

GALILEE ENERGY LIMITED

ASX/MEDIA ANNOUNCEMENT

September 2020 Quarterly Report & Appendix 5B

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27 October 2020

Highlights

- Following on from the results of Glenaras 17A and the reservoir modelling, the Glenaras multi-well pilot has been enhanced with the drilling of five new vertical wells.
- All wells were drilled safely, on time, within budget and intersected the Betts Creek coals per prognosis.
- Drilling rig released and completions have commenced with surface facilities almost complete.
- Potential Commercial Area (PCA) applications submitted to Queensland Government, securing the long-term tenure of the Glenaras Gas Project.
- Significant progress made implementing the Glenaras water management strategy.
- Galilee Basin identified in recent Prime Minster announcements as a key basin to be unlocked in the nation's gas fired recovery plan.
- Gas commercialisation discussions progressing with several parties.
- Strong balance sheet with current cash position of $18.4 million at 30 September 2020.

Glenaras Gas Project (ATP 2019) – GLL 100%

Galilee Energy Limited (ASX:GLL) ("Galilee") is pleased to provide an update on the Glenaras Gas Project in the Galilee Basin in Queensland (Figure 1).

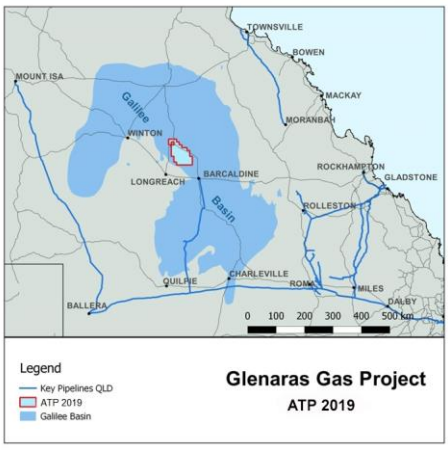


Figure 1 – Glenaras Gas Project.

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 4.000 km^2.

The Project has one of the largest contingent gas resources on the east coast and is strongly positioned to supply the AEMO's forecast eastern Australian domestic market gas shortfall in the early 2020's. The Project's independently derived and certified Contingent Resource* within the Betts Creek coals are 1C of 308 PJ, 2C of 2,508 PJ and 3C of 5,314 PJ, which represents sufficient gas supply to fulfil 25% of eastern Australian domestic market needs for over 30 years (3C Contingent Resource at 650 PJ/year).

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Glenaras Pilot Enhancement Programme

Information from the Glenaras 17A well drilled in the previous quarter resulted in the company engaging Schlumberger to undertake a detailed reservoir simulation study. This work was successfully completed in the quarter and the key outcome was to drill additional vertical wells around the lateral wells to enhance the reservoir pressure drawdown and accelerate the onset of gas production.

Five wells (Glenaras 19-23) have been successfully drilled at the locations depicted in Figure 2. The programme was conducted safely, on-time and within budget, and each well intersected the Betts Creek coals in line with prognosis. The rig was released from the final well on 16th October 2020 and each of the wells have been cased and suspended for future production.

