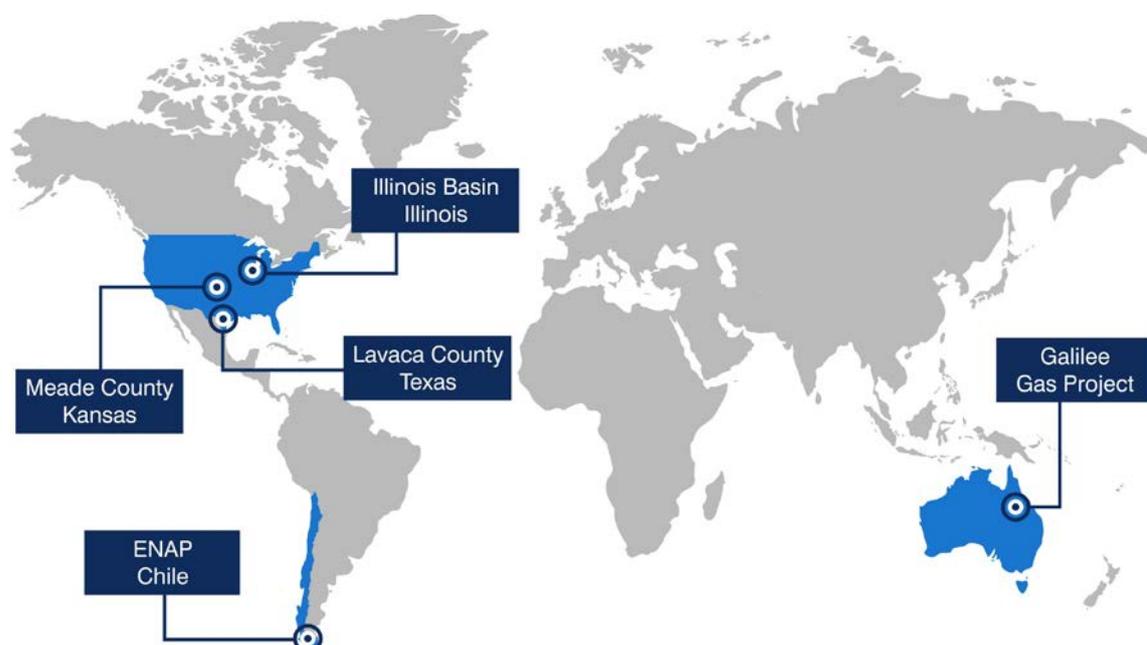


Galilee's new board and management continue to deliver on its platform of building a portfolio of exploration projects:

- ❖ Signed MOU with ENAP, Chile's state owned oil and gas company to carry out a study into a substantial unconventional gas project in the Magallanes Basin in southern Chile.
- ❖ Partnered with Gruy LLC to target a number of low cost, high return shallow oil prospects in the prolific Illinois Basin. **Drilling to commence early Q4 2014.**
- ❖ Agreed to a significant participation with Calnex Resources LLC in a high impact, liquids rich exploration target in Lavaca County – Onshore Gulf Coast Texas. **Drilling mid Q4 2014.**
- ❖ Signed an MOU taking an option over a massive 110,000 acre lease block within the Anadarko Basin in south western Kansas. This will allow Galilee to carry out a 3D seismic program with follow up drilling to progressively earn a 75% Working Interest within selected areas of the block. **Seismic program expected Q4 2014 with follow up drilling shortly afterwards.**
- ❖ Reached agreement with AGL on the scope of the R1 test program within ATP 529P, however the program has been deferred as AGL do not have an approved budget for the work at this time.



