

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Galilee Energy Limited

ABN 11 064 957 419
and controlled entities

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Directors' report

In accordance with a resolution of the Board, the directors present their report on the consolidated entity ("Galilee" or "Company") consisting of Galilee Energy Limited and the entities it controlled at the end of or during the half-year ended 31 December 2020.

Directors

The directors of Galilee in office during the half-year and up to the date of this report were:

Ray Shorrocks - Appointed 02/12/2013, Non-executive Chairman since 31/03/2018

Dr David King - Appointed 24/09/2013, Non-executive Director since 24/09/2013

Peter Lansom - Appointed 24/09/2013, Managing Director since 31/10/2013

Stephen Kelemen - Appointed 31/03/2018, Non-executive Director since 31/03/2018

Gordon Grieve - Appointed 06/09/2019, Non-executive Director since 06/09/2019

Greg Columbus - Appointed 17/09/2020, Non-executive Director since 17/09/2020

Principal activities

Galilee Energy is a Brisbane based energy company with a high quality portfolio of assets focussed onshore Australia.

The principal activity of the consolidated entity is oil and gas exploration and production. The foundation asset of the Company is the Glenaras Gas Project located in the Galilee Basin near Longreach in Queensland.

Results from operations

The loss before income tax for the half-year ended 31 December 2020 was \$11.5 million (31 December 2019: \$5.8 million). The loss for the half-year primarily reflects the expenditure on exploration and evaluation of \$11.6 million, which was comprised of the Glenaras vertical drilling programme, Glenaras water management projects and the Glenaras pilot operating activities, in addition to staff costs and overheads. The sum of \$3.8 million was received during the half-year period relating to an R&D tax offset claim, this has been classified as other income.

Review of operations

Glenaras Gas Project (ATP2019)

The Company's flagship Glenaras Gas Project lies within the highly prospective ATP 2019 permit in Queensland's Galilee Basin. The permit covers an area of approximately 3,200 km² and is 100% owned and operated by Galilee Energy (Figure 1).

The project contains a significant coal seam gas Contingent Resource position in the Betts Creek and Aramac coals with a 1C of 308 PJ, a 2C of 2,508 PJ and a 3C of 5,314 PJ, as a result of the extensive historical exploration activity within the permit.

Significant activity was undertaken on the ATP 2019 permit during the half year. Following on from the results of the Glenaras 17A observation well and the Schlumberger reservoir simulation study, an additional five new vertical wells were drilled safely, on time and within budget. The objective of these additional wells was to enhance the reservoir pressure drawdown to accelerate the onset of gas production. At the time of writing, all eleven wells (Figure 2) at the pilot are now on continuous production. The pilot will be on production for an extended period to de-water and lower the pressure in the surrounding coal with the aim of achieving a commercial gas flow.

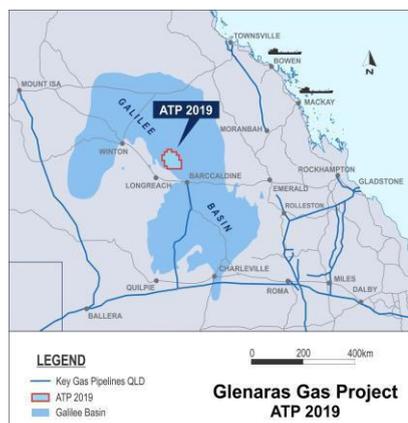


Figure 1.

Significant progress has been made with the Glenaras irrigation trial, with the centre pivot irrigation system (Figures 3, 4) now fully operational and utilizing produced water, with no treatment required due to the high quality of the water.

Site construction of the 2 ML/d reverse osmosis water treatment plant is complete and commissioning of the plant has commenced. This treated water will be available for utilisation in the managed aquifer recharge project which was recently approved by Queensland Department of Environment and Science.

Galilee has further secured the entirety of the company's extensive Contingent Resource in ATP 2019 with the concurrent award of two new Potential Commercial Areas (PCAs). PCAs 314 and 315 have been awarded for 15 years and 10 years respectively. The award of these two PCAs is a key step towards commercialisation of the Glenaras Gas Project as it is a clear acknowledgement by the Queensland Government of the considerable certified Contingent Resource and provides Galilee the required time to mature the Resources to Reserves and produce gas to market.