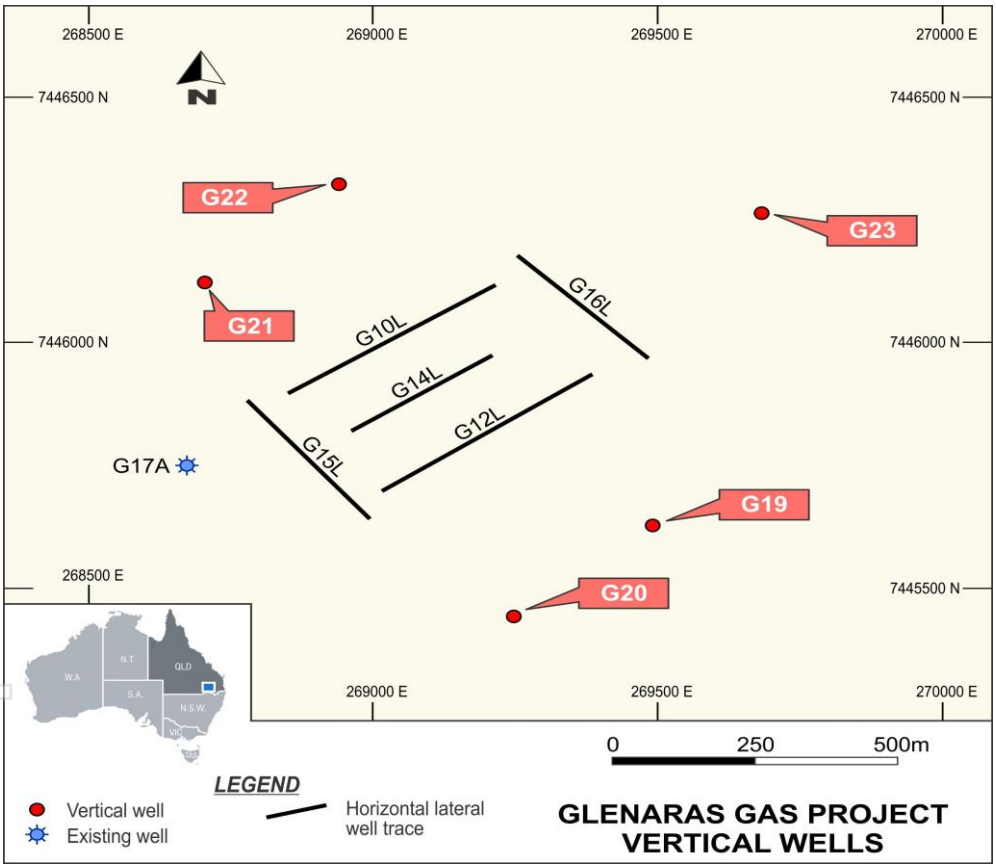


Figure 2 – New well locations.

The completions rig has commenced completing the five wells with the installation of subsurface pumps, tubing and wellheads. Surface facilities and gathering system construction is well underway with approximately 90% of the water and gas flowline installation works completed as at mid-October. Some 75% of the underground power network has been completed. The power generation site is now complete and ready for the delivery of the generation units which are scheduled to be received at the end of October. The wellsite metering skid fabrication and assembly is largely

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complete with installation to follow on from the pump completions in each well. The Company is targeting the first of these wells to be on-line by mid-November.

Glenaras Water Management Project

A water management strategy has been adopted for the Glenaras Gas Project and significant progress has been made implementing the plan.

The centre pivot irrigation system is now operational with irrigation commencing in September. This system provides both a viable water solution for the Project as well as assistance to landholders for livestock management during the prolonged drought in this area. The pivot irrigation system utilises produced water from the wells with the water requiring no treatment other than cooling. The first sorghum forage crop was planted in mid-October. The pivot irrigation system is easily scalable providing a flexible and low-cost solution for produced water at the Project.

Additionally, the Company has selected the water treatment technology provider for the processing of 2.5 ML/d, (15,000 BWPD) of produced water. This treated water will be used in the managed aquifer recharge project recently approved by Queensland Department of Environment and Science.



Figure 3 – Pivot irrigation at the recently planted forage sorghum crop.

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Potential Commercial Area (PCAs)

The Company has taken the next key step in the commercialisation of the Glenaras Gas Project. To ensure the long term security of the full Contingent Resource within ATP 2019, Galilee has submitted two applications to the Queensland Government for Potential Commercial Areas (PCAs).

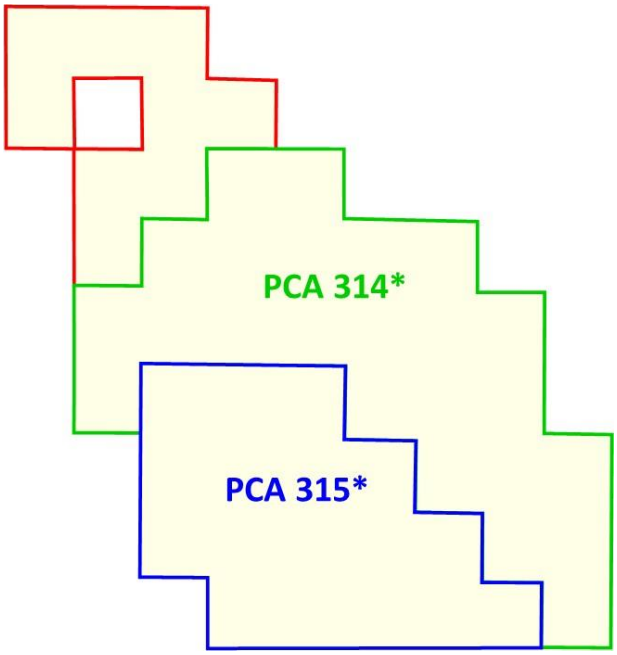


Figure 4 - PCA areas within current ATP 2019.

The two combined PCAs cover the full Contingent Resource in ATP 2019, with proposed tenure terms of 15 years and 10 years respectively for PCA 314 and PCA 315.

The areal footprint of the combined PCAs is in excess of 3,200km^2 in size, which by way of comparison, would comfortably encompass the prolific Spring Gully/Fairview coal seam gas fields or the combined Undulla Nose coal seam gas fields in the Bowen and Surat Basins respectively. This highlights the expansive size of the Project's Resource base.

