stage and geography. We are now very focused on booking significant reserves at the Glenaras Gas Project and unlocking production in the US. We look forward to delivering significant value to our loyal shareholders as we begin to transition from explorer to developer.”

For further information contact:

Peter Lansom
Managing Director
Galilee Energy Limited
+61 7 3177 9970
plansom@galilee-energy.com.au

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 – 55.2% *
Directors and Management – 10.6%

*As at 30 September 2015

12 OCTOBER 2015

COMPANY UPDATE
ASX: GLL



GALILEE
ENERGY LIMITED

- Well funded, diversified oil and gas explorer trading near cash backing
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**WELL FUNDED EXPLORER EXECUTING ON A
CLEAR CORPORATE STRATEGY**

Financial information

Share price (9-Oct-15)	A\$0.120
Number of shares ¹	152.1M
Market capitalisation	A\$18.3M
Cash (30-Jun-15)	A\$16.0M
Debt (30-Jun-15)	No debt

Enterprise Value **A\$2.3M**

> 2,508 PJ 2C Resources
(worth A\$75m @ A\$0.03/GJ)

> Near term US cash flows

Current Galilee share price fails to reflect fundamental value

Source: IRESS

Note:

1 Excludes 3.45m unlisted performance rights on issue (vesting price A\$0.25-0.35; expiry date Dec-15-Dec-17)

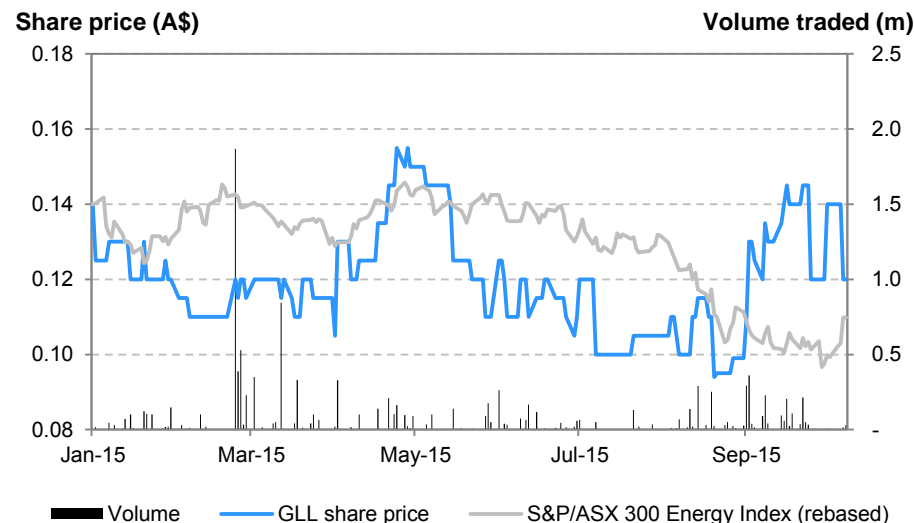
2 Please refer to Competent Person Statement on page 27 of this presentation

Top shareholders

Ecarlate	12.1%
AMP Capital Investors	5.5%
Ekco Investments	4.6%
Nero Resource Fund	4.2%
Directors and management¹	10.6%

Note:

¹ Directors and management acquired shareholdings from 2013 at an average cash consideration per share of A\$0.125



EXPERIENCED LEADERSHIP TEAM WITH A HISTORY OF AUSTRALIAN CSG EXPLORATION SUCCESS

Coal seam gas experience of Galilee Board and management team

- Core Galilee exploration team is ex-Origin Energy
 - Key members of the team that **built Origin Energy's portfolio of upstream CSG assets, the largest CSG resource in Queensland** which now underpins the A\$25bn APLNG project
- Board and management have a **track record of successfully increasing reserves and creating asset value**
 - Expanded Gloucester (AJ Lucas) 3P Reserves from zero to > 700PJ¹ before being sold to AGL Energy for A\$370m
 - Increased Narrabri (Eastern Star Gas) 3P Reserves from zero to 2,797PJ before being acquired by Santos for A\$942m

Peter Lansom – *Managing Director*

KEY MANAGEMENT

- 25+ years experience in conventional and unconventional exploration and development
- Former Chief Petroleum Engineer at Origin Energy
- Previous Executive Director at Eastern Star Gas

Paul Bilston – *Executive Director*

- Senior executive roles at AGL Energy, AJ Lucas
- Former Managing Director of Challenger Energy

Ashley Edgar – *Geoscience consultant*

- 25+ years experience in conventional and unconventional exploration
- Instrumental in building Origin Energy's CSG portfolio
- Former Executive GM Exploration at Eastern Star Gas

David King – *Non-Executive Chairman*

BOARD

- Currently Non-Executive Chairman of Cellmid
- Former Non-Executive Director of Sapex, Gas2Grid and Eastern Star Gas
- Former CEO of Beach Petroleum

Ray Shorrocks – *Non-Executive Director*

- Director at Patersons Securities (Head of Corporate Finance, Sydney)
- Currently Non-Executive Director of Estrella Resources

Note:

¹ Internal estimates prior to sale

EXECUTION OF OUR STRATEGY IS WELL UNDERWAY WITH STRONG PERFORMANCE IN ALL THREE FOCUS AREAS

Maximise the value of the Glenaras Gas Project

Demonstrate commercial gas flow, book reserves and optimise value for shareholders



- ✓ 100% GLL following AGL acquisition
- ✓ New resource assessment
- ✓ Workover programme complete
- ✓ Production testing to commence mid October 2015

Build a strong production base

Deliver value and upside in assets by utilising our expertise



- ✓ Hoffer gas discovery made in Texas
- ✓ First development well to spud mid Q4 2015
- ✓ Exciting prospects in Kansas 3D seismic

Grow the exploration portfolio

Acquire low cost, early stage positions in frontier basins

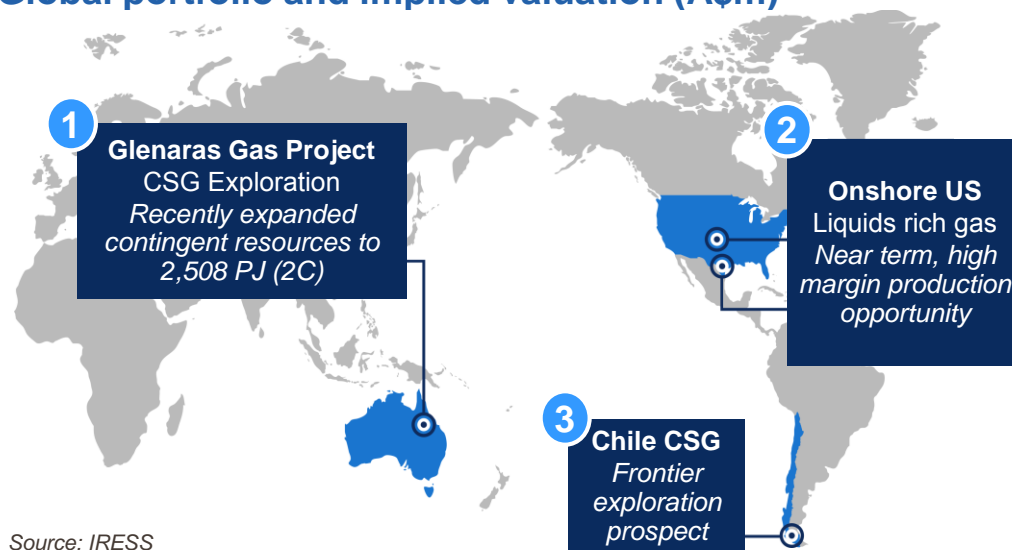


- ✓ CEOP submitted in Southern Chile
- ✓ Multi Tcf CSG resource potential

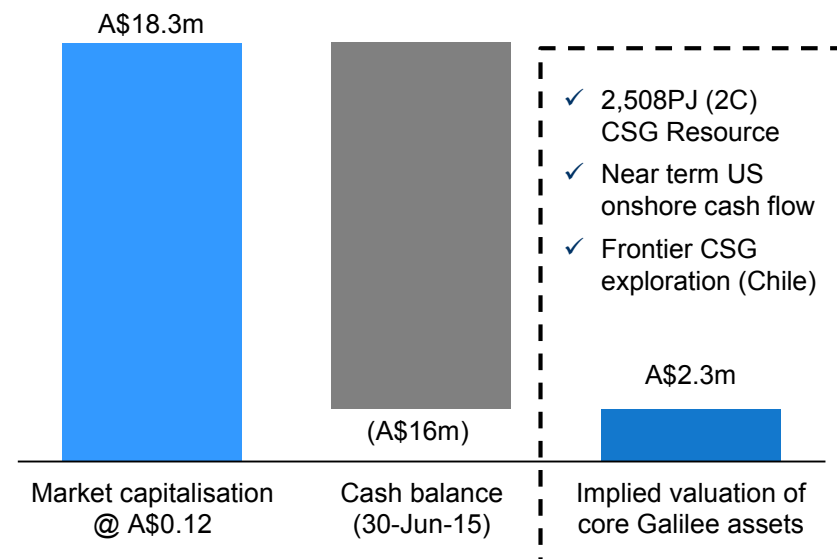
NEGLIGIBLE VALUE ASCRIBED BY THE MARKET TO GALILEE'S PORTFOLIO OF HIGHLY STRATEGIC ASSETS

