Strategic Review Outcomes

ASX/MEDIA ANNOUNCEMENT

21 December 2015

GALILEE ENERGY LIMITED

- **Continued focus on the flagship Glenaras Gas Project**
- **Cease all expenditure on US projects**
- **Progress the exploration permit application in Chile**
- **Reduce salary and administration costs to protect the strong balance sheet**

As previously foreshadowed in its announcement on 11 December 2015, Galilee Energy Limited (ASX: GLL) ("**Galilee**" or the "**Company**") has undertaken a strategic review of its operations and focus following the disappointing outcome from the Hoffer A1 well.

In carrying out the strategic review, the Company has taken into account a variety of shareholder feedback and the state of the commodities market.

Glenaras Gas Project – ATP529P (GLL 100% owner and Operator)

The key focus for the Company going forward will be the outcome of the current cost effective programme to demonstrate gas flow from the R1 seam at the Glenaras Gas Project. The Company anticipates this will facilitate the conversion of a portion of the reported Contingent Resource (currently in excess of 5,300 PJ 3C) to Reserves. Based on current progress of the pilot, the Company still expects to see initial results towards the end of the first quarter 2016, with testing operations to continue until the end of June 2016.

In parallel with field operations, the Company intends to continue the commercial initiatives currently underway including discussions with potential gas customers, infrastructure and investment partners.

The Company believes the Australian east coast gas market is structurally short, with gas prices already increasing and expected to increase further as all of the LNG plants in Gladstone become fully operational. This provides an excellent opportunity for Galilee to leverage its large gas resource position and supply into this attractive market.

US Operations

The company has suspended all further capital expenditure in the US, other than abandonment obligations at Hoffer B1 and A1. The assets in Kansas and Texas will not be a cash burden on the company in the coming 12 months and can be held for future strategic options, but will test the market to actively seek divestment or farmout opportunities if they make commercial sense.

Chile

The company will continue its negotiations on the exploration permit application (CEOP) for the significant potential of the CSG project in the southern Magallanes Basin. This requires negligible investment to completion and the forward strategy for the project will be reviewed once the outcome of the negotiations is known.

Balance Sheet

The Company is fortunate to have a very strong balance sheet with a cash position in excess of $11.0 million expected at the end of December 2015.

The Company is actively minimising existing expenditure and its executives and directors have agreed to take significant cuts in salaries to protect this very strong position. These changes will be reviewed at the end of June 2016.

These include:

- Active divestment or farmout programme of the US assets
- Directors fees waived for non-executive directors
- A 20% reduction in all executive salaries
- Minimise the use of non-essential consultants
- Seek opportunities for further reduction in other administration and office costs

In commenting on the review, the Chairman David King stated "*Galilee remains very strong and whilst like all shareholders we are disappointed in the outcome from the US program, the Glenaras Gas Project leverages the core technical and commercial strength of the management team. The current testing program is highly cost effective and leverages the almost $100 million spent on the permit to date. If successful it should unlock enormous value for the company".*

For further information contact:

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