



About Galilee

Galilee Energy Limited (ASX:GLL) is an emerging energy company with coal seam gas interests in Australia.

Galilee holds two prospective coal seam gas and hydrocarbon tenements in the Galilee Basin in central Queensland through subsidiary, Galilee Resources. The tenements, ATPs 529P and 799P, cover approximately 7,000 km².

The Galilee Gas Project, ATP 529P, is held in a 50/50 joint venture with AGL Energy Limited (AGL, ASX: AGK) under which AGL is the operator. ATP 799P is wholly owned and operated by Galilee.

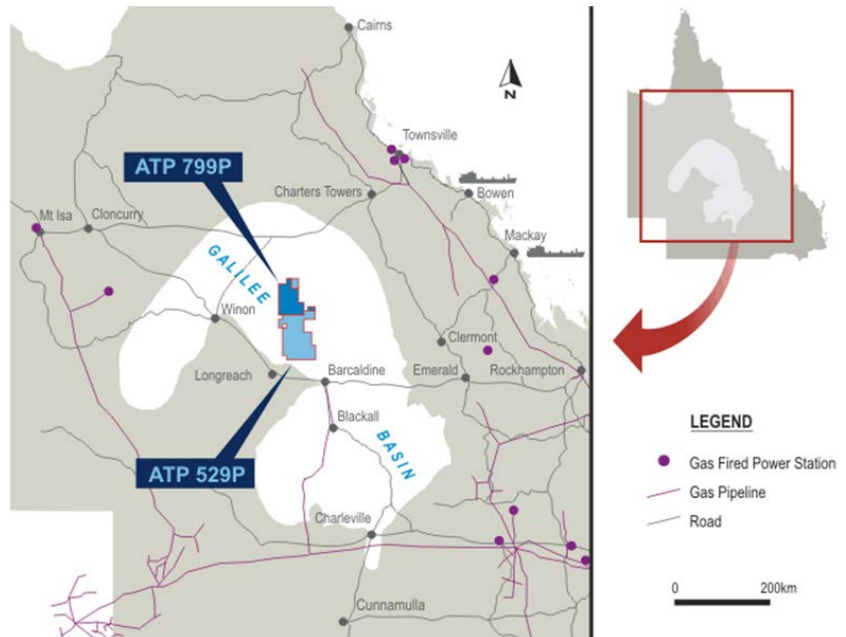
In June 2011 the joint venture announced its first Contingent Resource estimate of 259 petajoules (PJ) of 2C and 1,090 PJ of 3C Resources (technically recoverable) from 450km² of ATP529P, centered on the Glenaras pilot. The pilot is undergoing gas flow testing, having produced 1,170 mscf in May 2012.

Galilee has an experienced board and management with collective track records in growing junior resource companies. It is pursuing growth through hydrocarbon development opportunities.

Thick gaseous coals encountered in ATP 799

KEY POINTS

- ❖ **ATP 799P 2012 drill program completed**
 - Two continuous coal seams measuring 5.51m and 7.15m thick
 - Early tests indicate highest potential for gas
 - Oil detected in Toolebuc Shale
 - Testing to support resource booking
 - Well safely plugged and abandoned
- ❖ **Galilee Gas Project (ATP 529P JV with AGL)**
 - Glenaras pilot restart program on-track
- ❖ **Search for growth opportunities continues**
- ❖ **Cash at bank \$31 million - no debt**



Map 1: Location of GLL's coal seam gas tenements

ATP 799P (Galilee 100%)

The Board approved a plan to drill one exploration well from five proposed well locations, acquire 100km of 2D seismic and complete associated geological and geophysical studies in 2012/13. The primary objective of the plan is to evaluate the Betts Creek beds for coal seam gas. A secondary objective is to evaluate the potential for shale gas.

Hillview 06 is located in the Galilee Basin central Queensland, approximately 200kms NE of Longreach (see figure 1).

Hillview 06 was a successful well. It encountered thicker and gassier coals than previous tenement wells with encouraging potential for a contingent resource booking on completion of core and wireline technical analysis. Shale cuttings from the Toolebuc shale formation, which exuded oil, will require more detailed technical analysis.

Coring commenced at 1,019m recovering a total of 386m from the Betts Creek beds and Aramac Coal Measures including 16.99m of net coal and 11.96m of net carbonaceous mudstone. Gas desorption testing on 24 core samples is ongoing with results expected in Q1 2013.