- Galilee has **constructed a portfolio consistent with its corporate strategy**
- A key focus in building the portfolio has been to maintain and acquire assets with **significant strategic value**
 - Glenaras Gas Project is the most advanced project in the Galilee Basin and has potential to unlock a significant new CSG supply source
 - Acquired onshore US shallow oil targets for near term cash flow, capitalise on depressed drilling costs and rich gas targets with strong economic returns – even in the current depressed commodity environment

Global portfolio and implied valuation (A\$m)



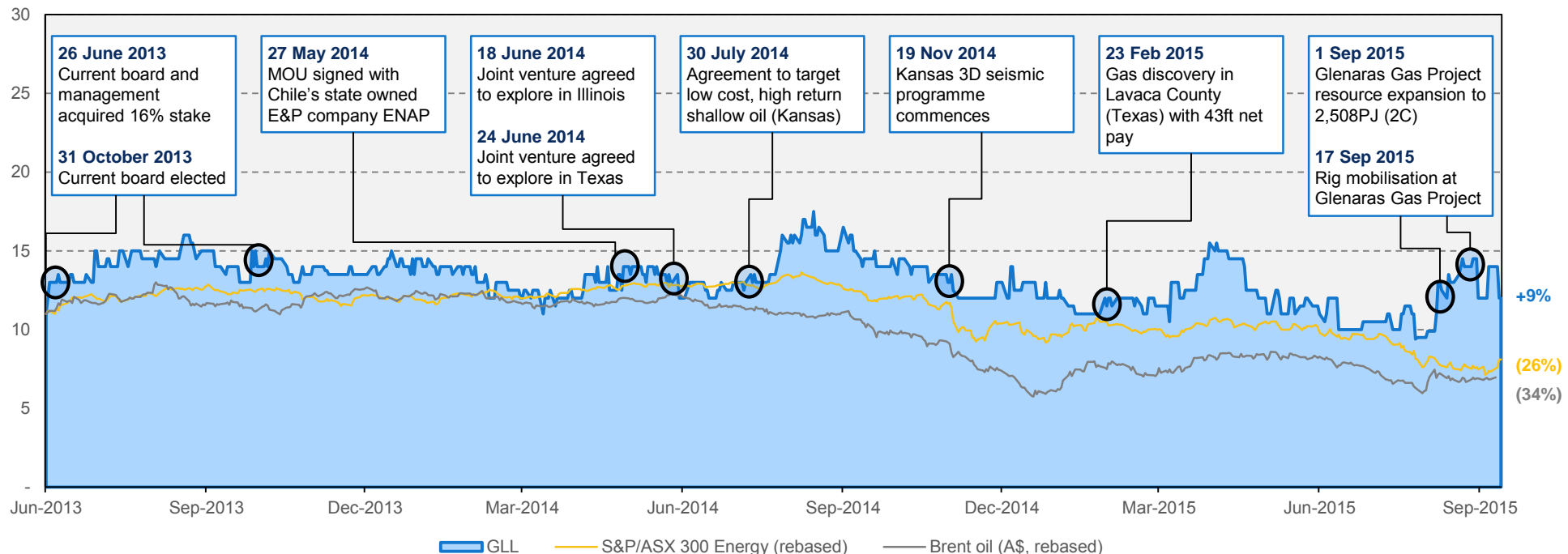
Source: IRESS



SUSTAINED OPERATIONAL PERFORMANCE SINCE THE ELECTION OF THE NEW BOARD IN OCTOBER 2013

- Galilee has outperformed the S&P/ASX300 Energy Index and oil price, in a period of oil price collapse and despite significant capital markets headwinds

Share price performance since October 2013 (Acps)

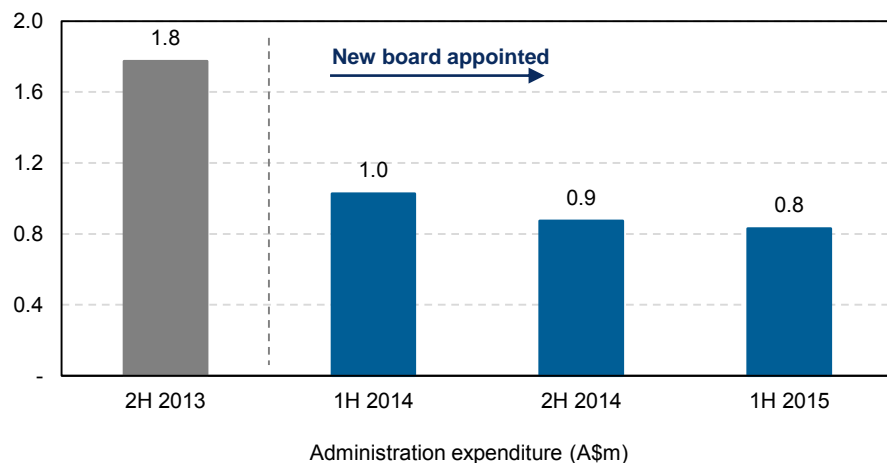


Source: IRESS

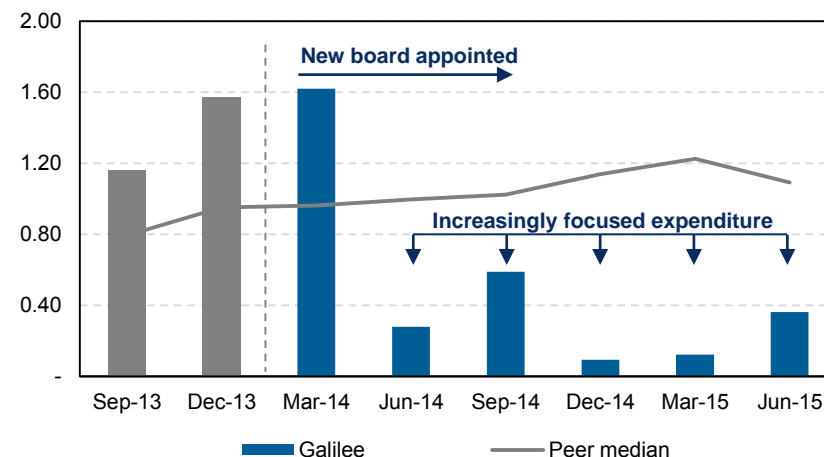
GALILEE'S NEW STRATEGY HAS REDUCED CORPORATE EXPENDITURE AND FOCUSED FUNDS ON EXPLORATION

- Since its election in October 2013, Galilee's Board and management has been executing on a **clear strategy of focused investment and reduced corporate expenditure**
 - Galilee has continued to reduce corporate expenditure consistently over the last 18 months
- Galilee has no debt outstanding and is fully funded for our upcoming exploration program

Galilee half yearly admin expenditure (A\$m)



Quarterly admin to exploration ratio (x)¹

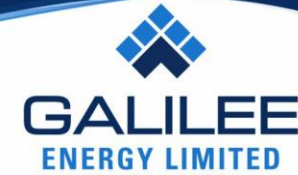


Source: IRESS

Notes:

¹ Constellation of 142 ASX-listed GICS Energy companies with positive exploration expenditure and a market capitalisation <A\$50m as per June quarterly results

