

Galilee Energy and Chile's ENAP sign MOU



27 May 2014

- **Galilee takes the first step in building its exploration portfolio in South America**
- **Partnered with ENAP, Chile's state owned oil and gas company**
- **MOU for unconventional hydrocarbons in the Magallanes Basin in southern Chile**

Galilee Energy Limited (ASX: **GLL**) ("**Galilee**" or the "**Company**") has 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.

Under the terms of the MOU, Galilee and ENAP will focus on a region covering approximately 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.

"We are excited to take the first step in building an exploration portfolio in South America in line with our previously announced company strategy. The Magallanes Basin CSG project provides Galilee with ground floor entry into an area with significant potential. We are very pleased to be aligned with ENAP who, as the largest Operator in the basin, brings a wealth of knowledge and experience" Managing Director Peter Lansom said.

Galilee will operate the joint study with the initial CSG component to be completed in six months. The agreement provides that the two companies intend to apply for one or more exploration concessions (CEOPs) over the high-graded CSG areas with Galilee as Operator, and ownership interests to be agreed.

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 also commenced reviews of a number of other onshore basins in Chile to identify further areas for expansion and to build on the strategic position the Company is establishing in the south.

For further information contact:

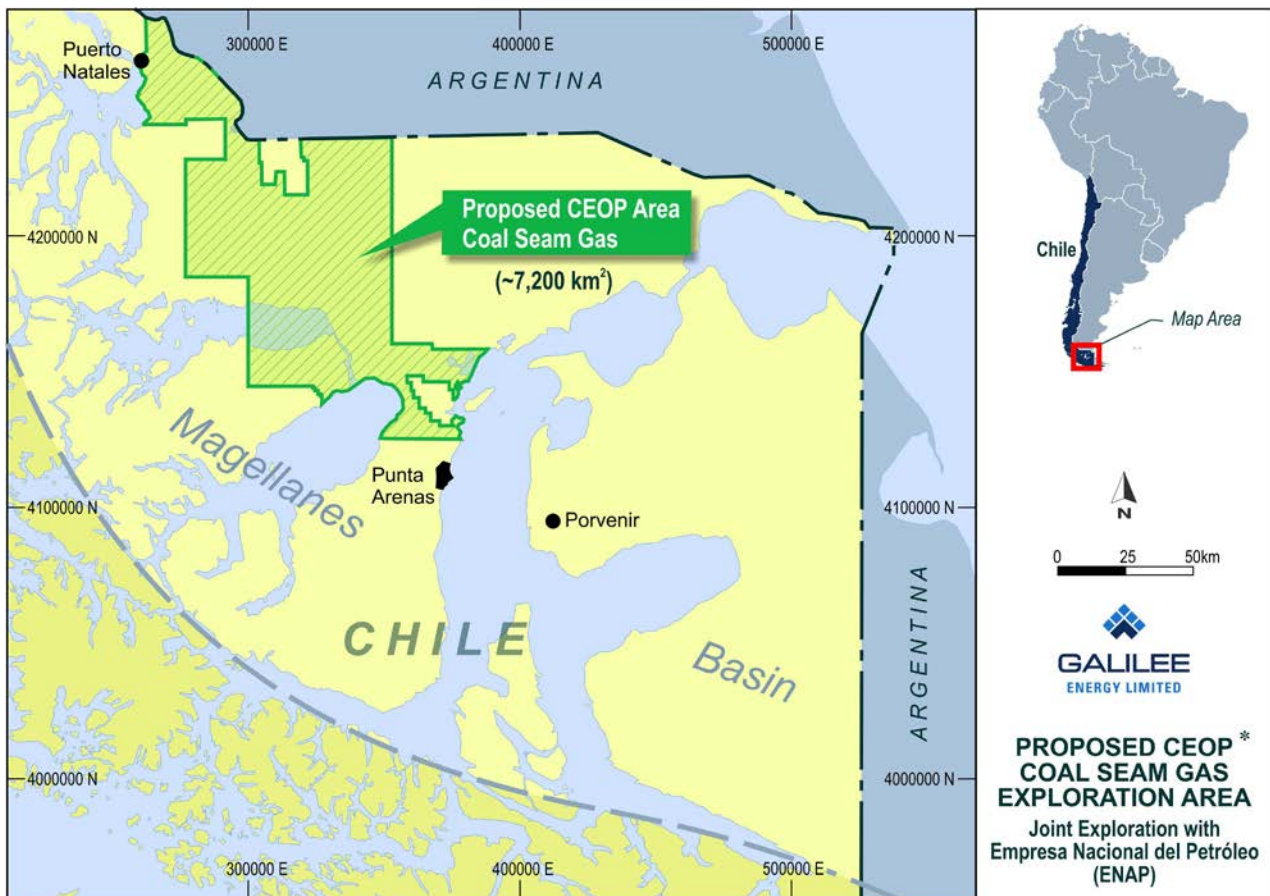
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Background Information – Magallanes Basin

The Magallanes Basin has a long history of oil and gas production with extensive pipeline and electricity infrastructure in place and access to oilfield services available locally.

Whilst the CSG potential across the study region is virtually untested, three deep core wells were drilled in the Manzano area from 1994 to 2008. Each indicated good gas content in the key objective, but due to depths ranging from 800m to 1,150m the coals were found to have limited permeability.

However, coal mine data suggests the coals are thicker (individual seams up to 8m thick) in the west. The Joint Study will utilise this and existing seismic data to focus on identifying areas where the coals are at around 200-600m depth, which should provide improved permeability and coal thickness whilst maintaining good gas content.



* CEOP means a Special Operating Contract for the Exploration and Exploitation of Hydrocarbon Deposits

About Galilee

Galilee's new board and management is 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 & Management
- New strategic direction

Directors

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

Shares on issue – 152,140,466
 Top 20 holders – 54.26% *
 Directors & Management – 6.22%

*As at 26 May 2014