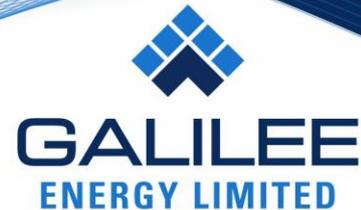


Glenaras Gas Project - Activity Update

ASX/MEDIA ANNOUNCEMENT

15 March 2018



- ❖ Rig mobilising to site and drilling to commence shortly on the Glenaras multi-lateral pilot program
- ❖ Jemena progressing pre-FEED, landowner consultations, licensing and approvals
- ❖ East coast domestic gas shortage continuing to grow, LNG netback pricing driving domestic market pricing

Drilling Update

Galilee Energy Limited (ASX:GLL) ("Galilee") is pleased to announce that the Easternwell Rig 101 has commenced final mobilisation from Longreach to the well lease location in ATP2019. There has been a minor delay to our schedule due to the heavy rainfall in the area over the last few weeks. The rig up and testing of all equipment will proceed later this week and the rig is scheduled to commence drilling on or around March 26th.

This milestone marks the beginning of the Glenaras Gas Project – multi-lateral pilot program. Galilee will drill three lateral wells and conduct a production testing pilot with the potential to ultimately convert a large portion of the 5,314 PJ of 3C Resources to Reserves and deliver up to 73 PJ per annum into the under supplied east coast gas market.

The first phase of drilling will include a vertical pilot hole to test the various seams and identify the optimal coal target for the lateral wells. This test hole will then be plugged back and three separate lateral wells will be drilled into the target coal (Figure 1).

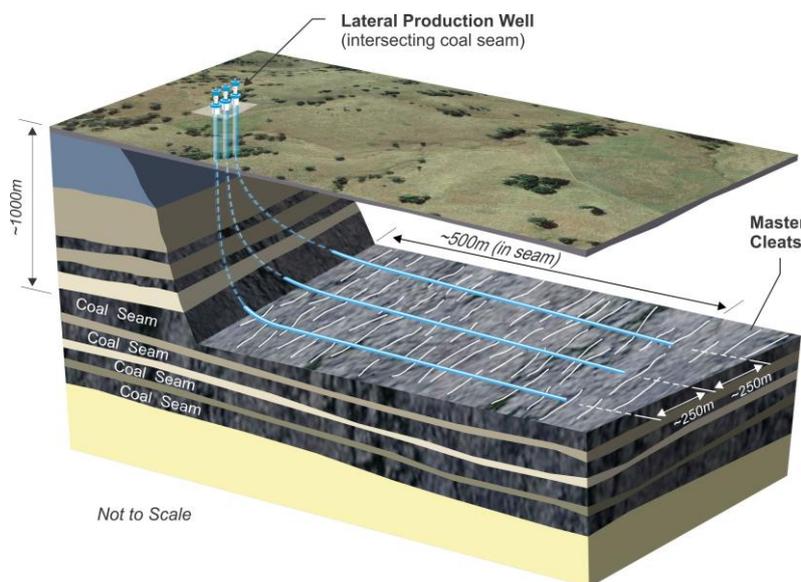


Figure 1 – Multi-lateral pilot design

All wells will be drilled off a single pad to reduce construction costs, minimise ground disturbance for landowners and minimise potential disruption on rig moves from rain events. The duration of the drilling programme is expected to be approximately six weeks. The wells will then be completed with electrical submersible pumps (ESPs) using a separate workover rig, with surface facilities installed thereafter. Production start-up is targeted to commence in early June depending on weather.

This multi-lateral pilot design has been successfully applied by the team at Galilee, having been utilised in the Gunnedah Basin in similar coal seam environments. All geo-directional steering technology has been successfully tested in the recent Glenaras 5 lateral well.

The objective of the three well, multi-lateral pilot is for the outer lateral wells to shield water production from the central lateral well to assist in maximising coal drawdown and achieving gas flow. The pilot will be on production for an extended period in order to de-water and lower the pressure in the coal in order to achieve gas flow. This process is likely to take 4-6 months.

