GALICIA ENERGY CORPORATION LIMITED

ABN 73 110 184 355

HALF YEAR FINANCIAL REPORT

31 December 2014

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Directors & Officers
Douglas Jendry – Managing Director
Peter Wall – Non-Executive Chairman
Igor Soshinsky – Non-Executive Director
Sarah Smith – Company Secretary

David King – Managing Director (resigned 31 July 2014)
Stuart Brown – Non-Executive Director (resigned 18 February 2015)
Robert Bensh – Non-Executive Director (resigned 18 February 2015)

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Securities Exchange
Australian Securities Exchange Limited (ASX)
Home Exchange – Perth
ASX code – GAL (ordinary shares)
GALO (listed options)

Australian Company Number
ACN 110 184 355

Australian Business Number
ABN 73 110 184 355

Bankers
Westpac Private Bank
Level 13, 109 St Georges Terrace
Perth WA 6000
Website: www.westpac.com.au

Auditors
Pitcher Partners Corporate & Audit (WA) Pty Ltd
Level 1, 914 Hay Street
Perth WA 6000

Share Registry
Automic Registry Services
Suite 1a, Level 1, 7 Ventnor Avenue
West Perth WA 6005

Solicitors
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Domicile and Country of Incorporation
Australia

The Directors present their half year report of the "Consolidated Entity" or "Group", being Galicia Energy Corporation Limited ("Galicia" or "the Company") and its Controlled Entities, for the half year ended 31 December 2014 (the "Period").

It is recommended that the Directors' Report be read in conjunction with the annual financial statements for the year ended 30 June 2014 and considered together with any public announcements made by the Group during the Period and up to the date of this report.

1. DIRECTORS

The names of the Company's Directors in office during the Period and until the date of this report are set out below. Directors were in office for this entire Period unless otherwise stated.

Directors	Position	Duration of Appointment
Mr Douglas Jendry	Managing Director	(Appointed 16 June 2014)
Mr Igor Soshinsky	Executive Director	(Appointed 28 November 2013)
Mr Peter Wall	Non-Executive Chairman	(Appointed 29 February 2012)
Mr Robert Bensh	Non-Executive Director	(Appointed 31 January 2014 – Resigned 19 February 2015)
Mr Stuart Brown	Non-Executive Director	(Appointed 31 January 2014 – Resigned 19 February 2015)
Mr David King	Managing Director	(Appointed 1 May 2013 – Resigned 31 July 2014)

2. COMPANY SECRETARY

The current Company Secretary up to the date of this report is Ms Sarah Smith.

3. PRINCIPAL ACTIVITIES

Galicia Energy Corporation Limited is an oil and gas exploration and development company focused on advancing highly prospective assets within the world class oil and gas provinces of the Ukraine and Eastern Europe.

Through its established in-country relationships and management expertise, the Company intends to expand its asset portfolio throughout the Ukraine and Eastern Europe to develop a diversified exploration and production oil and gas company.

4. REVIEW OF OPERATIONS

POLAND – BIESZCZADY PROJECT

In July 2014, Galicia finalised its in-depth due diligence of the Bieszczady Project and completed the necessary formalities, including the execution of the Share Purchase Agreement (SPA) with Iskander Energy (Iskander), and proceeded with the acquisition with immediate effect. This delivered Galicia a 24% working interest in the Joint Operating Agreement (JOA) for the project.

The Bieszczady Project is made up of eight (8) contiguous licences and covers an extensive area of 3,546 km^2 in the far south-east of Poland bordering on the foothills of the Carpathian Mountains.

Tarnawa Central, one of five Prospects identified in the Project area, has been flow tested by means of the Niebieszczady-1 ("Nieb-1") discovery well drilled in 2011.

REVIEW OF OPERATIONS (CONTINUED)

Polskie Górnictwo Naftowe i Gazownictwo ("PGNiG"), which is the largest oil & gas exploration and production company in Poland, is the 51% JV owner and Operator of the Project with LSE and AIM listed San Leon Energy plc as the other 25% JV Partner.

