

March 2022 Quarterly Report & Appendix 5B

29 April 2022

Highlights

- By quarter-end the Glenaras Gas Project was producing ~60 Mscfd of natural gas and ~17,000 BWPD.
- Silver City Rig 23 rig arrived on site at Glenaras shortly after the end of the quarter and as reported, the first well in current programme has been successfully drilled.
- The 2022 programme consists of drilling, completing, connecting, and powering an additional 5 vertical wells at Glenaras to accelerate depressurisation of the Betts Creek coals and adjacent sands to initiate gas desorption.
- Glenaras Gas Project remains well placed to achieve commercial production along with an anticipated maiden reserve booking at the Project within the coming 12 months.
- Galilee completed an over-subscribed placement to institutional and sophisticated investors, raising \$11.8 million (before costs) at \$0.32 per share.
- Galilee is well capitalised to pursue its gas development plans recent capital initiatives with a cash balance of \$17.3 million and no debt.
- Galilee continues to review commercially viable investments to transition our operations to a low carbon operation.

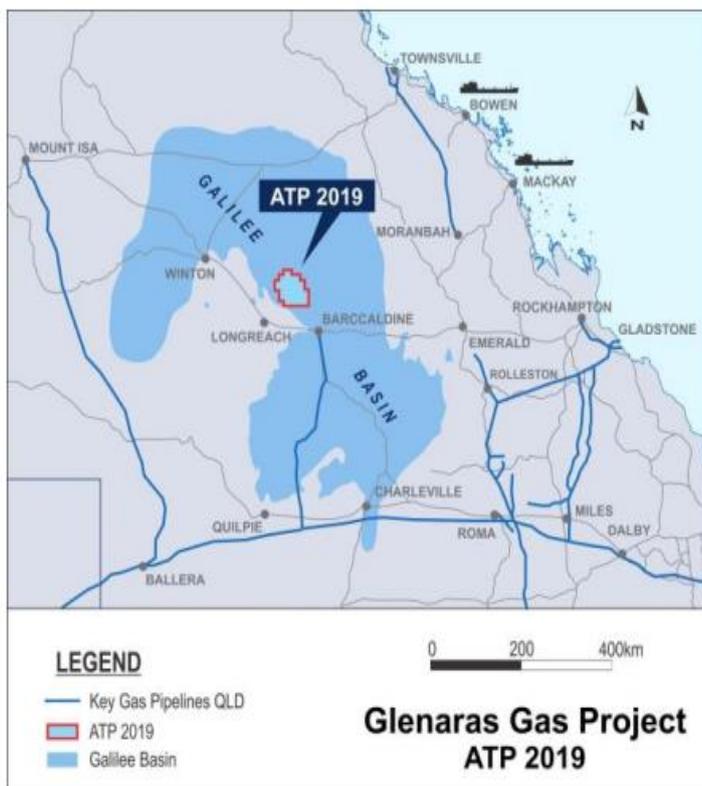
Galilees' Managing Director, David Casey commented:

The March quarter saw considerable progress at the Glenaras Gas Project. The Company completed the preparations required to embark on the 5 well programme and as we have reported Silver City Rig 23 has now successfully drilled the 1st well in the programme safely and within schedule, a really good achievement considering the high rainfall that occurred during drilling.

A key development during the quarter was the completion of the \$11.8 million capital raise which attracted a number of new institutional and sophisticated investors to the register. This funding, together with the recent SPP, will allow Galilee to better exploit the large contingent gas resource at Glenaras, one of the largest certified, uncontracted contingent resource positions on the east coast of Australia.

In an environment of extreme tightness in global gas supplies and increasing east coast prices the timing bodes well for new gas producers. We continue to expect the multi-well programme at Glenaras to yield commercial production and an anticipated maiden reserve booking at the Project within the coming 12 months.

Glenaras Gas Project (ATP 2019) – Galilee 100%



Galilee Energy Limited (ASX:GLL) (“Galilee”) is pleased to provide an update on the Glenaras multi-well pilot programme (“Pilot”) in the Galilee Basin in Queensland (Figure 1).

