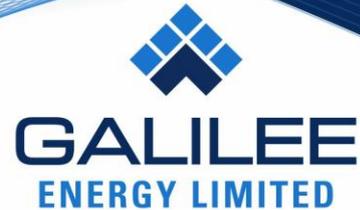


September 2018 Quarterly Report & Appendix 5B

ASX/MEDIA ANNOUNCEMENT

ASX:GLL

31 October 2018



Highlights

- ❖ Higher capacity pump successfully installed and commissioned at Glenaras 12L.
- ❖ Glenaras 10L and 12L back on continuous production with gas flow back to previously reported level of 15-20 Mscfd from both wells and steadily increasing.
- ❖ Excellent water rates of approximately 3,800 BWP (barrels of water per day) in aggregate from both wells. Water rates continuing to level off as gas production increases, with both wells now flowing back through the separator.
- ❖ Pump pulled from hole in excellent condition with no significant wearing, scaling or coal fines/solids evident.
- ❖ Direct communication between Glenaras 10L and Glenaras 12L and 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 September cash position of \$7.5 million.

Glenaras Gas Project (ATP 2019) – GLL 100%

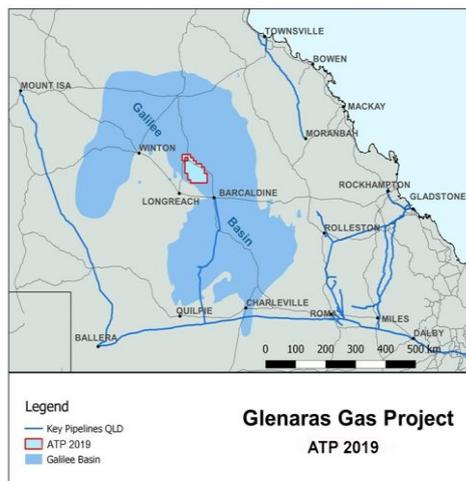


Figure 1 – Glenaras Gas Project

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.

Glenaras Multi-Lateral Pilot

Following the drilling of the three lateral wells and installation of downhole ESPs and all surface facilities, production testing of Glenaras 10L and 12L continued throughout the quarter whilst Glenaras 11L has been 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 metered gas rates, measured via orifice plate meters at each well separator, are currently around 15-20 Mscfd in aggregate with gas rates continuing to increase as fluid levels in the wells are reduced further and more coal area is drawn down below the critical desorption pressure. Water continues to be produced at excellent rates of approximately 3,800 BWPD.

This follows an upgrade of the facilities, which were originally designed for 2,000 BWPD per well, but have now been upgraded with a higher capacity pump, transformer and VSD on Glenaras 12L, enabling around 3,000 BWPD capacity.

“This has been a tremendous effort to bring both wells back on to continuous production at similar rates to those previously reported and for the fluid levels to be drawn as quickly as they have been, given the workover we have just completed.” Managing Director Peter Lansom stated.

In addition, there is continued 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.

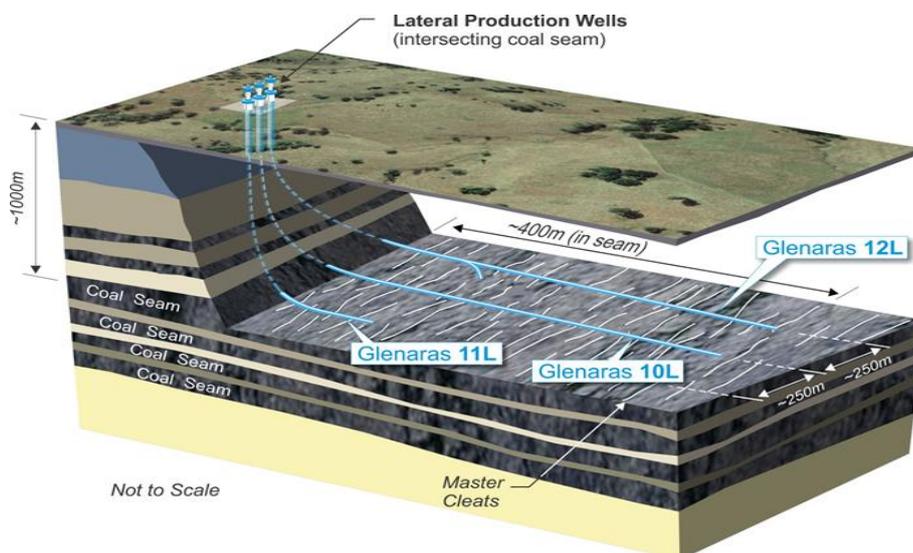


Figure 2 – Glenaras multi-lateral pilot



Figure 3 – Glenaras 11L well

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.

The ecological surveys and constructability surveys which are important elements of the Environmental Impact Statement have also commenced.

Commercial



Figure 4 – Channel to market

The east coast gas thematic continues to be a powerful one for the Company. The long-term supply outlook for the east coast gas market remains uncertain. Even in a scenario where one or more of the proposed LNG import terminals in New South Wales, Victoria or South Australia proceed, the current gas supply balance is under extreme pressure. Over the mid to long term, it is highly unlikely that existing gas supply will meet total gas 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 as low as \$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, the Company is well placed to capitalise on this large potential given the size of our Resource.

With coal seam gas (“CSG”) production in Queensland quadrupling over the past few years in response to LNG exports, this is a clear demonstration of the world class quality of Australian CSG and underpins the Company’s focus on CSG.

Chile

The Company continues to progress the next phase of the exploration contract application (CEOP) over an area of almost 6,000 sq.km in the Southern Magallanes Basin. This exciting opportunity continues to be nurtured at minimal cost but at the same time ensuring we maintain momentum on what is highly prospective acreage in the wealthiest country in South America where there are clear channels to market and gas is currently being imported.

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 \$7.5 million with no debt. The expenditure forecast for the next quarter is predominantly related to ongoing operations at the Glenaras Gas Project with minimal expenditure anticipated elsewhere in the portfolio.

For further information contact:

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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 – Ray Shorrocks

Managing Director – Peter Lansom

Non-executive Director – Dr David King

Non-executive Director – Stephen Kelemen

Shares on issue – 204,012,690

Top 20 holders – 51.3%*

Directors and Management – 4.3%

***As at 24 September 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")

September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(2,650)	(2,650)
(b) development	-	-
(c) production	-	-
(d) staff costs	(234)	(234)
(e) administration and corporate costs	(196)	(196)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,058)	(3,058)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(37)	(37)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
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	(37)	(37)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,700	5,700
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	(18)	(18)
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)	-	-
3.10	Net cash from / (used in) financing activities	5,682	5,682
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,917	4,917
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,058)	(3,058)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(37)	(37)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,682	5,682
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,504	7,504

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	7,504	7,504
5.2	Call deposits	-	-
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)	7,504	7,504

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
243
-

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	1,313
9.2 Development	-
9.3 Production	-
9.4 Staff costs	227
9.5 Administration and corporate costs	399
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,939

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)

31/10/2018

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.