

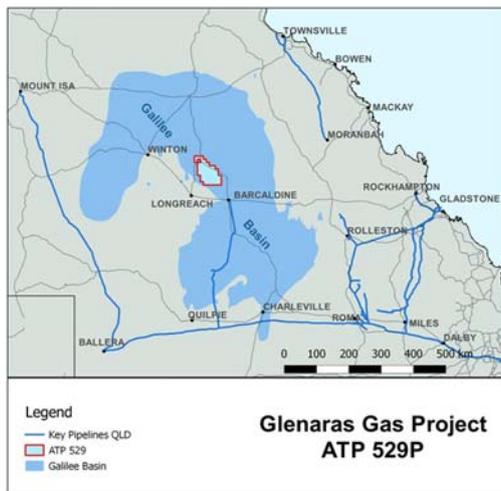
June 2016 Quarterly Report & Appendix 5B

29 July 2016



Highlights:

- ❖ Glenaras Gas Project continues to be the primary focus of the Company
- ❖ Glenaras lateral well planned for drilling in August 2016
- ❖ Commercial discussions underway with prospective domestic and export gas customers and potential infrastructure and investment partners
- ❖ Ongoing negotiation of exploration permit with Ministry of Energy in Chile



Glenaras Gas Project (ATP 529P) – GLL 100%

The Company's flagship Glenaras Gas Project lies within the highly prospective ATP529 permit, in western Queensland's Galilee Basin. The permit covers an area of approximately 4000 km² and is 100% owned and operated by Galilee Energy Limited. (Figure 1)

The project contains a significant coal seam gas Contingent Resource position in the Betts Creek coals with a 1C of 308 PJ, a 2C of 2508 PJ and a 3C of 5314 PJ, as a result of the extensive exploration activity within the permit to date.

As announced earlier this week, the Company has finalised plans to drill a lateral well through the centre of the existing Glenaras Gas Project - R1 pilot. The aim of this lateral is to improve production offtake from the coal, accelerate drawdown and the onset of gas production. Recent work in many CSG pilots has shown the benefits of such lateral wells in accelerating gas production, particularly in low permeability coals such as the R1 seam at this location. Note that the permeabilities elsewhere in the project area are generally much higher. This, combined with significant reductions in rig rates and improved steering technology, means this technology is a perfect fit to the Glenaras Gas Project.

Two existing vertical wells will be utilised for the lateral with the kick-off lateral exiting from Glenaras 5 wellbore and intersection of the horizontal well into Glenaras 3. The lateral will commence at Glenaras 5, drill past Glenaras 4 and intersect Glenaras 3. Drilling is planned to commence by mid-August 2016. Operations at the pilot are expected to continue through most of 2016.

Conversion of a significant portion of the reported Contingent Resource (currently in excess of 5,300 PJ 3C+) to Reserves will be transformational for the Company.

In parallel with field operations, the Company has commenced a number of commercial initiatives including discussions with potential gas customers, infrastructure and investment partners. These will continue to progress in the coming months.

The company is targeting gas supply into the Eastern Australian gas market which is forecast by AEMO to require new developments to meet demand from 2019. A combination of robust gas pricing and limited competing projects provide an excellent opportunity for Galilee Energy to leverage its large gas resource and supply into this attractive market

US Assets

As previously announced following the Company's strategic review conducted in December 2015, no additional exploration activities are currently being undertaken in the US. The primary focus of the Company is on delivering on the Glenaras Gas Project. There are no significant expenditure plans elsewhere within the US portfolio.

Lavaca County - Texas Gulf Coast

Galilee holds a large lease position in JV with other parties over the Lower Wilcox play in Lavaca County, Texas. While the existing JV parties plan no activity at this stage, there is farm-in interest for the acreage from third parties. The JV is currently assessing these proposals and will advise the market in due course if there is any planned activity.

Kansas Shallow Oil & Gas (farming in to earn up to 75%WI)

Galilee has a 345,000 acre Area of Mutual Interest in Meade County, Kansas. Galilee completed a 3D seismic survey over a portion of this acreage in early 2015. Since that time Galilee has refined the prospects identified by the survey and has identified a number of drillable prospects. Galilee is the Operator for the JV. There is no planned activity for this asset at this stage.

Chile

Late last year Galilee completed its evaluation and study of the Coal Seam Gas (CSG) potential in the Southern Magallanes Basin in Chile. Last year Galilee submitted a draft application to the Chilean government for an exploration permit application (CEOP) over an area of almost 6,000 sq.km. There has been no significant activity on this application during the quarter.

Financials

The cash flow for the Quarter is presented in the attached Appendix 5B report. The Company continues to maintain a very strong cash position of \$9.48 million and no debt.

The expenditure forecast for the next quarter is predominantly related to the Glenaras Gas Project, and includes expenditure for the workovers of Glenaras 3 and 5, the drilling of the lateral well and the ongoing operation of the pilot. At the report date limited expenditure is anticipated elsewhere in the portfolio.

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Listing Rule 5.42

+ The details of Contingent Resources referenced at page 1 of this Quarterly Activities report was announced to the market on 1 September 2015. In accordance with Listing Rule 5.34.3, Galilee Energy confirms that it is not aware of any new information or data that materially affects the information in the announcement to the market of the Contingent Resources 1 September 2015 and that all of the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

About Galilee

Galilee's Board and management are focused on building and expanding its asset mix to create a mid-tier exploration and production company.

- Strong Balance sheet
- Proven successful Board and Management

Directors

Chairman - David King
Managing Director – Peter Lansom
Non-executive Director – Ray Shorrocks

Shares

Shares on issue – 152,140,466
Top 20 holders – 54.5%*
Directors and Management – 7.9%

*As at 13 July 2016

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 2016

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	(1,219) (249)	(4,777) (1,279)
1.3 From Dividends received		
1.4 Interest and other items of a similar nature received	134	474
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other Contract termination	- -	
Net Operating Cash Flows	(1,334)	(5,582)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- (20)	- (115)
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 (bond refunds)	587	(847)
Net investing cash flows	567	(962)
1.13 Total operating and investing cash flows (carried forward)	(767)	(6,544)

+ 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)	(767)	(6,544)
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	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(767)	(6,544)
1.20 Cash at beginning of quarter/year to date	10,242	16,016
1.21 Exchange rate adjustments to item 1.20	3	6
1.22 Cash at end of quarter	9,478	9,478

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	66
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	2,737
4.2	Development	
4.3	Production	
4.4	Administration	326
Total		3,063

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	3,078	977
5.2 Deposits at call	6,400	9,265
5.3 Bank overdraft	-	-
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	9,478	10,242

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	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>			<i>Exercise price</i>	<i>Expiry date</i>
Performance Rights (vesting date & conditions)	Unquoted 600,000 600,000	Nil	Nil	Vesting Date 1.12.16 1.12.17
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	Nil	Nil Nil	Nil Nil	
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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 :29/07/16
(Company secretary)

Print name: Stephen Rodgers

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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