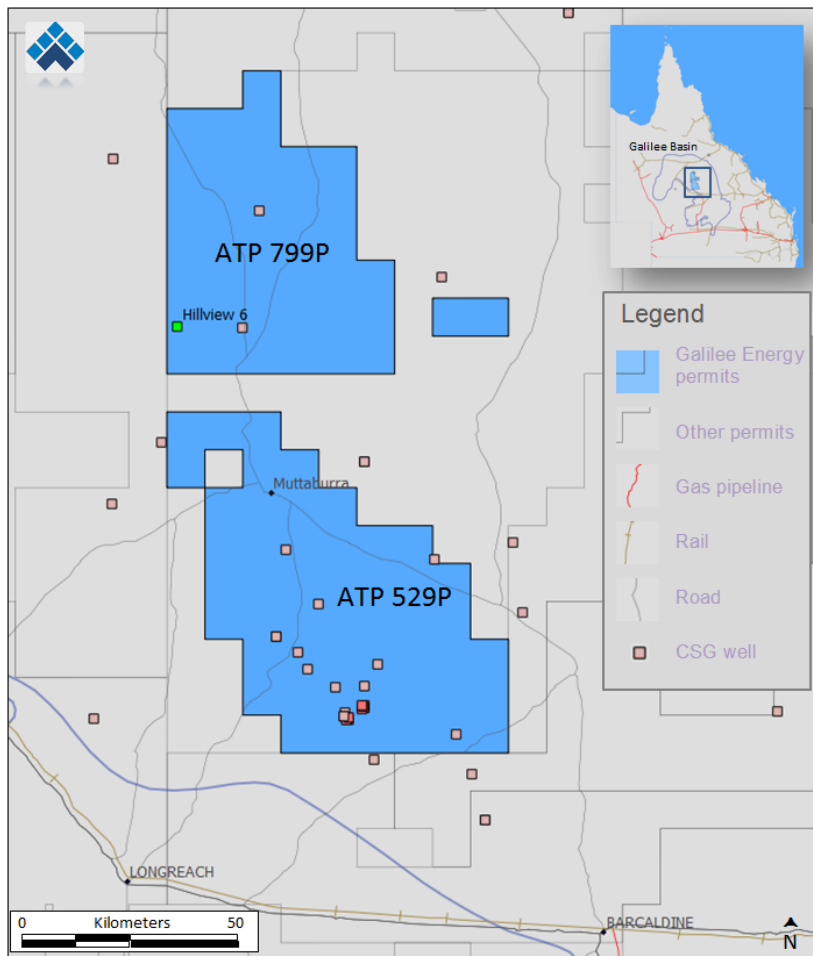
The exploration well site was selected with the following aims:

Key exploration objectives	Scorecard
Confirm seismic indication of thicker coals	✓
Test for higher reservoir temperatures	✓
Assess the presence of oil and gas shows	✓
Recover core to determine rock and reservoir properties	✓
Evaluate the permeability of the coal seams	✓
Acquire wireline logs of the cored interval	✓

Hillview 06 was drilled 15km west of Dotswood 01 on 2D seismic line 2009-GEL-03. This site was chosen because the seismic line exhibits multiple stacked reflectors at this position, predicting and confirming increased probability of thicker coal seams. The well is also located on a basement high where present day temperatures were predicted and confirmed to be higher than previous tenement wells due to thinner underlying basement sediment cover. In addition, the Toolebuc shale was predicted and confirmed to be at the thickest and most thermally mature in this region of the tenement.

Since the outcomes of the drilling program have given further evidence to support the model and geological interpretation the company is progressing with a 2D Seismic survey to further refine the locations for the next exploration targets. The seismic survey is planned to commence in March 2013. Subject to the seismic program the company anticipates a further two exploration wells may be drilled in 2013.





Key Information

Tenement	ATP 799P
Operator	Galilee Energy (GLL)
Ownership	GLL 100%
Area	3,097 km ²
Status	Granted
Expiry date	28 February 2018
Later work due date	28 February 2014
Commitment	Drill 3 core wells Acquire 100km 2D Engineering studies

Prospectivity

- Coal Seam Gas: Galilee Basin sub bituminous to bituminous Late Permian Betts Creek Coals.
- Eromanga Basin Post-Permian Toolebuc shale gas/oil.
- Conventional Oil and Gas accumulation are considered to be high risk.

Figure 1: Galilee exploration ATP 799P

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

After producing gas in late 2011 the focus of the Glenaras pilot has turned to stabilising performance, reducing water levels on all five wells and demonstrating commercial gas flow rates with an objective of continuous flow.

Ongoing activities

The parties commenced implementation of recommendations from a technical review of operations completed in October 2012.

Activities will be directed at upgrading the current artificial lift configurations and pilot ancillary equipment, so that artificial lift reliability is improved to enable a minimum of six months continuous and simultaneous dewatering of all five pilot wells enabling, the wells to produce gas flows that may be sufficient to support certification of 2P gas reserves.

During the Quarter the JV undertook a number of activities to manage the operation and implement the plan. Work included:

- Specification, ordering and expedited delivery of critical equipment;
- Detailed workover and installation planning; and
- System testing and design.



Work to be completed during the March Quarter 2013 includes:

- Workovers for the replacement of three pumps;
- Modification of flare systems;
- Installation of common surface control across all five wells; and
- Updates to systems related to water storage, maintenance, office and stores, production engineering, SCADA and I&E.

