ANNUAL REPORT 2015

GALILEE ENERGY LIMITED

CORPORATE DIRECTORY

Directors & Management
Dr David King - Non-executive Chairman
Peter Lansom - Managing Director
Paul Bilston - Executive Director
Ray Shorrocks - Non-executive Director

Chief Financial Officer
Don Langdon

Company Secretary
Stephen Rodgers

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West End QLD 4101
Phone: 1300 552 270

Stock Exchange
Australian Securities Exchange
Home Branch: Brisbane

ASX Code
GLL

Auditors
BDO Audit (Qld) Pty Ltd
12 Creek Street
Brisbane QLD 4000

Solicitors
Piper Alderman
Level 36, Riverside Centre
123 Eagle St
Brisbane QLD 4000

Bankers
National Australia Bank
308 - 322 Queen St
Brisbane QLD 4000

www.galilee-energy.com.au

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CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to present to you the 2015 Annual Report for Galilee Energy Limited. Over the last year we have seen significant turmoil in the oil and gas sector, as a result of a major, and sustained, drop in the price of oil. One of the consequences has been substantial reductions in the market valuations of many of our Australian Exploration and Production companies. I am pleased to say that despite this adverse market sentiment, your company has seen a solid share price performance compared to its peers. Pleasingly, and despite this environment, the Company has continued to implement its growth strategy, and make significant progress in each of the elements of our plan. I look forward to seeing the fruits of this work in the coming year.

A significant achievement during the last financial year was the acquisition at no cost, of AGL's 50% stake in ATP529P. To now have 100% ownership of this strategic project is crucial for a company of our size. This enables full control of the timing and costs of our forward work programme as we move towards booking of the first reserves in the permit. The recent independent Resource booking by MHA shows the enormous potential of the Glenaras Gas Project, and demonstrates its potential to be a major new gas supply source into the gas-short Eastern Australia Gas market. The team has done a tremendous job in both negotiating this acquisition as well as moving forward so quickly to implement the R1 testing programme. To be on the ground conducting the workover programme within three weeks of the acquisition highlights the operational strength of the team. The testing of the R1 seam will progress during late 2015/early 2016 and I am very much looking forward to these results. Booking reserves in this project would provide a solid basis for a scale changing uplift in the value to our Company.

The second key component of our growth strategy is building a cash flow position in the US. During the last year we made a significant gas discovery at our Hoffer B1 well, which intersected over 40 ft of net gas pay in the Midcox secondary target. While wellbore conditions did not allow the well to be completed for production, aggregate flows of 6 MMscfd from these units demonstrate the future production potential of this play. We are excited to be about to drill the first development well in this play, Hoffer A1, scheduled for drilling in mid Q4 2015. A successful well here will be a strong first step in meeting our cashflow targets with multiple offsets expected.

The final component of our growth strategy is building our long term exploration portfolio, especially in areas where our in-house technical capabilities can clearly add value. We have made significant steps in this growth path with a recent permit application for a large scale CSG play in Southern Chile. This opportunity has the potential to be a multi-Tcf resource and is located in a country which is short of indigenous gas supply. The application is currently under negotiation with the Chilean Government. This project has the potential to be a major new source of growth for the company in the future. Given the current turmoil we continue to closely monitor the oil and gas sector for both corporate and asset based opportunities. The drop in commodity prices has seen many new opportunities on the market. We will continue to assess these on a project by project basis and ensure they fit within our growth plans while being conscious to conserve our strong cash position.

In summary, the Company has made good progress over the last 12 months. In the coming months we have two clear value creation catalysts, firstly with the testing of the R1 seam at the Glenaras Gas Project, and second the Hoffer A1 well in Lavaca County, Texas.

It is pleasing to see the recent improved interest in the Company's securities. I anticipate the active exploration programme now in front of us will continue to attract interest and support from both existing and new shareholders.

The progress we have made is a testament to the strong technical and corporate capabilities of our small in-house team, ably led by our MD Peter Lansom and executive director Paul Bilston. I would also like to thank shareholders for your ongoing support, and am confident we will enjoy further positive development of the Company over the next 12 months.

David King
Chairman

Yours Faithfully

DWKing

MANAGING DIRECTOR'S REPORT

Galilee Energy Limited (Galilee) is a Brisbane based energy company continuing to develop and grow its exploration portfolio. This portfolio now includes a mixture of near term production focussed assets along with larger, early stage exploration interests and covers Australia, Chile and North America.

The 2014/15 year saw the Company build on the foundations established in the previous year in accordance with the strategy announced in April 2014. The company continues to deliver on its strategy and has made significant progress in every area as summarised below.

1 **Maximise the value of the Glenaras Gas Project**
Demonstrate commercial gas flow, book reserves and optimise value for shareholders

- ✓ 100% GLL following AGL acquisition
- ✓ New resource assessment Workover programme complete
- ✓ Production testing to commence mid October 2015

2 **Build a strong production base**
Deliver value and upside in assets by utilising our expertise

- ✓ Hoffer gas discovery made in Texas
- ✓ First development well mid Q4 2015
- ✓ Exciting prospects in Kansas 3D seismic

3 **Grow the exploration portfolio**
Acquire low cost, early stage positions in frontier basins

- ✓ CEOP submitted in Southern Chile
- ✓ Multi Tcf CSG resource potential

Maximising the value of the foundation asset

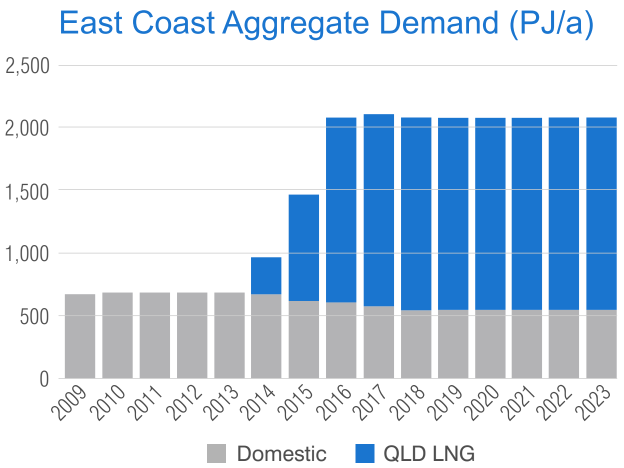
GLANARAS GAS PROJECT - ATP 529P (Galilee 100%)

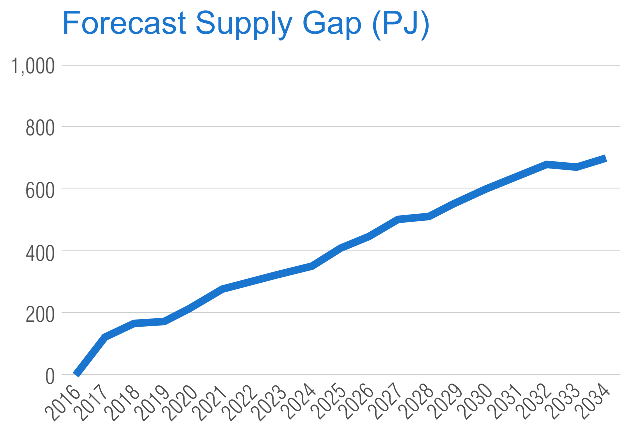
The Glenaras Gas Project is located in the western portion of the Galilee Basin within ATP 529P and is highly prospective for coal seam gas (CSG) with an independently certified 3C Contingent Resource of more than 5,300 PJ.

Advancing this project has been a core part of our strategy, and until recently the Company was disappointed it was unable to get sufficient traction with AGL Energy (50% JV partner and Operator) to carry out any further work on this asset.

The Company continued to work with AGL and were very pleased to announce on 4 June 2015 that AGL Energy Limited ("AGL") had agreed to transfer its 50% interest in ATP 529P to Galilee. This transaction was completed after the end of the financial year with an effective date of the transaction of 1 June 2015. The transaction had no upfront cost to Galilee. As part of the transaction AGL also contributed $590,000 to Galilee to support future operations at Glenaras.

Galilee believes this permit has the potential to become a material new source of gas supply for the east coast of Australia. As observed by a variety of market participants, the Company shares the view that the Eastern Australia gas supply market is structurally short with demand to more than triple with large scale LNG projects GLNG, APLNG and QCLNG all online in the coming months. This provides a significant opportunity for a new entrant to build a significant supply position.





Source: Company presentations (Santos, AGL)

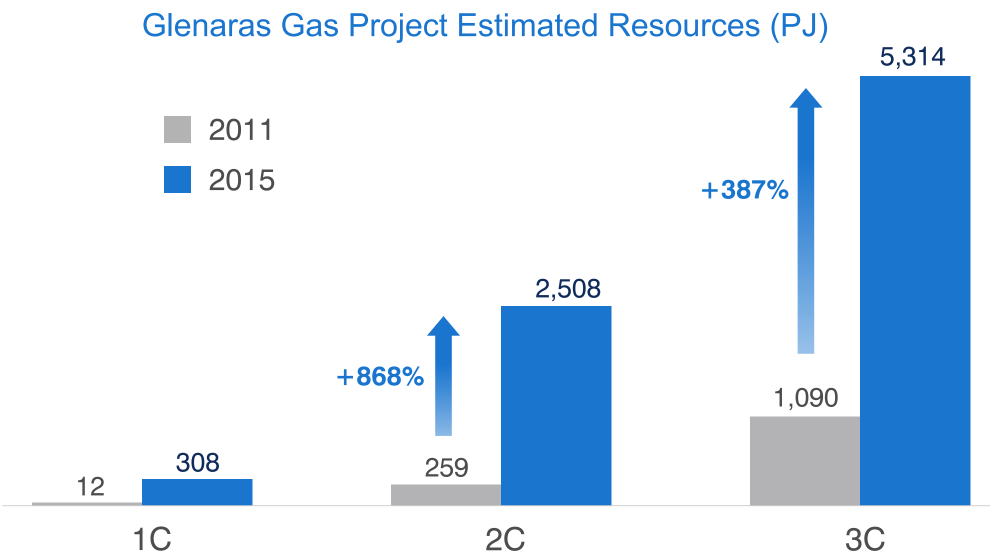
MANAGING DIRECTOR'S REPORT

On 1 September 2015 (after year end) the Company announced a major upgrade of its coal seam gas Contingent Resource estimates at ATP 529P.

This upgrade was as a result of incorporating the step out drilling and pilot production testing completed in the permit since the previous 2011 SRK assessment. The 2015 Contingent Resource estimation completed by MHA Petroleum Consultants LLC (MHA) covers a significantly larger area than previously assessed. This upgrade includes data from eight step out exploration wells within the permit as well as the pilot and pressure monitoring data from the Glenaras Pilot production completed subsequent to the 2011 SRK Consulting Report.

MHA has attributed the increase in the Contingent Resources to Galilee's net equity interest (being 100%) in the Glenaras Gas Project using the deterministic method to prepare the estimates of the Contingent Resources as at 31 August 2015.

The updated ATP 529P 2015 Contingent Resource estimation increases Contingent Resources by 868% (2C) and 388% (3C).



** Refer ASX Announcements made 1 September 2015*
Source: MHA Petroleum Consultants LLC (2015), SRK Consulting (2011)

The following table summarises the changes to the ATP 529P Contingent Resource.

Glenaras Gas Project	Units	2011 (SRK)	2015 (MHA)
Low estimate Contingent Resources (1C)	PJ	11.8	**307.8**
Best estimate Contingent Resources (2C)	PJ	258.9	**2,507.5**
High estimate Contingent Resources (3C)	PJ	1,089.9	**5,314.1**

Source: SRK Consulting (2011), MHA Petroleum Consultants LLC (2015)

Galilee Energy is not aware of any new information or data that materially affects the information included in the announcement of the 1st of September 2015 and that all of the material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Moving forward - converting Resource to Reserves.

The core focus of the company in the current year is to carry out the work required to convert a substantial portion of this Contingent Resource into Reserves. The key missing element to achieve this is the flowing commercial gas rates from the pilot.

The Galilee Basin, and ATP 529P in particular, has had significant historic exploration activity, which commenced in 1992. The result is an excellent geological database across the entire permit. That includes information on regional structure, coal thickness and CSG properties over the breadth of the permit.

A total of 12 coreholes, two 5-spot production pilots and four step-out production wells and over 700 km of seismic data have been acquired over the permit to date. The following table provides an average of the Betts Creek Coal properties across the core area within the permit.

Coal depth (m)	900 - 1000
Net coal (m)	19
Gas content (m^3/t)	5.3
Permeability (md)	45
Resource concentration (bcf/km^2)	5.2

Any successful CSG development requires three key parameters to be an economic success.

Resource Concentration –

this is a function of gas content and thickness. In contrast to most wells drilled in the Basin, the gas content in the coals within the Glenaras Gas Project is very good. Combined with net coals in excess of 20 metres thick, this provides excellent resource concentration across the permit area. ✓

Productivity –

this is a function of thickness and permeability. The coals in ATP 529P appear to have excellent permeability with an average permeability from all tests in the permit of 45 md. Visual evaluation of core and history matching from pressure data at the Glenaras Pilot support this excellent permeability. ✓

Pressure drawdown –

in order for any CSG project to work, the pressure in the coal must be reduced by dewatering the coal. This has not been achieved in the Glenaras Gas Project as a result of well design. Poor well design has allowed connection to other higher permeability water bearing units. The net result being that the water produced to date has predominantly come from these sandstones, preventing pressure drawdown in the coals. ?