Successful award of both PCAs will enable Galilee to complete the exploration and appraisal programme across ATP 2019 and mature the considerable Contingent Resources to Reserves for subsequent delivery into the east coast gas market.

Work is ongoing with a number of potential gas purchasers and discussions are being progressed across a range of outcomes including domestic sales to gas retailers, gas supply for power generation projects, gas supply for renewable projects, potential third party farm-ins and pre-investment in the Project.

Federal Government Gas Fired Recovery Plan - Galilee Basin

As widely reported in the press, the Prime Minister recently announced a gas-led recovery with the aim of unlocking new gas supply, investment in new pipelines and fast-tracking interconnectors between the States. The Prime Minister specifically identified the Galilee Basin, amongst others, to be prioritised by the Federal Government with a designated strategic plan, in addition to expanding the Wallumbilla site to develop an Australian gas hub. The stated aim is for gas to supplant coal as the transition fuel until renewable energy is sufficiently reliable, in turn providing a boost to the economic recovery post COVID-19 as well as increased jobs in the manufacturing sector.

The Government is seeking to support the east coast gas market and to create a more competitive and transparent Australian gas hub by unlocking domestic gas supply, delivering an efficient pipeline and transportation market and empowering gas customers.

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As mentioned earlier in this report, the Glenaras Gas Project has in excess of 5,000 PJ of independently verified 3C Contingent Gas Resources, which would have the ability, once connected via pipeline, to supply around 25% of the entire east coast market for up to 30 years. The successful development of the Glenaras Gas Project would result in a large scale, low cost gas development, significantly boosted by low transportation costs via connection to the east coast market.

Galilee is a Brisbane based, ASX listed Australian company and is looking forward to working with domestic manufacturers and gas users as well as the large renewable energy projects in providing a long term, stable and competitively priced gas supply and in turn providing employment opportunities in these sectors. Galilee is also looking forward to assisting the Queensland government in meeting its renewables target and assisting the nation in the post COVID-19 economic recovery.

Springsure Gas Project (ATP2050) - GLL 100%

Seismic Reprocessing Update

Approximately 696km of 2D seismic data has been reprocessed and is currently being interpreted to generate a new suite of subsurface maps that identify all potential Permian conventional gas traps in the permit.

The primary conventional gas reservoir in ATP 2050 is the Early Permian Reids Dome Beds, which has not been tested through drilling anywhere in the permit. Several prospective traps are being delineated at this level, such as in the Bootes Creek 1 and Wandana 1 areas (Figure 5).

The primary coal seam gas target is also the Early Permian Reids Dome Beds, which is most prospective across the western extent of the permit where the formation is >2,000m thick in Rainworth 1 and rapidly ramps upwards and westwards from depth to outcrop immediately west of ATP 2050. This prospective fairway is similar in nature and is a northern extension of State Gas Limited's Reids Dome Project in PL 231, located approximately 30km to the south of ATP 2050.

On 23rd September 2020, State Gas reported to the market a flow rate approaching 500 Mscfd from the Reids Dome Beds in its Nyanda 4 discovery well. This result is being followed up by State Gas with a further four step-out wells planned to be drilled and tested. The results from the Nyanda 4 well is evidence of the highly prospective nature of the extensive Reids Dome Beds coal seam gas fairway which extends into ATP 2050. These results provide further ratification of the Company's targeted approach in bidding for and winning the ATP 2050 acreage in the Queensland Government's 2019 tender process for a zero cash consideration.

