

## 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>.

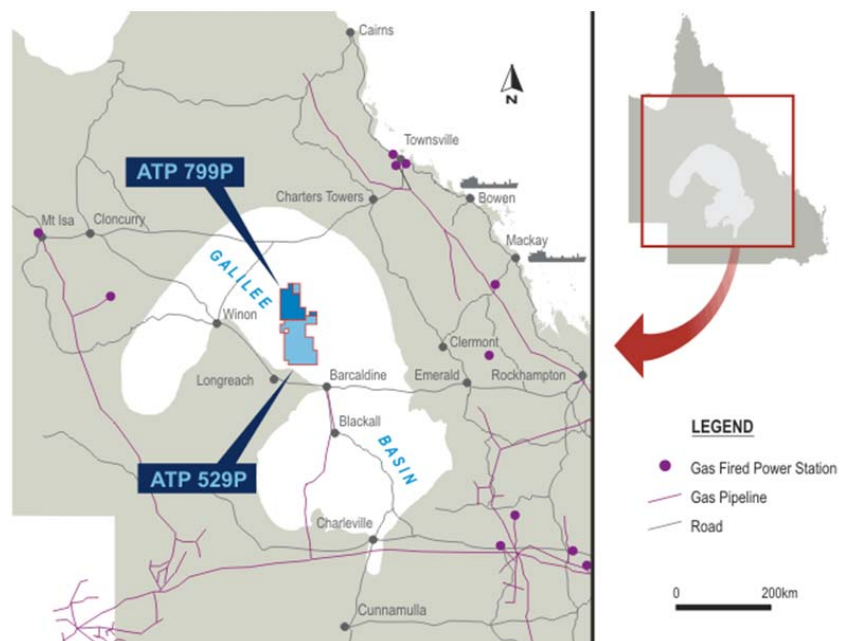
ATP 529P is held by the Galilee Gas Project, a 50/50 joint venture (JV) with AGL Energy Limited (AGL) under which AGL is the operator. ATP 799P is wholly owned and operated by Galilee.

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 Gas Project

### KEY POINTS

- ❖ **Galilee Gas Project (ATP 529P JV with AGL)**
  - 2012 work program and budget approved
  - Glenaras pilot - reserves campaign ongoing
  - Three well step-out drilling campaign completed
- ❖ **ATP 799P Geological and Geophysical study**
- ❖ **Cash at bank \$35.7 million**



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

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

In October 2011 the Glenaras pilot produced the Galilee Gas Project's first gas discovery and the first discovery for the Galilee Basin.

Glenaras 6, part of the Glenaras close-spaced five-spot production pilot, started to flow at a steady rate of approximately 54 Mscf per day for a period of four days before the well was temporarily shut down for maintenance.

The geological significance of this gas flow is that it constitutes the first measurement of a stabilised gas flow from a coal seam gas pilot in the Galilee Basin. Glenaras 6 is a cased and fracture stimulated well that accesses the R3 to R7 coal seams of the Betts Creek Beds.

### ***2012 Work program and budget***

The JV partners have approved a 2012 calendar year work program of up to \$20 million (Galilee's share - \$10 million). The program contains a mix of firm and contingent expenditure. The contingent expenditure is subject to the outcomes of the Glenaras Pilot and the timing of a number of water management strategies. The program includes:

#### **Firm:**

- a) continuation of the Glenaras Pilot;
- b) water management studies;
- c) permit and project management;

#### **Contingent:**

- d) drilling and suspension of five wells for a 5-spot pilot north of Glenaras; and
- e) additional water management studies.

### ***Ongoing activities***

Operation of the Glenaras pilot continues. At the time of writing all the Glenaras wells are operating and continue to de-pressure the coals.

The three-hole Glenaras step-out drilling campaign has successfully drilled wells GA07, GA08 and GA09. This campaign included drilling three vertical wells and recovering core from GA07 and GA08. Core recovery was not required from GA09 due to the close proximity of the previously cored Crossmore South 01. All wells were wireline logged and tested for permeability.

The wells are located north of the Glenaras pilot within ATP 529P and are designed to support a resource upgrade for the Galilee Gas Project.