❖
Map 1 – Location of current activities

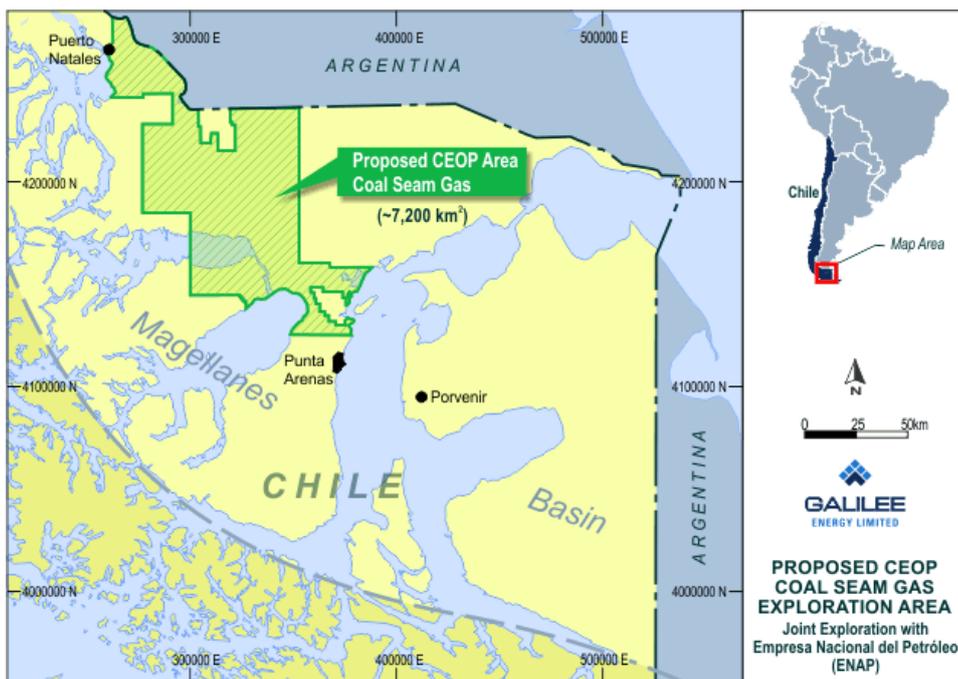
Chile

On 27 May 2014, Galilee signed a memorandum of understanding (MOU) with Chile’s state owned oil and gas company, Empresa Nacional del Petróleo (ENAP) to jointly explore for unconventional hydrocarbons in the Magallanes Basin in southern Chile.

Under the terms of the MOU, Galilee and ENAP will focus on a region covering approximately 7,200 sq km (1.8 million acres) in the north-west portion of the Magallanes Basin (Puerto Natales - Seno Otway) to evaluate the potential for large-scale coal seam gas (CSG) production. Previous work has indicated the key objective to be the Eocene-Oligocene Loreto Formation, which contains 10-20m of coals at depths ranging from surface to over 1,200m.

For Galilee this is the first step in building an exploration portfolio in South America in line with the company strategy outlined in the report for the March Quarter. The Magallanes Basin CSG project provides Galilee with ground floor entry into an area with significant potential.

Galilee will operate the joint study with the initial CSG component to be completed in six months. The agreement provides that the two companies intend to apply for one or more exploration concessions (CEOPs) over the high-graded CSG areas with Galilee as Operator, and ownership interests to be agreed.



Map 2 – Location of proposed CEOP areas

Chile consistently rates as a very favourable destination for resource development due to its political stability, good fiscal terms for hydrocarbon production and strong economic climate.

Galilee has also commenced reviews of a number of other onshore basins in Chile to identify further areas for expansion and to build on the strategic position the Company is establishing in the south.

Illinois Basin

On 18 June 2014 Galilee announced that it had entered into a Joint Venture agreement under which it will work with a group of experienced US based oil and gas professionals to carry out exploration drilling targeting large, high return, shallow oil prospects in the Illinois Basin, Illinois, USA.