The Glenaras Gas Project (“Project”) is located in ATP 2019, which is 100% owned and operated by Galilee. The Permit covers an area of approximately 3,200 km².

The Project is currently producing ~60 mscfd of very low CO₂ gas and ~17,000 BWPd (barrels of water per day) with all wells online and pumping throughout the quarter. Encouragingly, it has been over 4 months since any downhole pump failures have been encountered, reinforcing the Company’s view that the downhole design modifications made in the last workover campaign have delivered a more robust production system.

Figure 1 – Glenaras Gas Project

All preparatory activities for the five well drilling programme were completed during the quarter. Drilling and construction activities commenced immediately after Easter, with the Silver City Rig 23 having now successfully drilled the 1st well. The Company is anticipating the first well to be online in early June. The preparatory clear and grade for the right of ways for the gas gathering and electrical cables is complete with the commencement of the trenching and construction activities to install these having occurred after Easter.

The Project has one of the largest contingent gas resources on the east coast of Australia and is strongly positioned to help address AEMO's forecast eastern Australian domestic market gas shortfall expected from around 2023. The Project's independently derived and certified Contingent Resource* estimates are included in Table 1.

Category	Contingent Resource (PJ)	Area (km ²)
1C	308	~36
2C	2,508	~1,200
3C	5,314	~2,500

Table 1: Glenaras Gas Project Contingent Resources Estimates

Galilee is highly focused on pursuing the development of the Project with minimal environmental impact. The Company continues to review commercially viable investments to transition our operations to a low carbon environment. Some of the key aspects of our decarbonisation pathway are outlined below:

- **Low CO₂ content** - The early gas composition data collected from the Project indicates that it will be a low CO₂ gas development, with CO₂ levels below 2%. This attribute alone reduces the carbon footprint of Glenaras versus other gas producers and sets our hurdle for carbon neutrality lower.
- **Solar Power** - The use of solar power onsite continues to be assessed. The existing 17 MW Longreach Solar Farm is strong evidence of the commercial viability of solar farms in this region which is renowned as being one of the best locations in Australia for solar energy. Solar and an abundance of essentially fresh water provides Galilee with yet further optionality when low to zero emission hydrogen and urea production are considered.
- **Carbon Sequestration** - Coal seam gas projects can yield saline water which creates a disposal issue for the Operator. A key advantage of the Project is the high volume of essentially fresh water that is produced. During the quarter, Galilee continued its comprehensive review of the potential cropping and farming options and the scope for additional direct and indirect revenue streams to Galilee in the future.

These include evaluating the carbon sequestration/credit benefits related to timber crops and specific crops that provide higher carbon storage within the soil. Early investigations have shown that certain crops can provide both carbon benefits and potential for a bio-fuel product. The Company is already irrigating ~70 ha, growing a combination of sorghum, barley, and oats to handle the ~17,000 BWPD currently being produced.

The continued good performance and yields from the crops provides confidence in the long-term sustainability of the current irrigation practices being used in conjunction with the CSG water from the Project.

ATP 2043 Kumbarilla Project – Galilee 100%

Exploration work is continuing at ATP 2043, progressing the understanding of both the conventional oil and gas prospectivity and coal seam gas prospectivity of the permit. High-grading of future drilling locations remains the primary objective through integration of the reprocessed 675km of 2D seismic with the existing regional well control, the Kumbarilla Central 1, 2 & 3 exploration wells and the adjacent PL 1009 pilot production data gained from the data exchange with Shell.

ATP 2050 Springsure Project – Galilee 100%

The Permian stratigraphic section in ATP 2050 hosts conventional gas prospectivity and Late Permian coal seam gas prospectivity, both of which have been proven commercial in the adjacent northern Denison conventional gas fields and the Mahalo project. Evaluation of multiple opportunities for both play types is ongoing with the intention of maturing high integrity locations for exploration drilling. ATP 2050 is strategically located close to existing conventional gas facilities and future planned coal seam gas facilities, which places potential new discoveries in a strong position for rapid development and supply to the east coast gas market.

Corporate

The cash flow for the quarter is presented in the accompanying Appendix 5B (quarterly Cashflow Report). The Company continues to maintain a very strong cash position as at 31 March 2022 of \$17.3 million, with no debt.

