

## 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, ATP 529P and 799P, cover approximately 9,000 Km<sup>2</sup>.

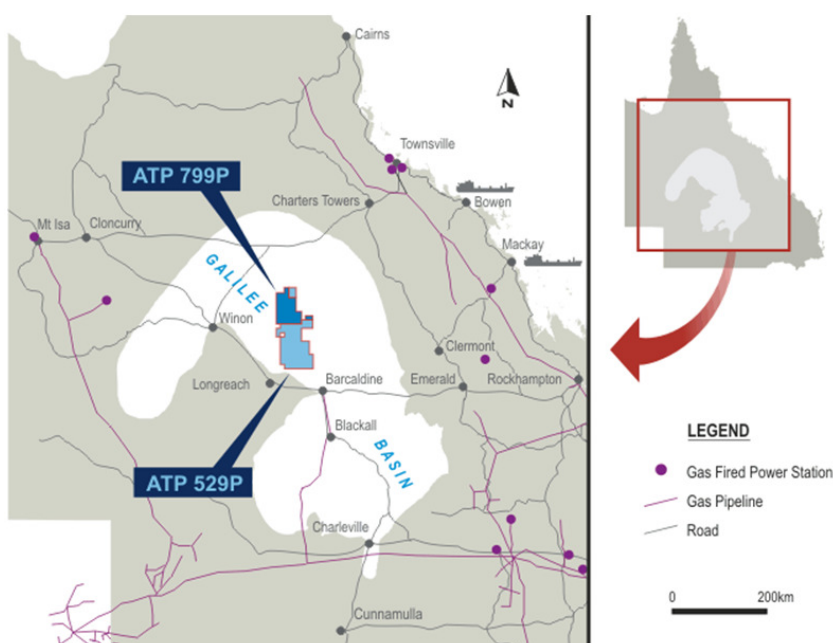
ATP 529P is held by the Galilee Gas Project, a 50/50 joint venture (JV) with AGL Energy Limited (AGL) under which AGL is the operator. ATP 799P is wholly owned and operated by Galilee.

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

## Galilee delivers first resource estimate

### KEY POINTS

- ❖ **Galilee Gas Project (ATP 529P JV with AGL)**
  - Contingent Resource estimate of 259 PJ of 2C
  - Estimate covers 450 km<sup>2</sup> of the 5,929 km<sup>2</sup>
  - Glenaras pilot to commence reserves campaign
  - Pilot step-out drilling to start in August 2011
  - Steps up community engagement
- ❖ **Forecast profit FY 2011: \$21 to \$22 million**
- ❖ **Cash at bank \$40.3 million**
- ❖ **New website launched: [www.galilee-energy.com.au](http://www.galilee-energy.com.au)**



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

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

### First resource estimation

During the Quarter the operator of the Galilee Gas Project completed the project's first coal seam gas (CSG) resource estimation.

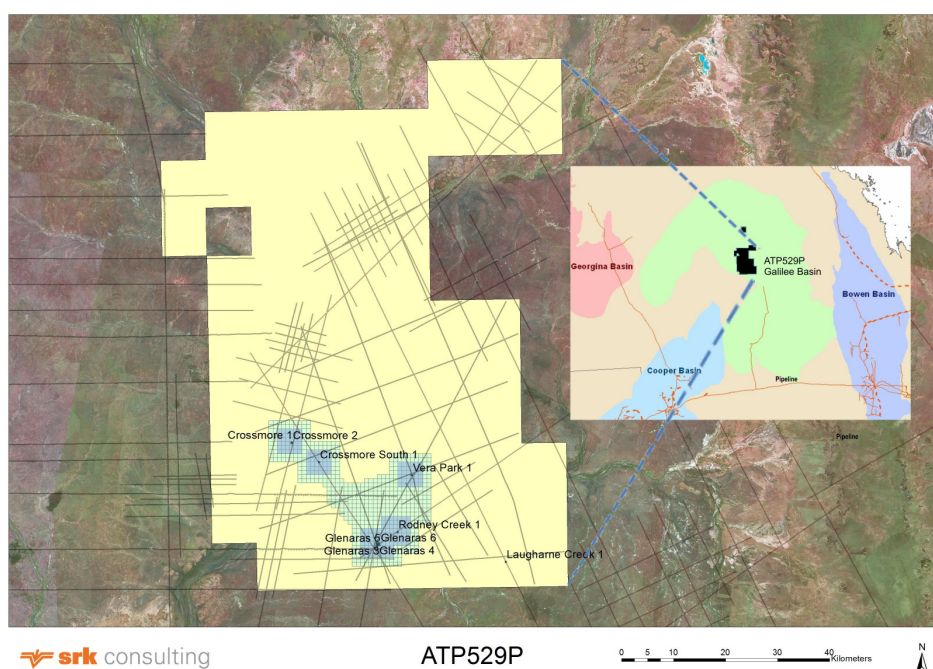
The Contingent Resource estimation of 259 petajoules (PJ) of 2C and 1,090 PJ of 3C Resources (technically recoverable) covers 450 km<sup>2</sup> of ATP 529P held in 50/50 joint venture with the operator, AGL Energy Limited (ASX: **AGK**).