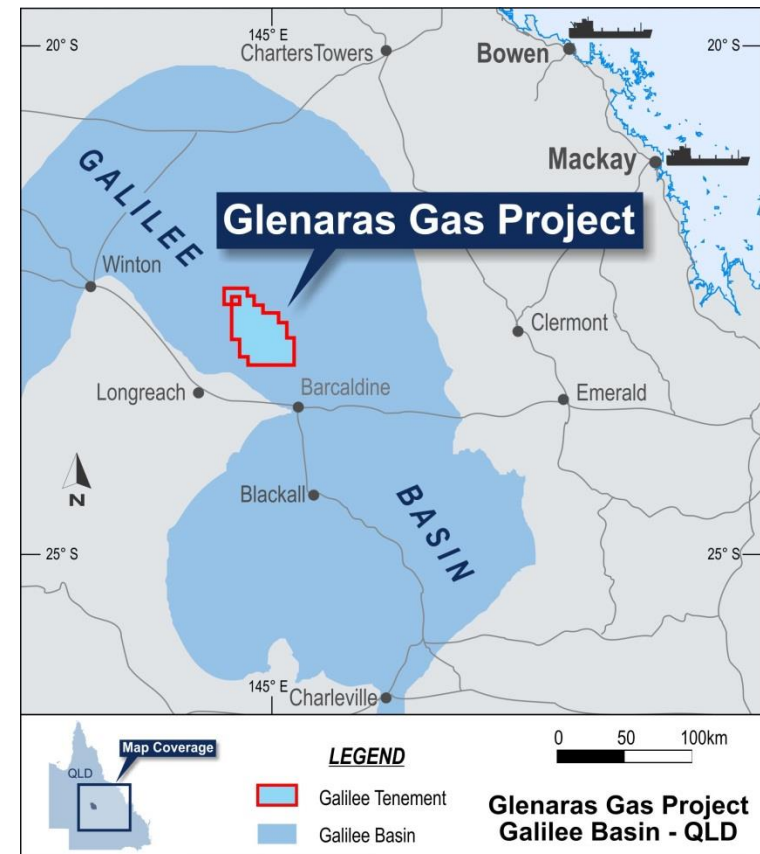
Glenaras Gas Project - Galilee Basin (ATP 529P)



GLENARAS GAS PROJECT IS GALILEE'S FOUNDATION ASSET AND REMAINS A KEY EXPLORATION FOCUS

- Glenaras Gas Project (GGP) has the potential to become a key supplier to the structurally undersupplied east coast gas market
 - ✓ Very large, yet to be contracted, resource
 - ✓ High resource concentration (equivalent to Fairview/Spring Gully)
 - ✓ Minimal water treatment with high probability of being able to re-inject produced water
 - ✓ Positive stakeholder relationship
 - ✓ Very low well costs
- Multiple market options exist for GGP
 - South or west to Wallumbilla and Mt Isa
 - East to connect to Brisbane or Gladstone
- The distance to market is comparable to the length of the recently constructed CSG-LNG pipelines

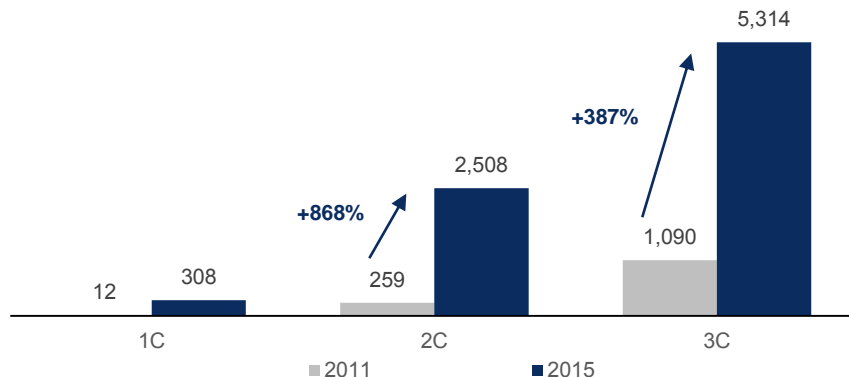
Location of GGP (Galilee Basin)



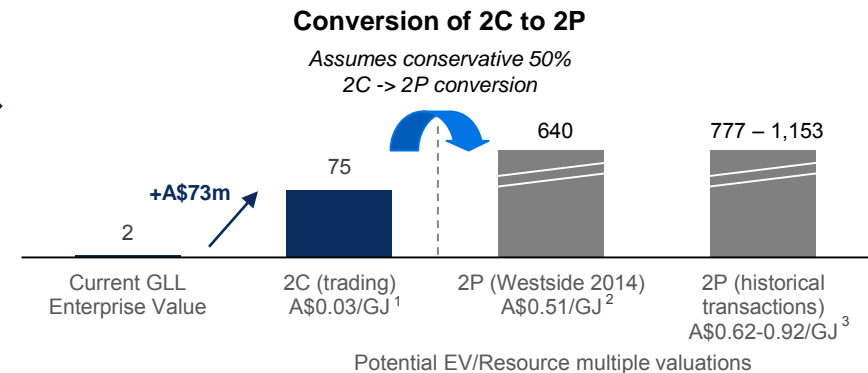
2015 ASSESSMENT SIGNIFICANTLY INCREASED THE GGP RESOURCES AND HIGHLIGHTS ITS POTENTIAL VALUE

- 2015 MHA Resource Assessment **significantly upgraded the Glenaras Gas Project contingent resources**
 - Highlights the strong opportunity for GGP to supply gas into the structurally short east coast market
- Converting the 2C resources to 2P reserves is the key immediate focus for Galilee**
 - The R1 coal seam gas is critical in testing the commercial potential of the GGP and converting the contingent resources into reserves

Glenaras Gas Project estimated resources (PJ)



Implied valuation of Glenaras Gas Project based on resource multiple valuations (A\$m)



Source: MHA Petroleum Consultants LLC (2015), SRK Consulting (2011), Company filings

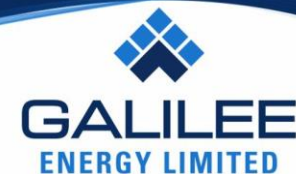
Notes:

1 2C trading valuation based on EV/2C multiples for Blue Energy (ASX: BUL), Real Energy (ASX: RLE) and Icon Energy (ASX: ICN) as at 8 October 2015

2 Westside 2P transaction multiple based on 347PJ (2P) reserves and transaction value of A\$178m at the final bid price of A\$0.40/sh

3 2P transaction multiple range based on precedent Galilee management transactions including sale of Gloucester to AGL Energy (400-500PJ 2P target range and transaction value of A\$370m) and the sale of Eastern Star Gas to Santos (1,520PJ 2P and transaction value of A\$942m)

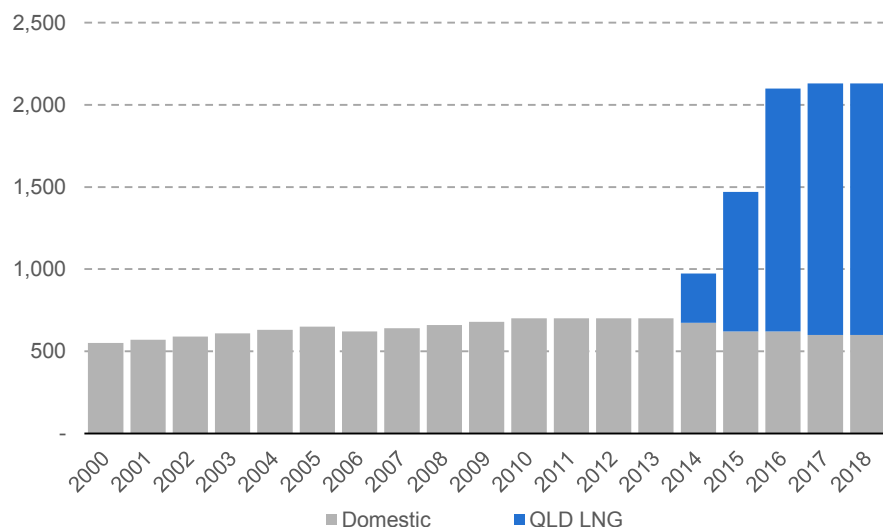
East coast gas market is structurally short