LIMNYTSKA LICENCE

Galicia has 100% ownership of the Limnytska Licence, a large onshore oil and gas project spanning some 172km^2 in Western Ukraine. The licence is located adjacent to known discoveries and near to existing large producing oil and gas fields, Limnytska is considered a relatively low risk appraisal type opportunity with significant upside.

During the Period, Galicia completed the acquisition of 120 line kilometres of 2D seismic over the southern portion of the Limnytska Licence. Processing of the data was completed in Ukraine and the final data and maps were presented to the company in July 2014. The data was considered good quality and as part of a precautionary measure, an 'audit' of the data was carried out by an Australian processor.

The Australian company was unable to improve on the Ukraine processed data and therefore did not reprocess all the lines. The outcome is an excellent vote of confidence in the Ukrainian processors and confirms Galicia's faith in the abilities of our Ukrainian contractors.

Due to the good quality of the seismic data, the main thrust, the Cretaceous section and the Jurassic sediments, can be clearly identified and was subsequently mapped. The data shows three distinct north west-south east trending 'steps' moving upward to the north east. Each 'step' shows distinct down to the south east faulting which again is clearly evident on the seismic sections.

In the south west, the target sediments are over 5,000 metres deep while in the north east the target depths are approximately 1,500 metres. The two intervening 'steps' have approximate depths of 4,000 and 3,400 metres respectively. A number of north east-south west trending faults separate the various 'steps' in to separate compartments which in the centre of the area have revealed a distinctive horst and graben feature.

The numerous prospects recognised on the seismic have varying areal extents from 3.5 to 17 square kilometres, with vertical relief usually in excess of 200 metres. The potential of the features is significant.

Due to the dramatic fall in oil price and the market sentiment toward the E&P sector on general, Galicia is intending to farm out its Ukraine acreage and otherwise limit expenditure on the licence.

5. FINANCIAL RESULTS

The financial results of the Group for the half year ended 31 December 2014 are:

	31-Dec-14	30-Jun-14
Cash & cash equivalents ($)	858,138	3,037,288
Net Assets ($)	12,749,892	13,496,975

	31-Dec-14	31-Dec-13
Revenue ($)	15,171	159,441
Net loss after tax ($)	(1,579,745)	(1,061,480)
Basic loss per share (cents)	(0.95)	(1.06)
Dividend ($)	-	-

REVIEW OF OPERATIONS (CONTINUED)

The Company completed a Placement in June 2014 which, due to a high level of oversubscriptions, was issued in two tranches in June and July 2014. In the previous period, a total of A$2,628,500 was raised via the issue of 87,616,678 shares priced at A$0.03, with 43,808,339 free attaching options exercisable at $0.08 on or before 30 June 2015 to professional and sophisticated investors under the Placement which was approved by shareholders at a General Meeting held on 12 June 2014.

In July 2014, the Company received additional support for its Placement from other high net worth investors and ultimately increased the amount to be raised under the placement by a further $688,078 including the funds from European based fund, Mont Blanc Capital Management AG who subscribed for an approximate 8% interest in the Company in return for an investment of $500,000.

Subject to shareholder approval, Galicia directors Mr Peter Wall and Mr Doug Jendry had committed to contribute Placement funds of $100,000 and $60,000, respectively. This approval was obtained at a general meeting held on 15 August 2014.

On 15 August 2014, at a general meeting of the Company, shareholders approved the following:

- Authority for Directors to participate in the Placement;
- Change of Company name;
- Ratification of additional Placement options issued to brokers and advisors;
- Placement of Shares;
- Ratification of prior issues of Shares and Options; and
- Issue of Options to Advisors and Consultants

As approved at a general meeting of shareholders in August 2014, the Company changed its name from Cossack Energy Limited to Galicia Energy Corporation Ltd and subsequently changed its ASX code to 'GAL'.

On 31 July 2014, Managing Director Mr David King resigned and was replaced by Mr Doug Jendry.

At the Company's AGM held on 28 November 2014, the shareholders approved the issue of 3,000,000 Performance Rights to each of Mr Peter Wall and Mr Doug Jendry under the Performance Rights Plan. These were issued on 28 December 2014.

