

December 2018 Quarterly Report & Appendix 5B

31 January 2019

Highlights

- ❖ Glenaras pilot wells continue to perform strongly, demonstrating consistent drainage within a high quality, bounded coal seam with no evidence of material contribution from adjacent sandstones.
- ❖ Well productivity sustained at excellent rates confirming drainage of a larger area than originally anticipated. As such, additional wells are likely to be required to accelerate the dewatering process.
- ❖ Letter of Intent signed with Easternwell Group to secure a drilling rig. Currently finalising a drilling programme to accelerate the dewatering and lower the pressure in the surrounding coal.
- ❖ Successfully raised \$13 million via placement to new Cornerstone Investor and Institutional and Sophisticated Investors.
- ❖ Continued progress made by Jemena on stakeholder engagements, government approvals and aerial surveys for the proposed Galilee Gas Pipeline.
- ❖ Strong balance sheet with a 31 December cash position of \$18.4 million with no debt.

Glenaras Gas Project (ATP 2019) – GLL 100%

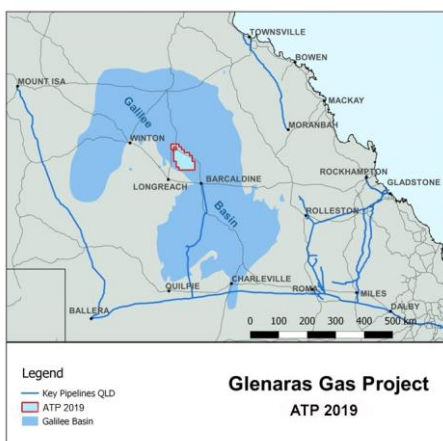


Figure 1 – Glenaras Gas Project

Galilee Energy Limited (ASX:GLL) (“Galilee”) owns the Glenaras Gas Project (“Project”) which is strategically located in Queensland’s Galilee Basin. The Permit covers an area of approximately 4000 km² and is 100% owned and operated by Galilee (Figure 1).

The Project has one of the largest contingent gas Resources with the potential to supply the eastern Australian market which AEMO forecasts will need supply from contingent Resources from the early 2020’s. 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

The Glenaras pilot wells continue to perform strongly, consistent with draining within a high quality, bounded coal seam with no evidence of material contribution from adjacent sandstones. Metered gas rates, measured via orifice plate meters at each well separator, have remained relatively stable at previously reported rates whilst water continues to be produced at excellent rates of approximately 3,000 BWPD (barrels of water per day) in aggregate and still declining gradually.

Evidence of pressure communication between each of the lateral wells suggests the pilot is accessing a significant drainage area which augurs well for economic gas recovery once the coal seam depressurises below the critical desorption pressure.

Analysis from the extended pilot testing indicates that additional wells are likely to be required to properly draw down the pressure in the coal over a larger area in order to achieve the required commercial gas rates. A drilling programme to achieve these objectives, which is targeted to commence in the 2nd quarter, is currently being finalised and will be communicated to the market within the next few weeks. This programme will be comfortably managed within the existing financial capacity of the Company.

A successful pilot achieving commercial gas rates has the potential to book 500 PJ+ of Proved and Probable Reserves. 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.