MANAGING DIRECTOR'S REPORT

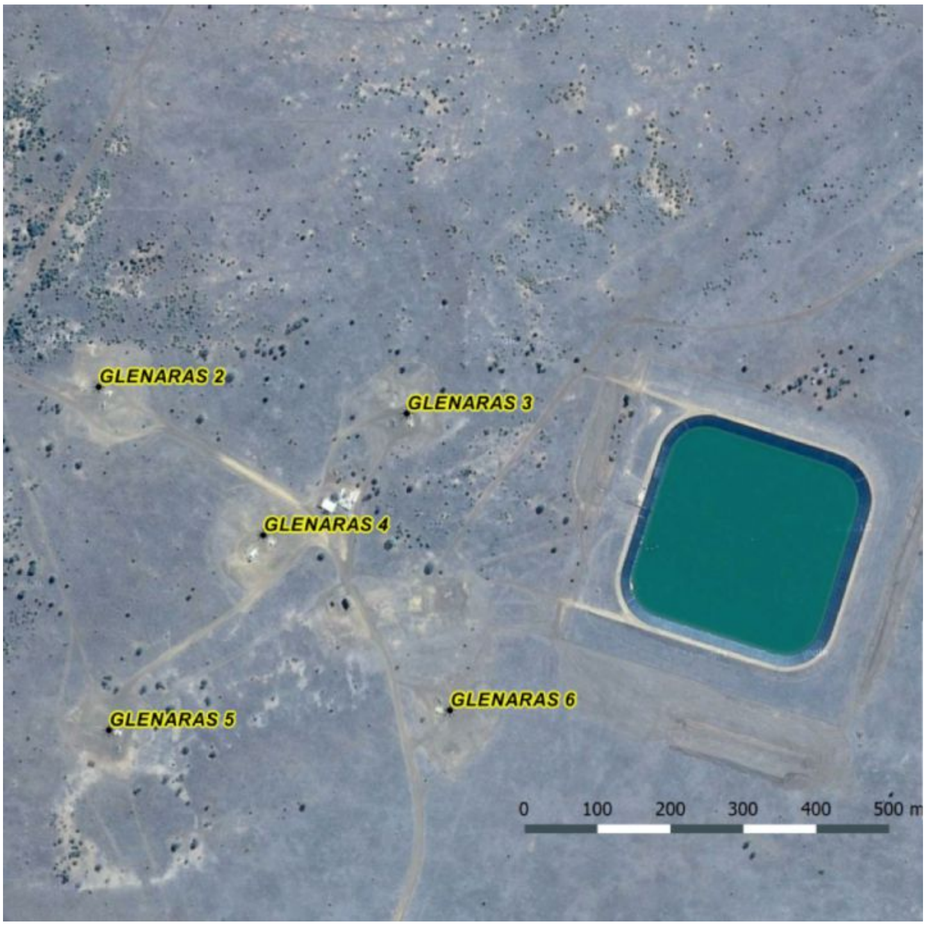
The previous pilot well designs have failed to achieve sufficient pressure drawdown in the coal. This is primarily due to the application of fracture stimulation. The induced fractures have grown into interbedded high productivity water bearing zones, as clearly observed in the Rodney Creek 8 pressure monitoring well at the Glenaras Pilot.

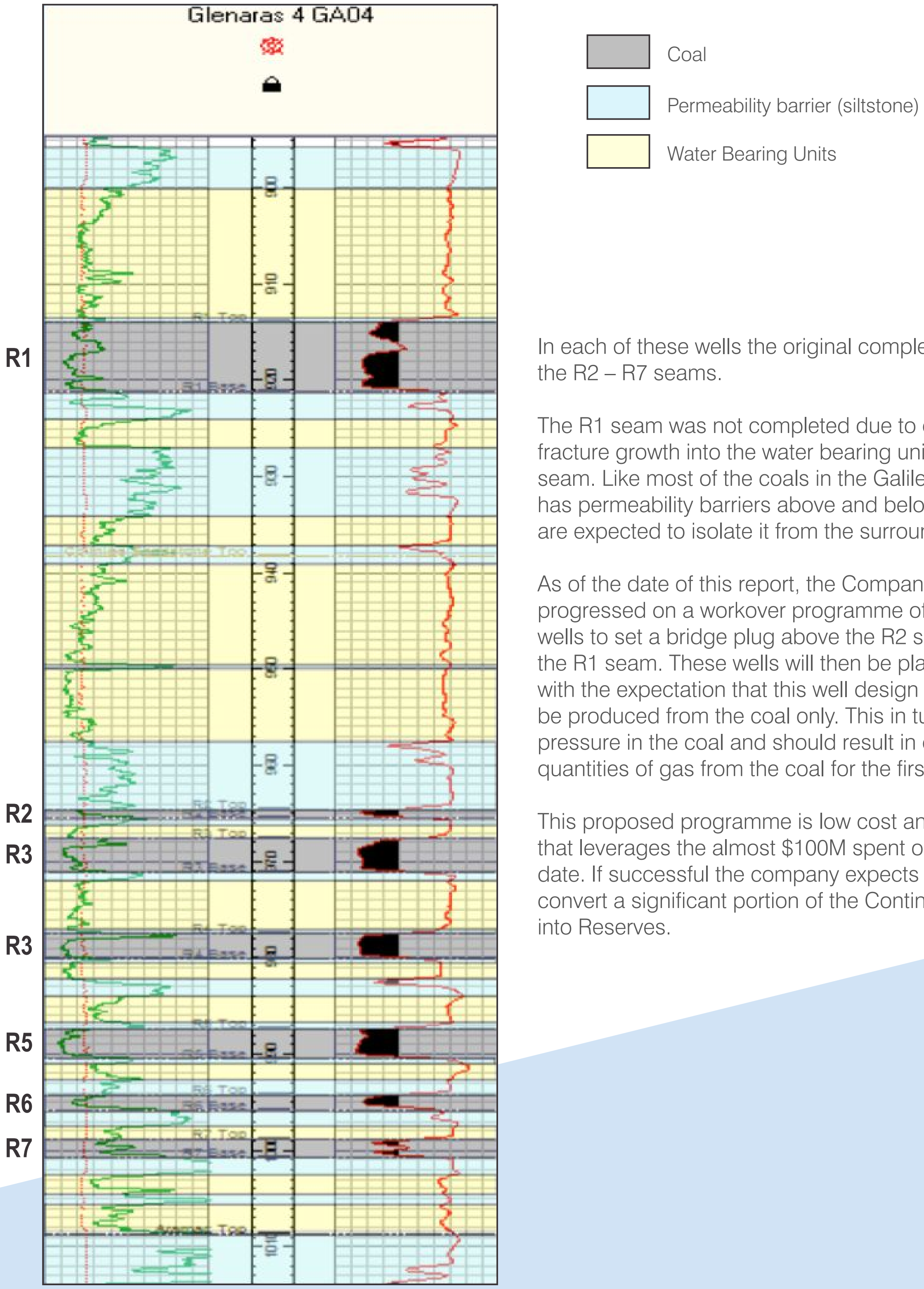
As a result the pilot production has been dominated by water production from these sandstone units, and not from the coals, which is required to draw down the pressure in the coal. Despite this, sustained gas production was achieved in all Rodney Creek pilot wells, with flow rates of up to 200 Mscfd from some of Glenaras wells during testing in 2011.

The strong well interference and communication has clearly demonstrated excellent permeability and support the company's view that these coals do not require fracture stimulation to be commercially successful.

R1 Test

The Glenaras Pilot includes five (5) vertical production wells and the supporting gas and water gathering infrastructure.





In each of these wells the original completion only targeted the R2 – R7 seams.

The R1 seam was not completed due to concerns about fracture growth into the water bearing unit above the coal seam. Like most of the coals in the Galilee Basin, the R1 has permeability barriers above and below the coal, which are expected to isolate it from the surrounding formations.

As of the date of this report, the Company is well progressed on a workover programme of all the Glenaras wells to set a bridge plug above the R2 seam and perforate the R1 seam. These wells will then be placed on production with the expectation that this well design will enable water to be produced from the coal only. This in turn will reduce the pressure in the coal and should result in commercial quantities of gas from the coal for the first time.

This proposed programme is low cost and a simple test that leverages the almost $100M spent on the permit to date. If successful the company expects to be able to convert a significant portion of the Contingent Resource into Reserves.

Building a production base

The second core part of our strategy is to leverage our existing cash position into a material production position by careful asset selection and investment in selected prospects. The Company selected three attractive prospects which were all modest investments with very good risk return profiles.

Lavaca County - Texas Gulf Coast

Hoffer B1 Well (Galilee 35% WI, reducing to 28% after payout)

The Hoffer B1 well was spudded on 6 January 2015 and reached total depth (TD) at 14,150 ft (4,313m) measured depth on 12 March 2015.

A number of very significant shows were observed during drilling, both in the lower secondary targets, and also strong shows from sandstones developed in the primary target. A total of thirteen significant shows were recorded at multiple levels in the well, in the depth range 11,230 ft (3,241m) to 14,150 ft (4,313m).

Open hole logs were successfully run to a depth of 11,600 ft ahead of running a production liner. These logs identified a total net pay of 43 ft in the Middle Midcox sandstones, a secondary target in the well. These logs also confirmed a potential 40 ft pay zone in the shallower Yegua Formation.

Following successful setting of a production liner at 12,700 ft, the well was drilled to a total depth (TD) of 14,150 ft. Drilling of the deeper section required careful management to maintain hole stability as a result of both significant gas influx and extremely high pressures.

Two attempts were made to run open hole logs, however it was not possible to get these to bottom. As a result, given the continued influx of gas and high pressures, the decision was made to run production casing to protect the well and log the well through casing.

Following the running and cementing of production casing, the Operator ran a cased hole logging suite. Processing and interpretation of these logs can allow for a qualitative evaluation of the potential productive zones in the well, but cannot directly quantify net pay.

The processing and interpretation of the logs was very encouraging and was strongly correlated to the shows identified during drilling, and the open hole log data where it was available.

The cased hole logging suite identified:

- Gross sandstone totalling approximately 30 ft in the Middle Midcox and Lower Wilcox. This is in addition to the 43 ft previously identified on open hole logs in the Middle Midcox.
- Gross sandstone totalling approximately 90 ft in the primary target.

Despite encountering extremely high pressures, strong gas shows, and even at times gas flows during drilling, the testing of the lower zones in the primary target was unsuccessful. It is unclear if the zones were damaged or not productive, and the evaluation was hampered by the lack of open hole logs. As a result the company elected to move progressively up to test the secondary targets.

Subsequent to year end on the 7 July 2015 the Company announced that in aggregate, the zones tested in the secondary targets of the Middle Midcox units flowed approximately 6 million standard cubic feet of gas per day (MMscfd), with demonstrated liquids content ranging as high as 50 barrels of condensate per million cubic feet of gas produced (bbls/MMscf).

The Operator recommended that further testing of the Hoffer B1 well in the Midcox interval be terminated due to the poor wellbore conditions. While strong flow rates were achieved from the interval, the condition on the casing cement is such that stable production was unlikely even if further remedial work was attempted.

The company is confident that the well results demonstrate a gas discovery in the Midcox zones. Future development wells in this area targeting the Midcox unit are able to be carried out under turnkey contracts and are expected to cost less than US$2.0M dry hole cost.

The first development well targeting the Midcox sands discovered in Hoffer B1 will be the Hoffer A1 well and is being planned for drilling in the fourth quarter 2015.

Galilee is participating on equal terms with the other Joint Venture partners for a 35% working interest (WI) (reducing to 28% after payout) in the Hoffer Prospect in Lavaca County, Texas.

Hoffer Extension Area (Galilee 37.5% WI)

Work has continued on the 3D seismic data set that covers the Hoffer extension area. This has seen continual refinement of a number of the prospects previously identified. The Joint Venture (JV) now has over 1,500 acres under lease covering a number of quality prospects.

Dworsky Prospect Area (Galilee 32.46% WI, reducing to 24.35% after casing point)

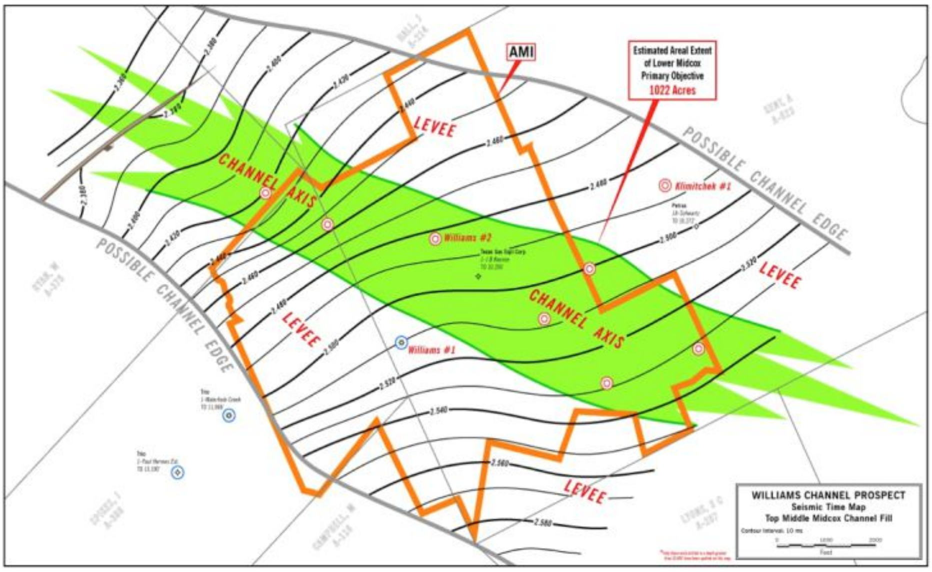
Dworsky Haas 1
Drilling on Dworsky Haas 1 commenced on 14 February 2015 and was drilled to test multiple zones identified on 3D seismic data, including three different Midcox sandstones and one of the lower Wilcox sandstones.

The well was drilled without incident to a TD of 11,600 ft on 11 March 2015. A number of subdued shows were observed in the key Midcox targets, however open hole logs identified that these sands were all tight, and unlikely to be capable of commercial production. As a result the deeper part of the well below 10,150 ft was plugged and abandoned. A shallower interval in the depth interval 9,000 ft to 10,000 ft was thought to be potentially productive, however given concerns over well integrity the well has now been plugged and abandoned.

Spikes East Prospect Area (Galilee 38.94% WI reducing to 31.15% after payout)

The Spikes East Prospect area is located 10 miles south-southwest of Halletsville in Lavaca County. The acreage lies on the downdip one third of the Midcox producing trend, south of the highly productive Exxon Koerth, Trio Hoffer and Trio Hermes Midcox wells. 3D seismic data indicates the presence of a 2000-2500 acre Middle Midcox depositional channel complex, named the Williams Channel, which contains multiple individual sandstone build-ups ranging in size from 50 to 150 acres which have not been adequately tested by previous drilling.

Williams 2
The first well to be drilled to test the channel axis, Williams 2, is located 2500 ft northeast of the Williams 1 flank well which had poor sandstone development. The 3D seismic data indicates greatly increased thickness (approximately 200 ft) of Middle Midcox sandstone at this location, at a structural position high to the previous wells. The prospective area of the axial portion of the Williams Channel covers in excess of 1000 acres providing for multiple follow wells if successful.



Given the results from the Hoffer B1 well and the desire to start development activities in that field to address the Midcox discovery, Galilee and the other members of the group have agreed to defer drilling of the Williams 2 well until 2016.

MANAGING DIRECTOR'S REPORT

Illinois Basin (75% WI)

On 18 June 2014 Galilee announced that it had entered into a Joint Venture agreement under which it will work with a group of experienced US based oil and gas professionals to carry out exploration drilling targeting large, high return, shallow oil prospects in the Illinois Basin, Illinois, USA.

The dry hole costs for the wells were in the order of US$200,000 each, allowing very inexpensive tests for what were significant targets. This exploration programme, targeted Paleozoic reservoirs ranging between 1,200 and 3,000 ft deep in one of the oldest and most prolific oil provinces in the United States.