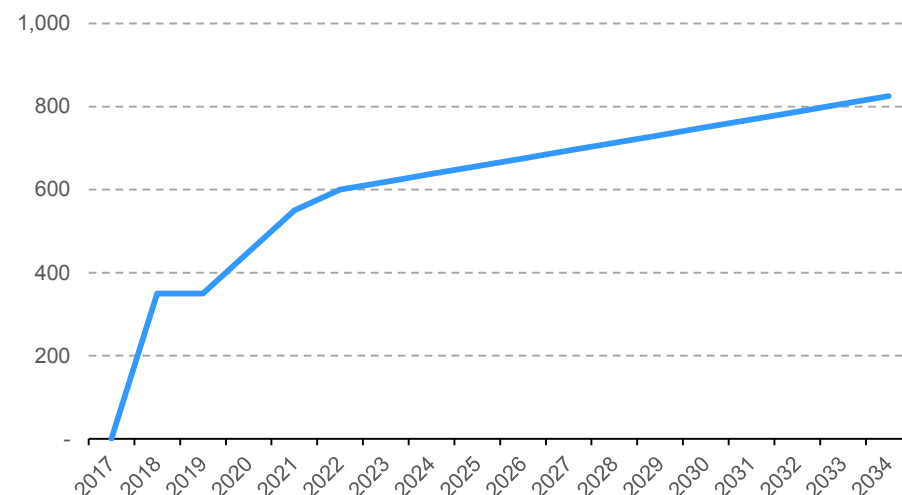
EAST COAST GAS IS IN LIMITED SUPPLY – NEW GAS SUPPLY VITAL TO MEET SURGING DEMAND

- Demand for QLD gas supply will more than triple with GLNG, APLNG and QCLNG online
- Gas supply market is structurally short – supply needed to service domestic and export demand
- Competitive new gas supply will be highly attractive

East Coast aggregate demand (PJ/a)



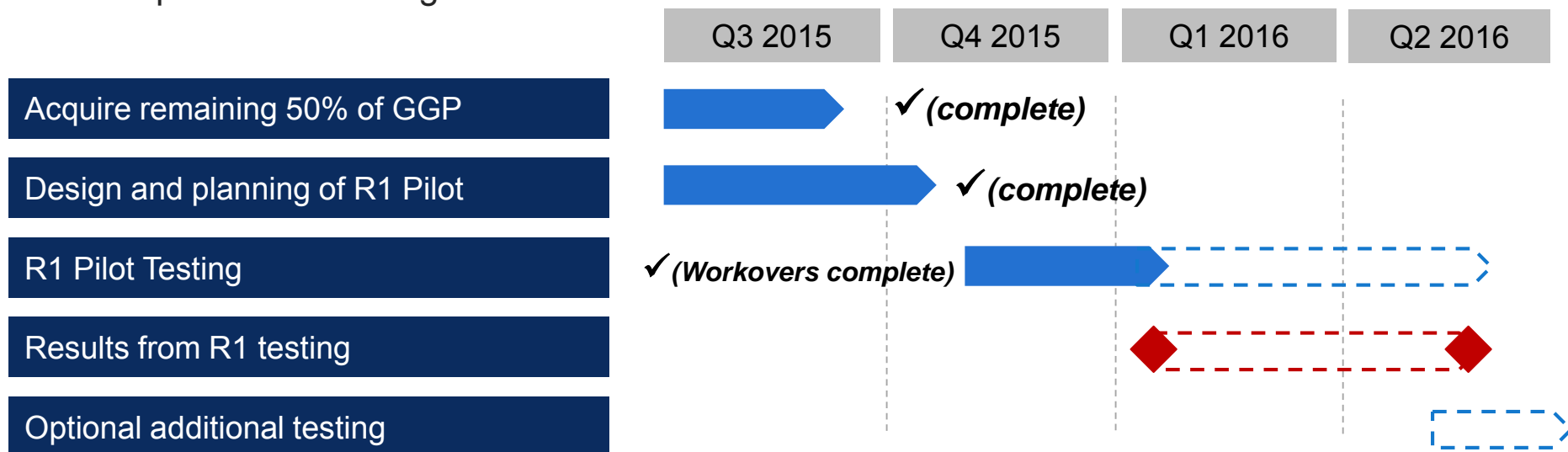
Forecast supply gap (PJ)



Source: EnergyQuest, company presentations (Santos, AGL)

ASSESSMENT OF R1 SEAM COMMERCIAL PRODUCTION POTENTIAL **EXPECTED TO BE COMPLETED IN 1H 2016**

- Testing of the uppermost R1 coal seam is planned to commence early in Q4 2015
- Cash expenditure will be prudently managed over the next 3 quarters with clear focus on the current R1 pilot test
- The initial phase of the R1 pilot test will be in the order of A\$2.0M
- Additional testing completely at the option of Galilee management in the event of successful initial production testing



RECENT SUCCESS IN LAVACA COUNTY HAS THE POTENTIAL TO DELIVER US\$ CASH FLOWS

Texas

Location	Lavaca County
Working interest	Varies by Prospect AMI
Target	Midcox units, Lower Wilcox

- Participation agreement covering 65,000 acres in Lavaca County, onshore Texas Gulf Coast
- Primarily focused around two existing large 3D seismic datasets
- Partnered with highly regarded Calx Resources Inc. and Gruy LLC
 - Extensive history in Lavaca County
 - Multiple successful projects within the area
- Galilee is participating (generally 25-40% WI) in selected projects
- Lower cost of onshore drilling and extensive infrastructure allows rapid commercialisation

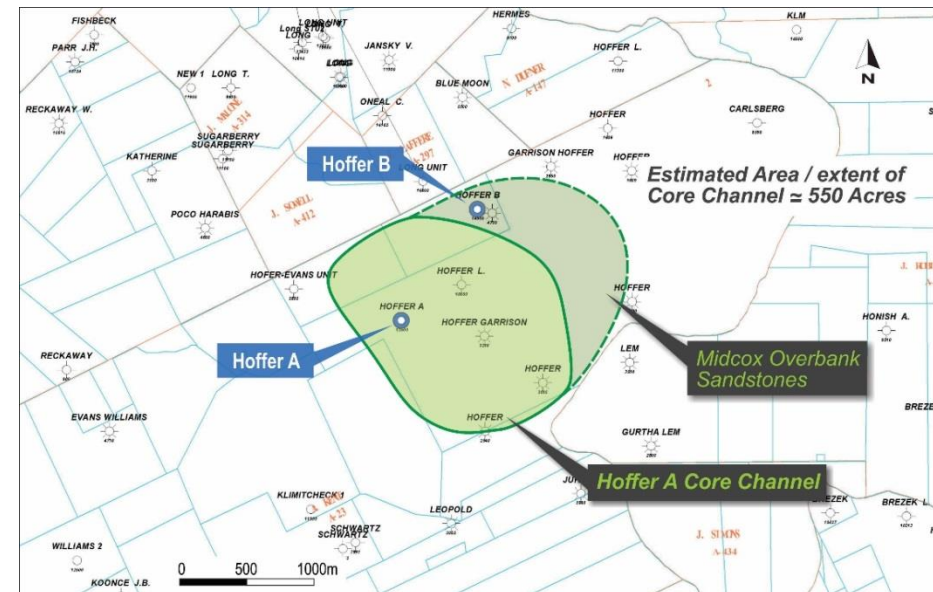
Location of Lavaca County Project



HOFFER B1 IS A CONFIRMED GAS DISCOVERY LOCATED ON THE EDGE OF A SIGNIFICANT CHANNEL

- Hoffer B1 well a confirmed gas discovery in multiple Middle Midcox sandstones with 43 ft net pay (GLL 35% WI BPO, 28% APO)
- Flowed in aggregate ~ 6 MMscfd during testing, however cement integrity issues prevented well being suitable as a commercial producer
- Seismic suggests Hoffer B1 intersected overbank sandstones on the edge of a thick channel
- Hoffer A1 well to be drilled in the thickest section of the channel development
 - Well due to spud late Q4 2015
- A successful well in the Hoffer prospect could deliver flow rates up to 7.5mmcf/d with 50bbl/mmcf
 - This could generate c. US\$2.0m revenue net to Galilee at current prices
 - With multiple follow up wells