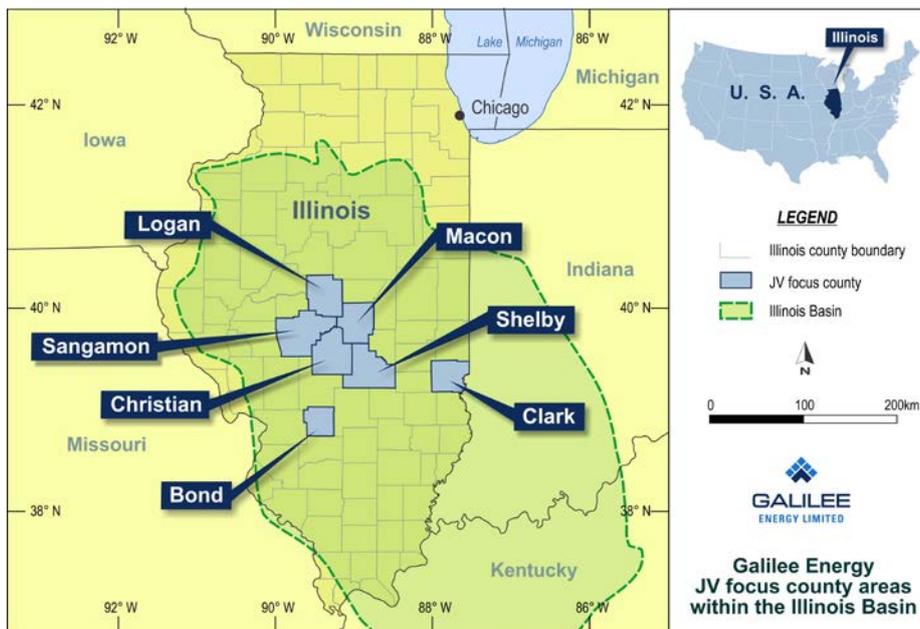
The expected dry hole cost for the wells is less than US\$200,000 each, allowing very inexpensive tests for what are significant targets. This exploration programme will target Paleozoic reservoirs ranging between 300m and 1,200m deep in one of the oldest and most prolific oil provinces in the United States.

The Illinois Basin is a shallow, intracratonic basin that has already yielded over 4 billion barrels of oil. It is well known for its Silurian and Devonian aged reservoirs that commonly yield initial flow rates of up to 1,500 barrels of oil per day from reservoirs only 600m deep and reserve sizes commonly in the multi-million barrel range. While the project is focused on Silurian and Devonian targets, objectives in the underexplored shallow Mississippian sands around 300m deep, and the deeper Ordovician Trenton between 1,000 – 1,200m deep have also been identified.

Galilee and its Joint Venture partners have to date acquired almost 3,000 acres of leases in an active and ongoing leasing program focused in the Sangamon, Shelby, Bond, Logan, Macon, Christian and Clark counties. High potential prospects have been identified utilizing a combination of surface mapping, modern aerial photography, recently updated coal mapping, gravity, magnetics, existing seismic data and subsurface mapping. All of the prospects have multi-pay potential.

Several of the leased prospects have been finalized, with three currently being permitted ahead of drilling and another 16 currently under advanced assessment. This should allow for the initial drilling campaign to commence in the fourth quarter of this year.

Galilee has enlisted Enhanced Energy Partners Corporation to carry out field operations. Technical support will come from Dr James Henderson of Dallas, Texas, Peter Lehle of Houston, Texas and Gruy LLC of Dallas, Texas, all of whom have significant experience over many years in the Illinois Basin.