Produced water management

The water storage facility continues to operate at 54% of capacity.

Community engagement

Galilee Basin Operators' Forum¹ (www.gbof.com.au)

RPS² issued the draft baseline water assessment report, prepared for the Galilee Basin Operators' Forum, for internal review and comment. During the Quarter Galilee and RPS worked on finalising the report. The report is expected to be released to the public in the March 2013 Quarter.

Community engagement

Anyone interested in the pilot can access specific information and events related to the project through the AGL Galilee Gas Project website. The site provides fact sheets, a history of the project, links to information about CSG evaluation methods and access to community events as well as material from completed events. The site also provides real time weather information located at the Glenaras 5-spot pilot - see <http://agk.com.au/galilee>.

Growth opportunities

Galilee is pursuing growth through hydrocarbon development acquisitions where they may arise or are presented to the company. During the Quarter the company evaluated a number of onshore oil and gas opportunities predominantly in Australia. In several cases Galilee withdrew interest during due diligence due to unacceptable technical risk or vendor price expectations.

Corporate

Financials

At the end of the Quarter the company had cash of \$31 million and no debt. The cash flows for the Quarter are presented in the attached Appendix 5B report.

During the Quarter five million options with expiry dates of 3/12/12 expired unexercised.

¹ Galilee is an active member of the Galilee Basin Operators' Forum – a group of eight foundation companies with petroleum and exploration tenements in the Galilee Basin. The group was formed in April 2010 to jointly fund a co-operative baseline water assessment of the Galilee Basin. The baseline assessment supports a science-based assessment of coal seam gas activities and aims to identify the possible impact on ground water in the Great Artesian Basin.

² RPS is an international consultancy providing world-class local solutions in energy and resources, infrastructure, environment and urban growth.



Corporate directory

Board

Steve Koroknay
Chairman

Cam Rathie AM
Non-executive Director

Rino Camarri
Non-executive Director

Senior management

Glenn Haworth
Chief Executive Officer

Simon Brodie
Chief Financial Officer & Joint Company Secretary

Bill Lyne
Joint Company Secretary

Share capital

Shares	152.1 million
Options	3 million
Market Cap	\$18.25 million (at 31 Dec 2012)
Shareholders	Becamal Pty Ltd 16.85%
	Ecarlate Pty Ltd 12.06%
	Ekco Investments Pty Ltd 5.84%
	AMP Life 5.53%
	Top 10 Shareholders 51.05%

Assets

Galilee Gas Project (ATP 529P), covering 5,929km² in joint venture with AGL Energy Limited – each party holds 50%, AGL is the operator.

ATP 799P, covering 3,097km² held 100% by Galilee, GLL is the operator.

Principal and registered office

Level 2, 895 Ann St
Fortitude Valley Queensland 4006

Phone +61 (0) 7 3216 1155
Fax +61 (0) 7 3216 1199

Postal address

PO Box 2145
Fortitude Valley BC Queensland 4006

Share registry

Computershare
117 Victoria Street
West End QLD 4101

GPO Box 523
Brisbane QLD 4001

Phone +1300 55 22 70
+61 (0) 7 3237 2100 (International)
Fax +61 (0) 7 3229 9860

www-au.computershare.com/investor

Please direct shareholding enquiries to the share registry.

For further information contact:

Simon Brodie
Chief Financial Officer & Joint Company Secretary

Tel: +61 (0) 7 3216 1155
Fax: +61 (0) 7 3216 1199
Email: sbrodie@galilee-energy.com.au

Website

www.galilee-energy.com.au



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")

December 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 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	(1,770)	(3,211)
	(489)	(747)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	137	333
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other	-	14
Final payment – sale of ERG	-	801
	(2,117)	(2,810)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	-
	-	(5)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)		
	-	-
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(2,117)	(2,815)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(2,117)	(2,815)
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)	-	-
Net financing cash flows		
Net increase (decrease) in cash held	(2,117)	(2,815)
1.20 Cash at beginning of quarter/year to date	33,103	33,801
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	30,986	30,986

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	59
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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	950
4.2	Development	
4.3	Production	
4.4	Administration	450
Total		1,400

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	706	693
5.2	Deposits at call	30,280	32,410
5.3	Bank overdraft	-	-
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		30,986	33,103

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			
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 3,000,000	Nil	<i>Exercise price</i> Nil <i>Vesting</i> 1/3 36.75 cps 1/3 49.00 cps 1/3 61.25 cps	<i>Expiry date</i> <i>Expiry date</i> 1.3.13 1.3.14 1.3.15
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.1 Expired during quarter 0				
7.1 Debentures 1 <i>(totals only)</i>				
7.1 Unsecured notes 2 <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:


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(Joint company secretary)

Date: 31/1/2013

Print name: Simon Brodie.

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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