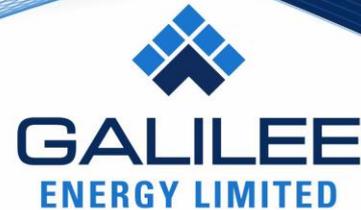


Hoffer B1 production test update

ASX/MEDIA ANNOUNCEMENT

7 July 2015



- **Production testing ongoing at Hoffer B1**
- **Aggregate Midcox production of ~ 6 MMscfd**
- **Multiple well development in these zones over the Hoffer structure**

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

Galilee Energy Limited (ASX:GLL) (“Galilee” or the “Company”) is pleased to provide an update on testing at the Hoffer B1 well located in Lavaca County, Texas.

Testing on this well is progressing. In aggregate, the zones tested in the 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).

As announced on 15 June 2015, the first of these zones in the Middle Midcox was perforated and production tested at an average flow rate of 3.5 MMscfd of gas at just over 3500 psi flowing tubing pressure on a 17/64” choke. The well also flowed an undetermined amount of associated hydrocarbon liquids, thought to be in the range of 25-50 bbls/MMscf. The testing of this zone was suspended due to a suspected partial failure of the cement job across the interval. Subsequently, a remedial cement job to restore the integrity of the Middle Midcox level was carried out. It appears the remedial cement job was only partially successful in restoring the wellbore integrity in the upper zone, and almost certainly damaged the reservoir in these zones reducing its productivity.

After the remedial cement job, the upper portion of the Middle Midcox in the 11,250-11,420 interval was perforated across approximately 33 ft of net pay. Open hole logs across this zone contained multiple gas-bearing zones, superior in quality and total thickness to the lower zone that tested 3.5 MMscfd with porosity in excess of 23% in some parts. The zone flowed a peak rate of 2.4 MMscfd with a 1017 psi flowing pressure on a 20/64” choke before well integrity issues again impaired testing.

The Hoffer B1 well is currently undergoing flowing gradient and build-up surveys. As mentioned above, testing in all zones have been compromised by poor cement integrity due to the high pressures encountered in the well. This has allowed mud and water production to occur in parallel with the testing, suppressing the gas flows across all zones. The Midcox interval being evaluated is behind two strings of casing in this wellbore, which was designed for drilling to the deeper target. Following investigation of these most recent surveys, additional remedial cement jobs are likely to be attempted before further perforating and testing. Dependent on the results of the remedial work, some of the existing tested zones may not be available for production in this wellbore, but would be accessed by future development wells as part of a field development plan.

The company is confident that the well results demonstrate a gas discovery in these zones and intends to engage an independent reserves auditor to quantify the potential in the area. 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 (\$640k GLL share) dry hole cost. We look forward to working with the Operator in preparing the development plan for this area and will advise the market of progress in due course.

For further information contact:

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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 – 55.51% *
Directors and Management – 7.23%

*As at 6 July 2015