



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

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

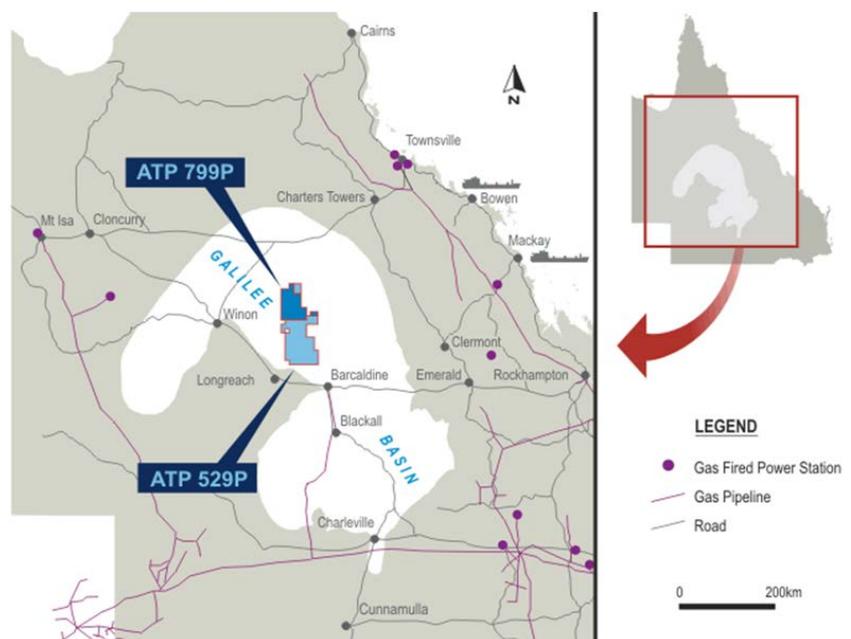
In June 2011 the joint venture announced its first Contingent Resource estimate of 259 petajoules (PJ) of 2C and 1,090 PJ of 3C Resources (technically recoverable) from 450km<sup>2</sup> of ATP529P, centered on the Glenaras pilot. The pilot is undergoing gas flow testing, having produced 1,170 mscf in May

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

## ATP 799 drilling program approved

### KEY POINTS

- ❖ **ATP 799P program for 2012/13 approved**
  - Regulatory approvals complete
  - Procurement selection complete
  - Engineering designs complete
  - Drilling rig mobilised
- ❖ **Galilee Gas Project (ATP 529P JV with AGL)**
  - Glenaras pilot – engineering review complete
- ❖ **Search for growth opportunities continues**
- ❖ **Cash at bank \$33.1 million**
- ❖ **No debt**



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



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

The Board approved a plan to drill one exploration well from five proposed well locations, acquire 100km of 2D seismic and complete associated geological and geophysical studies in 2012/13. The primary objective is to evaluate the Betts Creek beds for coal seam gas. A secondary objective is to evaluate the potential for shale gas.

### ***Hillview 06: drilling program***

The program is to recover core, log, test and plug and abandon an exploration well located on a regional structure. The total depth of the hole is planned at 1,400 meters with approximately 385 meters of core to be taken across the Betts Creek beds and the Aramac Coal Measures.

The well site was selected with the following aims:

- Confirm the presence and thickness of coals within the Betts Creek beds and the Aramac Coal Measures;
- Reliably determine the gas content of the coal;
- Evaluate the permeability of the coal;
- Identify hydrocarbon bearing shale sequences; and
- Evaluate permeability of any key formations within the coal sequence.

All landholder and government approvals process have been completed. The HSE program has been prepared and completed along with landholder agreements. Detailed engineering design and procurement processes were carried out. Major Drilling was selected as the successful provider of drilling services. In addition, specifications for and procurement of specialist suppliers for cement, wireline logging, core handling and camp services were completed.

The camp has been established; rig site prepared and the rig mobilised from Wondoan with a plan to arrive on-site by 2<sup>nd</sup> November.

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

After producing gas in late 2011 the focus of the Glenaras pilot has turned to stabilising performance, reducing water levels on all five wells and demonstrating commercial gas flow rates with an objective of continuous flow in 2012.

### ***Ongoing activities***

Operation of the Glenaras pilot continued with additional resources to balance staffing needs and to bolster the operational experience of the site team.

The Pilot is designed to determine the most appropriate blend of equipment to extract gas from the Betts Creek beds. All work to date demonstrates that the Betts Creek coal contains gas, it is permeable and capable of being de-watered. However, a number of installed pumping systems have not been able to meet their expected performance levels whereas others have failed due to defects. Whilst the location, depth, temperature and pressures at which the equipment operates are challenging they are within the performance limits of standard equipment.