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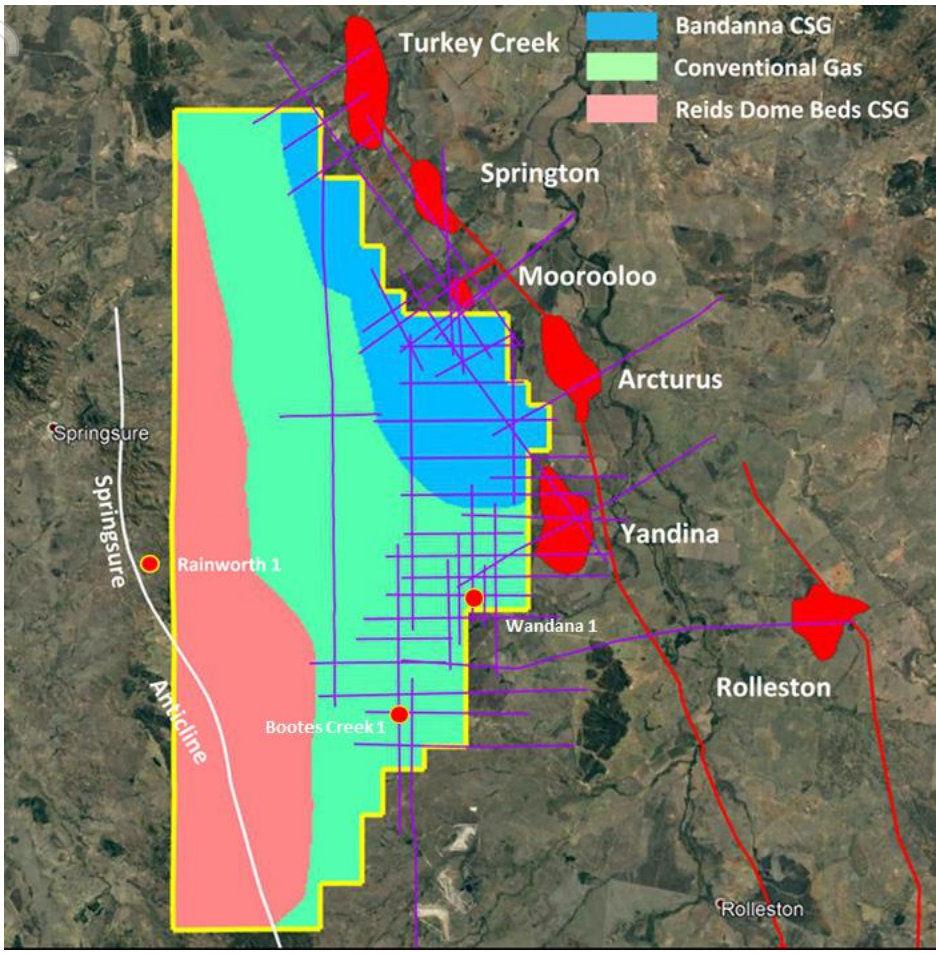


Figure 5 - Springsure gas play type distribution and reprocessed seismic network**.**

Kumbarilla Project (ATP2043) - GLL 100%

Shell 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.

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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 at 30 September 2020 of $18.4 million, with no debt. As previously reported, the sum of $3.8 million was received on 13 July 2020 with respect to an R&D tax offset claim.

During the period, the Company spent $3.2 million on exploration activities and project costs, primarily on the Glenaras water management project, Glenaras 17A drilling, long lead items for the Glenaras vertical drilling programme and residual costs relating to the previous Kumbarilla drilling programme, the results of which are summarized in this and previous quarterly reports.

Galilee's accompanying Appendix 5B includes an amount in item 6.1 which constitutes directors' fees paid in the September 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%

Table 1

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For further information contact:

Peter Lansom
Managing Director
Galilee Energy Limited
+61 (0) 7 3177 9970
ACN:064 957 419

** 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 5.34.3, 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 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 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 – Peter Lansom

Non-Executive Director – Dr David King

Non-Executive Director – Stephen Kelemen

Non-Executive Director – Gordon Grieve

Non-Executive Director – Greg Columbus

Rule 5.3

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")

30 September 2020

Consolidated statement of cash flows

			Current quarter	Year to date (3 months)
1.	**Cash flows related to operating activities**		**$A'000**	**$A'000**
1.1	Receipts from customers			
1.2	Payments for:			
	(a)	exploration & evaluation	(3,195)	(3,195)
	(b)	development	-	-
	(c)	production	-	-
	(d)	staff costs	(338)	(338)
	(e)	administration and corporate costs	105	105
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		31	31
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		3,896	3,896
1.8	Other		-	-
1.9	**Net cash from / (used in) operating activities**		**499**	**499**
2.	**Cash flows from investing activities**			
2.1	Payments to acquire or for:			
	(a)	entities	-	-
	(b)	tenements	-	-
	(c)	property, plant and equipment	(200)	(200)
	(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		-	-
2.6	**Net cash from / (used in) investing activties**		**(200)**	**(200)**
3.	**Cash flows from financing activities**			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		-	-
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		-	-
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		(24)	(24)
3.10	**Net cash from / (used in) financing activties**		**(24)**	**(24)**

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Consolidated statement of cash flows

		Current quarter $A'000	Year to date (3 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	18,089	18,089
4.2	Net cash from / (used in) operating activities (item 1.9 above)	499	499
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(200)	(200)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(24)	(24)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**18,364**	**18,364**

		Current quarter $A'000	Previous quarter $A'000
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		
5.1	Bank balances	499	3,147
5.2	Call Deposits	17,865	14,942
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)**	**18,364**	**18,089**

		Current quarter $A'000
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	176
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

6.1 - Directors' fees.

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

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.	

		$A'000
8.	**Estimated cash available for future operating activities**	
8.1	Net cash from / (used in) operating activities (item 1.9)	499
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)	499
8.4	Cash and cash equivalents at quarter end (item 4.6)	18,364
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	18,364
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	N/A

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:

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:

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:

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.

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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: 27 October 2020

Authorised by: The Board

(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 CF(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.

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