Hoffer Midcox Project



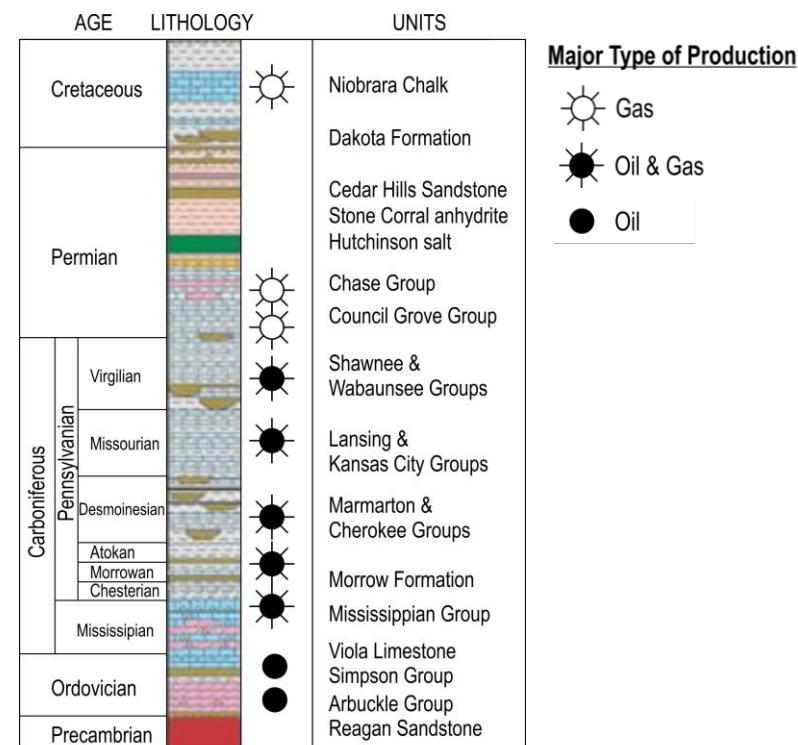
SHALLOW OIL AND GAS PRODUCTION POTENTIAL IN SOUTHERN KANSAS

Kansas

Location	Meade County
Working interest	25%, (earning up to 75%)
Target	Shallow oil, Missourian Lansing, Kansas City groups

- Progressively earn up to 75% WI
- Multiple reservoir targets in Carboniferous:
 - Lansing & Kansas City groups, Marmaton, Cherokee, Morrow and Mississippi
- 40 sq mile 3D seismic completed and processed
- Excellent seismic quality with a number of prospects identified
- Detailed prospect generation being completed and will be announced in due course

Lithology of Meade County targets

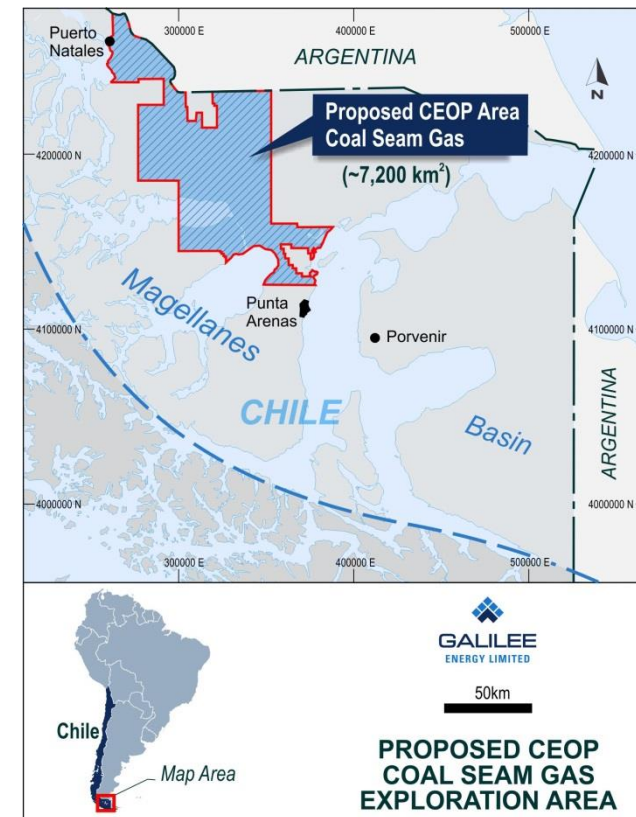


LONG TERM GROWTH OPTION FOR GALILEE IN CHILE; EXCELLENT CSG EXPLORATION POTENTIAL

Magallanes Basin project

- The Magallanes opportunity represents company-making potential
 - Significant area (over 1.8m acres)
 - Proven coal thickness and extent (10-20m of coals at depths ranging from surface to >1.2km)
 - Demonstrated gas content
 - Very large gas in place
- Frontier CSG exploration leveraging the expertise of Galilee
- Galilee CSG study work completed with joint Empresa Nacional del Petroleo (ENAP) workshop held in early December 2014
- Exploration concession (CEOP) application presented to the Chilean Government at the end of June 2015
- Current advice is that domestic gas price in the area is c.US\$8.00/mmbtu

Magallanes project area



Appendix

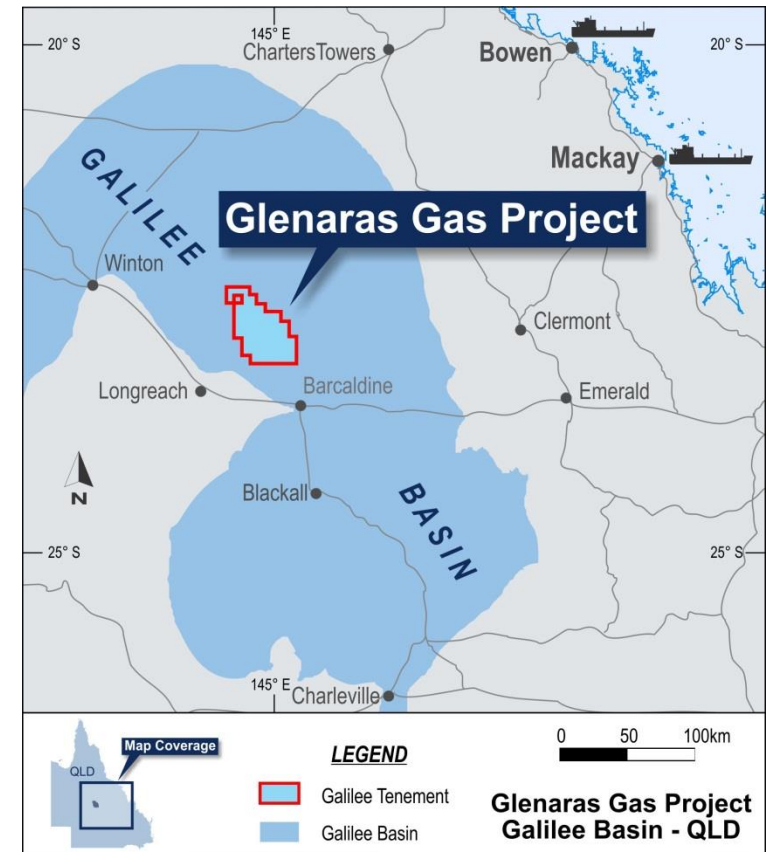
ADDITIONAL INFORMATION ON THE GALILEE PORTFOLIO

GALILEE HAS OVER 20 YEARS OF OPERATING EXPERIENCE IN THE GALILEE BASIN

Overview

- Galilee Basin is located in Western Queensland, between the Bowen, Cooper and Georgina Basins
- The basin covers 247,000 km² with significant coal deposits over vast areas
 - The basin has seen major exploration activity for both coal mining and CSG
 - The Glenaras Gas Project covers one of the few areas in the basin with sufficient gas content to support economic development
- CSG targets are in two main formations; the Betts Creek coals and the Aramac coals
- The primary CSG targets are the Betts Creek coals, which are deposited over 7 separate seams