Directors' Report (continued)

Review of operations (continued)

Springsure (ATP2050)

Over 696km of 2D seismic data has been reprocessed in and around ATP 2050 and integrated with an additional 900km of 2D data to produce contemporary time and depth maps of the key Permian geological horizons in the permit. Exploration focus is being placed on the multiple conventional gas prospects and leads that have been identified through the reprocessing and remapping. The improved visualisation of the subsurface structure and stratigraphy has confirmed several potential gas-bearing structures which are highly prospective and analogous to the adjacent Northern Denison gas fields of Springton-Arcturus, Yandina and Turkey Creek.

Kumbarilla (ATP2043)

QGC and Galilee have now jointly executed the data swap agreement for exchange of the data acquired in the Kumbarilla drilling campaign for the pilot production data in the adjacent PL 1009 held by QGC.

Despite the considerable disruption on global markets due to the uncertainty surrounding the COVID-19 pandemic, the Galilee board and management teams have successfully worked through the volatility and uncertainty and positioned Galilee to deliver on its growth plans and have maintained a strong financial position. The Company pro-actively adapted its operating procedures both in head office and field operations in accordance with the Federal and State requirements associated with the COVID-19 pandemic. The safety of our staff and all contractors is paramount and with the revised operating procedures there has been no disruption to the drilling programmes or field operations.

Galilee's diversified gas acreage in Queensland provides opportunities to meet the forecast supply-demand gap that exists on the east coast of Australia from around 2022 due to the continuing uncertainty regarding indigenous gas supply. The infrastructure partnership Galilee has with Jemena underpins our Glenaras Gas Project development plans. Galilee has a deep commitment to working with community stakeholders in the areas within which we operate. Galilee operates on the basis of mutual respect and co-existence with all of its stakeholders as the key pillar of its community relations with government, landowners and the broader community.

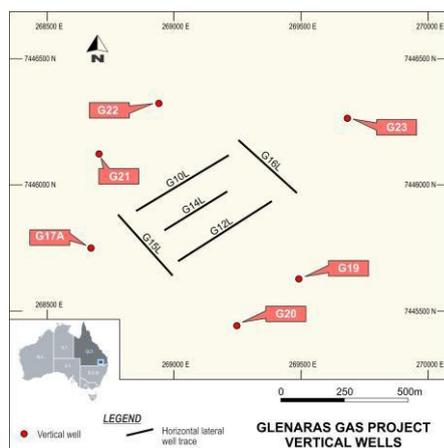


Figure 2.



Figure 3.



Figure 4.

Directors' Report (continued)

Matters subsequent to the end of half-year.

Pursuant to the Galilee Energy Employee Share Option Plan, which was approved at the Annual General Meeting held on 24th November 2020, the Company has issued an invitation to staff to apply for 2,500,000 options, exercisable at \$1.50 with an expiry date of 1st December 2023.

Due to personal reasons, Gerard Ryan (COO) has given notice of his resignation. It is expected that he will depart towards the end of March. The Company has successfully secured experienced, high calibre industry experts to cover this role with a full handover of responsibilities currently well underway.

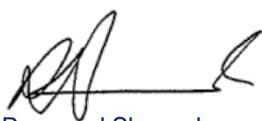
Except as disclosed, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations or the state-of-affairs of the Group in subsequent financial periods.

Auditor's independence declaration

The auditor's independence declaration is included on Page 4 of the Directors' Report for the half-year.

Signed in accordance with a resolution made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors



Raymond Shorrocks
Chairman
Brisbane, 10 March 2021

Auditor's independence declaration



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DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF GALILEE ENERGY LIMITED

As lead auditor for the review of Galilee Energy Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review

This declaration is in respect of Galilee Energy Limited and the entities it controlled during the year.

