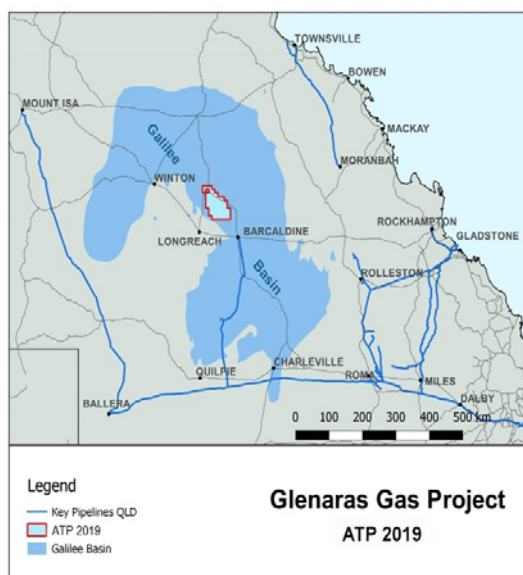


27 April 2018



Highlights:

- ❖ The Company has a strong balance sheet with a 31 March cash position of \$10.2 million.
- ❖ Glenaras Gas Project progressing well with no material change to timing or commercial objectives:
 - R3 coal seam selected as the primary target,
 - Glenaras 10L successfully drilled with 520 metres of net coal intersected in the R3,
 - Currently drilling ahead through the R3 on Glenaras 12L,
 - Production start-up targeted for mid June.
- ❖ The Company continues to pursue other complementary gas opportunities in Eastern Australia and continues discussions with potential investment partners in relation to the Glenaras Gas Project.



Glenaras Gas Project (ATP 2019) – GLL 100%

The Company's flagship Glenaras Gas Project ("Project") is strategically located in western Queensland's Galilee Basin. The Permit covers an area of approximately 4000 km² and is 100% owned and operated by The Company (Figure 1).

The Project has one of the largest remaining uncontracted gas resources on the east coast of Australia with an independently derived and certified Contingent Resource⁺ within the Betts Creek coals with a 1C of 308 PJ, a 2C of 2,508 PJ and a 3C of 5,314 PJ. The Company's primary focus is on converting these Contingent Resources to Reserves.

Multi-Lateral Pilot

Easternwell Rig 101 commenced drilling operations with the Glenaras 10 well on 23 March. The lateral section of Glenaras 10L, the central well in the pilot, was successfully drilled as planned with approximately 520m of net coal intersected in the well through the R3 coal seam primary target.

During drilling operations of the R3 lateral section of the Glenaras 11L shield well, the rig encountered drilling problems due to localised stability of the coal approximately 60m into the coal section outside casing. Operations were briefly continued to attempt to free the drill string but it was determined that the most efficient solution, given all three wells in the program are being drilled off a single pad, was to back off the bottom hole assembly immediately to retrieve the drill string and mobilise across and drill the Glenaras 12L shield well prior to determining the optimal forward path on Glenaras 11L.

Easternwell Rig 101 has spudded Glenaras 12L and, at the time of this report, is directionally drilling towards production casing point in the R3 coal seam. This well will provide an additional shield well for the central Glenaras 10L well.

The Glenaras Gas Project – multi-lateral pilot programme involves the drilling of three lateral wells and conducting a production testing pilot with the objective to ultimately convert a large portion of the already certified 5,314 PJ of 3C Resources to Reserves and potentially deliver up to 73 PJ per annum into the under supplied east coast gas market.