There have been no other significant changes in the state of affairs of the Company.

6. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 28 January 2015, the Company announced a pro-rata renounceable Rights Issue offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company on the basis of two fully paid ordinary shares in the capital of the Company for every one Share held to raise approximately $2,075,928 (before costs). The Rights Issue closed on 16 February 2015. On 20 February 2015, the Company issued 60,653,206 fully paid ordinary shares pursuant to the Rights Issue, and will proceed to place the remaining shortfall of 354,532,450 shares as soon as practicable.

Subsequent to the end of the period, the Board decided that with the dramatic fall in oil price and the market sentiment toward the E&P sector on general, Galicia will pursue a sale of its Bieszczady group of leases in Poland (or withdrawal).

SIGNIFICANT EVENTS AFTER BALANCE DATE (CONTINUED)

The decision to sell or withdraw from the Poland assets has been driven by the delay in the flow testing program and an unmanageable future work program proposed by the Operator.

On 9 February 2015, the Company advised that its wholly owned subsidiary, EuroGas Polska Sp, was issued with a default notice relating to its interests in the Bieszczady leases.

The notice was issued by the Operator, Polske Gornictwo Naftowe I Gazownictwo SA (PGNiG). The default relates to the alleged non-payment of moneys owing for work performed by the Operator. As stated above, the Company is seeking to sell its interest in the Bieszczady leases, and expects these negotiations to be completed in the coming months.

On 19 February 2015, the Company reached a settlement agreement with Iskander relating to the deferred payment due under the agreement to acquire the 24% interest in the Bieszczady leases. Under the terms of the settlement agreement, the Company agreed to pay Iskander US$200,000 and each party has agreed to release each other from all future liabilities.

On 19 February 2015, Non-Executive Directors Messrs Robert Bensh and Stuart Brown tendered their resignations as Non-Executive Directors of the Company.

Other than the above, no other events have arisen that would be likely to materially affect the operations of the Company, or the state of affairs of the Company not otherwise as disclosed in the Company's financial report.

7. AUDITOR'S INDEPENDENCE DECLARATION

In accordance with Section 307c of the *Corporations Act 2001*, Pitcher Partners Corporate & Audit (WA) Pty Ltd's independence declaration is set out on page 8 and forms part of this half-year report.

Signed in accordance with a resolution of the Directors.

Peter Wall
Non-Executive Chairman
16 March 2015

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Galicia Energy Corporation Limited and its controlled entities

In relation to the independent review for the half-year ended 31 December 2014, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

PAUL MULLIGAN
Executive Director
Perth, WA
16 March 2015

GALICIA ENERGY CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	31-Dec-14	31-Dec-13
		$	$
Revenue from continuing operations		**15,171**	159,441
Employee benefits expenses		**(144,318)**	(147,026)
Administration & exploration expenses		**(1,381,623)**	(749,489)
Finance costs		**(5,484)**	-
Depreciation expense		**-**	(404)
Share-based payments	6	**(63,354)**	(278,069)
Foreign exchange (loss)/gain		**(137)**	(2,519)
Loss from continuing operations before income tax		**(1,579,745)**	(1,018,066)
Income tax expense		**-**	(43,414)
Loss from continuing operations after income tax		**(1,579,745)**	(1,061,480)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations	6	**49,355**	(23,675)
Other comprehensive income / (loss) for the period, net of tax		**49,355**	(23,675)
Total comprehensive loss for the period		**(1,530,390)**	(1,085,155)
		Cents	**Cents**
Loss per share attributable to the ordinary equity holders of the company:			
Basic loss per share – cent per share		**(0.95)**	(1.06)
Diluted loss per share – cent per share		**(0.95)**	(1.06)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