A handwritten signature in black ink that reads 'T J Kendall'.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 10 March 2021

Consolidated Statement of Profit or Loss & Other Comprehensive Income

for the half-year ended 31 December 2020

	Note	Consolidated	
		31 Dec 20	31 Dec 19
		\$	\$
Revenue			
Interest received		63,966	105,280
Other income		3,954,738	-
		<u>4,018,704</u>	<u>105,280</u>
Expenses			
Exploration and evaluation costs		(11,572,033)	(4,532,793)
Operating and administration expenses	7	(1,741,363)	(1,316,061)
Share-based payments		(2,202,820)	(41,167)
Total expenses		<u>(15,516,216)</u>	<u>(5,890,021)</u>
Loss before income tax		<u>(11,497,512)</u>	<u>(5,784,741)</u>
Income tax benefit/(expense)		-	-
Loss for the year		<u>(11,497,512)</u>	<u>(5,784,741)</u>
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		-	(650)
Total other comprehensive income, net of income tax		<u>-</u>	<u>(650)</u>
Total comprehensive loss		<u>(11,497,512)</u>	<u>(5,785,391)</u>
Loss per share			
		Cents	Cents
Basic loss per share		<u>4.15</u>	<u>2.51</u>
Diluted loss per share		<u>4.15</u>	<u>2.51</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2020

	Note	Consolidated	
		31 Dec 20	30 Jun 20
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		23,814,863	18,088,917
Trade and other receivables	5	1,235,147	1,186,631
Inventory		789,625	1,324,524
Total current assets		<u>25,839,635</u>	<u>20,600,073</u>
Non-current assets			
Trade and other receivables	5	1,272,866	1,272,866
Right of use asset		644,107	90,139
Property, plant and equipment		188,878	96,568
Total non-current assets		<u>2,105,851</u>	<u>1,459,573</u>
Total assets		<u>27,945,486</u>	<u>22,059,646</u>
Liabilities			
Current liabilities			
Trade and other payables	6	2,744,488	2,341,590
Total current liabilities		<u>2,744,488</u>	<u>2,341,590</u>
Non-current liabilities			
Trade and other payables	6	160,768	90,189
Provisions	8	2,196,691	1,664,636
Total non-current liabilities		<u>2,357,459</u>	<u>1,754,825</u>
Total liabilities		<u>5,101,947</u>	<u>4,096,415</u>
Net assets		<u>22,843,539</u>	<u>17,963,231</u>
Equity			
Issued capital	9	122,070,707	107,895,707
Reserves		(5,502,036)	(4,971,552)
Accumulated losses		(93,725,132)	(84,960,924)
Total equity		<u>22,843,539</u>	<u>17,963,231</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2020

	Issued Capital	Accumulated Losses	Non-controlling Interests Elimination Reserve	Foreign Currency Translation Reserve	Share-based Payments Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	107,895,707	(84,960,924)	(7,656,400)	(48,456)	2,733,304	17,963,231
Loss for the period	-	(11,497,512)	-	-	-	(11,497,512)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	(11,497,512)	-	-	-	(11,497,512)
Contributions of equity net of transaction costs	14,175,000	-	-	-	-	14,175,000
Share-based payments expense	-	-	-	-	2,202,820	2,202,820
Transfers	-	2,733,304	-	-	(2,733,304)	-
	14,175,000	2,733,304	-	-	(530,484)	16,377,820
Balance at 31 December 2020	122,070,707	(93,725,132)	(7,656,400)	(48,456)	2,202,820	22,843,539
Balance at 1 July 2019	83,792,426	(68,307,488)	(7,656,400)	(47,806)	1,982,112	9,762,844
Loss for the period	-	(5,784,741)	-	-	-	(5,784,741)
Other comprehensive loss	-	-	-	(650)	-	(650)
Total comprehensive loss	-	(5,784,741)	-	(650)	-	(5,785,391)
Contributions of equity net of transaction costs	24,119,248	-	-	-	-	24,119,248
Share-based payments expense	-	-	-	-	41,167	41,167
Transfers	-	236,136	-	-	(236,126)	-
	24,119,248	-	-	-	(194,959)	24,160,415
Balance at 31 December 2019	107,911,674	(73,856,103)	(7,656,400)	(48,456)	1,787,153	28,137,868