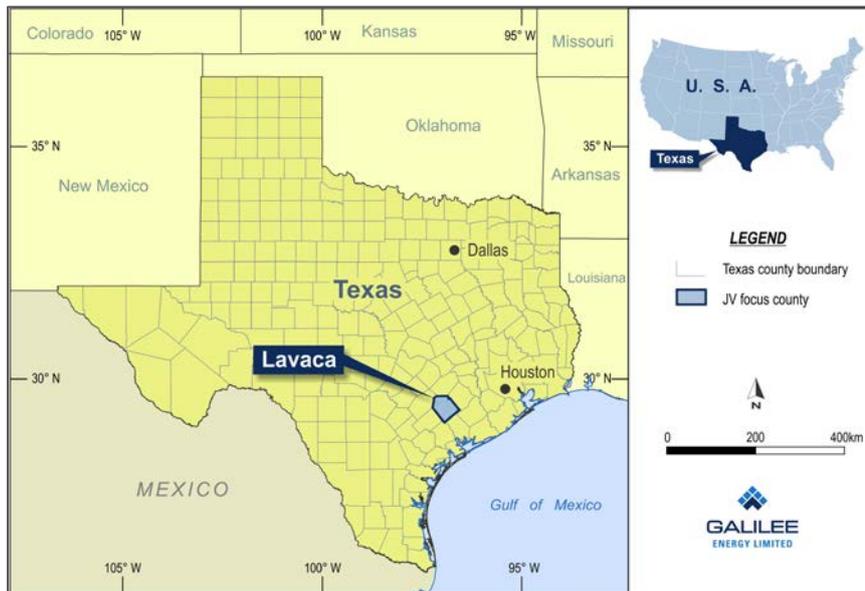
Under the agreement, Galilee will fund 100% of the dry hole cost (DHC) for the first well on each prospect to earn a 75% working interest (WI) in the prospect. All completion costs, and future wells in any successful prospect would be carried by each (WI) holder, with Galilee having between 65% and 75% in each prospect.

Map 3 – Location of target counties - Illinois

Lavaca County - Texas Gulf Coast

On the 24 June 2014 Galilee announced it had acquired a 35% working interest in a high impact, liquids rich exploration target in Lavaca County, Texas. Galilee will participate on equal terms with the other Joint Venture partners for a 35% (“WI”) (final interest subject to election from other participants) in a 4,300m exploration well on the Hoffer Prospect in Lavaca County, Texas.

The well, planned for late 2014, will target the Lower Wilcox formation on a ~3.6 sq km (~900 acre) structural closure identified by 3D seismic. The Lower Wilcox reservoir has proven to be a prolific producer in the region and this, combined with the large size of the prospect and moderate cost of onshore drilling, provides a significant, high impact, addition to Galilee’s exploration portfolio.



Production from other wells in Lavaca County at similar depths and reservoir targets have seen initial production in excess of 10 MMscfd with cumulative production per well of over 10 Bcf. Galilee expects the well to deliver sweet natural gas with a good liquids yield. Successful testing of the target will result in immediate follow up development wells and rapid commercialisation with an existing pipeline infrastructure located approximately 500m from the well.

Map 4 – Location of Lavaca County, Texas

As part of the participation agreement, Galilee also has an option to participate in other wells along trend in a joint venture area covering over 260 square kilometres. The prospect is located within a proven hydrocarbon province in Lavaca County on the Gulf Coast of Texas, and the company expects that if proven successful, the Lower Wilcox trend can be extended with a number of other targets already identified from seismic.

The 3-D seismic over this area shows the main target horizon, the Lower Wilcox sand, has created an “umbrella structure” with a prognosed 200m of gross sand development, down-faulted on a ~3.6 sq km (~900 acre) structural closure.

Kansas Shallow Oil

Subsequent to the end of the Quarter on 30 July 2014 Galilee signed a Memorandum of Understanding (MOU) with a group of private investors to progressively earn up to a 75% (WI) in selected areas within 110,000 acres of leases in the Anadarko Basin, south-western Kansas. The MOU allows for Galilee to select the location of operations across existing leases primarily in Meade County, Kansas and to jointly expand the asset within the encompassing 345,600 acre Area of Mutual Interest (“AMI”).

Galilee will be utilising its in-house skills and operating all activities and has engaged the services of an experienced local geophysicist who has been intimately involved in the development and success of the recent 3D seismic and drilling programs in Kansas.