An important milestone for the Galilee Gas Project, the estimation of technically recoverable gas provides a sound basis for continued development of the Galilee Gas Project. The technically recoverable number is consistent with previous estimates for Galilee's permits by JR Holland and Associates, and indicates the potential for a viable large project.

The following summarises the resource estimation.

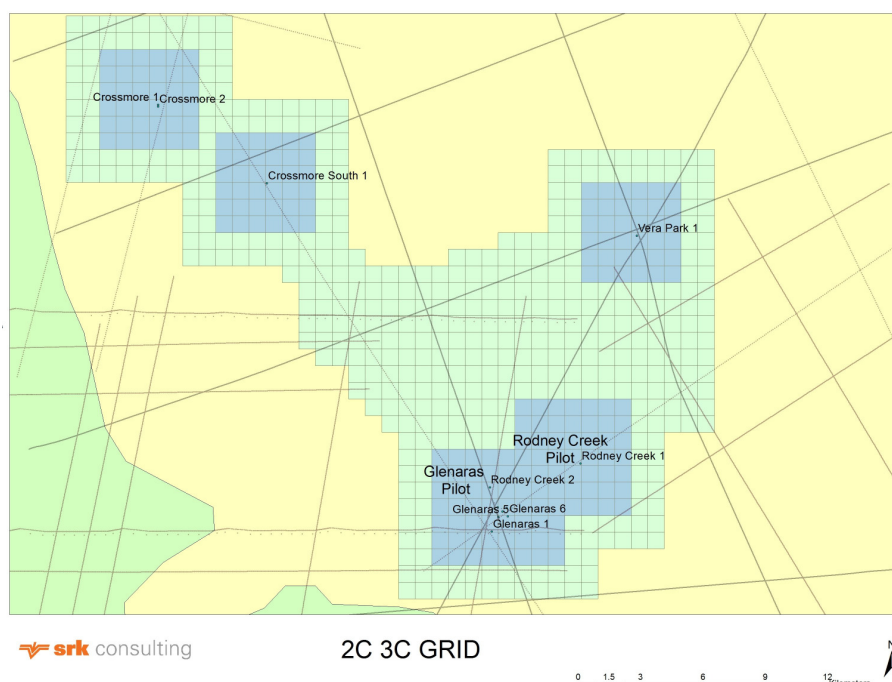
ATP 529P*	Type	Gas m <sup>3</sup>	MMSCF	PJ
Best estimate Contingent Resources	2C	7,017,579,699	247,791	259
High estimate Contingent Resources	3C	29,536,198,802	1,042,923	1,090

\* Galilee share is 50%.



**Figure 1:** Galilee Gas Project focus area for the Gas Resource





**Figure 2:** Block grid outline and Gas Resource Areas (2C and 3C)

### ***Ongoing Activities***

Over the next six months the operator will focus on two critical activities; firstly, the Glenaras Pilot reserves campaign to target first reserves by year-end; and secondly, a three-hole drilling campaign. The objectives of the drilling campaign are to support an upgrade to the resources.

An extensive workover program is nearing completion at the Glenaras Pilot. The pilot incorporates a range of differing well completions each designed to help learn how the Galilee Basin coals respond to CSG production. All historic production data has been reviewed and modifications made to the wells to help stabilise flow rates.

The operator has issued and received tenders for the drilling program and drilling is expected to commence in August 2011.

### **ATP 799P (Galilee 100%)**

The results from the exploration program and analysis in ATP 529P will drive planning for activities in ATP 799P for 2012 onwards.

### **Community Engagement**

#### ***Galilee Basin Operators' Forum*** ([www.gbof.com.au](http://www.gbof.com.au))

Galilee is an active member of the Galilee Basin Operators' Forum – a group of ten 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 meets government's expanded requirements for a science-based management of coal seam gas activities and the possible impact on ground water, in particular the aquifers of the Great Artesian Basin.



The group has established credibility with local and state governments after presenting to the Central Western Queensland Remote Area Planning and Development board, the Department of Environment and Resource Management and the Minister for Employment, Skills and Mining.

***JV sponsors misting unit to develop regional “best practice” for Prickly Acacia***

Galilee Energy and AGL have responded to an invitation from the Desert Channels Group (DCG) to support trials to find the most effective and cost efficient system for Prickly Acacia control. We have sponsored a tractor-mounted misting unit to be used in these trials.

This misting unit will be used in partnership with the Australian Agricultural College Corporation Longreach Campus and DCG to commence “Best Practice Trials” across several locations within the channel country region. The results from these trials will be made available to all interested parties. Once the results of the trials are known, DCG will be in a better position to assist local landcare groups, local shire councils and landholders across the region in providing “Best Practice” eradication and control advice of Prickly Acacia.

The Desert Channels region has experienced two excellent seasons for Prickly Acacia growth and it has now become a serious threat, with infestations reducing pasture and grazing land productivity, increasing soil erosion, reducing stock access to water, hindering mustering as well as adding to vehicle repairs.