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2020

	Consolidated	
	31 Dec 20	31 Dec 19
	\$	\$
Cash flows from operating activities		
Payments for exploration (including GST)	(11,375,127)	(4,793,601)
Payments to suppliers and employees (including GST)	(1,789,882)	(1,213,371)
GST refunds received	1,251,272	358,392
Refundable deposits	(250,000)	-
Other income	3,954,738	-
Interest received	56,459	108,920
Net cash used in operating activities	(8,152,540)	(5,539,660)
Cash flows from investing activities		
Payments for property, plant and equipment	(199,694)	(14,974)
Refunds of/(Payments for) bonds and deposits	-	216,797
Net cash provided by/(used in) investing activities	(199,694)	201,823
Cash flows from financing activities		
Proceeds from issue of shares	15,000,000	24,115,003
Share issue costs	(825,000)	(745,755)
Payment for principal portion of lease liabilities	(96,820)	(46,312)
Net cash provided by financing activities	14,078,180	23,322,936
Net Increase in cash and cash equivalents	5,725,946	17,985,099
Cash and cash equivalents at the beginning of the period	18,088,917	11,543,465
Effects of exchange rates on cash	-	-
Cash and cash equivalents at the end of the period	23,814,863	29,528,564

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements for the half-year ended 31 December 2020

1. Principal Activities

Galilee Energy Limited and Subsidiaries (the Group) principal activities are to carry out oil and gas exploration and appraisal. The Group has tenement interests and exploration and evaluation activities in Australia, United States and Chile, with no material activities or expenditure in the United States and Chile.

There have been no significant changes in the nature of the Group's principal activities during the half-year.

2. Basis of preparation

The interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2020 and are presented in Australian Dollar (\$AUD) which is the functional currency of the Parent Company. The interim financial statements are a general-purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting".

The financial statements have been prepared on an accruals basis and are based on historical costs.

The interim financial statements do not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the Group together with any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

3. Significant accounting policies

The accounting policies adopted in the preparation of this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period other than for the impact of the new and amended Accounting Standards that became applicable for the current reporting period. The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

Several new or amended standards became applicable for the current reporting period but there is no new standard that has an impact on the group's accounting policies and did not require retrospective adjustments.

4. Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the geographic location of its respective areas of interest (tenements). The internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources are prepared on the same basis.

The principal operating activities of the Group are the exploration and evaluation of its tenements for oil and gas reserves. Other than the expensing of exploration and evaluation expenditure, income and expenditure as per the statement of profit or loss and other comprehensive income consists of incidental revenue including interest and corporate overhead expenditure which are not allocated to the Group's operating segments.

Unless otherwise stated, all amounts reported to the board of directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Notes to the Consolidated Financial Statements for the half-year ended 31 December 2020

4. Segment Information (continued)

Segment performance

The following table shows the revenue and exploration and evaluation expenditure information regarding the Group's operating segments for 31 December 2020 and 31 December 2019.

	Australia	South America	
	Qld	Chile	Total
	\$	\$	\$
31 December 2020			
Segment Result			
Segment Revenue	-	-	-
Exploration & evaluation costs	(11,572,033)	-	(11,572,033)
Segment result before tax	(11,572,033)	-	(11,572,033)
Reconciliation of segment result to Group loss before tax			
Interest revenue			63,966
Other income			3,954,738
Employee benefits expense			(794,564)
Consulting fees			(316,489)
Share-based payments			(2,202,820)
Professional fees			(177,780)
Corporate expenses			(110,251)
Occupancy costs			(18,470)
Administration expenses			(184,517)
Depreciation			(139,292)
Loss before tax			(11,497,512)
31 December 2019			
Segment Result			
Segment Revenue	-	-	-
Exploration & evaluation costs	(4,532,412)	(381)	(4,532,793)
Segment result before tax	(4,532,412)	(381)	(4,532,793)
Reconciliation of segment result to Group loss before tax			
Interest revenue			105,280
Employee benefits expense			(836,085)
Consulting fees			(105,255)
Share-based payments			(41,167)
Professional fees			(20,891)
Corporate expenses			(98,738)
Occupancy costs			(689)
New project evaluation and analysis			(18,264)
Administration expenses			(160,084)
Depreciation			(76,055)
Loss before tax			(5,784,741)

Notes to the Consolidated Financial Statements for the half-year ended 31 December 2020

5. Receivables

	Note	Consolidated	
		31 Dec 20	30 Jun 20
Current		\$	\$
Trade receivables		250,165	791
GST receivable		198,108	314,824
Interest receivable		11,526	41,633
Prepayments		25,348	79,384
Loan to employees	14	750,000	750,000
		1,235,147	1,186,631
Non-Current			
Environmental bonds and deposits		1,230,748	1,230,748
Rental bond		42,118	42,118
		1,272,866	1,272,866
		2,508,013	2,459,497

