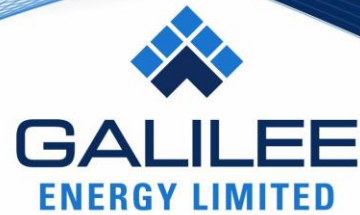


Illinois Drilling Update

ASX/MEDIA ANNOUNCEMENT

16 October 2014



Galilee Energy Limited (ASX: **GLL**) ("**Galilee**" or the "**Company**") is pleased to provide an update on drilling activities in Illinois.

The first well, Hanner 1 located in Logan County, has been drilled to a total depth ("TD") of 2,268 ft measured depth ("MD"). The well encountered the primary Silurian Racine Formation at 1,630 ft MD. While this dolomitic reef facies was encountered on target, the reservoir was not well developed. On drilling through to the secondary Trenton target, continuous oil shows were recorded in the Maquoketa Shale which overlies the Ordovician Trenton / Black River Formation from 1,930 ft MD until the well intersected the porous Trenton Formation at 2,128 ft MD. Oil shows were again encountered in the Trenton / Black River Formation until the well encountered cavernous porosity at 2,250 – 2,260 ft and drilling operations were ceased. A Drill Stem Test ("DST") was carried out across the upper Trenton zone (2,140 – 2,186 ft MD) and indicated excellent reservoir quality but did not recover commercial quantities of hydrocarbons.

Wireline logs identified a number of zones of interest, however none of them appear commercial at this time and as a consequence the well is currently being plugged and abandoned. While the test of the Trenton / Black River Formation did not yield oil in commercial quantities, the 300 ft of strong oil shows in the Maquoketa Shale and Trenton / Black River Formations encountered in the well has demonstrated a working petroleum system.

"It was pleasing to demonstrate a working petroleum system in a zone rarely tested in this area, with strong oil shows in a number of zones confirming the potential of the area and our exploration methodology. The Illinois program allows the company to test multiple targets for a very low cost." said Managing Director, Peter Lansom.

The Maquoketa Shale has long been identified as a potential oil shale play in the Illinois Basin and is the stratigraphic equivalent of the Utica Shale, which is a prolific producer. Logs from Hanner 1 indicate good porosity in the Maquoketa Shale sequence and studies will now investigate samples from the Maquoketa Shale section to identify its potential as a resource play in this area of the Basin, which has seen very few intersections. Additional work will be undertaken to determine where appropriate reservoir development and trapping may exist in proximity to this well.

Once current operations are complete, the rig will move onto Kramer 1, the second well of the program. This well is located in Sangamon County approximately 10 miles south of Hanner 1 and close to an existing oil field. The well will again target the Silurian Racine Formation at similar depths (approximately 1,590 ft), but closer to the prolific producers located along the Mt Auburn trend eight miles to the southeast. Kramer 1 has secondary objectives in the Ordovician aged Trenton and St Peter sandstones, which are expected to be deeper in this area and closer to the prognosed 3,000 ft TD.

Further information will be provided in due course.

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About Galilee

Galilee's Board and management are focused on building and expanding its asset mix to create a mid-tier exploration and production company. Galilee has a clear plan to grow shareholder value and the capacity to execute.

- Strong Balance sheet
- Proven successful Board and Management
- New strategic direction

Directors

Chairman - David King
Managing Director – Peter Lansom
Executive Director – Paul Bilston
Non-executive Director – Ray Shorrocks

Shares

Shares on issue – 152,140,466
Top 20 holders – 54.48% *
Directors and Management – 6.22%

*As at 26 August 2014