Galilee drilled four wells in the Illinois Basin shallow oil exploration programme during the year, with results detailed in previous quarterly reports. These low cost tests provided strong evidence to support further exploration in the area. Each well confirmed the presence, in multiple horizons, of hydrocarbon charge and migration. However the Company is not comfortable pursuing additional drilling at this time until it can obtain better subsurface control. Galilee, through its wholly owned US subsidiary funds 100% of the dry hole cost for the first well on each prospect to earn a 75% working interest in the prospect.

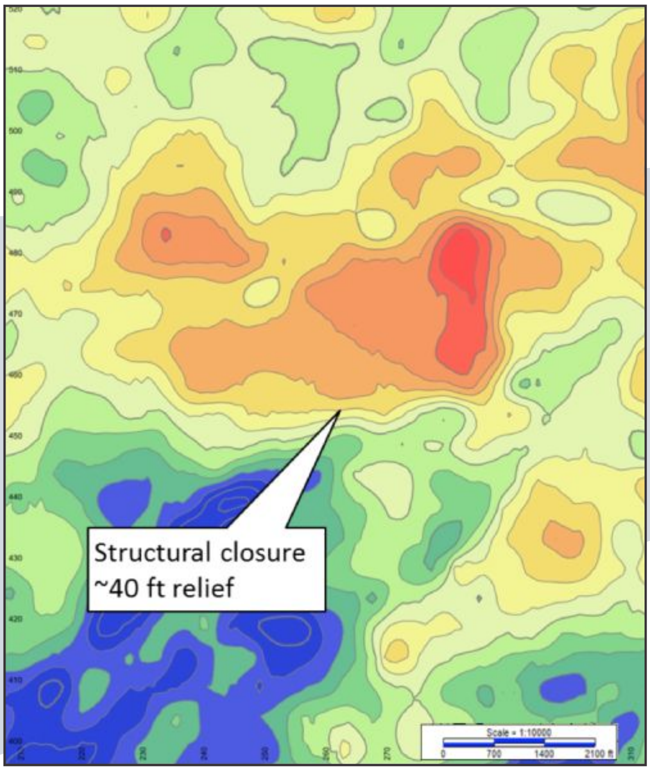
MANAGING DIRECTOR'S REPORT

Kansas Shallow Oil & Gas (farming in to earn up to 75%WI)

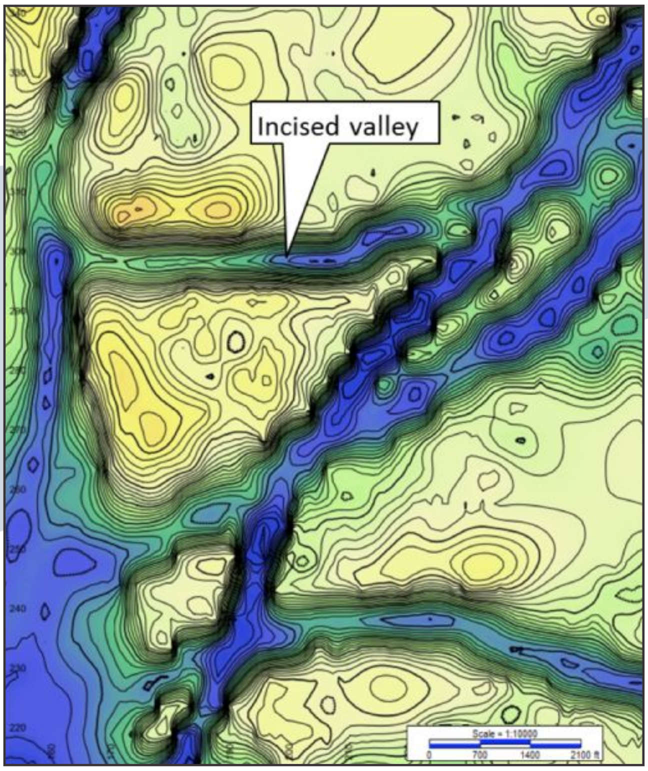
Galilee has a binding Joint Venture Agreement (JVA) to acquire selected leases within a 345,600 acre area of Mutual Interest (AMI) in Meade County, Kansas. Galilee is the Operator for the JVA.

The key reservoir targets are shallow (4,000-6,000 ft) limestones and sandstones in the Carboniferous section, primarily in the Missourian Lansing and Kansas City groups. The reservoirs are generally from 5 to 40 feet thick and often have more than 20% porosity. Secondary objectives exist in the slightly deeper Cherokee Group, Marmaton Group, Morrow Sandstone and Mississippi Lime.

Late last year Galilee commissioned a ~ 40 square mile 3D seismic survey over the eastern portion of the AMI which was completed in December 2014. The resultant data is excellent, and work has continued with a number of exciting prospects being matured.



Robust undrilled structural closure at Marmaton



Morrow channel incised into Mississippian

Chile

Late last year Galilee completed its evaluation and study of the Coal Seam Gas (CSG) potential in the Southern Magallanes Basin in Chile.

The study focused on 7,200 sq km (1.8 million acres) in the north-west portion of the Magallanes Basin (Puerto Natales - Seno Otway) to evaluate the potential for large-scale coal seam gas (CSG) production. Previous work has indicated the key objective to be the Eocene-Oligocene Loreto Formation, which contains 10-20m of coals at depths ranging from surface to over 1,200m.

As advised, under the terms of the MOU with Empresa Nacional del Petróleo (ENAP) the detailed results of the study remain confidential at this time. However, the company is able to confirm that the study supports the likely presence of a significant gas resource in the coals of the Oligocene age Loreto Formation.

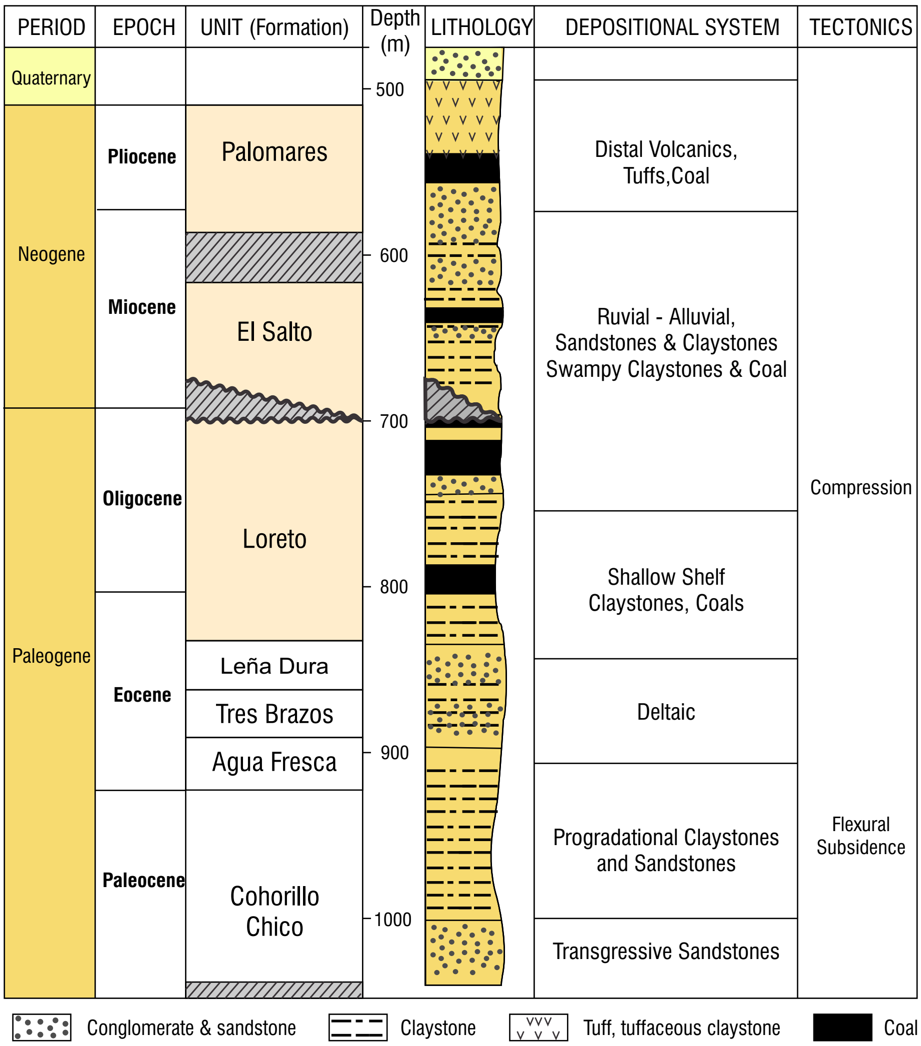


Figure 2 – Stratigraphy

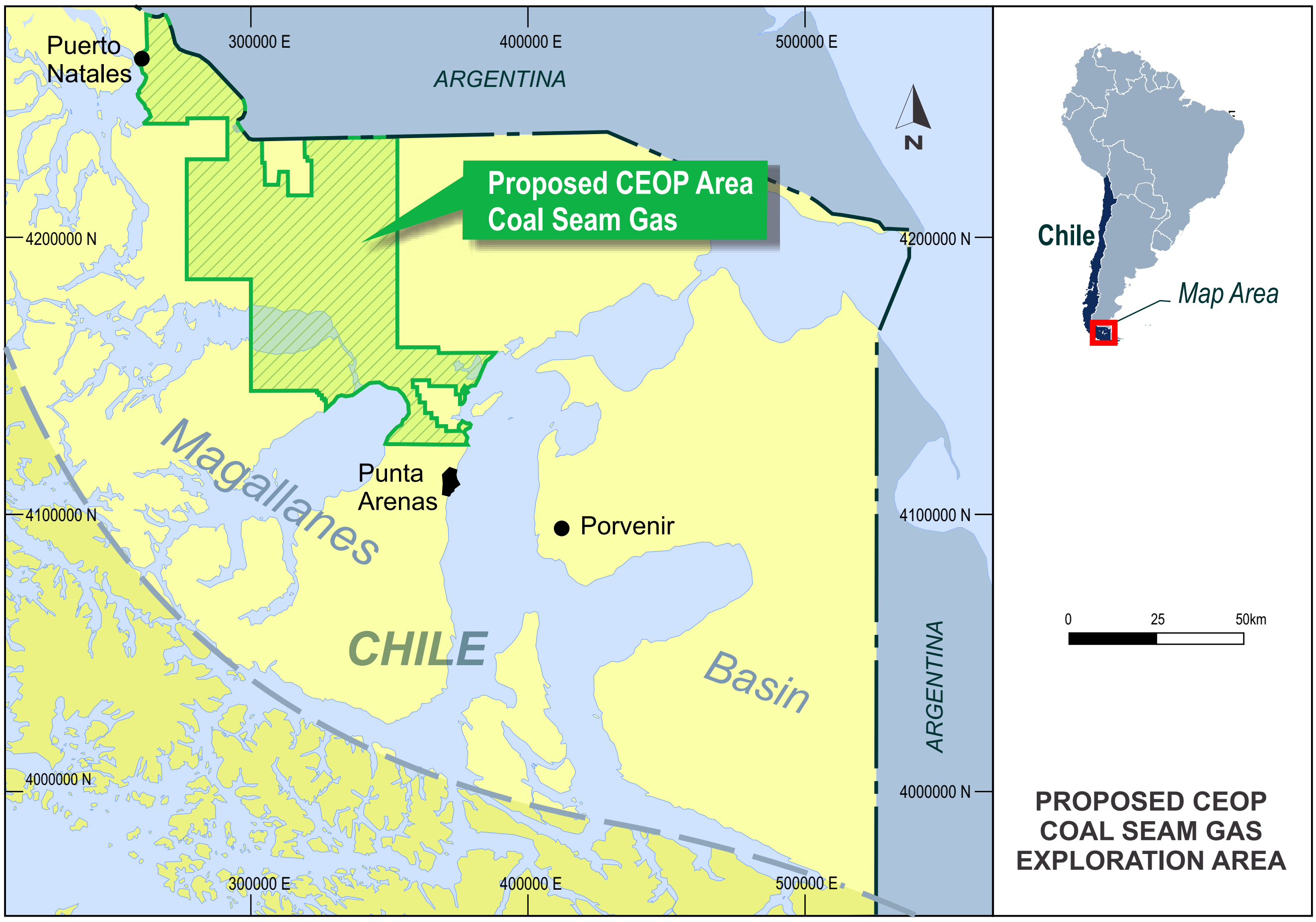
MANAGING DIRECTOR'S REPORT

The Magallanes Basin CSG project provides Galilee with ground floor entry into an area with significant potential.

Energy exploration and development in Chile, particularly southern Chile, is a national imperative and enjoys strong political support. Chile now imports ~ 80% of its natural gas and has been forced to substitute with more expensive fuel.

Chile consistently rates as a very favourable destination for resource development due to its political stability, good fiscal terms for hydrocarbon production and strong economic climate.

Galilee has now submitted an application to the Chilean government for an application over an area of almost 6,000 sq km. The company will now negotiate the exploration permit application (CEOP) with the Chilean government which is expected to take up to 12 months.



BOARD OF DIRECTORS

Left to right

Ray Shorrocks
Non-executive Director

Paul Bilson
Executive Director

Peter Lansom
Managing Director

Davis King
Non-executive Chairman

Experienced team

... delivering on strategy

MANAGEMENT

Don Langdon B.Com, FICA, FAICD.
Chief Financial Officer - Part Time

Appointed: Chief Financial Officer on 1 September 2014.

Mr Langdon is a Chartered Accountant with more than 40 years experience. He was an Audit Principal with a large mid-tier accounting firm and has extensive experience with external and internal audit, financial reporting, due diligence for company floats and major acquisitions. Since retiring from public practice in October 2009 he has been the Chief Financial Officer (on a part time basis) of Comet Ridge Limited and has acted as the interim Chief Financial Officer for Tlou Energy Limited and was closely involved with that company's initial capital raising and listing on the ASX.

Stephen Rodgers LLB.
Company Secretary - Part Time

Appointed: Company Secretary on 1 September 2014.

Mr Rodgers is a lawyer with over 25 years experience and holds a Bachelor of Laws degree from Queensland University of Technology. Stephen practiced law with several firms in Brisbane and for many years operated his own specialist commercial and property law practice before joining the ASX listed Sunshine Gas Limited as the in-house Legal and Commercial Counsel. After the successful takeover of SGL by QGC in 2008, Stephen was appointed as Company Secretary and Legal Counsel to Comet Ridge Limited, a position he still holds. Stephen has extensive experience in the operation and running of an ASX listed oil and gas company.

Jenny Langdon
Administration Manager

Appointed: Administration Manager on 30 August 2010.

Miss Langdon has over 30 years management experience, having owned and operated successful automotive and commercial property management entities. Jenny has served on state and national industry committees, convened national conferences and co-wrote the industry's environmental management handbook. She also provided advocacy and liaised on behalf of the industry with State Government. Jenny has experience in all facets of business management and has been a member of Galilee's administration since 2007.