6. Trade and other payables

	Consolidated	
	31 Dec 20	30 Jun 20
Current	\$	\$
Trade payables	1,822,358	2,010,254
Other payables	229,470	108,957
Lease liability	565,085	94,477
Employee benefits	127,575	127,902
	2,744,488	2,341,590
Non-Current		
Lease liability	94,896	26,912
Employee benefits	65,872	63,277
	160,768	90,189
	2,905,256	2,431,779

7. Operating and administration expenses

	Consolidated	
	31 Dec 20	31 Dec 19
	\$	\$
Employee benefits expense	(794,564)	(836,085)
Contractors' & consulting fees	(316,389)	(123,519)
Professional fees	(177,780)	(20,891)
Corporate expenses	(110,251)	(98,738)
Occupancy costs	(18,470)	(689)
Administration expenses	(184,517)	(160,084)
Depreciation	(139,292)	(76,055)
	(1,741,363)	(1,316,061)

Notes to the Consolidated Financial Statements for the half-year ended 31 December 2020

8. Provisions

	Consolidated	
	31 Dec 20	30 Jun 20
Current	\$	\$
Restoration & rehabilitation	-	-
	2,196,691	1,664,636
	2,196,691	1,664,636
	2,196,691	1,664,636
Non-current		
Restoration & rehabilitation		
	2,196,691	1,664,636
	2,196,691	1,664,636
	2,196,691	1,664,636

9. Issued Capital

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Ordinary shares - fully paid	125,717,946	110,717,946
Share issue transaction costs (net of tax)	(3,647,239)	(2,822,239)
	122,070,707	107,895,707

Movements in ordinary shares	31 Dec 20		30 Jun 20	
	Number of Shares		Number of Shares	
Balance at the beginning of the period	271,451,032	225,679,361	107,895,707	83,792,426
Options exercised @ 12.5 cents	-	7,600,000	-	950,000
Options exercised @ 25 cents	-	2,350,000	-	587,500
Options exercised @ 50 cents	-	14,155,000	-	7,077,500
Options exercised @ 75 cents	-	21,666,671	-	16,250,003
Share placement @ 63 cents	23,809,524	-	15,000,000	-
Share issue costs	-	-	(825,000)	(761,722)
Balance at the end of the period	295,260,556	271,451,032	122,070,707	107,895,706

10. Share based payments

The following table shows the share-based payments expense during the half-year with respect to performance rights and the movements in the Share-Based Payments Reserve during the half-year.

	Consolidated	
	31 Dec 20	31 Dec 19
	\$	\$
Statement of comprehensive income		
Share based payments expense included in employee benefits expense	314,689	41,167
Movements in share-based payments reserve		
Balance at the beginning of the period	2,733,304	1,982,112
Share based payments included in employee benefits expense	2,202,820	41,167
Transfer to retained earnings	(2,733,304)	(236,126)
Balance at the end of the period	2,202,820	1,787,153

No performance rights were granted during the half-year.

Notes to the Consolidated Financial Statements for the half-year ended 31 December 2020

10. Share based payments (continued)

The Performance rights granted in prior periods expired on 30 November 2020.

The following table shows the movement in the number of performance rights and the balance at 31 December 2020.

Grant Date	Expiry Date	Assumed Vesting Date	Share Price at Grant Date (cents)	No. of Rights 30 June 2020	Granted during the half year	Vested During the half year	Expired During the half year	No. of Rights 31 December 2020
30-Nov-18	30-Nov-20	30-Nov-20	61.00	4,700,000	-	-	(4,700,000)	-
19-Dec-18	30-Nov-20	30-Nov-20	54.00	3,750,000	-	-	(3,750,000)	-
20-Dec-18	30-Nov-20	30-Nov-20	59.00	1,000,000	-	-	(1,000,000)	-
16-Jul-19	30-Nov-20	30-Nov-20	115.00	200,000	-	-	(200,000)	-
				9,650,000	-	-	(9,650,000)	-

The following table shows the movements of share options during the half-year and on issue at 31 December 2020.