## **Corporate**

### ***Earnings guidance***

On 14/06/2011 Galilee announced that it expected profit for FY 2011 to be in the range \$21 million to \$22 million. That result arises from the sale of the NZ coal subsidiary Eastern Resources Group (ERG).

On 21 March 2010 the Company announced completion of the sale of ERG to Bathurst Resources Limited (ASX:BTU). After a completion audit, Bathurst paid a completion adjustment of \$5.24 million on 18 May 2011 covering debt and exploration costs. A completion payment of less than \$1 million remains to be finalised.

The sale of ERG is largely capital gains tax exempt as ERG qualified as an active foreign business. ERG’s active assets represented 87% of all assets and capital gains tax is only payable on 13% of the gain. The company’s existing tax losses offset this gain.

### ***Financials***

At the end of the Quarter the company had cash of \$40.3 million and no debt. The cash flows for the Quarter are presented in the attached Appendix 5B report.



## 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*

**Bill Lyne**

*Company Secretary*

### Share capital

Shares	152.1 million
Options	9 million
Market Cap	\$28.9 million (at 30 June 2011)
Shareholders	Becamal Pty Ltd 16.85%
	Ecarlate Pty Ltd 12.06%
	Jade Pty Ltd 7.81%
	AMP Life 5.53%
<b>Top 10 Shareholders 48.48%</b>	

### Assets

**ATP 529P**, covering 5,929km<sup>2</sup> in joint venture with AGL Energy Limited – each party holds 50%, AGL is the operator.

**ATP799 P**, covering 3,097km<sup>2</sup> 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  
Level 19, 307 Queen Street  
Brisbane QLD 4001

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](http://www.au.computershare.com/investor)

Please direct shareholding enquiries to the share registry.

### For further information contact:

**Simon Brodie**

*Chief Financial Officer*

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Fax: +61 (0) 7 3216 1199  
Email: [sbrodie@galilee-energy.com.au](mailto:sbrodie@galilee-energy.com.au)

### Competent person's statement

The Contingent Resource estimates provided in this statement were determined by Dr Bruce McConachie, Principal Consultant of SRK Consulting (Australasia) Pty Ltd (SRK) in accordance with the 2007 Petroleum Resource Management System (PRMS) guidelines. Dr McConachie is a full-time employee of SRK and consents to the use of the Contingent Resource figures and information in this announcement in the form and context in which it appears. Dr McConachie's qualifications and experience meet the requirements to act as a competent person to report petroleum reserves under PRMS (2007) and value assets under the Valmin Code of the AusIMM.

### Website

[www.galilee-energy.com.au](http://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")

June 2011

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (.12.... months) \$A'000
1.1	Receipts from product sales and related debtors	(860)	20,805
1.2	Payments for (a) exploration & evaluation	(1,013)	(3,458)
	(b) development	—	—
	(c) production	492	(12,916)
	(d) administration	(583)	(3,526)
1.3	Dividends received	—	—
1.4	Interest and other items of a similar nature received	835	1,110
1.5	Interest and other costs of finance paid	—	(175)
1.6	Income taxes paid	—	—
1.7	Other (provide details if material)	3	374
	<b>Net Operating Cash Flows</b>	<b>(1,126)</b>	<b>2,214</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	—	—
	(b) equity investments	—	—
	(c) other fixed assets	—	—
1.9	Proceeds from sale of: (a) prospects	—	—
	(b) equity investments	5,612	30,136
	(c) other fixed assets	—	850
1.10	Loans to other entities	—	—
1.11	Loans repaid by other entities	—	—
1.12	Other (provide details if material)	—	—
	<b>Net investing cash flows</b>	<b>5,612</b>	<b>29,831</b>
1.13	Total operating and investing cash flows (carried forward)	<b>4,486</b>	<b>32,045</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	4,486	32,045
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	–	–
1.15	Proceeds from sale of forfeited shares	–	–
1.16	Proceeds from borrowings	–	527
1.17	Repayment of borrowings	–	(1,428)
1.18	Dividends paid	–	–
1.19	Other (provide details if material) IPO Costs	(511)	(3,337)
	<b>Net financing cash flows</b>	(511)	(4,238)
	<b>Net increase (decrease) in cash held</b>	3,975	27,807
1.20	Cash at beginning of quarter/year to date	35,513	11,435
1.21	Exchange rate adjustments to item 1.20	799	1,045
1.22	<b>Cash at end of quarter</b>	40,287	40,287

**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	62
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**

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	2,000
4.2 Development	—
4.3 Production	—
4.4 Administration	450
<b>Total</b>	<b>2,450</b>

**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	11	123
5.2 Deposits at call	40,276	35,390
5.3 Bank overdraft	—	—
5.4 Other (provide details)	—	—
<b>Total: cash at end of quarter (item 1.22)</b>	<b>40,287</b>	<b>35,513</b>

**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	<b>Preference securities</b> (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	152,140,466			
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	Unquoted 8,000,000 1,000,000		Exercise price 30 – 87 cents 24 cents	Expiry date 4.12.11 – 3.12.12 3.12.12
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
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## 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 /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: .....28/07/2011.....  
(Director/~~Company secretary~~)

Print name: ..Steve J Koroknay.....

## 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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+ See chapter 19 for defined terms.