Gerard Ryan B.E. (Mech) M.Sc (Petroleum)
General Manager - Operations

Appointed: General Manager - Operations on 1 November 2014.

Gerard has over 20 years experience in petroleum engineering, drilling, production operations, energy transmission and distribution, power generation and coal mining sectors in Australia and Ireland. He has worked for Oil Company of Australia, Origin Energy, Ireland's Bord Gáis Éireann, Eastern Star Gas, BHP Mitsubishi Alliance (BMA) and Senex Energy. He was until recently COO for Eastern Star Gas. Gerard has experience in all aspects of oil and gas exploration with particular emphasis in operations and production optimisation.

Ashley Edgar B.App.Sc. (Applied Geology), Grad Dip (Env)
Consulting Geoscientist

Mr Edgar is currently working on contract with Galilee Energy supporting exploration activities, with a particular emphasis on building the exploration portfolio in Chile.

Ashley is a geologist with 30 years' experience in conventional and unconventional oil and gas. He has held several senior positions in exploration, development and new ventures, including heading up E&P Geoscience Onshore for Origin Energy, and more recently as Executive GM of Exploration and New Ventures for Eastern Star Gas, Non-Executive Director of Orion Petroleum and Exploration Advisor to Comet Ridge.

Corporate Governance Overview Statement

The directors and management of Galilee Energy Limited ("Galilee Energy" or the "Company") are committed to the creation of shareholder value and recognise the need for high standards of corporate governance as integral to that objective.

The Board is pleased to report that during the period ending 30 June 2015 the Company's corporate governance practices and policies have substantially accorded with those outlined in the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) ("ASX Recommendations" or "ASX Guidelines"), except as outlined in the Company's annual Corporate Governance Statement. Even where there is a deviation from the recommendations the Company continues to review and update its policies and practices in order that these keep abreast of the growth of the Company, the broadening of its activities, current legislation and good practice.

The ASX Corporate Governance Council's (The Council) recommendations are not prescriptive but rather they are guidelines. If certain recommendations are not appropriate for the Company given its circumstances, it may elect not to adopt that particular practice in limited circumstances.

Where the Company's Corporate Governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate due to either the size of the Board or the management team or due to the current activities and operations being carried on by and within the Company.

A copy of Galilee Energy's full 2015 Corporate Governance Statement, which provides detailed information about governance and a copy of Galilee Energy's Appendix 4G which sets outs the Company's compliance with the recommendations in the 3rd Edition of the ASX Recommendations is available on the corporate governance section of the Company's website at: http://galilee-energy.com.au/Company_Governance.htm

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 year ended 30 June 2015. The financial statements have been reviewed and approved by the directors based on the recommendation of the Audit Committee.

Directors

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

Dr David King *Non-executive Chairman Since 31/10/2013* Appointed Director 24/09/2013

Peter Lansom *Managing Director Since 31/10/2013* Appointed Director 24/09/2013

Paul Bilston *Executive Director Since 31/10/2013* Appointed Director 24/09/2013

Ray Shorrocks *Non-executive Director Appointed 02/12/13*

Principal Activities

Galilee Energy Limited (Galilee) is a Brisbane based energy company with a portfolio spanning Australia, Chile and North America.

The principal activity of the consolidated entity is oil and gas exploration and production. The foundation asset of the Company is the development of coal seam gas in the Galilee Basin near Longreach in Queensland. Further to this, the Company has significantly expanded its exploration portfolio during the year with the addition of exciting new oil and gas projects in the USA and South America.

Strategy

Galilee has taken measured steps to transition from a company solely focused on its coal seam gas tenements in the Galilee Basin to a company with an international portfolio of exploration and production assets. The aim is to build a balanced portfolio of short and long term growth opportunities in the conventional and unconventional hydrocarbon sector.

Results from operations

The loss for the year was $9.974 million (2014: $2.601 million).

The increased loss for the year reflects the increased exploration expenditure and evaluation incurred during the year amounting to $8.789 million compared to exploration expenditure of $0.711 million in the 2014 year. The increase is due to the commencement of exploration activities in the United States.

Dividends

No dividends were paid to members during the financial year. Since the end of the financial year, the directors have not recommended the payment of any dividend.

Review of Operations

The company has made significant progress in implementing its growth strategy during the year.

As announced on 4 June 2015, after an extended negotiation, Galilee acquired the balance (50%) of ATP 529P from AGL Energy Limited which subject to the satisfaction of several conditions was effective from 1 June 2015. This has allowed the company to progress its plans for maximising the value of its foundation asset based on the technical review carried out in early 2014.

As part of its broader strategy to build a production base, the company made progress in a number of areas. In Illinois, the company drilled 4 low cost wells to test large shallow oil prospects. Whilst commercially unsuccessful, these wells provided significant evidence of hydrocarbons in the area.

In Kansas, the company successfully completed a 3D seismic survey over a 40 square mile area and is significantly advanced on the development of a number of attractive drill ready prospects. These prospects are shallow and low cost targets that provide the company a solid platform of prospects once commodity prices recover.

A significant portion of the company's activity during the year has been in Lavaca County, Texas where the company has participated in two exploration wells. The Hoffer B1 well was the most important of these and intersected gas bearing sands in the Middle Midcox. These sands flowed an aggregate of 6 million standard cubic feet of gas per day (MMscfd) with demonstrated liquids content ranging as high as 50 bbls of condensate per million cubic feet of gas produced (bbls/MMscf).

Directors' report

Review of Operations (continued)

Unfortunately the cement integrity across these zones was insufficient to allow testing to continue and after a number of attempts to repair this, the decision was made to abandon these zones and drill an offset well (Hoffer A) to test these zones. This well is expected to spud in November 2015.

The company also drilled the Dworsky Hass 1 well in Lavaca County, but this well did not recover commercial hydrocarbons.

The third part of the Company's strategy is to build low cost, early stage positions in under explored areas. In May 2014 Galilee signed a memorandum of understanding (MOU) with Chile's state owned oil and gas company, Empresa Nacional del Petróleo (ENAP) to jointly explore for unconventional hydrocarbons in the Magallanes Basin in southern Chile. During the year the company completed the technical review of the basin and identified a large (potentially multi-TCF) coal seam gas resource in the basin. The company has now moved forward and applied for a CEOP (Chilean permit application) across the area of interest in the basin.

Significant changes in state of affairs

The Company continues its growth strategy and there were no other significant changes in the Company's activities.

Matters subsequent to the end of financial year

Since the end of the financial year the Company completed the acquisition of the remaining 50% interest in ATP 529P from AGL Energy Limited (AGL) originally announced on 4 June 2015. ATP 529P is a coal seam gas permit located in the Galilee Basin in Queensland. The acquisition, which was announced by the Company on 4 June 2015 sees the Company assume full operatorship of the Glenaras pilot project.

As a result of the acquisition the Company assumes all exploration and rehabilitation commitments for the permit. However, other than the purchase of plant and equipment valued at $55,000 (including GST) the transaction was at no upfront cost to the Company and also required AGL to contribute $590,000 to Galilee to support the estimated future rehabilitation costs with respect to the permit.

Environmental regulation

The Company conducts its operations in compliance with the Queensland Petroleum Act and the Mineral Resources Act. Environmental considerations are reviewed with and approved by the Queensland Department of Environment and Resource Management and Environmental Protection Authority. The Company has not reported any material breaches of any of its environmental licence conditions nor has it been notified of any material environmental breaches by any government agency during the year. The Company is not aware of any breaches in environmental regulations in relation to its interests in the USA and South America.

Directors and officers insurance

The Company has agreed to indemnify the directors, officers and secretaries of the Company and its subsidiaries against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a director or officer of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the financial year, the Company paid premiums for directors' and officers' liability insurance. The contract prohibits disclosure of the details of the nature of the liabilities covered or the premium paid.

The Company has not indemnified its auditors, BDO Audit Pty Ltd.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

Directors' report

Meetings of directors

The number of meetings of the Company's board of directors and of the audit committee during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

Name	Meetings of Directors		Meetings of Audit Committee		Meetings of Risk Committee	
	A	B	A	B	A	B
Dr David King	7	7	2	2	-	-
Peter Lansom	7	7	-	-	-	-
Paul Bilston	6	7	-	-	1	1
Ray Shorrocks	7	7	2	2	1	1

A = Number of meetings attended

B = Number of meetings eligible to attend

= Not member of committee

Information on Directors

Dr David King

Chairman – Independent Non –executive

Dr King was a founder and non-executive director of Sapex Ltd, Gas2Grid Ltd and Eastern Star Gas Ltd. He has substantial natural resource related experience, having previously served as managing director of North Flinders Mines Ltd and CEO of Beach petroleum and Claremont Petroleum. Dr King is a Fellow of the Australian Institute of Company Directors; a Fellow of the Australasian Institute of Mining and Metallurgy; and a Fellow of the Australian Institute of Geoscientists.

Other directorships in listed companies – current

Cellmid Ltd Appointed 18/01/08

African Petroleum Corporation Ltd Appointed 01/07/13

Special responsibilities

Chairman and member of Finance and Audit Committee

Interest in shares and options

280,000 shares in Galilee Energy Limited

Peter Lansom

Managing director

Peter holds a Bachelor of Petroleum Engineering (Honours) degree from the University of NSW and has over 25 years' experience in conventional and unconventional exploration and development, working with Comet Ridge Ltd, Eastern Star Gas (ESG), Origin Energy and Santos. He has significant expertise in subsurface engineering, asset valuation, field development planning and commercial and corporate finance. In his past role at Origin, in the key management position of chief petroleum engineer, he had responsibility for delivering the corporate year end petroleum reserves report and ensuring that consistently high standards in sub-surface engineering were maintained across that Company's assets. In his recent role as executive director at ESG, Peter had overall engineering responsibility for the exploration and pilot development of the Company's CSG assets in NSW which resulted in certifying 3P reserves of over 3500 PJ over a 5 year period, and saw the Company grow to a $900 million market capitalisation.

Special responsibilities

Managing Director

Interest in shares and options

4,596,728 shares in Galilee Energy Limited

Paul Bilston

Executive Director
With 18 years' experience in the Oil and Gas sector Paul, has worked in a number of senior technical, commercial and management roles domestically and overseas. Early in his career, Paul worked in engineering consulting as a senior engineer and as project manager / director for Worley and GHD. This was followed by senior management roles with AGL Energy, head of CSG for AJ Lucas (where he sold the Gloucester CSG Project to AGL for $370M) and recently as managing director of ASX listed Challenger Energy.

Special responsibilities
Member of Risk Committee

Interest in shares and options
4,600,165 shares in Galilee Energy Limited

Ray Shorrocks

Non-executive Director
With over 20 years' experience working in the investment banking industry, Ray is highly conversant and experienced in all areas of mergers and acquisitions and equity capital markets, including a significant track record of transactions in the metals and mining, industrials and property sectors. Ray is on the board of Patersons Securities Limited and numerous other unlisted companies.

Other directorships in listed companies – current
Estrella Resources Limited Appointed 26/06/15

Special responsibilities
Chairman Finance, Risk and Audit Committees

Interest in shares and options
100,000 shares in Galilee Energy Limited

Stephen Rodgers

Company Secretary
Mr Rodgers is a lawyer with over 25 years' experience and holds a Bachelor of Laws degree from Queensland University of Technology. Stephen practiced law with several firms in Brisbane and for many years operated his own specialist commercial and property law practice before joining the ASX listed Sunshine Gas Limited as the in-house Legal and Commercial Counsel. After the successful takeover of SGL by QGC in 2008, Stephen was appointed as Company Secretary and Legal Counsel to Comet Ridge Limited, a position he still holds. Stephen has extensive experience in the operation and running of an ASX listed oil and gas company.

Remuneration Report (audited)

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Key management personnel shareholdings

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders

Remuneration Report (audited) (continued)

- performance linkage / alignment of executive compensation
- transparency
- capital management.

A Principles used to determine the nature and amount of remuneration

In consultation with external remuneration consultants when required, the Board determines the remuneration policies of the Company, reviews the remuneration of senior management and determines the remuneration of executive directors. Non-executive director remuneration is considered by the Board within the overall limits approved by shareholders.

- alignment to shareholders' interests:
- has economic profit as a core component of plan design focuses on sustaining medium to long term growth in shareholder wealth and delivering a return on assets, as well as focusing the executive on key non-financial drivers of value
- designed to attract and retain high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

The framework provides a mix of fixed and variable pay, and long-term incentives.

Non-executive directors

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board to ensure fees are appropriate and in line with the market.

Directors' fees

The current base remuneration was last reviewed on 17 May 2010 with effect from 1 July 2010. The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. In accordance with the provisions of Listing Rule 10.11 of the Official Listing Rules of the ASX Limited, a meeting of shareholders held on 27 November 2009 approved the sum of $600,000 per annum to be the total aggregate annual remuneration payable to non-executive Directors of the Company. The current total of non-executive remuneration is $125,000.

Executive pay

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- short term incentives
- share based payments, and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Base pay and non-monetary benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Remuneration Report (audited) (continued)

Short Term Incentives.

Generally paid in cash and structured with a focus on delivery of specific short term objects aligned with the companies strategies and goals and the Executives role in meeting these targets.

Share-based payments

Share based payments – options or rights are issued to executives generally over a period based on a long term incentive basis. These long term incentives include specific price targets that relate to the expected outcomes from strategies that have been given a high level of importance in relation to the future growth of the Company.

Superannuation and long service leave

Included in the employment package for key management personnel is the statutory obligation for superannuation and long service leave.

Relationship between remuneration and Company performance

Other than as described in D below (options) there is no direct link between the remuneration of the key management personnel and Company performance. The Company is currently focused on the exploration stage across its projects. Consequently, opportunities for broad performance based incentives are limited.

Given that remuneration must be commercially reasonable to attract the right calibre of directors and executives, there can be no direct link between remuneration, Company performance and shareholder wealth at the Company's current stage of development.

The Company issues options to provide an incentive for directors and key management personnel to align their interests with the medium to long term interests of shareholders.

The table below sets out summary information about the Company's revenues, earnings, and movements in shareholders' wealth for the five years to 30 June 2015:

Item	Unit	2015	2014	2013	2012	2011
Revenue – continuing operations	$'000s	799	1,103	1,593	2,237	1,022
Net profit/(loss) before tax - continuing operations	$'000s	(9,974)	(2,601)	(6,496)	(6,261)	(4,571)
Net profit(loss) after tax	$'000s	(9,974)	(2,601)	(6,496)	(6,261)	21,430
Basic earnings/(loss) per share	cents	(6.4)	(1.7)	(4.3)	(4.1)	14.1
Last traded share price	cents	11.0	13.0	13.0	13.5	19.0
Remuneration – salary and fees	$'000s	800	1,112	926	912	1,271

There were no dividends paid or returns of capital by the company in the five years.