GALICIA ENERGY CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	31-Dec-14	30-Jun-14
		$	$
Current Assets			
Cash & cash equivalents		858,138	3,037,288
Trade & other receivables		427,985	201,615
Total Current Assets		1,286,123	3,238,903
Non-Current Assets			
Other assets		-	9,986
Plant & equipment		452,543	96,403
Exploration & evaluation costs	4	12,276,306	10,806,987
Total Non-Current Assets		12,728,849	10,913,376
TOTAL ASSETS		14,014,972	14,152,279
Current Liabilities			
Trade & other payables		1,021,028	644,937
Provisions		244,052	10,367
Total Current Liabilities		1,265,080	655,304
TOTAL LIABILITIES		1,265,080	655,304
NET ASSETS		12,749,892	13,496,975
Equity			
Contributed equity	5	26,239,970	25,520,017
Reserves	6	338,355	225,646
Accumulated losses		(13,828,433)	(12,248,688)
TOTAL EQUITY		12,749,892	13,496,975

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

	Contributed Equity	Option Premium Reserve	Equity-based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	**$**	**$**	**$**	**$**	**$**
At 1 July 2014	**25,520,017**	**57,935**	**372,760**	**(205,049)**	**(12,248,688)**	**13,496,975**
Comprehensive income:						
Loss for the year	-	-	-	-	(1,579,745)	(1,579,745)
Other comprehensive income	-	-	-	49,355	-	49,355
Total comprehensive loss for the period	-	-	-	49,355	(1,579,745)	(1,530,390)
Transactions with owners in their capacity as owners:						
Issue of share capital	843,553	-	-	-	-	843,553
Capital raising costs	(123,600)	-	-	-	-	(123,600)
Equity-based payments	-	-	63,354	-	-	63,354
At 31 December 2014	26,239,970	57,935	436,114	(155,694)	(13,828,433)	12,749,892
At 1 July 2013	**11,058,427**	**1,000**	**-**	**-**	**(9,786,032)**	**1,273,395**
Comprehensive income:						
Loss for the year	-	-	-	-	(1,061,480)	(1,061,480)
Other comprehensive loss	-	-	-	(23,675)		(23,675)
Total comprehensive loss for the period	-	-	-	(23,675)	(1,061,480)	(1,085,155)
Transactions with owners in their capacity as owners:						
Issue of share capital	11,223,900	-	-	-	-	11,223,900
Capital raising costs	(421,431)	-	-	-	-	(421,431)
Equity-based payments	-	-	278,069	-	-	278,069
At 31 December 2013	**21,860,896**	**1,000**	**278,069**	**(23,675)**	**(10,847,512)**	**11,268,778**

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

GALICIA ENERGY CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	31-Dec-14	31-Dec-13
	$	$
Cash flows used in operating activities		
Payment to suppliers & employees	(1,053,223)	(841,990)
Interest received	15,171	12,632
Net cash flows used in operating activities	(1,038,052)	(829,358)
Cash flows used in investing activities		
Payment for acquisition costs of project	(833,500)	(873,789)
Payment for exploration & evaluation costs	(835,690)	(502,407)
Cash advance to other parties	-	(110,672)
Net cash flows used in investing activities	(1,669,190)	(1,486,867)
Cash flows from financing activities		
Proceeds from issue of securities	602,474	3,213,900
Proceeds from unissued securities	-	299,153
Security issue transaction costs	(123,600)	(305,563)
Net cash flows provided by financing activities	478,874	3,207,490
Net (decrease) / increase in cash and cash equivalents	(2,228,368)	891,265
Cash and cash equivalents at the beginning of the period	3,037,288	839,726
Effect of exchange rate fluctuations on cash held	49,218	(26,194)
Cash and cash equivalents at the end of the period	858,138	1,704,797

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

1. CORPORATE INFORMATION

Galicia Energy Corporation Limited (referred to as "Galicia" or the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The address of its registered office and principal place of business are disclosed in the Corporate Directory. The condensed consolidated interim financial report covers the period from 1 July 2014 to 31 December 2014 (the "Period") and comprises the Company and its subsidiaries (referred to as the "Consolidated Entity" or the "Group"). The Group is primarily involved in oil and gas exploration and development within the world class oil and gas provinces of the Ukraine and Eastern Europe.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of compliance
This half-year financial report of the Group has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial statements for the year ended 30 June 2014 and considered together with any public announcements made by the Group during the Period and up to the date of this report in accordance with the continuous disclosure obligations of the *Corporations Act 2001*.