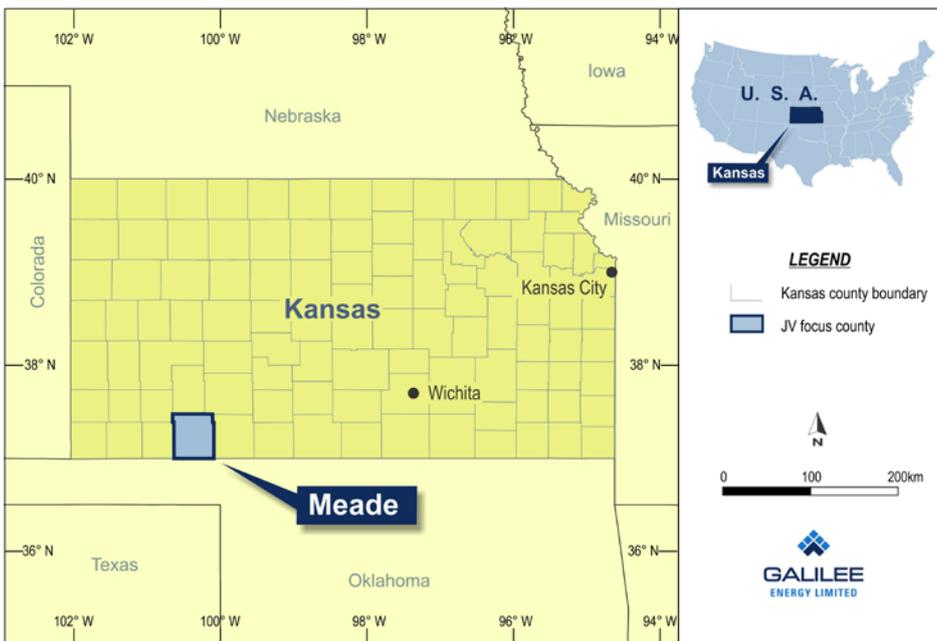
This significant operated position in a lightly explored area within a highly contiguous lease position is exciting. Wells within the AMI have recovered oil and gas from multiple zones demonstrating hydrocarbon charge and reservoir quality. We believe that the application of 3D seismic data for the first time will uncover a number of both structural and stratigraphic traps not seen on the older, sparse 2D seismic grid.

The key reservoir targets are shallow (4,000-6,000 ft) limestones and sandstones in the Carboniferous section, primarily in the Missourian Lansing and Kansas City groups. The reservoirs are generally from 5 to 40 ft thick and often have more than 20% porosity.

Secondary objectives exist in the slightly deeper Cherokee Group, Marmaton Group, Morrow Sandstone and Mississippi Lime.

Exploration activity targeting these zones has increased significantly in Kansas during 2013/14. The use of high-resolution 3D seismic data, which can resolve the small and subtle structural and stratigraphic anomalies as well as small faults, has resulted in an increase in exploration drilling success rates to over 65%. Importantly, any success is expected to deliver strong economic returns with the dry hole costs for these wells being ~ US\$300,000 and successful wells paying out with less than 10,000 barrels of oil production.

The AMI area is typical of the areas targeted by operators in other parts of Kansas. It is only lightly explored yet surrounded by prolific historical oil and gas production. Production to date from Meade County and the five adjacent counties is in excess of 185 MMB of oil and 5.5 tcf of gas, with producing fields located one mile to the east and within 10 miles to the south and west.