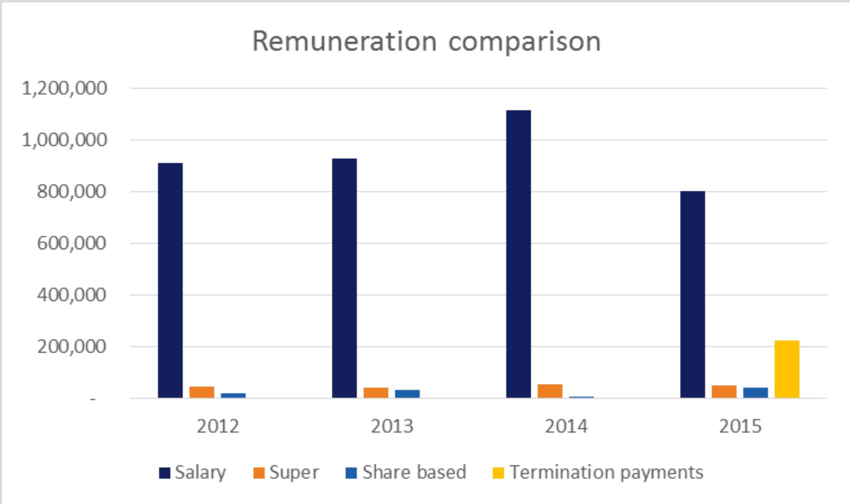
Directors' report

Remuneration Report (audited) (continued)

B Details of remuneration

Details of the remuneration of the directors and the other key management personnel (as defined in AASB 124 Related Party Disclosures) of Galilee Energy Limited and the Galilee Energy Group (Group) are set out in the following tables:

30 June 2015	Short-term benefits & fees			Post Employment		Share-based Payments		
	Salary & fees	Non-cash benefits	Termination payments	Super-annuation	Retirement benefits	Performance Rights	Total	% Performance Based
Directors	$	$	$	$	$	$	$	
Dr D King	68,493	-	-	6,507	-	-	75,000	
P Lansom	306,216	-	-	18,783	-	21,267	346,266	6.14%
P Bilston	269,319	-	-	18,783	-	19,494	307,596	6.34%
R Shorrocks	45,661	-	-	4,338	-	-	49,999	
Other employees								
S Brodie (redundancy 31/8/14)	110,063	-	226,203	2,072	-	-	338,338	
Total	799,752	-	226,203	50,483	-	40,761	1,117,199	



30 June 2014	Short-term benefits & fees			Post Employment		Share-based Payments		
	Salary & fees	Non-cash benefits	Termination payments	Super-annuation	Retirement benefits	Performance Rights	Total	% Performance Based
Directors	$	$	$	$	$	$	$	
Dr D King	50,656	-	-	4,686	-	-	55,342	
P Lansom	210,960	-	-	12,418	-	-	223,378	
P Bilston	184,480	-	-	12,325	-	-	196,805	
R Shorrocks	26,645	-	-	2,465	-	-	29,110	
R Camarri Resigned 30/10/13	16,473	-	-	-	-	-	16,473	
LC Rathie Resigned 30/10/13	66,196	-	-	1,271	-	-	67,467	
A Young Resigned 30/10/13	114,880	-	-	-	-	-	114,880	
P Jensen Resigned 30/10/13	4,931	-	-	-	-	-	4,931	
G Haworth Ceased 4/11/13	153,435	-	-	6,389	-	-	159,824	
Other employees								
S Brodie	283,829	-	-	17,775	-	6,489	308,093	2.10%
Total	1,112,485	-	-	57,329	-	6,489	1,176,303	

The key management personnel of Galilee Energy Limited and of the Group includes the directors of the Company. For the year ended 30 June 2014 key management personnel also included Simon Brodie (Chief Financial Officer).

Remuneration Report (audited) (continued)

C Service agreements

Remuneration and other terms of employment for key management personnel:

Peter Lansom, Managing Director

Term of agreement – open-ended agreement commencing 31 October 2013

- Base salary of $325,000 including superannuation
- Salary rate is reviewed annually in line with a performance review
- Short Term Incentive (STI) up to a maximum of 30% of the base salary, which will be paid in cash.
- The required notice period on termination is three months by either party
- The agreement provides for six months payment for termination under certain conditions.

Paul Bilston, Executive Director

Term of agreement – open-ended agreement commencing 31 October 2013

- Base salary of $300,000 including superannuation
- Salary rate is reviewed annually in line with a performance review
- Short Term Incentive (STI) up to a maximum of 25% of the base salary, which will be paid in cash.
- The required notice period on termination is three months by either party
- The agreement provides for six months payment for termination under certain conditions.

D Share based compensation

Directors' share options

No options were granted as remuneration during the year. Currently, there are no KMP share options on issue.

Performance rights

During the year, performance rights were granted to the executive directors in accordance with the Galilee Energy Limited Performance Rights Plans for employees and contractors. The object of the plans is to:

(a) provide an incentive for employees/contractors to remain in their employment and continue to provide services to the Group in the long term;
(b) recognise the ongoing efforts and contributions of employees/contractors to the long term performance and success of the Group; and
(c) provide employee/contractors with the opportunity to acquire performance rights, and ultimately shares in Galilee Energy Limited.

All performance rights granted during the year vest subject to a market condition in addition to the employee/contractor satisfying a service condition relating to the completion of a specified period of employment/engagement. The market condition required is a share price hurdle which is to be achieved at each vesting date.

Performance rights granted during the year are as follows

	Number of	Service Period		Vesting	Grant	Fair	Performance
Issue No	Rights	From	To	Date	Date	Value	Condition
Tranche 1	1,150,000	1-Jul-14	31-Dec-15	31-Dec-15	20-Nov-14	2.8 cents	Share price 25 cents
Tranche 2	1,150,000	1-Jul-14	31-Dec-16	31-Dec-16	20-Nov-14	3.7 cents	Share price 30 cents
Tranche 3	1,150,000	1-Jul-14	31-Dec-17	31-Dec-17	20-Nov-14	4.2 cents	Share price 35 cents

The fair value of performance rights is measured at grant date and is determined using a binomial or Black-Scholes pricing model that takes into account the term of the performance right, the underlying share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

Remuneration Report (audited) (continued)

D Share based compensation (continued

Where the performance rights are granted subject only to service conditions and non-market performance conditions, in accordance with the relevant accounting standard, it is assumed that the service condition will be met and the Galilee Energy Limited share price at grant date is used to determine the fair value of the performance rights issued. The non-market performance conditions are taken into account based on the number of performance rights that actually vest. Where the performance rights are granted subject to a market condition in addition to the service condition, the pricing model also takes into account the probability that the market condition will be satisfied/not satisfied during the term of the performance rights e.g. "monte carlo" simulation technique.

The balances of performance rights at reporting date and the movements of during the year are as follows:

Name	Balance at start	Granted as remuneration	Exercised	Expired	Balance at end
P Lansom	-	1,800,000	-	-	1,800,000
P Bilston	-	1,650,000	-	-	1,650,000
SC Brodie	1,600,000	-	-	(1,600,000)	-
	1,600,000	3,450,000	-	(1,600,000)	3,450,000

At 30 June 2014 the following options and performance rights were outstanding and have subsequently lapsed:

Name	Balance at start	Granted as remuneration	Exercised	Expired	Balance at end
G Haworth	3,000,000	-	-	(3,000,000)	-
SC Brodie	2,000,000	-	-	(400,000)	1,600,000
	5,000,000	-	-	(3,400,000)	1,600,000

The Board's current policy does not allow directors and executives to limit their risk exposure in relation to equities or options without the approval of the Board.

E Key management personnel shareholdings

The number of ordinary shares in Galilee Energy Limited held by each KMP of the Group during the financial year is as follows:

30 June 2015	Balance at beginning of year	Granted as remuneration during the year	Shares acquired	Other changes	Balance at end of year
Directors					
Dr David King	280,000	-	-	-	280,000
Peter Lansom	4,588,498	-	8,230	-	4,596,728
Paul Bilston	4,600,165	-	-	-	4,600,165
Ray Shorrocks	-	-	100,000	-	100,000
Total	9,468,663	-	108,230	-	9,576,893

End of audited remuneration report

Rounding of Amounts to Nearest Thousand Dollars

Pursuant to class order 98/100 issued by the Australian Securities & Investments Commission, amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars unless otherwise indicated.

Directors' report

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent Company, its related practices and non-related audit firms.

	30 Jun 15 $	30 Jun 14 $
Non-audit services		
Tax consulting and compliance services	**20,816**	22,650

Auditor's independence declaration

The auditor's independence declaration is included on Page 13 of the financial report for the year.

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

Dr David King
Chairman

Brisbane 30 September 2015

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DECLARATION OF INDEPENDENCE BY A J WHYTE TO DIRECTORS OF GALILEE ENERGY LIMITED

As lead auditor of Galilee Energy Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

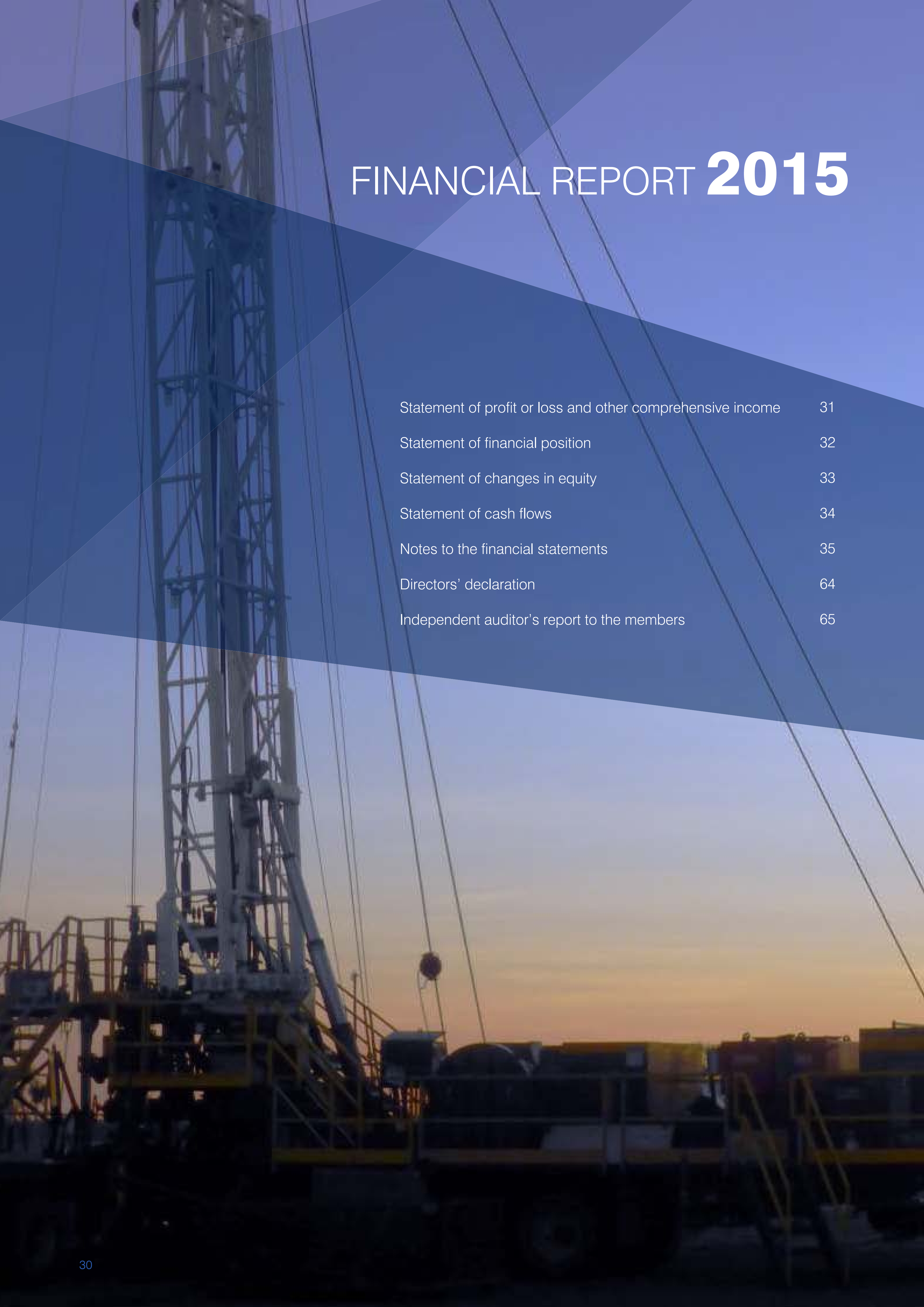
1. the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. any applicable code of professional conduct in relation to the audit.

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

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2015



FINANCIAL REPORT **2015**

Consolidated Statement of Profit or Loss & Other Comprehensive Income

for the year ended 30 June 2015

	Note	Consolidated 30 Jun 15 $'000	30 Jun 14 $'000
Revenue and other income			
Interest received		718	1,095
Other income	2	81	8
		799	1,103
Expenses			
Exploration and evaluation costs	3	(8,789)	(711)
Employee benefits expense	3	(872)	(1,148)
Consulting fees	3	(51)	(1,146)
New project evaluation and analysis		(440)	-
Administration expenses	3	(621)	(699)
Total expenses		(10,773)	(3,704)
Loss before income tax	4	(9,974)	(2,601)
Income tax benefit/(expense)		-	-
Loss for the year		(9,974)	(2,601)
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		(19)	-
Total other comprehensive income, net of income tax		(19)	-
TOTAL COMPREHENSIVE LOSS		(9,993)	(2,601)
LOSS PER SHARE		Cents	Cents
Basic loss per share		6.5	1.7
Diluted loss per share		6.5	1.7

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 30 June 2015

	Note	Consolidated 30 Jun 15 $'000	30 Jun 14 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	16,016	25,686
Trade and other receivables	9	257	338
Total current assets		16,273	26,024
Non-current assets			
Trade and other receivables	9	688	713
Property, plant and equipment	10	55	110
Total non-current assets		743	823
Total assets		17,016	26,847
LIABILITIES			
Current liabilities			
Trade and other payables	11	420	609
Total current liabilities		420	609
Non-current liabilities			
Provisions	12	739	431
Total non-current liabilities		739	431
Total liabilities		1,159	1,040
NET ASSETS		15,857	25,807
EQUITY			
Issued capital	13	60,228	60,228
Reserves	14	(6,659)	(6,683)
Accumulated losses		(37,712)	(27,738)
TOTAL EQUITY		15,857	25,807

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

	Issued Capital	Accumulated Losses	Non-controlling Interests Elimination Reserve	Foreign Currency Translation Reserve	Share-based Payments Reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2014	60,228	(27,738)	(7,656)	-	973	25,807
Loss for the period	-	(9,974)	-	-	-	(9,974)
Other comprehensive loss	-	-	-	(19)	-	(19)
Total comprehensive loss	-	(9,974)	-	(19)	-	(9,993)
Share-based payments expense	-	-	-	-	43	43
Balance at 30 June 2015	60,228	(37,712)	(7,656)	(19)	1,016	15,857
Balance at 1 July 2013	60,228	(25,137)	(7,656)	-	967	28,402
Loss for the period	-	(2,601)	-	-	-	(2,601)
Total comprehensive loss	-	(2,601)	-	-	-	(2,601)
Share-based payments expense	-	-	-	-	6	6
Balance at 30 June 2014	60,228	(27,738)	(7,656)	-	973	25,807

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2015

	Consolidated	
	30 Jun 15	30 Jun 14
	$'000	$'000
Cash flows from operating activities		
Payments to suppliers and employees (including GST)	(10,663)	(5,624)
Other revenue	23	1,190
Interest received	851	994
Tax benefit received	-	1,743
Net cash used in operating activities	(9,789)	(1,697)
Cash flows from investing activities		
Payments for property, plant and equipment	(37)	(10)
Proceeds from disposal of property, plant and equipment	129	-
Refunds of/(Payments for) bonds and deposits	14	-
Net cash provided by investing activities	106	(10)
Net Decrease in cash and cash equivalents	(9,683)	(1,707)
Cash and cash equivalents at the beginning of the period	25,687	27,393
Effects of exchange rates on cash	12	-
Cash and cash equivalents at the end of the period	16,016	25,686

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

1 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Basis of preparation

Compliance with accounting standards

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). The Group is a for-profit entity for financial reporting purposes.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Going concern & judgements

The consolidated financial statements have been prepared on a going concern basis which contemplates that the group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised standards had no effect on the amounts reported in the current and prior periods.

Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the group's accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under present circumstances. The critical estimates and judgements applied in the preparation of the financial statements are as follows:

Provision for rehabilitation

The Group's exploration activities are subject to various laws and regulations governing the protection of the environment which require the rehabilitation of permit areas following the completion of exploration and/or production. The group estimates the future rehabilitation costs at the time of drilling the wells or installation of the assets. Rehabilitation could involve re-vegetation of the land area affected and the removal of oil and gas wells and other surface plant and equipment.

In some cases the rehabilitation will occur many years into the future. The Group recognises managements' best estimate of the nature, extent and cost of the rehabilitation obligations in the period in which they arise. In addition, future changes to environmental laws and regulations, production estimates and discount rates could affect the calculation of the estimated cost of the rehabilitation estimates. As a result, actual costs incurred in future periods could differ materially from the estimates.

1 Significant accounting policies (continued)

Critical accounting estimates and judgements (continued)

Joint arrangements

The Group has interests in a number of joint arrangements both in Australia and in the USA:

In accordance with *AASB 11 Joint Arrangements*, the accounting treatment adopted for these joint arrangements depends upon an assessment of the rights and obligations of the parties to the arrangement that are established in each of the joint operating agreements (JOAs) or the farm-in agreement as the case may be. The JOA or farm-in agreement sets out the voting rights of the parties to the agreement. The voting rights determine who has control i.e. the power to direct the operating activities of the joint arrangement.

Based on the on an analysis of each JOA and farm-in agreement, the group has classified each of its joint arrangements as a “joint operation” in accordance with the requirements of AASB 11 in that:

- there is joint control because all decisions about the operating activities requires unanimous consent of all the parties, or a group of the parities considered collectively; and
- each party to the joint operation has rights to its respective interest in the assets and revenue of the arrangement, and obligations for its share of the liabilities and expenditure.

As a result, the group recognises in its financial statements its share of the revenue, expenses, assets and liabilities of each of the joint operations in which it has an interest.

Loans to subsidiaries

The parent entity has recorded its investments in subsidiaries at cost of $24,090,886 (2014: $24,095,709) less provisions for impairment of $24,090,886 (2014:$24,095,709). The parent entity has also loaned funds to its subsidiaries of $13,387,766 (2014: $3,509,207) primarily to fund exploration activities. The parent entity has impaired the carrying amount of loans by $13,387,766 (2014: $3,509,207). The impairment of the investments and loans has been based on the underlying net assets of the subsidiaries. In future periods, as the exploration activities progress on the various areas of interest, and with changes in other market conditions, the carrying amounts of investments and loans may need to be reassessed in line with the net asset position of the subsidiaries or as otherwise appropriate.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 18.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Galilee Energy Limited (‘’company’’ or ‘’parent entity’’) as at 30 June 2015 and the results of all subsidiaries for the year then ended. Galilee Energy Limited and its subsidiaries together are referred to in these financial statements as the “consolidated entity”.

Subsidiaries

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transaction between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity. Investments in subsidiaries are accounted for at cost in the individual financial statements of Galilee Energy Limited.

1 Significant accounting policies (continued)

Principles of consolidation (continued)

Joint arrangements

Joint arrangements are arrangements in which one or more parties have joint control. Joint arrangements are classified as either joint operations or joint ventures.

Joint operations

The Group has entered into joint arrangements which are classified as joint operations because the parties to the joint arrangements have rights to the assets and obligations for the liabilities, rather than to the net assets, of the joint arrangements. The Group has recognised its direct right to, as well as its share of jointly held, assets, liabilities, revenues and expenses of joint operations which have been included in the financial statements under the appropriate headings.

Joint Ventures

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the group's share of the movements in other comprehensive income of joint ventures are recognised in consolidated other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment.

When the group's share of post-acquisition losses in a joint venture exceeds its interest in the joint venture (including any long term interests that form part of the group's net investment in the joint venture), the group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Galilee Energy Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for the statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

1 Significant accounting policies (continued)

Foreign currency translation (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Sale of goods
A sale is recorded when goods have been delivered to the customer, the customer has accepted the goods and collectability of the related receivables is probable.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Government grants
Grants that compensate the Group for expenses incurred e.g. Research and Development are recognised in profit or loss when received and are offset against the expenditure to which the grant relates.

Research and development

Research and development expenditure is recognised as an expense as incurred. Costs incurred on research and development projects (relating to the design and testing of new or improved products or processes) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other developmental expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over the asset's useful life from the point at which the asset is ready for use.

Income tax

The income tax expense or revenue for the year is the tax payable on the current period’s taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

1 Significant accounting policies (continued)

Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Galilee Energy Limited and its wholly owned Australian resident entities have implemented the tax consolidation legislation.

The head entity, Galilee Energy Limited, and the subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Galilee Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated group for the purposes of tax consolidation, where considered recoverable.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group’s operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured.

1 Significant accounting policies (continued)

Impairment of assets

Financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less or that are otherwise readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within financial liabilities in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less impairment. Trade receivables are normally due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (a) the amount at which the financial asset or financial liability is measured at initial recognition; (b) less principal repayments; (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

1 Significant accounting policies (continued)

Financial instruments (continued)

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

1 Significant accounting policies (continued)

Financial instruments (continued)

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Property, plant and equipment

Land is stated at cost and is not subject to depreciation. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses if applicable. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

With the exception of certain equipment, which is depreciated on a units of use basis, depreciation is calculated on a declining basis to allocate the cost of each asset, net of its residual values, over its estimated useful life.

The following rates of depreciation are used:

Buildings and leasehold improvements	2% - 30%
Motor vehicles	15% - 30%
Plant and equipment	4% - 50%
Leased plant and equipment	Units of use

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of resource. The determination of a mineral resource is itself an estimation process that requires varying degrees of uncertainty, and this directly impacts on the application of full cost for areas of interest. All costs are expensed in the period it is incurred until such time as an economically recoverable resource has been identified.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result and the amount of the outflow can be reliably estimated. Provisions are not recognised for future operating losses.

1 Significant accounting policies (continued)

Provisions (continued)

Rehabilitation

A provision for rehabilitation is recognised when there is a present obligation to rehabilitate an area disturbed, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. An asset is created as part of the development assets, to the extent that the development relates to future production activities, which is offset by a provision for rehabilitation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Retirement benefit obligations

Contributions to defined contribution superannuation plans are expensed when incurred.

Share-based equity settled benefits

The Group provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options granted to employees and consultants are recognised as an employee benefit expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuer using a Monte Carlo option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Galilee Energy Ltd ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet internal sales targets.

No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

1 Significant accounting policies (continued)

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled.

No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are also presented on a gross GST basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented in the receipts from customers or payments to suppliers.

New accounting standards and interpretations for application in future periods

A number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet mandatory for the 30 June 2015 annual reporting period and have not been early adopted by the group for the preparation of these financial statements. The group's assessment of the impact of these new or amended Standards and Interpretations, most relevant to the group, are set out below:

AASB 2014-3 Amendments to Australian Accounting Standard AASB 11 Joint Operations - Accounting for Acquisitions of Interests in Joint Operations (effective from 1 January 2016)

The amendments to IFRS 11 deal with accounting for acquisitions of interests in joint operations. Prior to these amendments, a joint operator was required to account for what belongs to them i.e. its share of assets, liabilities, revenue and expenditure shared or incurred jointly. The effect of the amendments is to require an entity that acquires an interest or increases its interest in a joint operation to consider the principles of AASB 3 Business Combinations and determine whether the interest acquired constitutes a "business". If the activities and assets acquired constitute a business, the acquisition will then be accounted for in accordance with AASB 3.

1 Significant accounting policies (continued)

New accounting standards and interpretations for application in future periods (continued)

AASB 2014-4 Amendments to Australian Accounting Standards AASB 16 Property, Plant & Equipment and AASB 38 Intangible Assets -Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)

The amendments clarify that (other than in limited circumstances for intangible assets) the use of revenue-based methods for calculating depreciation and amortisation is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of economic benefits embodied in the asset. There will be no impact from the application of these amendments as the group does not use this method of calculating depreciation.

AASB 2014 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (effective from 1 January -9 2016)

AASB 2014-9 – These amendments to AASB 127, ASSB 1 and AASB 128 allow entities to use the equity method of accounting for investments in subsidiaries joint ventures and associates in their separate financial statements. Accounting standards are applied consistently across the Group as a result, it is not intended that a different accounting treatment will be adopted for the separate financial statements of subsidiaries.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contributions of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2016)

AASB 2014-10 – These amendments clarify the accounting treatment for sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting depends on whether the contributed assets constitute a business or an asset. If the activities and assets acquired/sold constitute a business, the acquisition/sale will then be accounted for in accordance with AASB 3.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (effective from 1 January 2016)

AASB 2015-1 – These amendments introduce minor changes to various AASBs.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB101 (effective from 1 January 2016)

AASB 2015-2 – These amendments to AASB 101 clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of the users.

AASB 2015-3 Amendments to Australian Accounting Standards Arising from the Withdrawal of AASB1031 Materiality (effective from 1 July 2015)

The objective of this Standard is to effect the withdrawal of AASB 1031 Materiality and to delete references to AASB 1031 in other Australian Accounting Standards.

AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exemption (effective from 1 July 2015)

AASB 2015-5 – These amendments exempt investment entities from consolidating controlled investees. Controlled investees will be accounted for at fair value through profit and loss, except in limited circumstances.

1 Significant accounting policies (continued)

New accounting standards and interpretations for application in future periods (continued)

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2013-9 Part C Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments and AASB 2015-1 Amendments to Australian Accounting Standards Part E consequential to hedge accounting requirements and further amends application date (effective from 1 January 2018)

This standard provides guidance on the classification and measurement of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Upon realisation the accumulated changes in fair value are not recycled to profit or loss. Currently, in accordance with AASB 139 Financial Instruments: Recognition and Measurement, a gain or loss on an available-for-sale financial asset is recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised. At that time, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Changes in the fair value of other financial assets carried at fair value are reported in profit or loss. The group does not have any financial liabilities that relate to equity investments as a result there will no impact on the group's accounting for financial liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The full impact of this standard is yet to be fully assessed, but adoption of this standard from 1 January 2018 is not expected to have a material impact on the group. The group has not yet decided when to adopt AASB 9.

AASB 15 Revenue from Contracts with Customers (effective from 1 January 2017)

This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. With some exceptions e.g. leases and insurance contracts, AASB 15 applies to all contracts with customers. The core principle is that an entity should recognise revenue when the various performance obligations included in the contract are satisfied. This means that revenue will be recognised when control of the goods or services is transferred rather than on the transfer of risks and rewards as is currently the case under IAS 18 Revenue. It is not expected that there will be any impact on the group.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations and IFRSs on issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements may result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

Change in accounting policy for refundable Research and Development incentives

The Group previously accounted for refundable Research and Development tax incentives as an income tax benefit. The Group has determined that these incentives are more akin to government grants because they are not conditional upon earning taxable income. The group has therefore made a voluntary change in accounting policy during the reporting period. Non-refundable Research and Development tax incentives are now accounted for as government grants under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance because the directors consider this policy to provide more relevant information to meet the economic decision-making needs of users, and to make the financial statements more reliable.

1 Significant accounting policies (continued)

Change in accounting policy for refundable Research and Development incentives (continued)

As a result of this change, the disclosures for the prior period have been amended in order to reflect the comparative amounts on the same basis as the current year. The effect of the change removes the amount of $1.746 million previously disclosed as an income tax benefit and treats this amount as a reduction in exploration and evaluation expenditure (refer Note 3). The Loss before income tax previously disclosed as $4.347 million reduces to $2.601 million but there is no change to the Loss after tax of $2.601 million.

