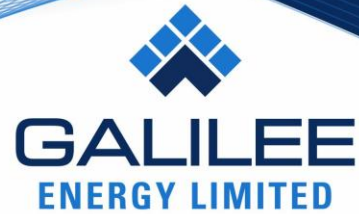


# June 2018 Quarterly Report & Appendix 5B

ASX/MEDIA ANNOUNCEMENT

ASX:GLL

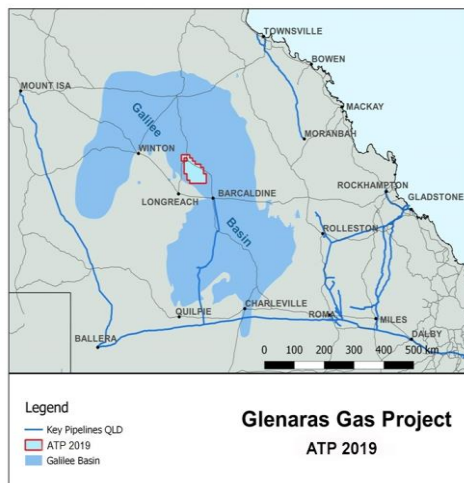
31 July 2018



## Highlights

- ❖ Multi-lateral drilling campaign successfully completed with the drilling of Glenaras 10L, 11L and 12L, installation of downhole electric submersible pumps (ESP's) in Glenaras 10L and 12L, in addition to completion and commissioning of all surface facilities and lease flowlines.
- ❖ Glenaras 10L and 12L continue to perform strongly, with excellent water rates in excess of 3,100 BWP (barrels of water per day) in aggregate from both wells, with the current fluid level at approximately 575m from surface.
- ❖ Direct communication has been identified between Glenaras 10L and Glenaras 12L.
- ❖ Pressure drawdown continuing in the Glenaras 11L monitoring well.
- ❖ Production will continue to be ramped up over the coming weeks to achieve full reservoir drawdown.
- ❖ Significant progress made by Jemena on stakeholder engagements, government approvals and aerial surveys for the proposed Galilee Gas Pipeline.
- ❖ Galilee Energy Limited ("**Galilee Energy**" or "**the Company**") has a strong balance sheet with a 30 June cash position of \$4.9 million. On 10 July 2018, the Company successfully completed a targeted, private Placement of \$5.66 million to Institutional and Sophisticated Investors.

## 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 km<sup>2</sup> 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<sup>+</sup> 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.

Figure 1 – Glenaras Gas Project

**Multi-Lateral Pilot**

During the quarter, the drilling of the three lateral wells was completed, followed by the installation of downhole ESPs in Glenaras 10L and 12L as well as the necessary surface facilities and lease flowlines. Production testing of Glenaras 10L and 12L has commenced whilst Glenaras 11L is being used as a pressure observation well. In aggregate, Glenaras 10L and 12L are producing from ~1000m of net coal intersected through the horizontal section in the R3 coal seam primary target. The Company is pleased to announce that the Glenaras multi-lateral pilot is continuing to perform strongly and demonstrating excellent water rates, with the aggregate water rate from the two producing wells in excess of 3100 BWPD and the current fluid level at approximately 575m from surface. In addition, there is evidence of direct communication between each of the lateral wells which is enhancing pressure drawdown in the pilot area.

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.

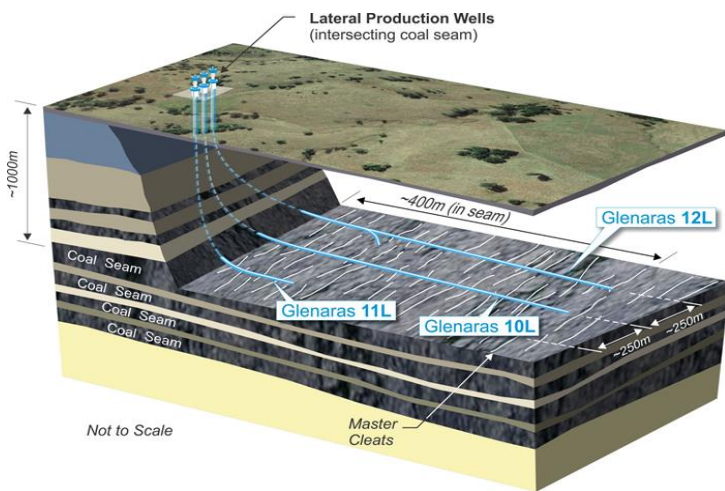


Figure 2 – Glenaras multi-lateral pilot



Figure 3 – Glenaras 10L wellsite

## Targeted, Private Placement of \$5.66 million

On 10 July 2018, the Company successfully completed a targeted, private placement to institutional and sophisticated investors raising approximately \$5.66 million before costs (“**Placement**”).

The Company has issued 14,155,000 Placement shares with a number of sophisticated investors at an issue price of \$0.40 per share. In addition, participants in the Placement have received one (1) unlisted option for each share allotted to them (1:1 basis), exercisable at \$0.50 a share, and expiring 31 December 2019.

The Placement was conducted at an issue price of \$0.40 a share, representing a 9% premium to the 15-day volume weighted average price (“VWAP”) of \$0.367.

The net proceeds of the funds raised from the Placement will be used to assist in progressing the Glenaras Gas Project and to meet all other general working capital expenses.