Map 5 – Location of Meade County, Kansas

The MOU, which is conditional on finalisation of a joint venture agreement, provides the right for Galilee to operate the project and to progressively earn its working interest as follows:

- Fund an initial ~30,000 acre 3D seismic survey to earn a 25% WI in the seismic area
- Fund, at Galilee’s election, two wells to casing point within the seismic area to earn an additional 25% WI per well (to a total of 75% WI in the seismic area)
- All interests earned will be at a 79% Net Revenue Interest (NRI)
- Galilee has the option to fund programs in additional areas of the 110,000 acres of existing leases on the same terms as the above
- Galilee can lease, renew or extend any additional acreage within the AMI with a 75% WI and 79% NRI
- Galilee will fund the dry hole cost of the first ten (10) wells and the completion costs of the first five (5) wells within the AMI.

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

Recompletion and restart – delayed until AGL budget approval is obtained

Subsequent to the update provided to the market on 31 March 2014, Galilee continued to work through the detailed scope of the work program with AGL, the Operator of ATP 529P.

Despite having previously agreed to the test, and now being in agreement with the detailed work program, AGL has advised that they do not currently have budget approval to carry out the test program.

AGL has advised it will seek the required budget approval in due course but are unable to give Galilee a firm commitment on timing.

Galilee is very disappointed in AGL's position and will continue to work with AGL to facilitate this test being conducted in a timely manner.

Corporate

During the Quarter, the company settled the proceedings brought by the previous Managing Director Mr Haworth that were announced to the ASX on 12 December 2013.

Financials

At the end of the Quarter the company had cash of \$25.7 million and no debt. The R&D cash rebate of \$1.7 million was received during the Quarter. Current cash would represent approximately 16.9 cents per share. The cash flows for the Quarter are presented in the attached Appendix 5B report.

Change of Address

As part of its ongoing process of reducing its administration costs, and better position the company to engage with key stakeholders, the company has moved offices with the new address as follows:

Office address: Level 4, Rowes Building, 235 Edward Street, Brisbane, Queensland 4000

Postal address: GPO Box 1944, Brisbane, Queensland, 4000

Phone +61 7 3211 8555 - Fax +61 73216 1199

Email admin@galilee-energy.com.au

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 & Company Secretary

Share capital

Shares	152.1 million
Options	1.6 million
Market Cap	\$19.8 million (at 30 Jun 2014)
Shareholders	Ecarlate Pty Ltd 12.06% Ekco Investments Pty Ltd 5.84% AMP Life 5.53%
Top 20 Shareholders	53.38%
Board & Management	6.22%

ABN

11 064 957 419

Website

www.galilee-energy.com.au

Principal and registered office

Level 4, 235 Edward St
Brisbane Queensland 4000

Phone +61 (0) 7 3211 8555

Fax +61 (0) 7 3216 1199

Postal address

GPO Box 1944
Brisbane Queensland 4000

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:

Peter Lansom

Managing Director

Tel: +61 (0) 7 3211 8555

Fax: +61 (0) 7 3216 1199

Email: plansom@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")

30 June 2014

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		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,043)	(2,828)
	(290)	(2,802)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	201	994
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other R&D rebate	1,746 -	2,940 -
	614	(1,696)
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	- - -	- - (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)	614	(1,706)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	614	(1,706)
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	614	(1,706)
1.20 Cash at beginning of quarter/year to date	25,073	27,393
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	25,687	25,687

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	178
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

--

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	1,250
4.2	Development	
4.3	Production	
4.4	Administration	352
Total		1,602

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	562	223
5.2	Deposits at call	25,125	24,850
5.3	Bank overdraft	-	-
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		25,687	25,073

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 400,000 400,000 400,000 400,000	Nil	<i>Exercise price</i> Nil <i>Vesting</i> 61.25 cps 21.00 cps 28.00 cps 35.00 cps	<i>Expiry date</i> 1.3.15 1.3.15 1.3.16 1.3.17
7.8 Issued during quarter	Unquoted Nil	Nil	<i>Exercise price</i> Nil	<i>Expiry date</i>
7.9 Exercised during quarter				
7.1 Expired during quarter				
7.1 Debtentures 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:  Date: 31/07/2014
(Company secretary)

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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