Consequently the parties asked a third party expert to undertake a detailed review of the lessons learned from operating the pilot project over the last two years. The report is complete and the JV parties are preparing a plan to implement the recommendations. Overall, the parties believe that a viable project exists once these technical challenges are overcome.

During the Quarter the JV undertook a number of activities to manage the operation of the pilot. Work included:

- Detailed review of operations;
- Water studies for produced water management; and
- Submitting the regulatory case for continuation of the Pilot.

### ***Produced water management***

The water storage facility continues to operate at 65% of capacity.

## **Community engagement**

### ***Galilee Basin Operators' Forum***<sup>1</sup> ([www.gbof.com.au](http://www.gbof.com.au))

RPS<sup>2</sup> issued the draft baseline water assessment report, prepared for the Galilee Basin Operators' Forum, for internal review and comment. The results of the baseline water assessment will be shared with the general public.

### ***Community engagement***

The JV operator, AGL Energy, conducted an open day program on 14 and 15 September 2012 at the Glenaras pilot. Approximately 80 people attended over the two days. Buses took participants around the site and the operators' staff explained the operation of the pilot. Included were displays showing:

- a) pump and motor assemblies used in the operation of the pilot;
- b) samples of core showing coal and host rocks;
- c) production equipment including:
  - a. Water and gas separators;
  - b. Water management; and
  - c. Flare management.
- d) drilling equipment including:
  - a. cross section model showing how a drill hole is constructed; and
  - b. drill bits.
- e) maps and drawings of Coal Seam Gas explorations.

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<sup>1</sup> Galilee is an active member of the Galilee Basin Operators' Forum – a group of eight foundation 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.

<sup>2</sup> RPS is an international consultancy providing world-class, local solutions in energy and resources, infrastructure, environment and urban growth.





*Discussing a coal core sample*



*Equipment on show*

Anyone interested in the pilot can access specific information and events related to the project through the AGL Galilee Gas Project website. The site provides fact sheets, a history of the project, links to information about CSG evaluation methods and access to community events as well as material from completed events. The site also provides real time weather information located at the Glenaras 5-spot pilot - see <http://agk.com.au/galilee>.

### **Growth opportunities**

Galilee is pursuing growth through hydrocarbon development acquisitions where they may arise or are presented to the company. During the Quarter the company evaluated a number of onshore oil and gas opportunities predominantly in Australia. In several cases Galilee withdrew interest during due diligence due to unacceptable technical risk or vendor price expectations.



## Corporate

### *Financials*

At the end of the Quarter the company had cash of \$33.1 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 & Joint Company Secretary*

**Bill Lyne**  
*Joint Company Secretary*

### Share capital

Shares	152.1 million
Options	8 million
Market Cap	\$19.8 million (at 28 Sept 2012)
Shareholders	Becamal Pty Ltd 16.85% Ecarlate Pty Ltd 12.06% Ekco Investments Pty Ltd 5.84% AMP Life 5.53%
<b>Top 10 Shareholders 51.08%</b>	

### 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

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Fortitude Valley Queensland 4006

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### Postal address

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Fortitude Valley BC Queensland 4006

### Share registry

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

Please direct shareholding enquiries to the share registry.

### For further information contact:

**Simon Brodie**  
*Chief Financial Officer & Joint Company Secretary*

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Email: [sbrodie@galilee-energy.com.au](mailto:sbrodie@galilee-energy.com.au)

### 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")

September 2012

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 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	(1,441)	(1,441)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	196	196
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other	14	14
Final payment – sale of ERG	801	801
	(693)	(693)
<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	(5)	(5)
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)	(698)	(698)

+ See chapter 19 for defined terms.

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

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(698)	(698)
<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>	(698)	(698)
1.20 Cash at beginning of quarter/year to date	33,801	33,801
1.21 Exchange rate adjustments to item 1.20		
1.22 <b>Cash at end of quarter</b>	33,103	33,103

**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	63
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**

	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	2,650
4.2	Development	
4.3	Production	
4.4	Administration	575
<b>Total</b>		<b>3,225</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	693	88
5.2 Deposits at call	32,410	34,840
5.3 Bank overdraft	-	-
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>33,103</b>	<b>34,928</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> <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 4,000,000 1,000,000 3,000,000	Nil	<i>Exercise price</i> 80 – 87 cents 24 cents Nil <i>Vesting</i> 1/3 36.75 cps 1/3 49.00 cps 1/3 61.25 cps	<i>Expiry date</i> 3.12.12 3.12.12 <i>Expiry date</i> 1.3.13 1.3.14 1.3.15
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.1 Expired during 0 quarter				
7.1 <b>Debentures</b> 1 <i>(totals only)</i>				
7.1 <b>Unsecured notes</b> 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:

  
.....  
(joint company secretary)

Date: 31/10/12

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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