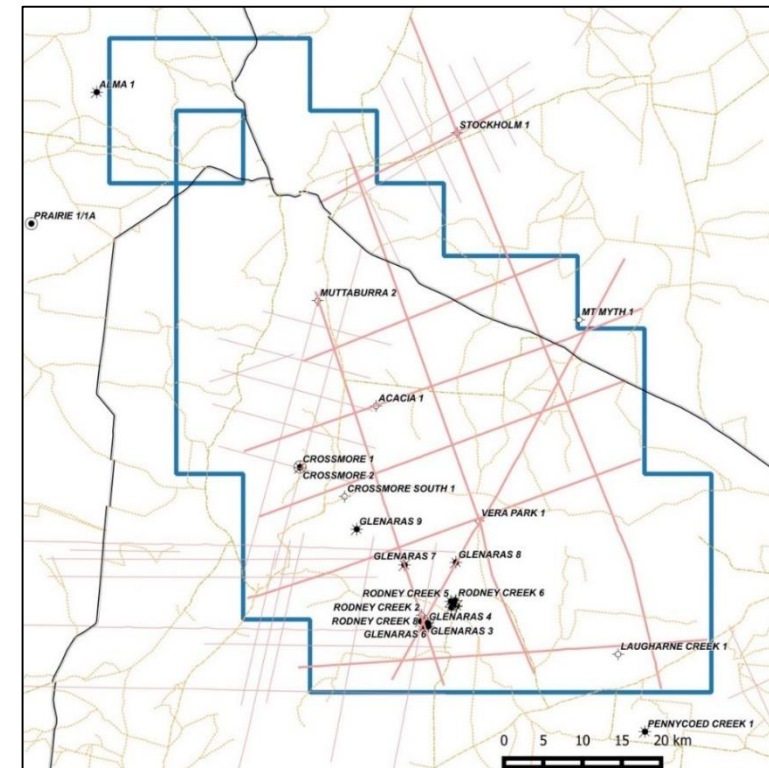
Location of GGP (Galilee Basin)



SUPERIOR GEOLOGICAL UNDERSTANDING BUILT ON COMPREHENSIVE HISTORIC DATABASE

- Significant historic exploration activity
 - Commenced in 1992
- Historic works provided an excellent geological database across the entire permit
 - Database focuses on structure, coal thickness and CSG properties
- 2 production pilots have provided excellent data on permeability, desorption, well interference and appropriate pump design
- Grand total of 12 coreholes, 2 of 5-spot production pilots and 4 step-out production wells and over 700 km of seismic data has been acquired over the permit to date

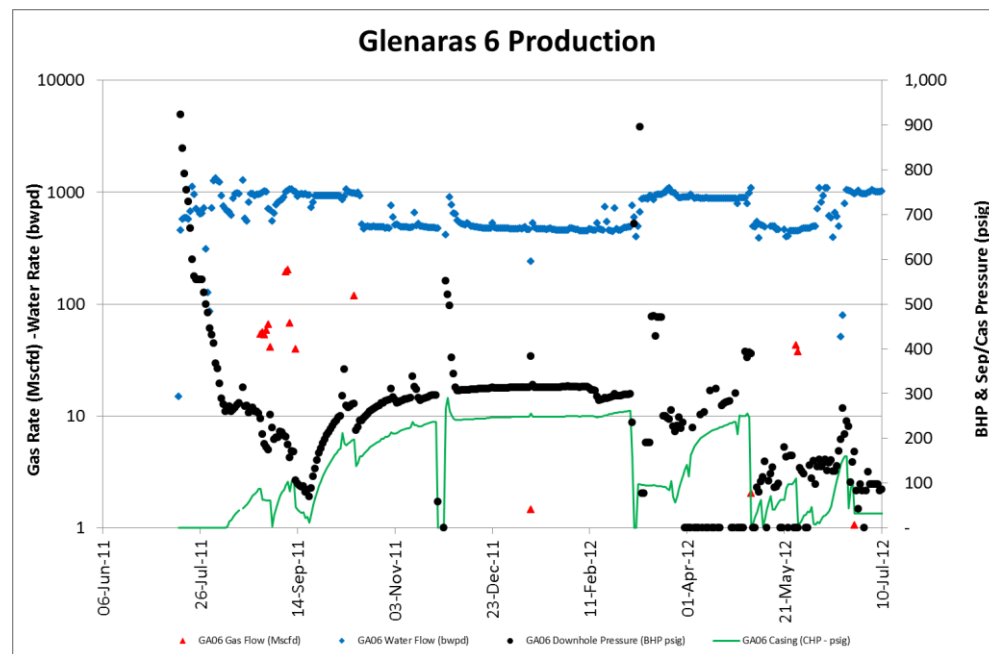
Glenaras Gas Project map



DESPITE LIMITED HISTORIC PERFORMANCE THERE WERE SIGNS OF COMMERCIAL PRODUCTION POTENTIAL

- Demonstrating commercial flow is the final element to booking reserves
- Previous pilot well designs have failed to achieve sufficient pressure drawdown in the coal
- Wells have been completed over multiple coals and fracture stimulated.
- Pilot production has been dominated by water production from sands, not from the coals
- Despite this, sustained gas production was achieved in all Rodney Creek pilot wells
 - Flow rates of up to 200 mscfd from Glenaras wells
- Strong well interference and communication demonstrated excellent permeability
- Numerous shut-ins due to pump failures caused coal recharging and crossflow from sands

Previous Glenaras pilot performance

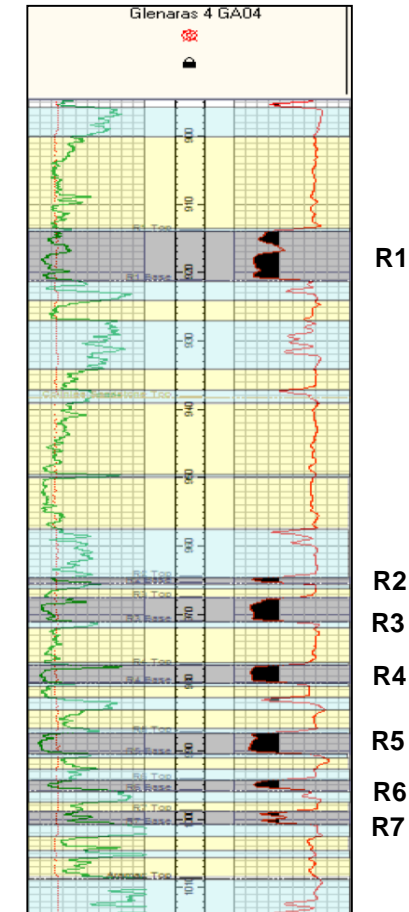


BETTS CREEK COAL EXHIBITS EXCELLENT CSG PROPERTIES

- Successful CSG projects require three key parameters:
 - Resource Concentration (*thickness, gas content*)
 - Productivity (*thickness, permeability*)
 - Pressure drawdown in the coal (*well design*)
- Resource concentration and coal productivity have been proven across the permit
- Comparable to world class projects such as Spring Gully and Fairview

Betts Creek

✓
✓
?



Betts Creek Coal – Core area properties

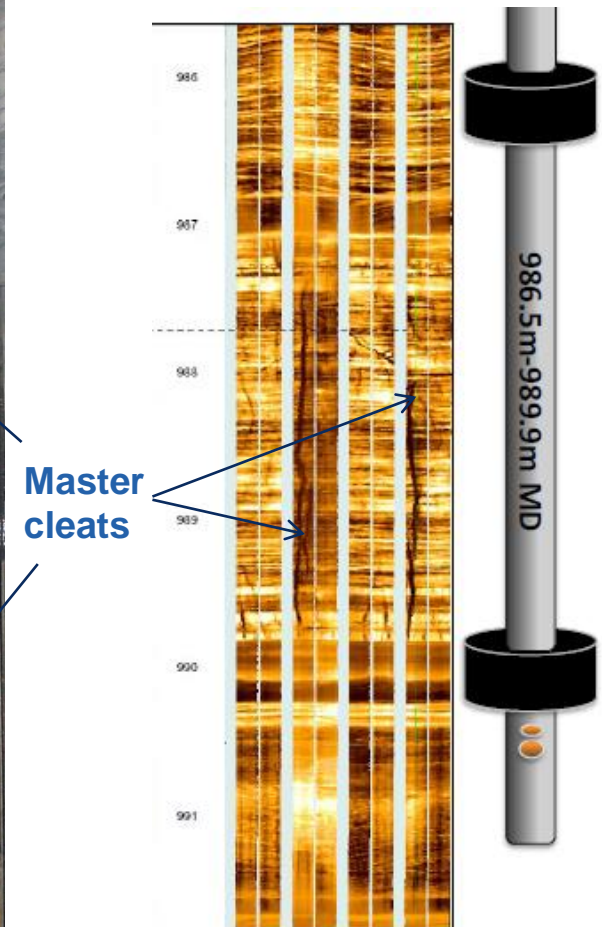
Coal depth (m)	900 - 1,000
Net coal (m)	19
Gas content (m ³ /t)	5.3
Permeability (md)	45
Resource concentration (bcf/km ²)	5.2