Jemena Update

Galilee and Jemena signed a MoU in late 2017 in regard to the construction of a large diameter pipeline to deliver transformational volumes in the order of 200 TJ/day from the Glenaras Gas Project to the east coast market from 2022.

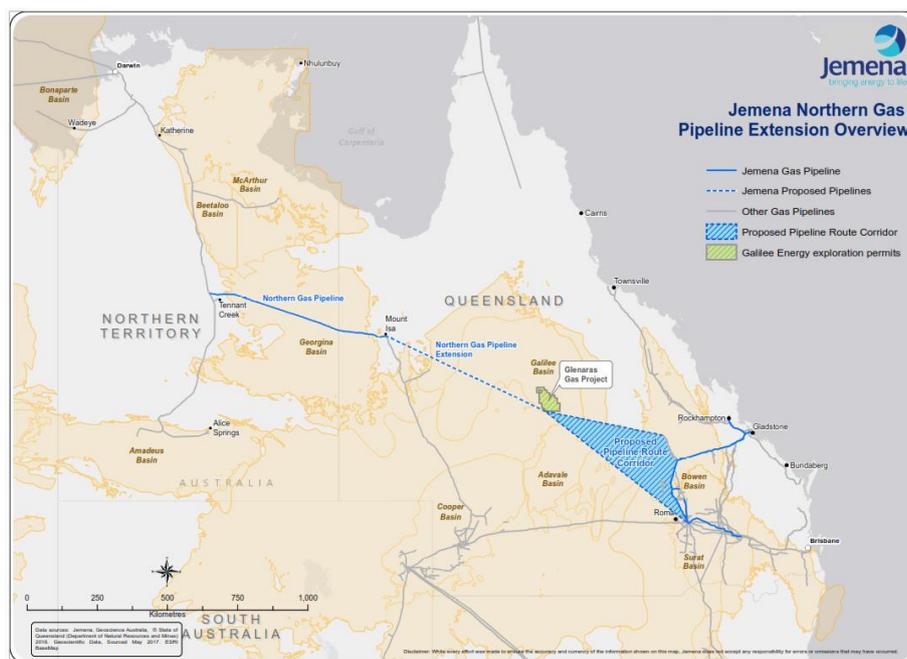


Figure 2 - Galilee Basin pipeline development corridor

Jemena has commenced pre-FEED planning and is in the process of preparing applications for a pipeline license and environmental approvals. Over the next six weeks, Jemena plan to commence field surveys, conduct fly-overs of preferred pipeline routes and initiate consultations with landowners. See the Galilee Basin pipeline corridor above in Figure 2.

Jemena is developing plans based on two pipeline size options, the first being a pipeline sized to transport gas from the Galilee basin only (200-300TJ/d of firm transportation capacity) with the second being a pipeline sized to transport gas from the Galilee Basin and Northern Territory reserves (up to 700TJ/d of firm transportation capacity).

East coast gas market update

The ongoing supply demand imbalance in Eastern Australia has been further exacerbated by the recent write downs in Queensland coal seam gas reserves. The long-term supply outlook for the east coast gas market continue to remain uncertain, with a significant gas shortage increasing further even in the event of proposed LNG import terminals proceeding.

It is highly unlikely that supply will meet total demand on the east coast, with resultant import parity pricing for both domestic and export gas sales. Prices have increased over the last 10 years from \$3/GJ to current levels of \$8 to \$11/GJ, with new onshore gas volumes currently only possible from Queensland and South Australia due to moratoria and regulatory restrictions currently still in place in Northern Territory, Victoria and New South Wales.

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About Galilee

Galilee Energy is focused on creating a mid-tier exploration and production company building on its core strengths in coal seam gas appraisal and development. Its primary area of focus is Queensland where it is appraising the Galilee Basin whilst looking to add further acreage to its portfolio.

Directors

Chairman - David King

Managing Director – Peter Lansom

Non-executive Director – Ray Shorrocks

Shares

Shares on issue – 189,707,690

Top 20 holders – 44.2% *

Directors and Management – 7.6%

***As at 1 March 2018**