

## Board and management changes

Following the changes to the Board announced on 30 October 2013 the Board has taken the first step in implementing the strategy outlined to shareholders by Malt Energy Pty Ltd ("Malt") in its Statement to shareholders contained in the Notice of Meeting sent on 13 August 2013.

The board has made the following appointments:

Dr David King as Independent Non-executive Chairman

Mr Peter Lansom as Managing Director;

Mr Paul Bilston as Executive Director.

The company has 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.

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

## Growth opportunities

The Board is developing a strategic growth plan, as at present the company is exposed to a binary outcome dependent on the commerciality or otherwise of its Galilee Basin assets (and in particular the performance of its Glenaras pilot).

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

Since completion of the remediation program in March 2013 all five wells have performed to design and delivered stable operations with coal seam gas desorption from all wells. At end of September average total water flow rate was approximately 2,165 bbl/day (declining) and a total gas flow rate of approximately 10 mscf/day.

### *Ongoing activities*

Since completion of the remediation program, dewatering has been carefully managed to draw down the water levels according to a plan to ensure that gas desorption from the coals is optimised and confirms reservoir connectivity.

## ATP 799P (Galilee 100%)

Given the present market conditions for oil and gas exploration in the Galilee Basin and that Galilee's share price is discounted to cash backing, a review is underway to determine if the planned two well corehole program adds shareholder value in the short term.

## Corporate

### *Financials*

At the end of the Quarter the company had cash of \$27.1 million and no debt. The cash flows for the Quarter are presented in the attached Appendix 5B report.

### *Board Composition*

With the untimely passing of Steven Koroknay on 6 June 2013, the Company undertook a search for a new independent Non-executive Chairman and Andrew Young was selected and appointed on the 19 August. On the 24 September, Glenn Haworth resigned from the Board and was appointed General Manager. The board appointed Paul Jensen as an independent Non-executive Director of the Company.

At the General Meeting held on the same day four of the five resolutions were passed, the fifth having been withdrawn due to the Directors' resignation. Cam Rathie was removed as a Director and David King, Paul Bilston and Peter Lansom (New Directors) were each elected to the Board.

As reported previously to shareholders on 15 October 2013, the New Directors, filed an application in the Supreme Court for leave to bring Derivative Action against the other three Directors and Glenn Haworth.

On 30 October 2013, the company advised that Mr Young, Mr Camarri and Mr Jensen had resigned as Directors of Galilee and advised Galilee that they would not be standing for election as Directors at the forthcoming Annual General Meeting.

The company also advised that, in light of the resignations, Dr King, Mr Lansom and Mr Bilston, notified Galilee of their agreement to withdraw the application lodged in the Supreme Court of Queensland and Galilee consented to the proceedings being withdrawn.

As announced on 31 October 2013, your new Galilee board is now comprised of three Directors. David King is independent Non-executive Chairman, Peter Lansom is Managing Director and Paul Bilston is Executive Director.

A profile of each directors' background and experience is available on the Galilee website and included in the Annual Report. The board has an excellent set of complementary skills and experience.

Galilee has consented to the Proceedings being withdrawn.

### ***Proportional Takeover Notice Received from Mercantile Investment Company Limited***

On 21 October 2013, the Company received a letter of intention from Sir Ron Brierley's company Mercantile Investments Company Limited to make a proportional takeover offer for 50% of each shareholders' holding at a price of 15 cents per share. The Offer Document is yet to be received. Accordingly your Directors recommend you take no action at this stage.



## Corporate directory

### Board

**Dr David King**  
*Chairman*

**Peter Lansom**  
*Managing Director*

**Paul Bilston**  
*Executive Director*

### Senior management

**Glenn Haworth**  
*General Manager*

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

**Bill Lyne**  
*Joint Company Secretary*

### Share capital

Shares	152.1 million
Options	5 million
Market Cap	\$22.8 million (at 30 Sept 2013)
Shareholders	Malt Energy Pty Ltd 16.12% Ecarlate Pty Ltd 12.06% Ekco Investments Pty Ltd 5.84% AMP Life 5.53%
<b>Top 10 Shareholders 52.22%</b>	

### Assets

**Galilee Gas Project (ATP 529P)**, covering 3,953km<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  
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](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")

30 September 2013

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (3 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	(767)	(767)
	(889)	(889)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	161	161
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other R&D rebate	1,194 -	1,194 -
	(301)	(301)
<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)	- (1)
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)	(302)	(302)

+ 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)	(302)	(302)
<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>	(302)	(302)
1.20 Cash at beginning of quarter/year to date	27,393	27,393
1.21 Exchange rate adjustments to item 1.20		
1.22 <b>Cash at end of quarter</b>	27,091	27,091

**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	156
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**

	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	2,293
4.2	Development	
4.3	Production	
4.4	Administration	517
<b>Total</b>		<b>2,810</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	290	993
5.2	Deposits at call	26,800	26,400
5.3	Bank overdraft	-	-
5.4	Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>		<b>27,090</b>	<b>27,393</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  1,000,000 1,000,000	Nil	<i>Exercise price</i> Nil <i>Vesting</i> 49.00 cps 61.25 cps	<i>Expiry date</i>  1.3.14 1.3.15
7.8 Issued during quarter	Unquoted  1,000,000 1,000,000 1,000,000	Nil	<i>Exercise price</i> Nil <i>Vesting</i> 21.00 cps 28.00 cps 35.00 cps	<i>Expiry date</i>  1.3.15 1.3.16 1.3.17
7.9 Exercised during quarter				
7.1 Expired during quarter				
7.1 <b>Debtentures</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:  ..... Date: 31 /10/2013  
(Joint 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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