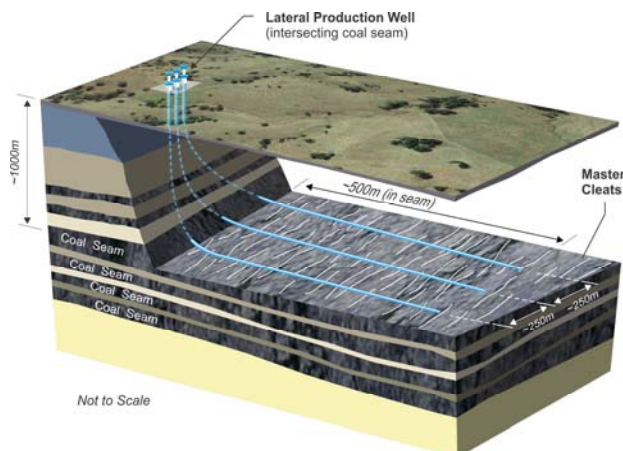


Figure 2 – Multi-lateral pilot design

All wells are being drilled off a single pad to reduce construction costs, minimise ground disturbance for landowners and minimise potential disruption from rain events on rig moves. The wells will then be completed with horizontal electrical submersible pumps (ESPs) using a separate workover rig, with surface facilities installed thereafter. Production start-up is targeted to commence in mid June.

The design 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 to de-water and lower the pressure in the surrounding coal to achieve gas flow. This process is likely to take 4-6 months.



Figure 3 – Rig on Glenaras 10 location

Commercial

In parallel with field operations, the Company is well underway with a number of commercial initiatives including discussions with potential gas customers. These discussions will continue as we progress the project and the wells are put on production for dewatering.

The ongoing gas supply shortfall 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 remains uncertain. Even in a scenario whereby the proposed LNG import terminals proceed, the significant, current gas shortage is expected to increase further. It is highly unlikely that existing 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 the production of new onshore gas volumes challenged by regulatory restrictions currently still in place in Victoria and New South Wales. The structurally short, east coast gas market presents an enormous opportunity for the Company's gas assets. With very few other projects in the appraisal or development stage currently capable of meeting this shortfall, Galilee Energy is well placed to capitalise on this large potential given the size of our Resource.

New Opportunities

In addition to the Glenaras Gas Project, management has been assessing several new gas opportunities within Eastern Australia that would be complementary to the Glenaras Gas Project.

USA Assets

There are no significant expenditure plans within the USA portfolio.

Chile

The Company is progressing with the next phase of the exploration contract application (CEOP) over an area of almost 6,000 sq.km in the Southern Magallanes Basin by incorporating Chilean Government feedback on environmental and stakeholder aspects. This review is being undertaken using local Chilean consultants with significant expertise in mining concession applications and is expected to be completed in the next quarter. This exciting opportunity will continue to be nurtured at minimal cost in order to maintain momentum on this highly prospective acreage in the wealthiest country in South America, with clear channels to market and where they are currently importing gas.

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 \$10.2 million and no debt. The expenditure forecast for the next quarter is predominantly related to the Glenaras Gas Project. At the report date, limited expenditure is anticipated elsewhere in the portfolio.

Peter Lansom
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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 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 - Ray Shorrocks
Managing Director – Peter Lansom
Non-executive Director – Dr David King
Non-executive Director – Stephen Kelemen

Shares

Shares on issue – 189,707,690
Top 20 holders – 45.5% *
Directors and Management – 7.6%
***As at 6 April 2018**

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

GALILEE ENERGY LIMITED

ABN

11 064 957 419

Quarter ended ("current quarter")

March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,120)	(1,624)
(b) development	-	-
(c) production	-	-
(d) staff costs	(124)	(350)
(e) administration and corporate costs (includes business development of \$204k)	(207)	(850)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	90	145
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	1,572	1,572
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	211	(1,107)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9months) \$A'000
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (restricted cash term deposits)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	5635
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(89)	(501)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (movement in bonds)	-	130
3.10 Net cash from / (used in) financing activities	(89)	5264

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	10,121	6,087
4.2 Net cash from / (used in) operating activities (item 1.9 above)	211	(1,107)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(89)	5264
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	Cash and cash equivalents at end of period	10,243	10,243

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,843	1,066
5.2	Call deposits	6,400	4,700
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,243	10,121

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

130

-

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

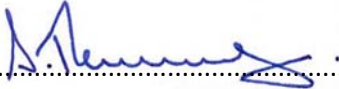
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	5,758
9.2 Development	-
9.3 Production	-
9.4 Staff costs	200
9.5 Administration and corporate costs	448
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	6,406

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

27/04/2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.