BETTS CREEK COAL SHOWS EXCELLENT PERMEABILITY

- New completion design formulated to suit the geological setting
- Key is accessing the coal and drawing down pressure in the coal and not the sand
- Coals have excellent master cleat development and good permeability
- A standard perforated completion will isolate coal and allow drawdown of the coal below critical desorption pressure, achieving gas flow
- Glenaras R1 seam pilot will test this thesis
- Completion design can then be applied to the complete Betts Creek section

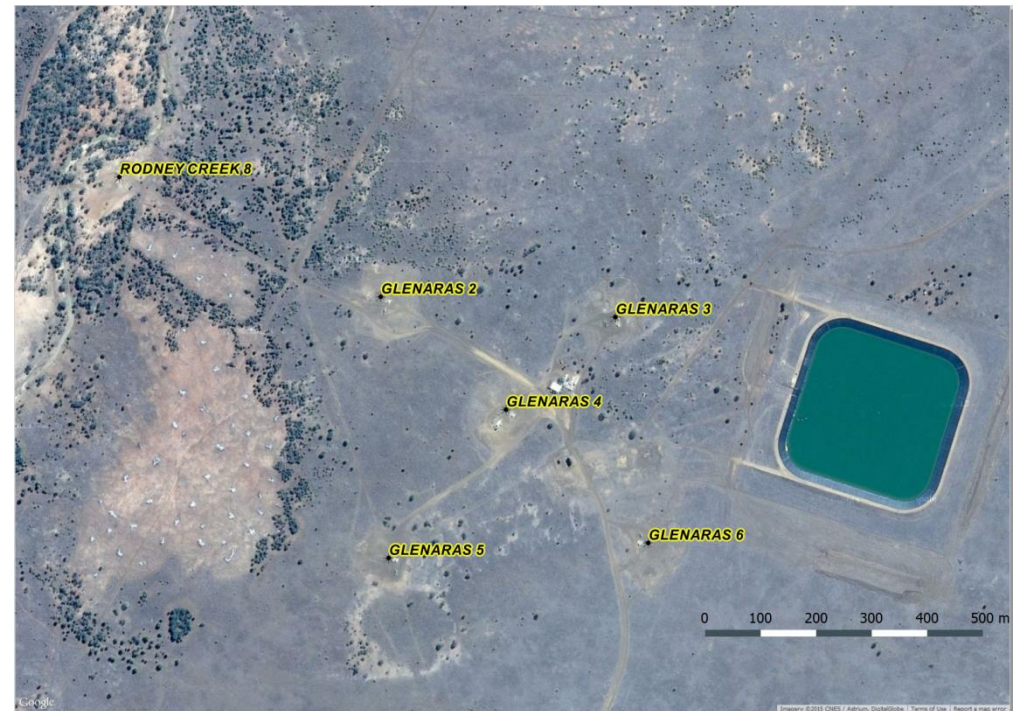


Formation Image Log

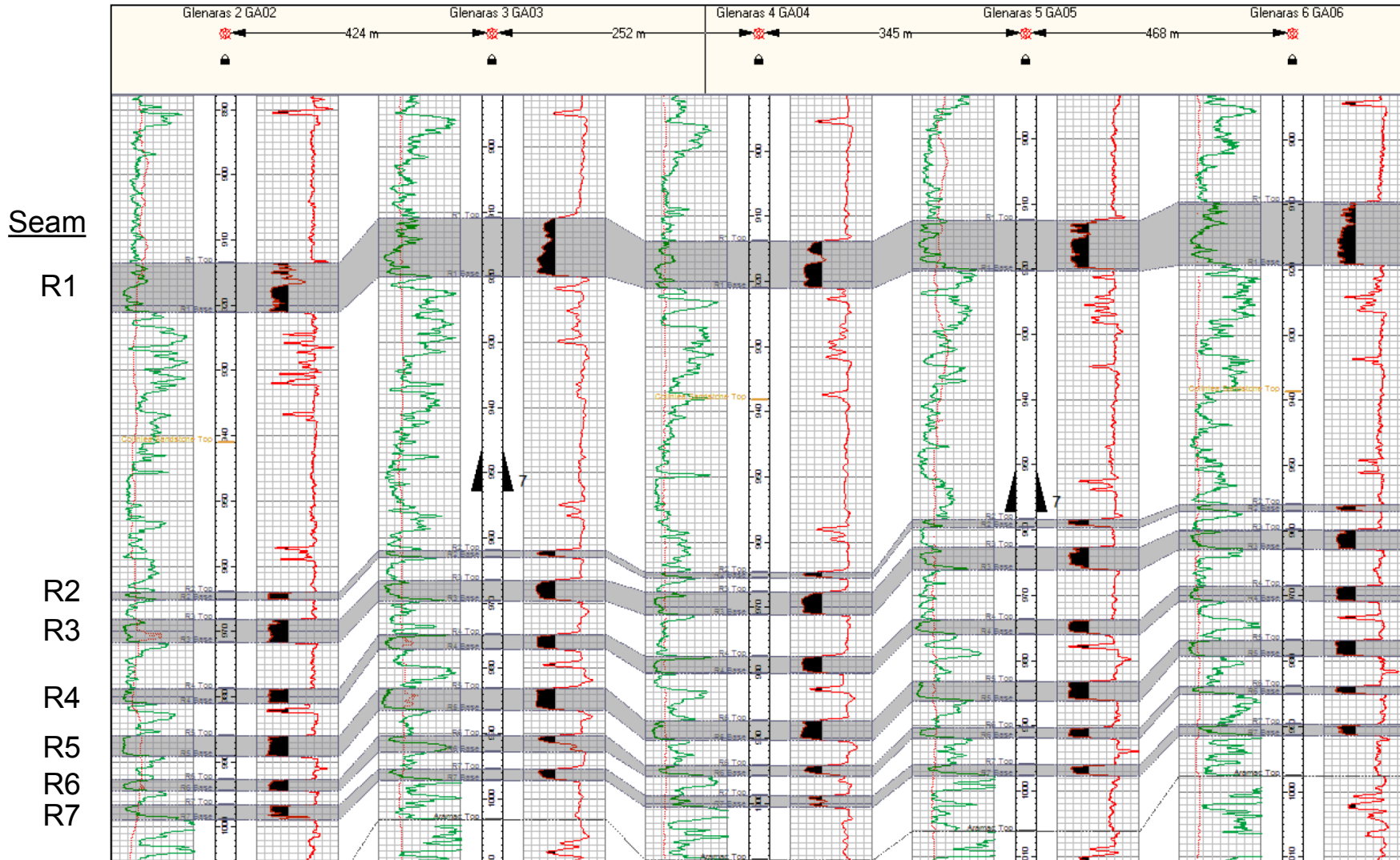


THE R1 SEAM HAS NOT BEEN TESTED AND HAS THE POTENTIAL TO PROVE SIGNIFICANT RESERVES

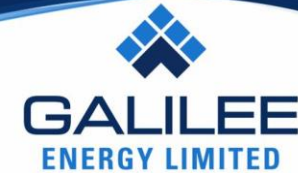
- Galilee intend to re-complete the Glenaras wells to test the R1 seam
 - R1 is thickest seam, never completed in initial pilot testing
- Program is to isolate lower coals via bridge plug, perforate the R1 coal, and produce
- Utilise all existing surface facilities, flowlines and holding pond (now empty)
- Expecting to recomplete all 5 wells and produce for up to 12 months