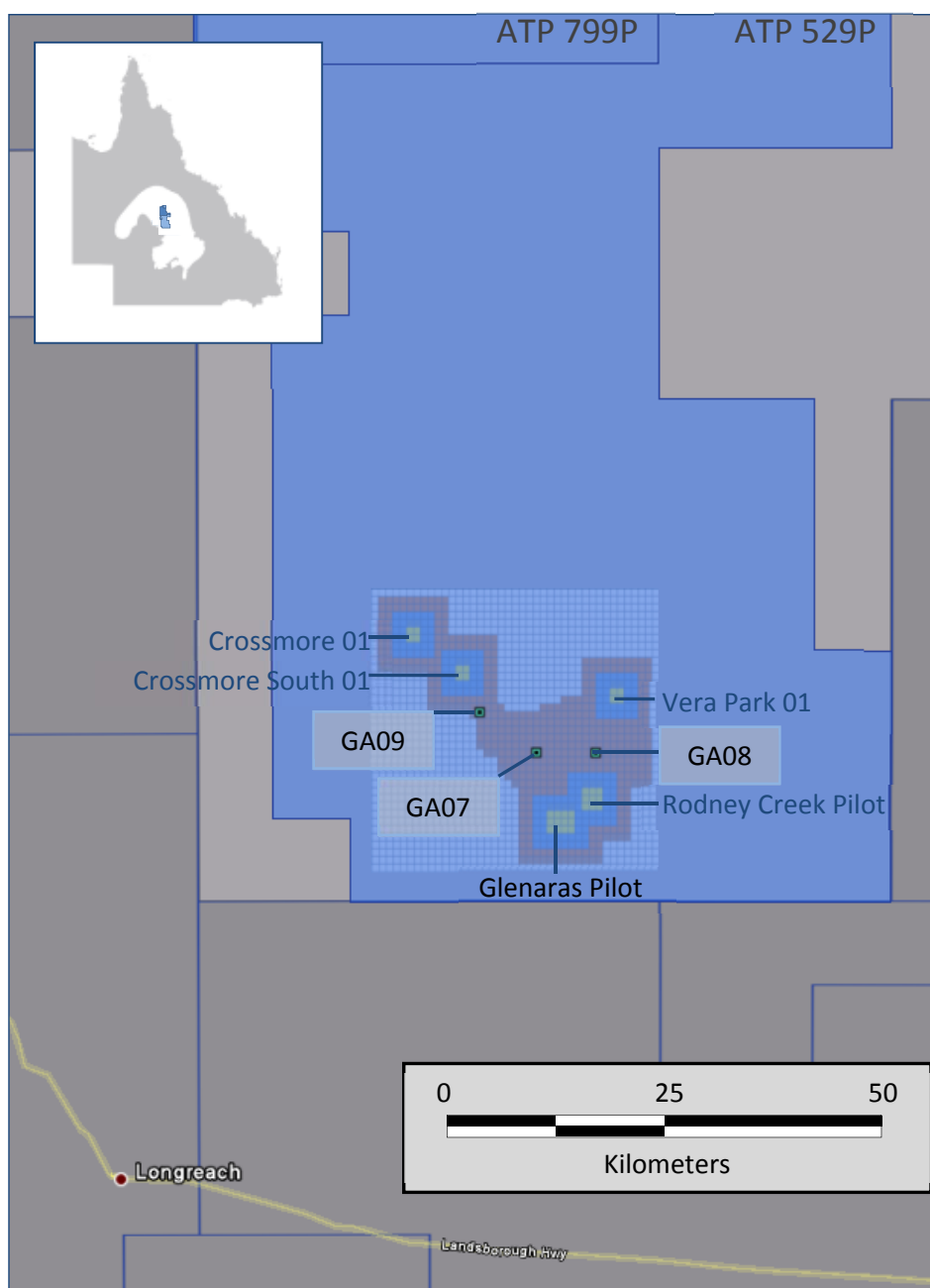
Preliminary results were as expected with all wells intersecting in excess of 25m of coal across the Betts Creek Beds and Aramac Coal Measures. Coal samples have commenced desorption testing.

The operator embedded lessons learnt from earlier exploration and introduced technology to drill exploration wells with high quality core recovery, which are suspended for use as future production wells.



Exhibit 1

Location map



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

The results from the exploration program and analysis in ATP 529P are providing valuable information for unlocking the potential of ATP 799P. In addition, the company has commenced a detailed Geological and Geophysical tenement study to propose CSG seismic and drilling targets and identify potential for Shale Oil/Gas and Conventional Oil/Gas.



## Community engagement

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

Following the draft baseline water assessment report, prepared by RPS<sup>1</sup> for the Galilee Basin Operators' Forum, Galilee as operator of ATP 799P and AGL as operator of the Galilee Gas Project received draft detailed reports for review and comment prior to release. The detailed reports have been evaluated and comments passed to RPS for expected release of final reports in the March Quarter 2012.

*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 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.*

## Corporate

### ***Financials***

The Annual General Meeting was held on 21 November 2011 and all resolutions were passed on a show of hands.

At the end of the Quarter the company had cash of \$35.7 million and no debt. The cash flows for the Quarter are presented in the attached Appendix 5B report.

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<sup>1</sup> 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*

**Bill Lyne**

*Company Secretary*

### Share capital

Shares	152.1 million
Options	12 million
Market Cap	\$24.4 million (at 31 December 2011)
Shareholders	Becamal Pty Ltd 16.85%
	Ecarlate Pty Ltd 12.06%
	Ekco Pty Ltd 5.84%
	AMP Life 5.53%

**Top 10 Shareholders 50.66%**

### Assets

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

**ATP 799P**, 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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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")

December 2011

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (...6... months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(3,853)  (450)	(4,433)  (1,272)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	921	1,219
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	3	4
	(3,379)	(4,482)
<b>Net Operating Cash Flows</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 (c) other fixed assets	-	-
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>		
1.13 Total operating and investing cash flows (carried forward)	(3,379)	(4,482)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(3,379)	(4,482)
<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	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>			
<b>Net increase (decrease) in cash held</b>			
1.20	Cash at beginning of quarter/year to date	39,124	40,227
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>35,745</b>	<b>35,745</b>

**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	51
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.*

Amount available \$A'000	Amount used \$A'000
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+ See chapter 19 for defined terms.

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

3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	1,400
4.2	Development	
4.3	Production	
4.4	Administration	430
<b>Total</b>		<b>1830</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	195	204
5.2 Deposits at call	35,550	38,920
5.3 Bank overdraft	-	-
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	35,745	39,124

**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> <i>(description)</i>				
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> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Unquoted 8,000,000 1,000,000	Nil	<i>Exercise price</i> 30 – 87 cents 24 cents	<i>Expiry date</i> 4.12.11 – 3.12.12 3.12.12
7.8 Issued during quarter	3,000,000	Nil	Nil consideration Vesting 1/3 36.75 cps 1/3 49.00 cps 1/3 61.25 cps	<i>Expiry date</i> 1.3.13 1.3.14 1.3.15
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ 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 give a true and fair view of the matters disclosed.

Sign here:  ..... Date: ...31/01/12.....  
(Director/Company secretary)

Print name: ....Bill Lyne.....

## 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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