

ASX / MEDIA ANNOUNCEMENT



June 2023 Quarterly Report & Appendix 5B

28 July 2023

HIGHLIGHTS

- **Remediation activity to halt water crossflow from Aramac sands to Betts Creek coals was completed with immediate positive results.**
- **A profound positive change in the pilot dynamics observed with clear signs of desorption and a reservoir in transition.**
- **Engineering commenced during the quarter on hydrogen demonstration project.**
- **Glenaras Pad 3D seismic survey completed and data processing underway with the aim of optimising future pilot operations.**
- **Recent pressure testing in G17A confirms all individual coal and sand layers being effectively depressured.**
- **Strong cash balance of \$7.3m with no debt sees Company funded through to end 2023.**

Galilee's Managing Director, David Casey commented:

"The key message from the quarter is that following the completion of the remedial activities conducted over the last two quarters, it is apparent that Glenaras is essentially back on track towards predicted gas production trends. We see multiple indicators that the pressure sink is continuing to grow while the volume of coal approaching the estimated desorption pressure is still expanding.

With the work we have done to date on the pilot in terms of the new shield wells and mitigating water crossflow between the Aramac sands and the Betts Creek coals, the dynamics of the pilot have dramatically changed and we expect that the data in coming quarters will continue to bear this out."

Building an integrated & diversified sustainable energy company



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Glenaras Gas Project (ATP 2019) – Galilee 100%

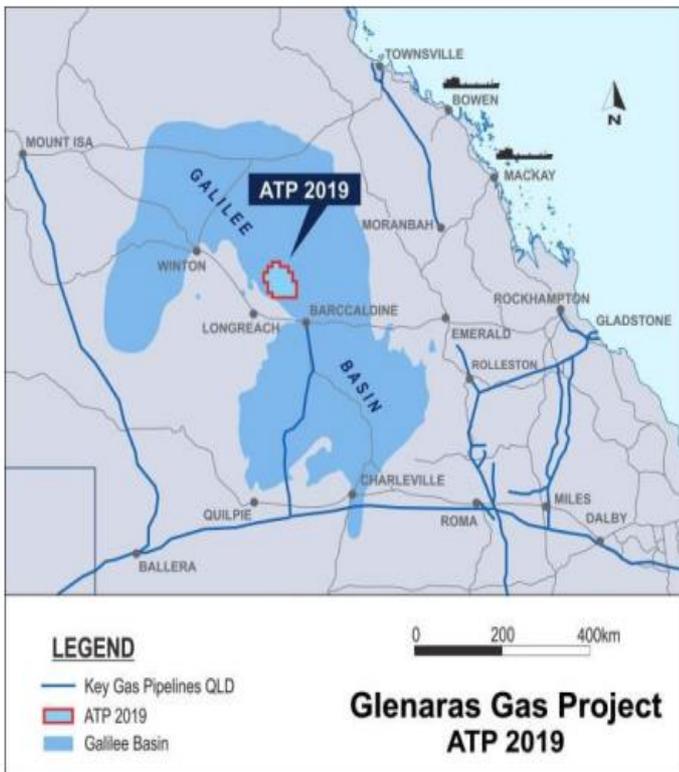


Figure 1: Glenaras Gas Project

Galilee Energy Limited (ASX:GLL) (“Galilee”) is pleased to provide an update on the Glenaras multi-well pilot programme (“Pilot”) in the Galilee Basin in Queensland (Figure 1). The Glenaras Gas Project (“Project”) is located in ATP 2019, which is 100% owned and operated by Galilee. The Permit covers an area of approximately 3,200km².

The primary focus of activity in the June Quarter was the ongoing monitoring of the depressurisation of the Betts Creek coals and adjacent sands, required to initiate gas desorption and confirm commercial gas production, as well as the completion of remedial activities on existing wells to mitigate suspected water crossflow.

Successful remedial cementing activities at Glenaras 26 (G26) to isolate this well from the lower Aramac sands saw this solution deployed on G27 and G28. The Company had postulated that this would significantly change the Pilot dynamics, expand the pressure sink and accelerate pressure drawdown and this has proven to be the case.

