

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

Throughout the Quarter all wells other than GA04 have performed to design and delivered stable operations. The pump in GA04 failed to start after generator maintenance and was replaced in a work-over conducted in November 2013. At the end of the Quarter all pumps were working to design and average total water flow rate was approximately 3,000 bbl/day. However the failure of GA04 has further delayed the likely timing of any significant gas production from the pilot.

Ongoing activities

The board has commissioned a detailed review of the Glenaras Project looking at the geological, reservoir and engineering performances at the pilot and across ATP 529P. The first stage of the review has already been completed, and this has already highlighted some areas for further investigation. The company is working through the significant technical data set to develop a thorough understanding of the project. This understanding will assist the board in determining the future direction for the project.

ATP 799P (Galilee 100%)

After a review of the recent drill program (Hillview 06) and the seismic conducted in early 2013 the board concluded that relinquishing the tenement was in the best interests of the company. The company notified the government of its intention to relinquish the ATP and on 13 December 2013 the government notified Galilee of its relinquishment.

Growth opportunities

The company continues to examine a range of opportunities domestically and internationally that will assist to diversify the company's portfolio.

Corporate

Financials

At the end of the Quarter the company had cash of \$26.0 million and no debt. The cash flows for the Quarter are presented in the attached Appendix 5B report.



Board and management changes

As announced on 30 October 2013, and further updated in the previous quarterly issued 31 October 2013, the Board of the company changed with the resignation of three directors and the appointment of:

Dr David King as Independent Non-executive Chairman

Mr Peter Lansom as Managing Director;

Mr Paul Bilston as Executive Director.

As announced the company commenced a search for an additional independent non-executive director to bring more independence to the board and to enhance the skills and expertise available to the company.

On 2 December the board appointed Mr Ray Shorrocks as an Independent Non-executive Director. Mr Shorrocks is a director of Patersons Securities Limited and heads the corporate finance department in Sydney. He is also chairman of Republic Gold Limited (ASX: RAU) and a director of a number of private companies.

Ray's skills will enhance the existing board's financial and commercial expertise as we progress building a successful hydrocarbon exploration company.

The new board members have commenced work to implement an objective review of the current Galilee Basin permit and determine the best path forward for the long term capital and investment requirements of the permit.

Proportional takeover by Olympus Funds Management

On 25 November 2013, Galilee Energy Limited (Galilee) received a bidder's statement in relation to a proportional off-market takeover bid from Olympus Funds Management Pty Ltd (Olympus), a wholly owned subsidiary of ASX listed Mercantile Investment Company Limited (Mercantile), for one out of every two ordinary shares in Galilee Energy (Shares) held by each Shareholder at an offer price of 15 cents cash per Share (Proportional Bid).

Galilee's constitution (Constitution) and the Corporations Act require a proportional takeover bid be approved by Galilee's shareholders (Approval). The Approval requirement was re-affirmed by over 75% of the votes cast at the November AGM.

A shareholders meeting held on 21 January 2014 overwhelmingly rejected the proportional bid made by Olympus Funds Management. As a consequence, the takeover cannot proceed and:

- a) any offers that have not been accepted, or which have been accepted, but for which binding contracts have not yet resulted, are deemed to be withdrawn; and
- b) all binding agreements will be rescinded.



Corporate directory

Board

Dr David King
Independent Non-executive Chairman

Ray Shorrocks
Independent Non-executive Director

Peter Lansom
Managing Director

Paul Bilston
Executive Director

Senior management

Peter Lansom
Managing Director

Simon Brodie
Chief Financial Officer & Joint Company Secretary

Bill Lyne
Joint Company Secretary

Share capital

Shares	152.1 million
Options	2 million
Market Cap	\$21.3 million (at 31 Dec 2013)
Shareholders	Ecarlate Pty Ltd 12.06% Ekco Investments Pty Ltd 5.84% AMP Life 5.53%
Top 10 Shareholders 41.04%	

Asset

Galilee Gas Project (ATP 529P), covering 3,953km² in joint venture with AGL Energy Limited – each party holds 50%, AGL is the operator.

Principal and registered office

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Postal address

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Fortitude Valley BC Queensland 4006

Share registry

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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:

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Chief Financial Officer & Joint Company Secretary

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Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/2013

Name of entity

Galilee Energy Limited

ABN

11064957419

Quarter ended ("current quarter")

December 2013

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	(563)	(1,330)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	340	501
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - R&D rebate	-	1,194
Net Operating Cash Flows	(1,109)	(1,410)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(9)	(10)
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)	(1,118)	(1,420)

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(1,118)	(1,420)
	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	(1,118)	(1,420)
1.20	Cash at beginning of quarter/year to date	27,091	27,393
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	25,973	25,973

Payments to directors of the entity, associates of the directors, 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	194
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	
	Payment to related parties for fees per service	

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

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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

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Financing facilities available

Add notes as necessary for an understanding of the position.

	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	600
4.2	Development	
4.3	Production	
4.4	Administration	520
Total		1,120

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	423	290
5.2 Deposits at call	25,550	26,800
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	25,973	27,090

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	ATP799P QLD Relinquished	100%	Nil
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

+ See chapter 19 for defined terms.

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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	Nil	<i>Exercise price</i> Nil <i>Vesting</i>
		400,000	49.00 cps	1.3.14
		400,000	61.25 cps	1.3.15
		400,000	21.00 cps	1.3.15
		400,000	28.00 cps	1.3.16
		400,000	35.00 cps	1.3.17
7.8	Issued during quarter			

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7.9	Exercised during quarter				
7.10	Expired during quarter	Unquoted	Nil	<i>Exercise price</i> Nil	<i>Expiry date</i>
		600,000		<i>Vesting</i> 49.00 cps	1.3.14
		600,000		61.25 cps	1.3.15
		600,000		21.00 cps	1.3.15
		600,000		28.00 cps	1.3.16
		600,000		35.00 cps	1.3.17
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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:



.....
(~~Director~~/Joint company secretary)

Date: ..30/01/14

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 and petroleum 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 or petroleum tenement, it should disclose the

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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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