2 Revenue

	Consolidated	
Other income	**30 Jun 15**	30 Jun 14
Other income includes the following specific items:	**$'000**	$'000
• Gain on sale of property, plant and equipment	54	-
• Foreign exchange gains (net)	15	-
• Sundry income	12	8
Total other income	81	8

3 Expenses

		Consolidated	
		30 Jun 15	30 Jun 14
Loss before income tax includes the following specific expenses:		$'000	$'000
(a)	**Exploration and evaluation expenditure**		
	Exploration expense	(9,460)	(2,457)
	Research and Development tax offset received	671	1,746
		(8,789)	(711)
(b)	**Employee benefits expense**		
	Other employee benefits expense	(675)	(941)
	Directors' fees	(114)	(143)
	Share based payments expense	(43)	(6)
	Defined contribution superannuation expense	(40)	(58)
		(872)	(1,148)
(c)	**Contractor and consultants costs**		
	Consulting fees	(51)	(1,146)
		(51)	(1,146)
	Other expenses include the following specific items:		
(d)	Auditors remuneration		
	- auditing or reviewing the financial reports	(48)	(47)
	- taxation services	(66)	(23)
	Occupancy costs		
	- Rental expense relating to operating leases - minimum lease rentals	(96)	(168)
	- Other occupancy costs	(4)	(6)
	Depreciation	(16)	(18)
	Other administration and office costs	(391)	(437)
		(621)	(699)

4 Income tax

	Consolidated	
	30 Jun 15	30 Jun 14
	$'000	$'000
(a) Recognised in the statement of profit and loss and other comprehensive income		
Current tax benefit	234	1,270
De-recognition of deferred tax losses	(234)	(1,270)
Income tax benefit/(expense)	-	-
(b) Reconciliation of income tax expense to prima facie tax on accounting profit		
Loss before income tax	(9,974)	(4,348)
Tax at the Australian tax rate of 30% (2014:30%)	2,992	1,304
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	(49)	(34)
Share-based payments expensed	(12)	-
Research and development tax offset received	201	524
Prior year tax losses converted to research and development tax offset	(447)	(1,161)
Current year tax losses not recognised	(3,500)	(633)
Tax adjustment due to tax in foreign jurisdictions	815	-
Income tax benefit/(expense)	-	-
(c) Deferred tax assets/(liabilities)		
Deferred tax assets have not been recognised in respect of the following items:		
Accrued expenses	7	10
Employee benefits	1	13
Other provisions	167	129
Capital costs deductible over 5 years	106	163
Non-deductible exploration expenditure USA	3,259	-
Receivables	(37)	(77)
Buildings & improvements	16	16
Net deferred tax asset/(liability)	3,519	254
De-recognition of net deferred tax assets through profit or loss	(3,519)	(254)
Net deferred tax asset/(liability) recognised in accounts	-	-
Movement in deferred tax assets/(liabilities)		
Balance at the beginning of the year	-	-
(Charged)/credited to profit or loss	3,500	254
De-recognition of deferred tax assets through profit or loss	(3,500)	(254)
Balance at the end of the year	-	-
(d) Deferred tax assets not recognised		
Unused tax losses	40,463	39,708
Net deductible timing differences	9,015	846
Gross deferred tax assets not recognised	49,478	40,554
Potential tax benefit	15,658	12,163

5 Interests of Key Management personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel for the year ended 30 June 2015.

The totals of remuneration paid to Key Management Personnel of the Group during the year are as follows:

	Consolidated	
	30 Jun 15	30 Jun 14
	$'000	$'000
Short-term employee benefits	1,026	1,112
Post-employment benefits	50	57
Long-term employment benefits	-	-
Share -based payments	41	6
	1,117	1,175

6 Auditor's remuneration

	Consolidated	
	30 Jun 15	30 Jun 14
Remuneration of the auditor of the parent company for:	$	$
Audit services		
- Auditing or reviewing the financial statements	55,763	46,942
Non-audit services		
- Tax compliance services	20,816	22,650
	76,579	69,592

7 Earnings per share

	Consolidated	
	30 Jun 15	30 Jun 14
(a) Earnings used in calculating basic and diluted earnings per share:	$'000	$'000
Loss for the year	(9,974)	(2,601)
Loss used in the calculation of the basic and dilutive earnings per share	(9,974)	(2,601)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	152,140,466	152,140,466
Adjustments for the calculation of diluted earnings per share:		
Options/performance rights	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	152,140,466	152,140,466

* Options/rights were not included in the current year because the Group had a loss and options/rights were, therefore, considered anti-dilutive. Options/rights were not included in the prior 2014 year as they are not considered dilutive.
At 30 June 2015 there was a total of 3,450,000 (2014: 1,600,000) KMP options/rights outstanding.

8 Cash and cash equivalents

	Consolidated	
	30 Jun 15	30 Jun 14
	$'000	$'000
Cash at bank and on hand	2,266	561
Deposits at call	13,750	25,125
Cash at bank and on hand	16,016	25,686

9 Trade and other receivables

	Consolidated	
	30 Jun 15	30 Jun 14
Current	$'000	$'000
Trade receivables	9	9
Interest receivable	125	269
Prepayments	123	60
	257	338
Non-Current		
Environmental bonds and deposits	601	641
Rental bond	87	72
	688	713
	945	1,051

10 Property, plant and equipment

	Consolidated	
	30 Jun 15	30 Jun 14
	$'000	$'000
Freehold land	-	8
Buildings & leasehold improvements	-	66
Accumulated depreciation	-	-
	-	66
Plant and equipment at cost	154	213
Accumulated depreciation	(99)	(177)
	55	36
	55	110

10 Property, plant and equipment (continued)

Movements in carrying amounts of property, plant and equipment

	Freehold land $'000	Buildings & leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance, 1 July 2014	**8**	**66**	**36**	**110**
Additions	**-**	**-**	**37**	**37**
Disposals	**(8)**	**(66)**	**(2)**	**(76)**
Depreciation	**-**	**-**	**(16)**	**(16)**
Balance, 30 June 2015	**-**	**-**	**55**	**55**

	Freehold land $'000	Buildings & leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance, 1 July 2013	8	72	38	118
Additions	-	5	13	18
Disposals	-	(7)	(2)	(9)
Depreciation	-	(4)	(13)	(17)
Balance, 30 June 2014	8	66	36	110

11 Trade and other payables

	Consolidated	
	30 Jun 15	30 Jun 14
Current	**$'000**	$'000
Trade payables	**369**	323
Other payables	**47**	244
Employee benefits	**4**	42
	420	609

12 Provisions

	Consolidated	
	30 Jun 15	30 Jun 14
Non-current	**$'000**	$'000
Restoration & rehabilitation	**739**	421
Make-good obligation under lease agreement	**-**	10
	739	431

12 Provisions (continued)

	Consolidated	
	30 Jun 15	30 Jun 14
Movements in carrying amounts of restoration and rehabilitation provision	$'000	$'000
Balance at the beginning of year	421	432
Increase/(reduction) in amount provided	318	(11)
Balance at the end of year	739	421

The amount represents the obligation to restore land disturbed during development activities to the conditions specified in the rehabilitation agreement. Rehabilitation is expected to be undertaken after the 2016 financial year.

	Consolidated	
	30 Jun 15	30 Jun 14
Movements in carrying amounts of make-good provision	$'000	$'000
Balance at the beginning of year	10	10
Amounts used	(10)	-
Balance at the end of year	-	10

The provision for make-good represents the Group's obligation under a lease agreement to return a property to its original condition upon termination of the lease.

13 Issued capital

	Consolidated	
	30 Jun 15	30 Jun 14
Ordinary shares	$'000	$'000
Ordinary shares - fully paid	61,518	61,518
Transaction costs relating to share issues (net of tax)	(1,290)	(1,290)
	60,228	60,228

	2015	2014	2015	2014
Movements in ordinary shares	Number of Shares		$'000	$'000
Balance at the beginning of the year	152,140,466	152,140,466	60,228	60,228
Balance at the end of the year	152,140,466	152,140,466	60,228	60,228

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

13 Issued capital (continued)

Performance rights and options

The following performance rights for ordinary shares in Galilee Energy Limited were on issue:

Grant date	Expiry date	30 Jun 15	30 Jun 14
25-Oct-11	1-Mar-15	-	400,000
15-May-13	1-May-15	-	400,000
15-May-13	1-May-16	-	400,000
15-May-13	1-May-17	-	400,000
20-Nov-14	1-Dec-15	1,150,000	-
20-Nov-14	1-Dec-16	1,150,000	-
20-Nov-14	1-Dec-17	1,150,000	-
		3,450,000	1,600,000

There were no options over ordinary shares on issue at either balance date.

Refer to Note 17 for details of share options and performance rights.

Capital Management

Management controls the capital of the Group to ensure that it can fund its operations and continue as a going concern. The Group's capital comprises equity as described in the statement of financial position supported by financial assets. There are no externally imposed capital requirements.

Management manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. Responses to these changes include management of debt levels and share issues.

There have been no changes in the strategy since the prior year.

14 Reserves

	Consolidated	
	30 Jun 15	30 Jun 14
	$'000	$'000
Share based payments	1,016	973
Foreign currency translation	(19)	-
Non-controlling interest elimination reserve	(7,656)	(7,656)
	(6,659)	(6,683)

Share based payments reserve

This reserve reflects the fair value of equity instruments granted under share-based payment arrangements.

Foreign currency translation reserve

The foreign currency translation reserve records the exchange differences arising on translation of foreign subsidiaries.

Non-controlling interest's elimination reserve

This reserve has arisen as a result of the acquisition of the non-controlling interests in subsidiary company Galilee Resources Pty Ltd. The value of consideration paid for the non-controlling interests was greater than the carrying value of the non-controlling interests acquired.

14 Reserves (continued)

Movements in reserves - 2015	Share based payments $'000	Foreign currency translation $'000	Non-controlling interest elimination $'000	Total $'000
Balance at the beginning of year	973	-	(7,656)	(6,683)
Grant of performance rights	43	-	-	43
Foreign currency translation	-	19	-	19
Balance at the end of year	1,016	19	(7,656)	(6,621)
Movements in reserves - 2014				
Balance at the beginning of year	967	-	(7,656)	(6,689)
Grant of performance rights	6	-	-	6
Foreign currency translation	-	-	-	-
Balance at the end of year	973	-	(7,656)	(6,683)

15 Interest in joint operation

Subsidiary	Agreement	Interest	Comment
Galilee Resources Pty Ltd	ATP529P Joint Operating Agreement	50%	AGL Limited is the operator for the exploration and development programs
Galilee Energy Texas LLC	Hoffer-Klimitcheck Area Lavaca County Participation Agreement and Joint Operating Agreement	35%	Working interest reduced to 28% after payback.
Galilee Energy Kansas LLC	• Key Terms Agreement • Joint Venture Agreement • Joint Operating Agreement	25% 50% 75%	Interest earned after: 3D seismic Well 1 to Casing point Well 2 to casing point
Galilee Energy Illinois LLC	• Deed of Novation & Agreement • Illinois Basin Prospect Area Participation Agreement • Joint Operating Agreement	75%	Acquired Spinifex Petroleum Inc interest and earn 75% interest in each project by funding 100% of first well dry hole cost.

The Group's accounting policy is to expense its interests in the joint operations until such time an economically recoverable resource has been identified.

16 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name of entity	Country of Incorporation	Class of equity	Equity Holding 2015	Equity Holding 2014
Galilee Resources Pty Ltd	Australia	Ordinary	100%	100%
Beaconsfield Energy Development Pty Ltd	Australia	Ordinary	100%	100%
Capricorn Energy Pty Ltd	Australia	Ordinary	100%	100%
Galilee Energy US LLC	United States	Ordinary	100%	100%
Galilee Energy Texas LLC	United States	Ordinary	100%	100%
Galilee Energy Illinois LLC	United States	Ordinary	100%	100%
Galilee Energy Kansas LLC	United States	Ordinary	100%	-
Galilee Energy Chile SpA	Chile	Ordinary	100%	100%

All subsidiaries have the same reporting date as the parent, Galilee Energy Limited.

17 Share based payments

The following table shows the number and movements of performance rights granted during the year and on issue at 30 June 2015:

Grant date	Expiry date	Opening balance	Granted during the year	Exercised during the year	Expired during the year	Closing balance
25-Oct-11	1-Mar-15	400,000	-	-	(400,000)	-
15-May-13	1-May-15	400,000	-	-	(400,000)	-
15-May-13	1-May-16	400,000	-	-	(400,000)	-
15-May-13	1-May-17	400,000	-	-	(400,000)	-
20-Nov-14	1-Dec-15	-	1,150,000	-	-	1,150,000
20-Nov-14	1-Dec-16	-	1,150,000	-	-	1,150,000
20-Nov-14	1-Dec-17	-	1,150,000	-	-	1,150,000
		1,600,000	3,450,000	-	(1,600,000)	3,450,000

The following table shows the number and movements of performance rights granted during the year and on issue at 30 June 2014:

Grant date	Expiry date	Opening balance	Granted during the year	Exercised during the year	Expired during the year	Closing balance
25-Oct-11	1-Mar-15	2,000,000	-	-	(1,600,000)	400,000
15-May-13	1-May-15	1,000,000	-	-	(600,000)	400,000
15-May-13	1-May-16	1,000,000	-	-	(600,000)	400,000
15-May-13	1-May-17	1,000,000	-	-	(600,000)	400,000
		5,000,000	-	-	(3,400,000)	1,600,000

17 Share based payments (continued)

During the year, performance rights were granted to the executive directors in accordance with the Galilee Energy Limited Performance Rights Plans for employees and contractors. The object of the plans is to:

(a) provide an incentive for employees/contractors to remain in their employment and continue to provide services to the Group in the long term;
(b) recognise the ongoing efforts and contributions of employees/contractors to the long term performance and success of the Group; and
(c) provide employee/contractors with the opportunity to acquire performance rights, and ultimately shares in Galilee Energy Limited.

Details of the terms and conditions of performance rights granted during the year are as follows:

Issue No	Number of Rights	Service Period From	Service Period To	Vesting Date	Grant Date	Fair Value	Performance Condition
Tranche 1	1,150,000	1-Jul-14	31-Dec-15	31-Dec-15	20-Nov-14	2.8 cents	Share price 25 cents
Tranche 2	1,150,000	1-Jul-14	31-Dec-16	31-Dec-16	20-Nov-14	3.7 cents	Share price 30 cents
Tranche 3	1,150,000	1-Jul-14	31-Dec-17	31-Dec-17	20-Nov-14	4.2 cents	Share price 35 cents

There were no performance rights granted during the prior financial year.

The share based payments expense included in the financial statements with respect to performance rights granted during the year and those already issued in prior years is $42,761 (2014: $6,197).

All performance rights granted during the year vest subject to a market condition in addition to the employee/contractor satisfying a service condition relating to the completion of a specified period of employment/engagement. The market condition required is a share price hurdle which is to be achieved at each vesting date.

The fair value of performance rights is measured at grant date and is determined using a binomial or Black-Scholes pricing model that takes into account the term of the performance right, the underlying share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

Where the performance rights are granted subject only to service conditions and non-market performance conditions, in accordance with the relevant accounting standard, it is assumed that the service condition will be met and the Galilee Energy Limited share price at grant date is used to determine the fair value of the performance rights issued. The non-market performance conditions are taken into account based on the number of performance rights that actually vest. Where the performance rights are granted subject to a market condition in addition to the service condition, the pricing model also takes into account the probability that the market condition will be satisfied/not satisfied during the term of the performance rights e.g. “monte carlo” simulation technique.

The following table lists the inputs used to value the performance rights granted during the year.

INPUT VARIABLES	Tranche 1	Tranche 2	Tranche 3
Grant date	20-Nov-14	20-Nov-14	20-Nov-14
Share price at grant date (cents)	14.00	14.00	14.00
Exercise price (cents)	0.00	0.00	0.00
Share price hurdle @ vesting date (cents)	25.00	30.00	35.00
Vesting date	1-Dec-15	1-Dec-16	1-Dec-17
Term (years)	1.03	2.03	3.03
Risk free interest rate	2.75%	2.80%	2.85%
Expected share price volatility	50.00%	50.00%	50.00%
Annual rate of dividends:	0%	0%	0%

18 Parent company information

The Corporations Act requirement to prepare parent company financial statements where consolidated financial statements are prepared has been removed and replaced by the new regulation 2M.3.01, which requires limited disclosure in regards to the parent company, Galilee Energy Limited. The consolidated financial statements incorporate the assets, liabilities and results of the parent company in accordance with the accounting policy described in Note 1.