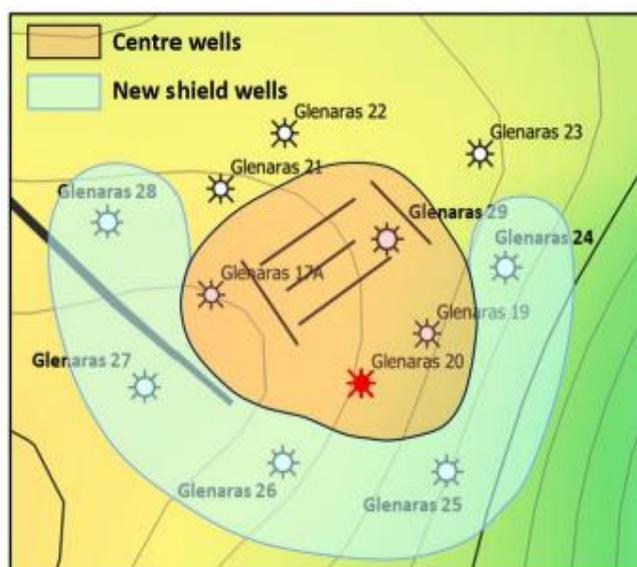


Figure 2: Schematic of Glenaras Pilot wells

There are multiple observations that indicate the Project is on track to return to predicted gas trends:

- The most recently remediated wells, G27 and G28 have recorded improved gas rates compared to their pre-workover performance, with concurrent increasing pressure reduction in the northwest flank of the Pilot;
- Pressure measurements in the inner lateral wells show the pressure sink continued to deepen at the wells surrounding the G14L well;
- A brief shut in of G23 indicated a continued pressure reduction to the northeast; and
- The distal Rodney Creek 8 well continues to demonstrate a decline in pressure.

Furthermore, pressure depletion in centre wells such as G20 which was worked over during the quarter has been significantly enhanced since the recent shield well programme was completed in mid 2022. There was essentially no pressure depletion prior to the installation of new shield wells (Sept 2021 to July 2022) but significant depletion after (July 2022 to April 2023).

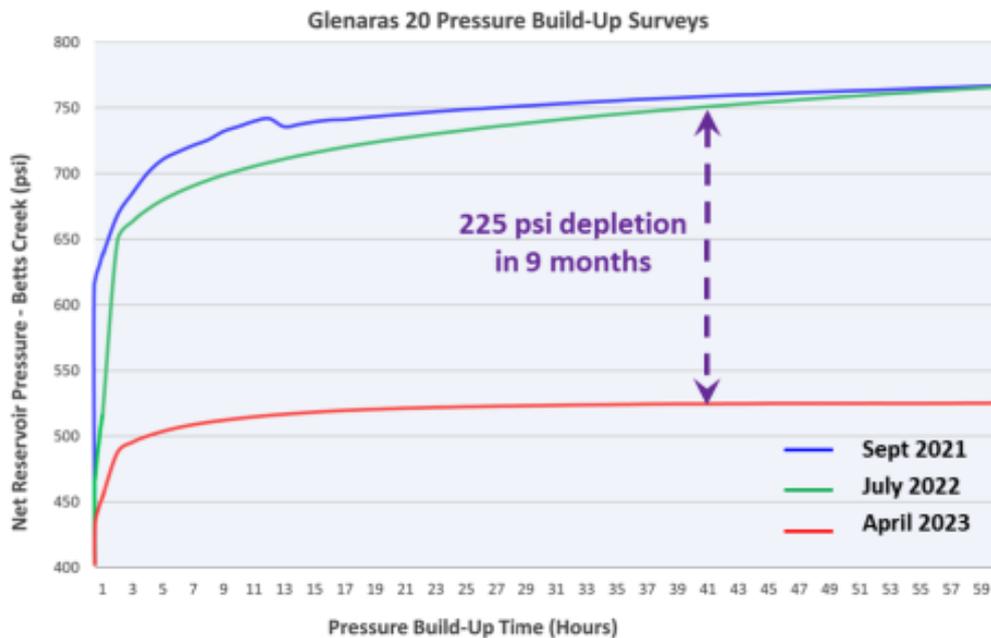


Figure 3: Glenaras 20 Pressure Data

During the period, a pressure monitoring programme was also conducted in G17A to measure pressures within individual coal seams and sandstone units to ascertain the extent of vertical depletion across the field. Encouragingly, the results from this survey confirmed that the Pilot is achieving its objective of draining the pressure in all layers as well as confirming good reservoir quality within the coal seams. This reinforces that the reservoir interval is being depleted and that further reservoir pressure depletion will see the volume of coal under desorption pressure increase.

The Project's water resources also underpin the Company's pursuit of potential hydrogen production activities, part of Galilee's strategy to become an integrated and diversified energy provider. Galilee has commenced detailed scoping studies and front-end engineering work for a demonstration project, utilising the abundant relatively fresh water produced at Glenaras.

The Glenaras Pad 3D Seismic Survey also commenced field operations in late June. This survey is a partnership between Galilee and Oceania Geo Pty Ltd, who are acquiring the data as a trial of cutting-edge seismic acquisition technology. The survey area covers approximately 6km² across the extent and immediate surrounds of the Glenaras Pilot.