Grant date	Expiry date	Opening balance	Granted during the period	Exercised during the period	Expired during the period	Closing balance
01-Dec-20	01-Dec-23	-	8,000,000	-	-	8,000,000
		-	8,000,000	-	-	8,000,000

Details of the terms and conditions of share options on issue at the beginning of the half-year were as follows:

No. of Options Granted	Grant Date	Fair Value (cents)	Exercise Price (cents)	Expiry Date	Vesting Date	No. of Options Exercisable
8,000,000	01-Dec-20	27.5	150	1-Dec-23	01-Dec-20	8,000,000

There was no requirement to determine a fair value of the options issued during the half year as part of the capital raisings undertaken during the period.

11. Contingent liabilities

The directors are not aware of any contingent assets or liabilities.

12. Commitments

Bank guarantees

National Australia Bank Limited have provided a bank guarantees totalling \$1,236,590 (June 2020: \$1,236,590) as follows:

- \$1,194,472 (June 2020: \$1,194,472) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees.
- \$42,118 (June 2020: \$42,118) to the landlord of the Brisbane office premises to support the Group's obligations under the lease of the Edward Street, Brisbane premises.

The bank guarantees are secured by term deposits.

Exploration expenditure

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under the agreements. The timing and amount of exploration expenditure and obligations of the Group are subject to the minimum work or expenditure requirements of the permit conditions or farm-in agreements (where applicable) and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest.

Notes to the Consolidated Financial Statements for the half-year ended 31 December 2020

At balance date, the Group's minimum work program commitments for all of its Queensland permits have been met. Actual expenditure may vary significantly from the minimum commitment obligations and will be dependent on the outcome of exploration activity currently being planned.

In the case of the United States of America and Chile there are no commitments beyond 31 December 2020.

13. Events occurring after balance date

In accordance with the Galilee Energy Employee Share Options Plan, which was approved at the Annual General Meeting held on 24th November 2020, the Company has issued an invitation to staff to apply for 2,500,000 options, exercisable at \$1.50 with an expiry date of 1st December 2023.

Due to personal reasons, Gerard Ryan (COO) has given notice of his resignation. It is expected that he will depart towards the end of March. The Company has successfully secured experienced, high calibre industry experts to cover this role with a full handover of responsibilities currently well underway.

Except as disclosed, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations or the state-of-affairs of the Group in subsequent financial periods.

14. Related party transactions

Loan to Managing Director

The Company has an employee share option plan (ESOP Plan). Pursuant to the ESOP Plan, the Company has issued options to directors and senior employees to acquire fully paid ordinary shares in the Company (Options). Rule 15.1 of the ESOP Plan Rules (Plan Rules) provides that the Company may offer a loan of money to a participant in the ESOP Plan who holds Options to enable the participant to pay the exercise price of the Option.

Various Options were due to expire on 18 November 2019 and, in accordance with the ESOP Plan Rules, the Directors approved loans to the participant option holders amounting to \$750,000 for the sole purpose of satisfying the exercise price of Option (Loans). Included in the loans is an amount of \$437,500 advanced to the Managing Director Mr Peter Lansom.

The terms and conditions of the loan to Peter Lansom is as follows:

1. The loan is provided for the sole purpose of facilitating the exercise of the 18 November 2019 Options;
2. The term has been varied to 24 months, with interest payable on the balance of the loan accruing from November 2020, subject to earlier repayment in accordance with Rule 15 of the ESOP Plan Rules;
3. An interest rate of three (3) % on the amount of the loan;
4. Interest and principal instalments have been varied from two (2) equal instalments of 18 November 2020 and 18 May 2021 to a single payment on 18 November 2021; and
5. If the Participant:
 - a. fails to comply with a term or condition of the loan or the ESOP Plan; or
 - b. becomes bankrupt; or
 - c. fails to repay any amount outstanding under or in connection with the loan when required to do so,

the Company may purchase the shares from the employee or direct that they be sold to a nominee of the Company at a price not less than the lesser of the purchase price of the shares paid by the employee and the market price thereof at the date of such disposition.

The Company shall apply the proceeds from the disposal of the shares towards satisfaction of any amounts outstanding under or in connection with the loan.

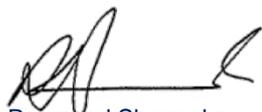
Any remaining amount of the loan shall be immediately due and payable by the director or employee to the Company.

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Raymond Shorrocks
Chairman
Brisbane, 10 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Galilee Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Galilee Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO


T J Kendall

Director

Brisbane, 10 March 2021