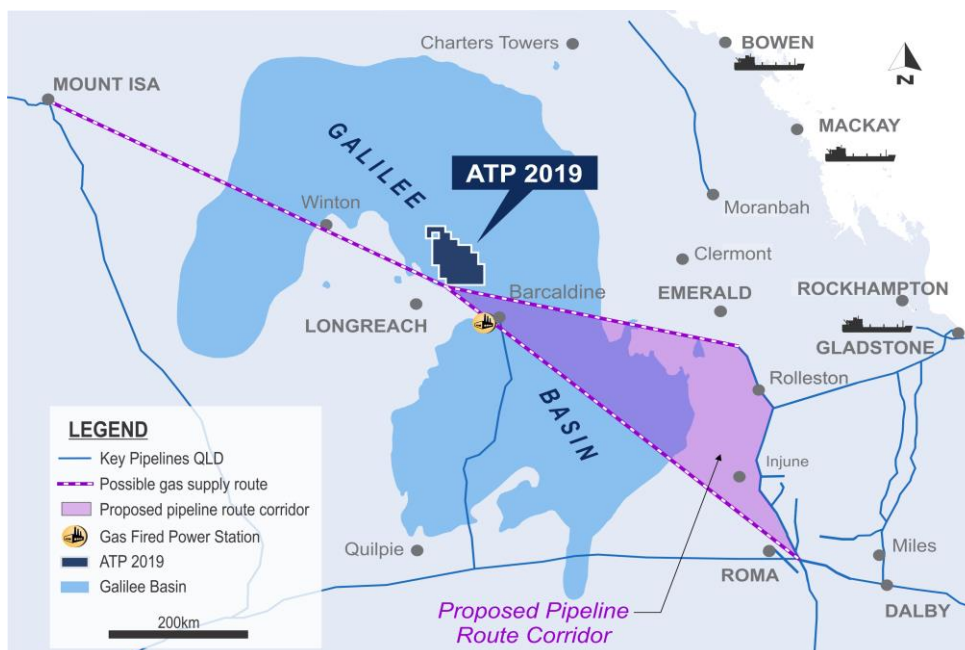
## Jemena MoU

Substantial progress has been made by Jemena on its pre-FEED planning for the Galilee Gas Pipeline, including approval received in July from the Queensland government for a Petroleum Survey Licence to allow for on-the-ground surveying of the pipeline investigation corridor from the Glenaras Gas Project to a tie-in to the Queensland gas transmission network north of Wallumbilla.

Jemena has received a Standard Condition Environmental Authority (EA1302) for the Galilee Gas Pipeline and undertaken aerial surveys of the proposed pipeline investigation corridors as part of their application for the Petroleum Survey License.

Jemena has undertaken key stakeholder engagements on the proposed pipeline with local landholders, local government area mayors and councils, state government departments and key industry bodies and groups.

Ecology surveys are planned for October.





## **Commercial**

In parallel with field operations, the Company is well underway with a number of commercial initiatives including discussions with potential gas customers.

The long-term supply outlook for the east coast gas market remains uncertain. 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 with the tightening Asian LNG markets resulting in upwards price pressure.

Prices have increased over the last 10 years from \$3/GJ to current levels of \$8/GJ 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.

## **Chile**

The Company has progressed 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. The review, which was conducted by local Chilean consultants to revise the area of the application for environmental and stakeholder considerations, is now complete and the Company is currently preparing schedules for all necessary approvals to support its application. 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.

## **USA Assets**

There are no significant expenditure plans within the USA portfolio.

## **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 \$4.9 million, further supplemented by the Placement proceeds of \$5.66 million in early July. The Company has no debt. The expenditure forecast for the next quarter is predominantly related to ongoing operations at the Glenaras Gas Project. At the report date, limited expenditure is anticipated elsewhere in the portfolio.

**For further information contact:**

Peter Lansom  
Managing Director  
Galilee Energy Limited  
+61 (0) 7 3177 9970  
[plansom@galilee-energy.com.au](mailto:plansom@galilee-energy.com.au)  
ACN:064 957 419

**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 on issue – 203,862,690**

**Top 20 holders – 48.9%\***

**Directors and Management – 7.2%**

**\*As at 20 July 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")**

June 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(5,053)	(6,677)
(b) development	-	-
(c) production	-	-
(d) staff costs	(122)	(472)
(e) administration and corporate costs (includes business development of \$267k)	(191)	(1,047)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	39	184
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	1,578
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,327)</b>	<b>(6,434)</b>

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

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12months) \$A'000</b>
(c) investments	-	-
(d) other non-current assets	-	-
<b>2.2 Proceeds from the disposal of:</b>		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (restricted cash term deposits)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	-	-

<b>3. Cash flows from financing activities</b>		
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	-	(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
<b>3.10 Net cash from / (used in) financing activities</b>	-	<b>5,264</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	10,243	6,087
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(5,327)	(6,434)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12months) \$A'000</b>
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)	-	5264
4.5	Effect of movement in exchange rates on cash held	1	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,917</b>	<b>4,917</b>

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

**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

<b>Current quarter \$A'000</b>
138
-

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<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	2,210
9.2 Development	-
9.3 Production	-
9.4 Staff costs	200
9.5 Administration and corporate costs	374
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>2,784</b>

## 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)

31/07/2018

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.