Structural section across Glenaras Pilot

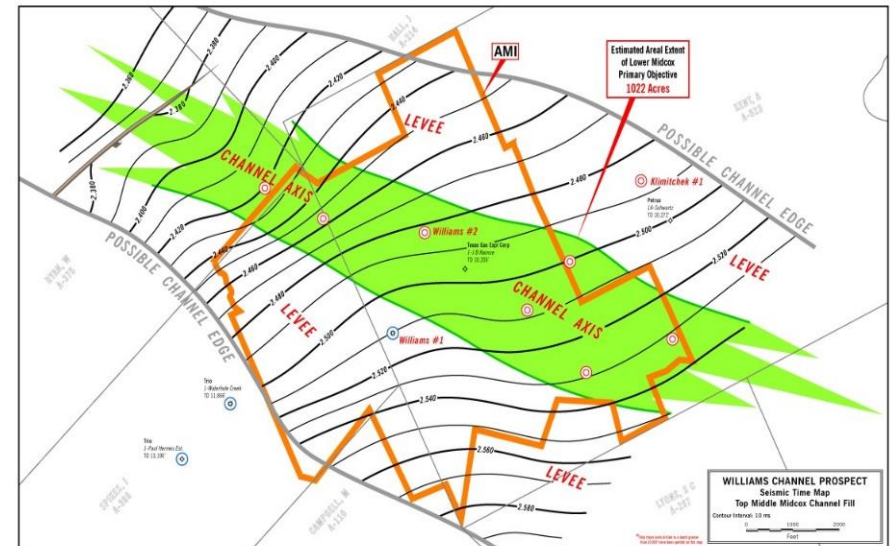


Spikes East Prospect – Lavaca County



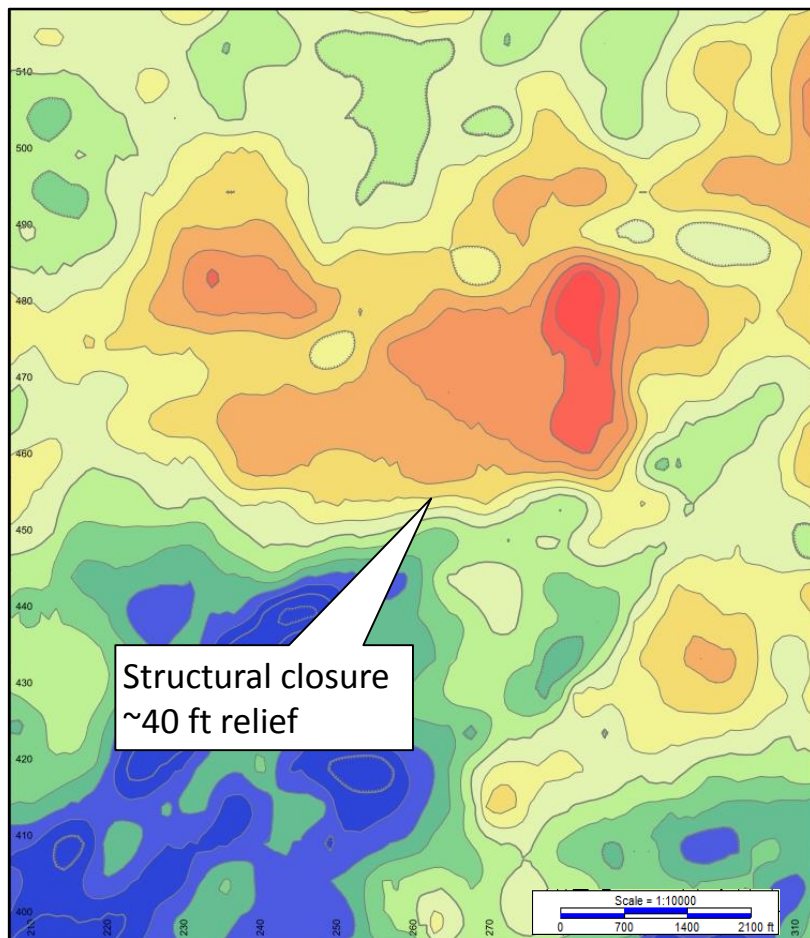
- **Spikes East Prospect**
 - 40% WI to payout (32% after payout)
- **Williams channel**
 - Large 2,000 – 2,500 acre channel complex
 - Multiple individual sand build ups (50 – 100 acres)
- **Primary Targets – Midcox section**
 - Middle Wilcox, 15 – 65 ft thick
 - Porosities 18-22% with permeability 20 – 80 md
 - Discrete point bar and channel sandstones
 - Multiple highly productive wells to the north
- **First well – Williams 2**
 - Due to spud Q2 2016
 - Turn key contract, with visibility of significant reduction in costs
 - 2500 ft NE of Williams 1. Well drilled on the flank of the channel (with poorly developed but multiple gas charged sands)
 - 3D seismic indicates up to 200 ft thickening of section at current location

Spikes East Prospect

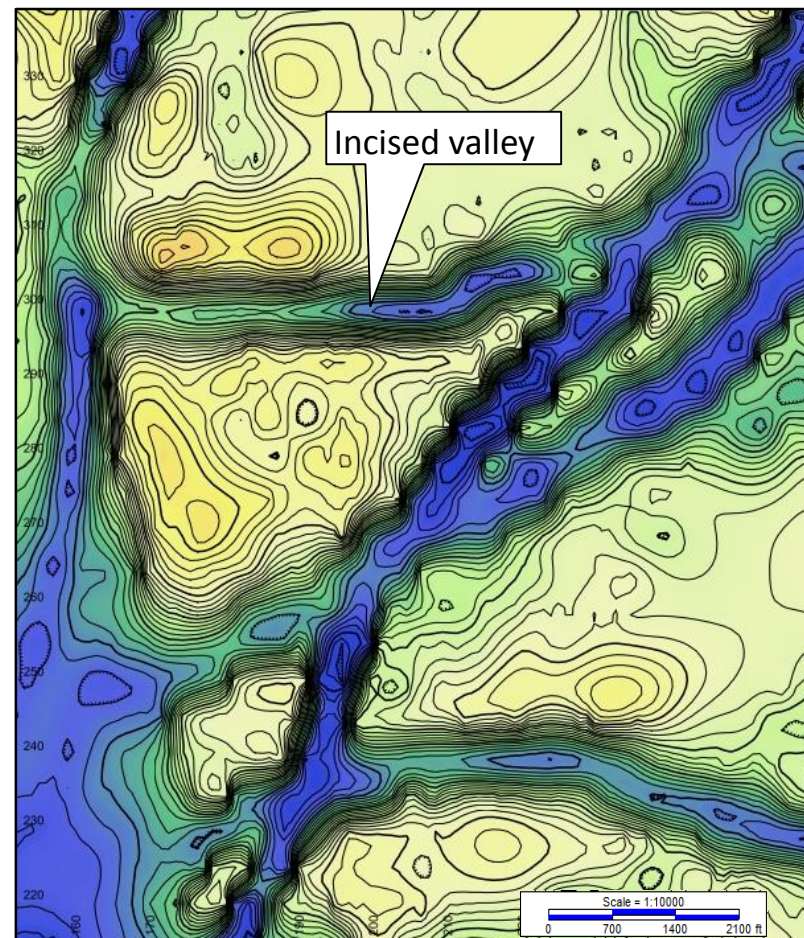


Southern Kansas – Examples of prospect types

Robust undrilled structural closure at Marmaton Level



Morrow channels incised into Mississippian



Competent Persons Statement & Listing Rule 5 Reporting on Oil & Gas Activities

The estimate of Contingent Resources for the ATP 529 as appears on page 8 of this presentation, is based on, and fairly represents, information and supporting documentation determined by Mr Timothy L. Hower of MHA Petroleum Consultants LLC Inc Denver, Colorado, USA, an independent petroleum reserve and resource evaluation company, in accordance with Petroleum Resource Management System guidelines. Mr Hower is a full-time employee of MHA, and is a qualified person as defined under the ASX Listing Rule 5.41. His career spans over 30 years petroleum engineering evaluations experience including field development planning, unconventional reservoir assessment and reserves, reservoir simulation, enhanced recovery, and industry training courses. His qualifications and experience meet the requirements to act as a Competent Person to report petroleum reserves in accordance with the Society of Petroleum Engineers ("SPE") 2007 Petroleum Resource Management System ("PRMS") Guidelines as well as the 2011 Guidelines for Application of the PRMS approved by the SPE.

Mr Hower has consented to the publication of the Contingent Resource estimates for Galilee Energy 100% interest in ATP529 in the form and context in which they appear in this presentation. The Contingent gas resource estimates for ATP 529 provided in this presentation were originally released to the market in the Company's announcement of 1 September 2015, and were estimated using the deterministic method with the estimate of contingent resources for ATP 529 not having been adjusted for commercial risk.

Galilee Energy confirms that it is not aware of any new information or data that materially affects the information included in the announcement of the 1st of September 2015 and that all of the material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

This presentation may contain forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Investors should undertake their own analysis and obtain independent advice before investing in GLL shares.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

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