Galilee Energy Limited	30 Jun 15 $'000	30 Jun 14 $'000
Current assets	16,181	26,024
Non-current assets	56	823
Total assets	16,237	26,847
Current liabilities	127	609
Non-current liabilities	-	431
Total liabilities	127	1,040
Net assets	16,110	25,807
Issued capital	60,228	60,228
Reserves	(6,693)	(6,683)
Retained earnings/(accumulated losses)	(37,425)	(27,738)
Total shareholders' equity	16,110	25,807
Loss for the year	(9,687)	(2,601)
Total comprehensive loss for the year	(9,687)	(2,601)

The parent company has no contingent liabilities (2014: $Nil).

19 Contractual commitments

The parent company had no contractual commitments for the acquisition of property, plant and equipment at 30 June 2015 (2014: $Nil). The parent company has not guaranteed the debts of any subsidiary company (2014: $Nil), other than through its tax sharing and tax funding agreements.

20 Contingent Liabilities

The directors are not aware of any contingent assets or liabilities for the Group (2014: $Nil).

21 Commitments

Operating lease commitments

Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.

	Consolidated	
	30 Jun 15	30 Jun 14
Operating lease commitments	$'000	$'000
Minimum lease payments payable as follows:		
not later than 12 months	144	33
between 12 months and 5 years	616	-
	760	33

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $532,698 (June 2014: $592,698) as follows:

The bank guarantees are secured by term deposits.

- $532,698 (June 2014: $532,698) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees; and
- $nil (June 2014: $60,000) to the landlord of the Brisbane office premises to support the Group's obligations under the lease of the Ann Street, Brisbane premises.

National Australia Bank Limited have provided a bank guarantee amounting to $86,860 (June 2014: $nil) to support the Group's obligations under the lease of the Edward Street, Brisbane premises.

Exploration expenditure

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meeting 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. The Group's minimum expenditure obligations which are not provided for in the financial statements are as follows:

	Consolidated	
	30 Jun 15	30 Jun 14
Exploration expenditure	$'000	$'000
Minimum expenditure requirements		
not later than 12 months	3,907	1,882
between 12 months and 5 years	326	-
	4,233	1,882

Galilee Resources Pty Ltd

In order to maintain current rights to tenure for the exploration tenements, the consolidated entity has exploration expenditure obligations until expiry of the tenement holdings. The sale, transfer or farm-out of exploration rights to third parties reduces or extinguishes these obligations.

In the case of ATP 529P, the Group now holds 100% of the exploration rights following the acquisition of AGL Energy Ltd 50% stake effective 1 June 2015. The Group's exploration commitments to 30 November 2014 have been met. The Group's later work program commits new expenditure of $2 million to 30 November 2016 covering the Glenaras R1 pilot test. Actual expenditure will be dependent on the outcomes of the first phase of testing currently in operation.

There are no statutory commitments in the United States of America and South America in the next 12 months.

22 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 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.

Segment performance

The following table shows the revenue and exploration and evaluation expenditure information regarding the Group's operating segments for 30 June 2015.

	Australia		United States		South America	
	Qld	Illinois	Texas	Kansas	Chile	Total
30 June 2015	$'000	$'000	$'000	$'000	$'000	$'000
Segment Result						
Segment Revenue	-	-	-	-	-	-
Exploration & evaluation costs	423	(1,404)	(5,198)	(2,453)	(157)	(8,789)
Segment result before tax	423	(1,404)	(5,198)	(2,453)	(157)	(8,789)

Reconciliation of segment result to Group loss before tax	
Interest revenue	718
Other income	81
Employee benefits expense	(872)
Consulting fees	(51)
Business development	(440)
Administration expenses	(621)
Loss before tax	(9,974)

For the year ended 30 June 2014, management identified the Group as having only one operating segment, being exploration and evaluation of coal seam gas deposits in Queensland. Accordingly, all significant operating decisions were based upon analysis of the consolidated entity as one segment. The financial results from the segment are equivalent to the financial statements of the consolidated entity as a whole.

23 Notes to the Statement of Cash Flows

	Consolidated	
	30 Jun 15	30 Jun 14
(a) Reconciliation of cash flow from operations	$'000	$'000
Loss for the period	(9,974)	(2,601)
Depreciation	16	18
Share-based payments	43	6
Gain on sale of property, plant and equipment	(54)	-
Net exchange differences	(30)	-
Changes in operating assets and liabilities		
Decrease in trade and other receivables	144	1,067
Decrease in trade payables and accruals	(141)	(176)
(Increase) in prepayments and deposits paid	(63)	-
Decrease in provisions	270	(11)
	(9,789)	(1,697)

(b) Non-cash financing and investing activities

There were no investing and financing transactions undertaken during the current year that did not require the use of cash or cash equivalents.

24 Events occurring after balance date

Since the end of the financial year the Company completed the acquisition of the remaining 50% interest in ATP 529P from AGL Energy Limited (AGL) originally announced on 4 June 2015. ATP 529P is a coal seam gas permit located in the Galilee Basin in Queensland. The acquisition, which was announced by the Company on 4 June 2015 sees the Company assume full operatorship of the Glenaras pilot project.

As a result of the acquisition the Company assumes all exploration and rehabilitation commitments for the permit. However, other than the purchase of plant and equipment valued at $55,000 (including GST) the transaction was at no upfront cost to the Company and also required AGL to contribute $590,000 to Galilee to support the estimated future rehabilitation costs with respect to the permit.

Other than the above there has not arisen in the interval between the end of the 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.

25 Related party transactions

Parent entity

The parent company within the Group and the ultimate parent company is Galilee Energy Limited.

Subsidiaries

Interests in subsidiaries are set out in note 16.

Key management personnel

Disclosures relating to key management personnel are set out in the remuneration report.

Terms and conditions

All transactions with related parties are made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

25 Related party transactions (continued)

Transactions with controlled entities

Transactions between Galilee Energy Limited and its subsidiaries during the year included:

- Loans advanced to subsidiaries; and
- Investments in subsidiaries

Loans to subsidiaries have been impaired as noted in Note 1. The loans to subsidiaries are interest free, repayable in cash at call and are unsecured.

26 Financial instruments

Financial risk management

The group's principal financial instruments comprise receivables, payables, available for sale financial assets, cash and term deposits. The main risks arising from the group's financial assets and liabilities are interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Other than the foreign currency risks associated with the USA exploration program, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The key risks are monitored and reviewed on a regular basis and as circumstances change (e.g. acquisition of new entity or project) policies are created or revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst while minimising potential adverse effects on financial performance.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the group does not enter into derivative transactions to mitigate the financial risks. In addition, the group's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains.

The Group's financial instruments consist of deposits with banks, short-term investments, accounts receivable and payable. The totals for each category of financial instruments are as follows:

	Consolidated	
	30 Jun 15	30 Jun 14
Financial Assets	**$'000**	$'000
Cash and cash equivalents	**16,016**	25,686
Trade and other receivables	**945**	1,051
	16,961	26,737
Financial Liabilities		
Trade and other payables	**420**	609
	420	609

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

Specific financial risk exposures and management are summarised on the following page.

26 Financial instruments (continued)

Financial risk management (continued)

Interest rate risk

Exposure to interest rate risk arises on cash and term deposits recognised at reporting date because a future change in interest rates will affect future cash flows received from variable rate financial instruments or the fair value of fixed rate financial instruments.

Interest rate risk is managed by forecasting future cash requirements (generally up to one year). Cash deposit interest rate information is obtained from a variety of banks over a variety of periods (usually one month up to six month term deposits) and funds are then invested in an optimised fashion to maximise interest returns.

Interest rate sensitivity

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable. These sensitivities assume that the movement in a particular variable is independent of other variables.

A sensitivity of 2% interest rate has been selected as this is considered reasonable given the current market conditions. A 2% movement in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or Loss		Equity	
	2% increase	2% decrease	2% increase	2% decrease
2015 - Consolidated	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents and restricted cash	320	(320)	320	(320)
2014 - Consolidated				
Cash and cash equivalents and restricted cash	514	(514)	514	(514)

Credit risk

The Group is exposed to significant credit risk through its cash and cash equivalents. At 30 June 2015, the group had $16,016,462 (2014: $25,686,966) in accounts with the Westpac Banking Corporation and National Australia Bank. Cash funds are invested with AAA rated banks to mitigate credit risk exposure.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the group will always have sufficient liquidity to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid. All financial liabilities of the continuing business totalling $419,984 (2014: $609,956) are due and payable within six months of the reporting date.

26 Financial instruments (continued)

Financial risk management (continued)

Foreign exchange risk

Foreign exchange risk arises from financial assets and liabilities denominated in a currency that is not the operating entity's functional currency. The Group's reporting currency is Australian dollars (AUD). At reporting date, the Group had the following financial assets or liabilities in any US dollars:

	2015 USD $'000	2014 USD $'000
Financial Assets		
Cash and cash equivalents	137	-
Trade and other receivables	42	-
Financial Liabilities		
Trade and other payables	293	-

As a result of activities overseas, the group's statement of financial position can be affected by movements in exchange rates. The group also has transactional currency exposures. Such exposures arise from transactions denominated in currencies other than the functional currency of the group. The group's exposure to foreign currency risk primarily arises from the group's operations overseas namely in the USA.

The group currently does not engage in any hedging or derivative transactions to manage foreign currency risk. The group's policy is to generally convert its local currency to US dollars at the time of transaction. The group, has on rare occasions, taken the opportunity to move Australian dollars into foreign currency (ahead of a planned requirement for those foreign funds) when exchange rate movements have moved significantly in favour of the Australian dollar, and management considers that the currency movement is extremely likely to move back in subsequent weeks or months. Therefore, the opportunity has been taken to lock in currency at a favourable rate to the group. This practice is expected to be the exception, rather than the normal practice.

Based on financial instruments held at 30 June 2015, had the Australian dollar strengthened/weakened by 10% the group's profit or loss and equity expressed in Australian dollars would be impacted as follows:

	Profit or Loss		Equity	
Foreign currency rate sensitivity	10% Increase	10% Decrease	10% Increase	10% Decrease
2015	$'000	$'000	$'000	$'000
US dollar	11	(11)	11	(11)

There were no financial assets or liabilities denominated in a foreign currency at 30 June 2014.

Fair value estimation

The Group has no financial assets or financial liabilities for which the fair value differs materially from the carrying value in the financial statements.

Directors' declaration

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the managing director and chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

Dr David King
Chairman

Brisbane, 30 September 2015

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INDEPENDENT AUDITOR'S REPORT

To the members of Galilee Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Galilee Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Galilee Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a) the financial report of Galilee Energy Limited is in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies *with International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Galilee Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A J Whyte
Director

Brisbane, 30 September 2015

Shareholder Information

Securities on issue

The Company has the following securities on issue:

ASX quoted: 152,140,466 ordinary shares, each fully paid.

(a) Distribution of ordinary shares, analysis of shareholders by size of holding:

As at 30 September 2015

Range	Total holders	Units	% of Issued Capital
1 - 1,000	104	38,971	0.03
1,001 - 5,000	409	1,413,401	0.93
5,001 - 10,000	288	2,400,273	1.58
10,001 - 100,000	449	14,816,517	9.74
100,001 - 9,999,999,999	144	133,471,304	87.73
Rounding			**-0.01**
Total	**1,394**	**152,140,466**	**100.00**

The number of shareholders holding less than a marketable parcel (minimum $500.00 at 12c per share) is 386.

(b) 20 largest shareholders as of 7 October 2015.

Rank	Name	Units	% of Units
1.	ECARLATE PTY LTD	18,342,608	12.06
2.	AMP LIFE LIMITED	8,419,967	5.53
3.	EKCO INVESTMENTS PTY LTD	6,997,790	4.60
4.	NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	6,384,018	4.20
5.	BECAMAL PTY LTD <GORDON SMITH FAMILY A/C>	5,520,945	3.63
6.	MR A EDGAR + MS T BAINBRIDGE <EDGAR FAMILY SUPER FUND A/C>	4,630,165	3.04
7.	MR P BILSTON + MRS S BILSTON <BILSTON FAMILY S/F A/C>	4,380,165	2.88
8.	JADE SECURITIES PTY LTD <BEK UNIT A/C>	4,000,000	2.63
9.	SCINTILLA STRATEGIC INVESTMENTS LIMITED	3,950,000	2.60
10.	MACLANS SUPERANNUATION HOLDCO PTY LTD	3,000,000	1.97
11.	VENTURIN NOMINEES PTY LIMITED	2,996,337	1.97
12.	INVIA CUSTODIAN PTY LIMITED <PACIFIC ROAD PROVIDENT A/C>	2,451,083	1.61
13.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,045,631	1.34
14.	SLADE TECHNOLOGIES PTY LTD <EMBRY FAMILY SUPERFUND A/C>	2,000,000	1.31
15.	PACIFIC TUG PTY LTD <THE KYTHERA UNIT A/C>	1,698,984	1.12
16.	MACLANS SERVICES PTY LTD <MACLANS SUPER FUND A/C>	1,596,728	1.05
17.	MR P COOPER	1,441,353	0.95
18.	EDWARDS INVESTMENTS AUSTRALIA PTY LTD	1,401,975	0.92
19.	KIRKHAM INVESTMENTS AUSTRALIA PTY LTD	1,401,975	0.92
20.	MR R WILSON + MRS S WILSON <THE WILSON S/F A/C>	1,362,582	0.90
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL)		**84,022,306**	**55.23**

Shareholder Information

Securities on issue (continued)

(c) Substantial shareholders

The following have disclosed substantial shareholder notices to the Company.

Name	Units	% of Units
ECARLATE PTY LTD	18,342,608	12.06
AMP LIFE LIMITED	8,419,967	5.53

(d) Voting rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary Shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Options
Holders of options have no voting rights until such options are exercised.

a. Holders of Options or Performance Rights have no voting rights in respect to the same. However the shares that issue upon the exercise of the Options or the satisfaction of the conditions attaching to the Performance Rights will rank pari passu with the then existing issued fully paid ordinary shares.

(e) Share Buy-backs
There is no current on-market buy-back.

(f) Restricted securities
There are no restricted securities (held in escrow) on issue.

(g) Options/Performance Rights details
The number of beneficial holders of Performance Rights total 2. Unquoted Options/Performance Rights are held as follows:

Employee performance rights

Tranche 1	1,150,000	Share price vesting point 25 cents
Tranche 2	1,150,000	Share price vesting point 30 cents
Tranche 3	1,150,000	Share price vesting point 35 cents

Tenement Interests

Australia	Galilee Energy Limited	Queensland	ATP 529P	100% Galilee Energy Limited


GALILEE
ENERGY LIMITED

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