

24 July 2019

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SPECULATIVE BUY

unchanged

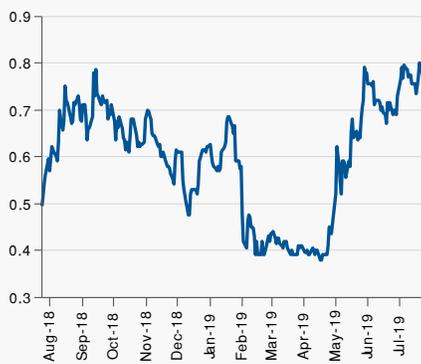
PRICE TARGET A\$1.02

unchanged

Price (24-Jul) A\$0.78

Ticker GLL-ASX

52-Week Range (A\$):	0.13 - 0.80
Avg Daily Vol (M) :	2.1
Market Cap (A\$M):	176
Shares Out. (M) :	225.7
Dividend /Shr (A\$):	0.00
Dividend Yield (%) :	0.0
Net Debt (Cash) (A\$M):	(12)
Enterprise Value (A\$M):	164
NAV /Shr (A\$):	1.02



Source: FactSet

Priced as of close of business 24 July 2019

Canaccord Genuity (Australia) Limited has received a fee as a Joint Lead Manager and Bookrunner to the Galilee Resources Limited capital raising announced on 5 December 2018.

Company Update

Pilot commissioning underway, news flow to ramp up

Commissioning at the Glenaras horizontal pilot is now largely complete with commissioning of the final well, G16L, underway. We expect the pilot to be online and producing next week. As a reminder, the addition of G14L, G15L and G16L means the pilot now intersects 1,843m of coal which is almost double the original and the well spacing is now 125m versus 250m prior.

We retain our SPEC BUY rating and A\$1.02ps price target. We will assess any impact on our valuation once flow testing commences.

Initial results highly encouraging

The company has indicated that strong initial productivity has been observed during commissioning and that this early outcome, combined with observed pressure responses in the flanking laterals of G10L and G12L, confirms the excellent productivity and connectivity of the targeted R3 coal. **These are very exciting times for the company.**

Perpendicular wells appear to be value for money

Drilling results and the initial pressure results have all but debunked the theory that the cleat system is predominantly in one direction. This amended geological view, in our opinion, is highly positive for productivity and also increases the value of the G15L and G16L which will provide additional shielding of the central G14L well.

Expect gas flows in 3 months

Current modelling forecasts that three months of production drawdown will be required in order for material gas production rates to be observed. We believe GLL is well placed to achieve its goal of a 500PJ 2P reserve booking by year end.

Jemena champing at the bit

The lodgement of the Voluntary Environmental Impact Statement and EPBC Act referral highlights how committed Jemena is to connecting the Galilee basin to the east coast gas market.

Adding acreage in the Surat

The GLL team cut its teeth in the Walloon Coal Measures of the Surat Basin and today's award of the 384km² PLR2018-1-8 block provides an opportunity to return to a familiar stomping ground. No cash consideration was paid as part of this award.

The acreage is less than 10km from established CSG production facilities and just south of the Ironbark CSG asset which was recently acquired by APLNG for \$231mn (A\$1.79/GJ 2P).

There is one existing core hole on the block (2001 vintage) which encountered ~16m of net coal from 774m. Gas desorption testing confirmed the presence of high-quality gas with low inerts and gas contents of up to 7.6m³/tonne. These are very encouraging results, in our view.

The work program is intentionally back-end loaded which will enable the company to direct the majority of its capital and technical expertise towards its flagship Glenaras project.

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: July 24, 2019, 16:29 ET

Date and time of production: July 24, 2019, 05:01 ET

Target Price / Valuation Methodology:

Galilee Energy - GLL

Our target is primarily DCF based.

Risks to achieving Target Price / Valuation:

Galilee Energy - GLL

Like any oil and gas company GLL is subject to a number of company specific and macro risks. These include, but are not limited to:

Price risks – Oil and gas prices can be quite volatile, with no certainty of future trends. Events in the Middle East regularly cause oil price fluctuations, and new technologies such as fracking can change the supply fundamentals, as evidenced in US natural gas and oil price trends in the last few years. Long term Australian gas prices could (dependent on contract structure) also be difficult to forecast, as the relative strengths of the LNG export market and the domestic market will change over time.

Currency risks – Exchange rate trends are inherently volatile, which implies that revenues and costs could differ from the assumptions made.

Operational and environmental risks - Dealing with explosive and highly flammable products create operational and environmental risks. Having said that, safety is of paramount importance and the record of the industry is generally good.

Geological risk – Geological risks exist for all oil and gas companies, which can impact on reserves and productivity.

Engineering/Technical risk – The key risks in oil and gas wells relate to the correct placement of wells and the right technical completion techniques. Above ground infrastructure needs to be appropriately sized and configured for optimal extraction.

Weather risks – delays in project development or production deferment due to weather events are not uncommon in industry.

Political / regulatory / fiscal risks – Australia is considered a relatively stable nation from both a regulatory and fiscal regime standpoint but the recent moves to 1) lock-up gas resources; 2) ban fracking in certain states; and 3) revise tax policy suggests risks cannot be discounted.

Distribution of Ratings:

Global Stock Ratings (as of 07/24/19)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	519	59.25%	51.06%
Hold	203	23.17%	34.98%
Sell	24	2.74%	20.83%
Speculative Buy	130	14.84%	76.15%
	876*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

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Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

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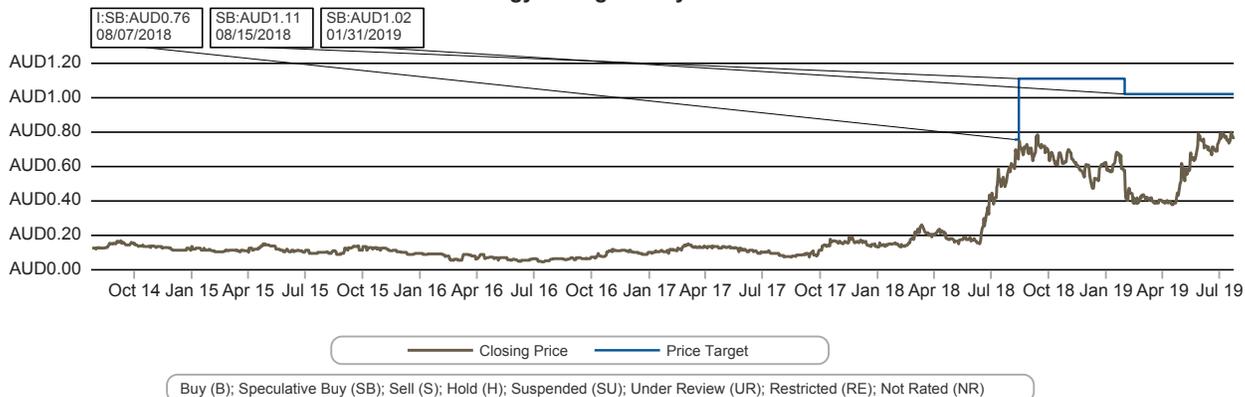
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Galilee Energy Rating History as of 07/23/2019



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