During the period, the Company spent \$3.1 million on exploration and evaluation activities, primarily on preparations for the five well drill programme, the Glenaras water management projects and Glenaras pilot operating activities.

During the quarter Galilee completed a well-supported and oversubscribed placement to institutional and sophisticated investors to raise approximately A\$11.8 million (before costs) at \$0.32 per share. In addition to the placement, Galilee issued A\$440,000 of new shares to Galilee directors on the same terms as the placement.

The final element of the capital raise was an SPP Offer to existing shareholders on the Company's register as at 23 February 2022 and which closed after the end of the quarter, on April 11. The offer also included a 1 for 1 bonus option issue with an exercise price of \$0.48 per share, expiring 4 September 2023.

The SPP received strong support with \$1.56 million (before costs) in applications for new shares at \$0.32 per share.

As previously indicated, funding from the capital raise will be applied to the current five well drilling programme to accelerate pressure drawdown and initiate gas desorption at Glenaras in order to achieve commercial gas production in support of a material maiden reserve booking.

Shortly after the end of the quarter, a General Meeting was held at which the Company's shareholders ratified the share placement and the participation of directors.

The Appendix 5B includes an amount in item 6.1 which constitutes director's fees paid in the March quarter.

Petroleum Tenements Held

Permit	Location	Interest Held Previous Quarter	Interest Held Current Quarter
ATP 2019	Galilee Basin (Qld)	100%	100%
ATP 2043	Surat Basin (Qld)	100%	100%
ATP 2050	Bowen Basin (Qld)	100%	100%

For further information contact:

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** Listing Rule 5.42 + The details of Contingent Resources referenced throughout this release in respect to ATP 2019 were announced to the market on 1 September 2015. In accordance with Listing Rule 5.42.3, Galilee Energy confirms that it is not aware of any new information or data that materially affects the information in that market announcement reporting the details of the Contingent Resources for ATP 2019 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 high value 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 its 100% owned Glenaras Gas Project in the Galilee Basin and exploring in the Surat and Bowen Basins, whilst looking to add further high quality acreage to its portfolio.

This announcement was released with the authority of the Board.

Directors

Chairman – Ray Shorrocks

Managing Director – David Casey

Non-Executive Director – Stephen Kelemen

Non-Executive Director – Gordon Grieve

Non-Executive Director – Greg Columbus

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

GALILEE ENERGY LIMITED

ABN

11 064 957 419

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers	14	14
1.2 Payments for:		
(a) exploration & evaluation	(3,110)	(9,628)
(b) development	-	-
(c) production	-	-
(d) staff costs	(642)	(1,571)
(e) administration and corporate costs	(66)	(317)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - Inventory	-	-
1.9 Net cash from / (used in) operating activities	(3,802)	(11,481)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(20)	(34)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - Rental bonds received	-	(142)
2.6 Net cash from / (used in) investing activities	(20)	(176)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	11,815	11,815
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(738)	(738)
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 - Payment for principal portion of lease liabilities	(95)	(363)
3.10 Net cash from / (used in) financing activities	10,982	10,714

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
4. Net increase/ (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	10,125	18,227
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,802)	(11,480)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(20)	(176)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	10,982	10,714
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	17,285	17,285

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	372	265
5.2 Call Deposits	16,913	9,860
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)	17,285	10,125

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Current quarter \$A'000
355
-

6.1 - Directors' fees.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 Total financing facilities

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-

7.5 Unused financing facilities available at quarter end

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

8.1 Net cash from / (used in) operating activities (item 1.9)

8.2 (Payments for exploration & evaluation classified as investing activities (item 2.1(d))

8.3 Total relevant outgoings (item 8.1 + item 8.2)

8.4 Cash and cash equivalents at quarter end (item 4.6)

8.5 Unused finance facilities available at quarter end (item 7.5)

8.6 Total available funding (item 8.4 + item 8.5)

8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A".

Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

\$A'000
(3,802)
-
(3,802)
17,285
-
17,285
4.60

Appendix 5B
Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Compliance statement

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

Date: 29 April 2022

Authorised by: The Board of Directors

(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow 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 cash flow 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.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee"
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.