The primary objectives of the Glenaras Pad 3D Seismic Survey are to:

- Improve the structural and stratigraphic resolution of the Betts Creek Beds across the Pilot area;
- Identify and increase definition of small-scale faulting that may be impacting individual well and Pilot performance;
- Provide possible solutions for further pilot optimization.

Field operations for the Glenaras Pad 3D Seismic Survey were successfully completed in early July with the data currently being processed. The final data volume is scheduled for full interpretation and to be available in mid-August.

Kumbarilla Project (ATP 2043) – Galilee 100%

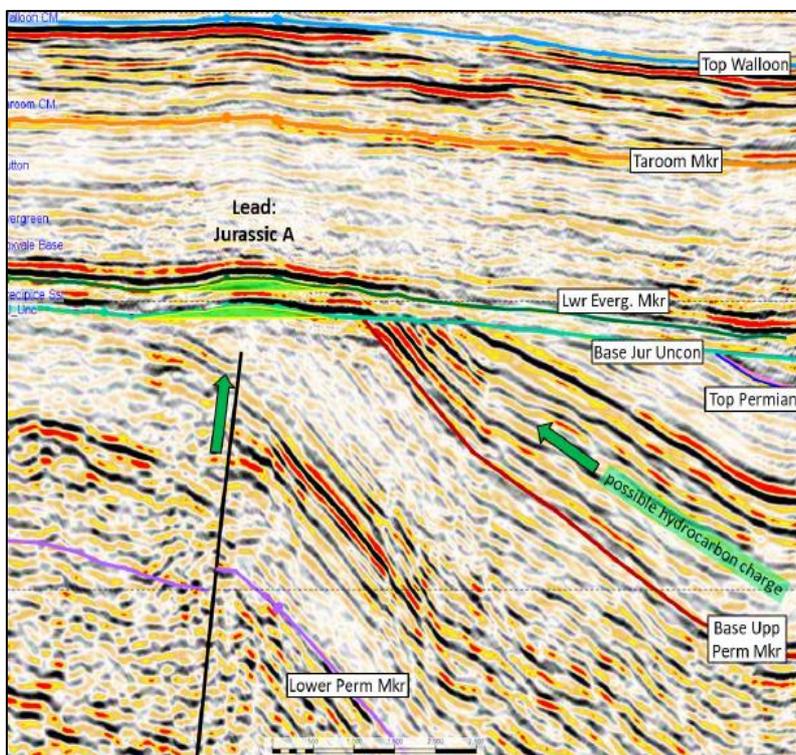


Figure 4 Seismic section showing Permian source rocks directly connecting with the target reservoir.

Sandstone. This is exactly the same oil charge mechanism to the successful Moonie oil field. Oil resource volumetrics and drilling costs are currently being prepared for consideration.

Evaluation of the conventional oil and gas prospectivity of ATP 2043 is ongoing with particular focus on the oil prospectivity of the Precipice Sandstone. Several strong leads have been identified in ATP 2043 that are analogous to the nearby and downdip Moonie oil field, which has produced ~ 24 million barrels to date.

The reprocessing of the seismic data across the permit has allowed these strong leads to be critically mapped and defined, both in terms of their size and possible volume of oil reserves, but also to de-risk them, especially in terms of oil migration into the target Precipice Sandstone.

Figure 4 shows how the reprocessed seismic data has provided greater confidence in the oil charge mechanism, whereby the deeper oil generating coals in the Permian rise upwards to directly connect with the shallower Precipice

Springsure Project (ATP 2050) – Galilee 100%

As noted in the March Quarterly Report, assessment of the multiple conventional gas and coal seam gas exploration opportunities is ongoing. Work is now progressing towards optimal well designs and costs that will enable testing of the stacked reservoir units in the identified leads. The strong likelihood of up to five gas pay zones in each lead requires careful planning for data acquisition that defines the possible volumes of gas at each level and the deliverability of the various reservoirs.

With these plans in place, the potential commerciality of the conventional gas leads can be determined prior to approving future drilling plans. Strategically, ATP 2050 is located immediately adjacent to existing gas production facilities which are connected to the east coast market.

Corporate

The cashflow for the quarter is presented in the accompanying Appendix 5B (Quarterly Cashflow Report).

The Company continues to maintain a strong cash position. As at June 30 2023, cash was \$7.3 million, with no debt. Late in the March Quarter the ATO approved the Company's R&D application and an R&D tax offset of \$7.7m for the 2021/22 financial year was received in the June quarter.