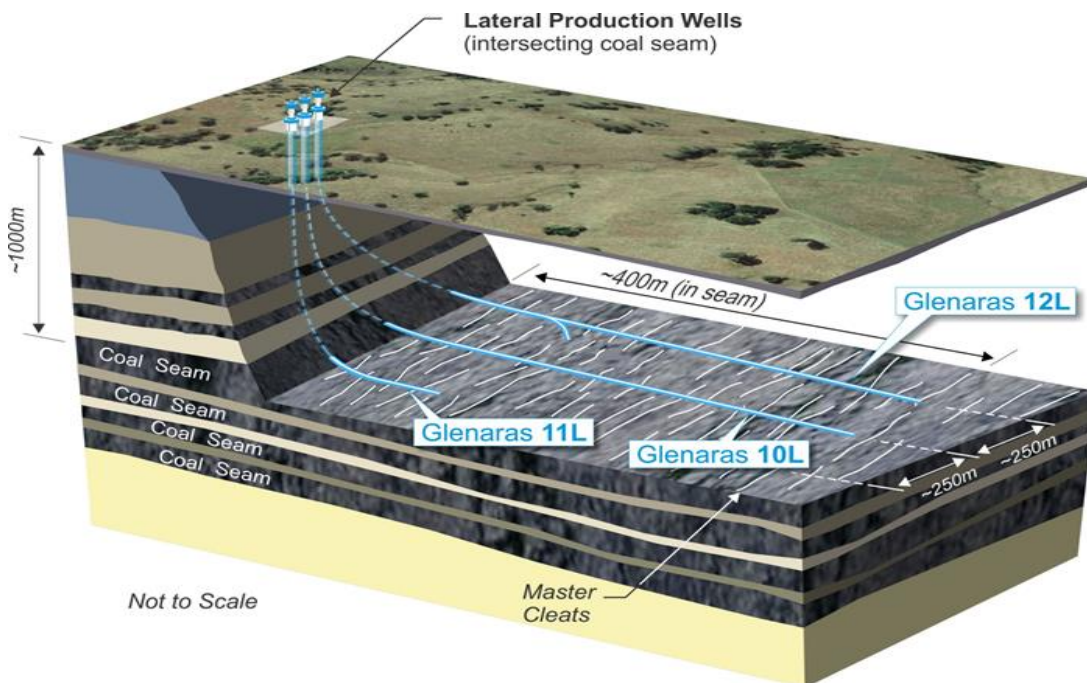


Figure 2 – Glenaras multi-lateral pilot

Letter of Intent

Galilee signed a Letter of Intent with Easternwell Group in December 2018 to secure a drilling rig to commence drilling in the second quarter of 2019.

Galilee is currently finalising a drilling programme, the details of which are targeted to be released within the next 1 to 2 weeks, with the objective to accelerate the de-watering and lower the pressure in the surrounding coal within the pilot area.

Financing

Galilee successfully completed a targeted private placement to sophisticated and institutional investors raising approximately \$13 million before costs (“**Placement**”). The Placement was conducted at a 5% premium to the 10-day VWAP welcoming a new cornerstone investor onto the Galilee register as well as demonstrating continued support from existing investors.

Corporate

Mr Jamie Doyle was appointed General Manager Exploration for Galilee in October 2018. Mr Doyle is a geologist with over 25 years’ experience in the oil and gas industry, exploring, developing and producing conventional and unconventional resources. He has held senior roles at Origin Energy, Shell International (Petroleum Development Oman), the Queensland Government and Oil Company of Australia.

Mr. Milton Cooper was appointed Chief Financial Officer for Galilee Energy, succeeding Mr. Don Langdon who has served as the Company’s CFO for the past 4 years on a part-time basis. Mr. Cooper is a Certified Practising Accountant and an experienced oil and gas executive with more than 25 years’ experience domestically and internationally with Santos, Hess Corporation, Burlington Resources and Premier Oil across a variety of financial, commercial and management roles.

Jemena

Substantial progress has been made by Jemena on its planning for the Galilee Gas Pipeline, including approval received in July from the Queensland government for a Petroleum Survey Licence and Standard Condition Environmental Authority (EA1302) 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 completed 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.

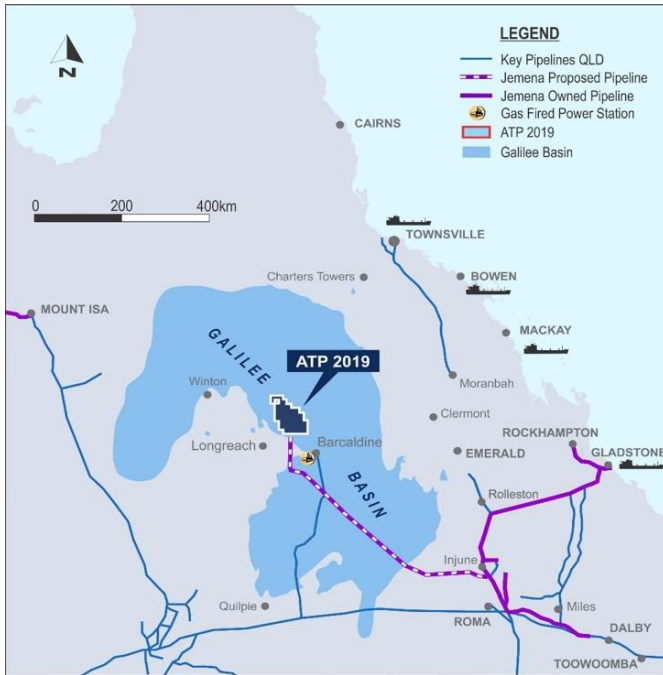


Figure 3 – Channel to market

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 \$18.4 million with no debt. The expenditure forecast for the next quarter is predominantly related to ongoing operations at the Glenaras Gas Project as well as associated long lead items with respect to the forthcoming drilling campaign.

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 – 225,679,361

Top 20 holders – 54.5%*

Directors and Management – 4.1%

***As at 4 January 2019**