This R&D receipt both strengthens the Company's cash position as well as providing additional options for the Company in terms of accelerating activities at the Pilot to enhance de-watering as well as detailed scoping analysis and front-end engineering work on a potential hydrogen demonstration at Glenaras.

During the period, the Company spent \$2.89 million on exploration and evaluation activities. This expenditure was primarily on Glenaras operations, well interventions, remedial activities and production optimisation activities. The Appendix 5B includes an amount in item 6.1 which constitutes director's fees paid in the June quarter.

The Queensland Government confirmed its support for the development of new gas reserves in the Galilee Basin in the 2023-24 State Budget on 13 June 2023 through the allocation of "additional funding of \$21 million over 2 years to implement the Frontier Gas Exploration grants program to support appraisal activities to unlock significant gas resources in the Bowen and Galilee basins".

(Source: Queensland Government Budget 2023-24; Budget Paper 4 – Budget Measures, page 79). Link https://budget.qld.gov.au/files/Budget_2023-24_BP4_Budget_Measures.pdf

The Federal Government has released the Mandatory Gas Code of Conduct. Galilee qualifies as a small domestic supplier under the Gas Code (gas production of less than 100 PJ per annum) and is therefore exempt from the A\$12/GJ price cap for any sale of gas made from 2024 onwards. Galilee has worked closely with the government and the ACCC during the consultation periods as part of the development of the Gas Code, stressing the Company's commitment to existing and growing future domestic gas supply.

Petroleum Tenements Held

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter
ATP 2019	Galilee Basin (Qld)	100%	100%
ATP 2043	Surat Basin (Qld)	100%	100%
ATP 2050	Bowen Basin (Qld)	100%	100%

This announcement was released with the authority of the Board.

For further information, contact:

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About Galilee

Galilee Energy is well advanced on a pathway to becoming an integrated and diversified sustainable energy company and a key supplier of natural gas to the east coast market of Australia. The company is the 100% owner of one of the largest uncontracted natural gas resources on the east coast of Australia at a time of acute gas shortages. The Glenaras Gas Project, located within Queensland's Galilee Basin, is on the cusp of commercialization. The location and environmental credentials of the project, including low CO₂ natural gas and freshwater production to facilitate agricultural activities for CO₂ sequestration, uniquely positions Galilee as a future material supplier of sustainable energy.

Directors

Chairman – Ray Shorrocks

Non-Executive Director – Gordon Grieve

Managing Director – David Casey

Non-Executive Director – Greg Columbus

Non-Executive Director – Stephen Kelemen

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

GALILEE ENERGY LIMITED

ABN

11 064 957 419

Quarter ended ("current quarter")

30 Jun 2023

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers	13	46
1.2 Payments for:		
(a) exploration & evaluation	(2,888)	(13,880)
(b) development	-	-
(c) production	-	-
(d) staff costs	(422)	(1,692)
(e) administration and corporate costs	(520)	(759)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	39	123
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	7,726	7,726
1.8 Other - Inventory	-	-
1.9 Net cash from / (used in) operating activities	3,948	(8,436)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(296)
(d) exploration & evaluation	-	-
(e) investments	-	(22)
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - Rental bonds received	-	84
2.6 Net cash from / (used in) investing activities	-	(234)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other - Payment for principal portion of lease liabilities	(45)	(166)
3.10 Net cash from / (used in) financing activities	(45)	(166)

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
4. Net increase/ (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,411	16,150
4.2 Net cash from / (used in) operating activities (item 1.9 above)	3,948	(8,436)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(234)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(45)	(166)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	7,314	7,314

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	158	80
5.2 Call Deposits	7,156	3,331
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,314	3,411

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1
6.2 Aggregate amount of payments to related parties and their associates included in item 2
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Current quarter \$A'000
216
-

6.1 - Directors' fees.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.
Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities
7.2 Credit standby arrangements
7.3 Other (please specify)
7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-

7.5 **Unused financing facilities available at quarter end**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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8. Estimated cash available for future operating activities

8.1 Net cash from / (used in) operating activities (item 1.9)
8.2 (Payments for exploration & evaluation classified as investing activities (item 2.1(d))
8.3 Total relevant outgoings (item 8.1 + item 8.2)

8.4 Cash and cash equivalents at quarter end (item 4.6)
8.5 Unused finance facilities available at quarter end (item 7.5)
8.6 Total available funding (item 8.4 + item 8.5)

8.7 **Estimated quarters of funding available (item 8.6 divided by item 8.3)**

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A".
Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

\$A'000
3,948
-
3,948
7,314
-
7,314
N/A

Appendix 5B
Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2023

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee"
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.