The half year financial report of Galicia Energy Corporation Limited was authorised for issue in accordance with a resolution of the Directors on 16 March 2015.

Summary of Significant Accounting Policies
The significant accounting policies adopted in the preparation of the historical financial information included in this report have been set out below.

(a) Basis of preparation

These half-year financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of this financial report for the Period under review are consistent with those adopted in the annual financial statements for the year ended 30 June 2014, and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

(b) Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the half-year ended 31 December 2014 of $1,579,745 (31 December 2013: $1,061,480 loss), and a net cash outflow from operations of $1,038,052 (31 December 2013: $829,358). As at 31 December 2014 the Group had net assets of $12,749,892 (30 June 2014: $13,496,975).

The Group’s ability to continue as a going concern and pay its debts as and when they fall due is dependent upon the Group raising additional capital via any means available to it inclusive of, but not limited to, placements, option conversions, rights issues, or joint venture arrangement in a timely manner in order to fund the ongoing exploration and operation activities.

Subsequent to the end of the reporting period, the Company completed a pro-rata renounceable Rights Issue offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company on the basis of two fully paid ordinary shares in the capital of the Company for every one Share held to raise approximately $2,075,928 (before costs). On 20 February, the Company successfully raised $303,266 through the issue of 60,653,206 fully paid ordinary shares pursuant to the Rights Issue, and plans to place the remaining shortfall of 354,532,450 shares to raise additional funds as soon as practicable.

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will achieve the matters set out above and be able to pay its debts as and when they fall due.

The interim condensed consolidated financial statements are normally prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Hence it is assumed that the Group has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the interim condensed consolidated financial statements may have to be prepared on a different basis and, if so, the basis used will be disclosed.

(c) Asset acquisition

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities, as the initial recognition exemption for deferred tax under AASB 112 *Income Taxes* applies. No goodwill will arise on the acquisition.

(d) Exploration and evaluation costs

Exploration and evaluation costs in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation costs are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale: or

BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

- exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities in a particular area of interest.

When a decision to proceed to development is made the exploration and evaluation costs capitalised to that area are transferred to mine development within property, plant and equipment. All costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised.

(e) Foreign currency translation

(i) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars. The functional and presentation currency of the Company is Australian dollars. The functional currency of the subsidiaries are Euro (EUR) and Ukraine Hryvnia (UAH).

(ii) 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 they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investments in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statement of Comprehensive Income, within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income on a net basis within other income or other expenses.

(iii) Group companies

The results and financial position of foreign operations (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 each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement and statements 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

BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(f) Accounting Standards issued but not yet effective

The AASB has issued new standards, amendments and interpretations to existing standards which have been published but are not yet effective, and have not yet been adopted early by the Company. The new standards, amendments and interpretations that may be relevant to the Company's financial statements are provided below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets	1 January 2017
AASB 15 Revenue from Contracts with Customers AASB 15 - establishes a new revenue recognition model - changes the basis for deciding whether revenue is to be recognised over time or at a point in time - provides new and more detailed guidance on specific topics - expands and improves disclosures about revenue	1 January 2017

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised standards and interpretations issued by the AASB that are relevant to its operations, therefore, no changes are necessary to the Group accounting policy.

3. OPERATING SEGMENTS

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group now operates as one business segment, being an oil and gas exploration and development company focussed on advancing highly prospective assets within the world class oil and gas provinces of the Ukraine and Eastern Europe.

4. EXPLORATION & EVALUATION COSTS

	31-Dec-14	30-Jun-14
	$	$
Carrying amount of exploration and evaluation costs	12,276,306	10,806,987

Movement reconciliation	**31-Dec-14**
Balance at the beginning of the period	10,806,987
Acquisition (i)	1,177,127
Additions	292,192
Balance at the end of the period	12,276,306

Acquisition of Biesczczady Project Poland

During the period Galicia, through its 100% owned subsidiary Eastford Investments, acquired 100% of the issued capital of Eurogas Polska which held a 24% interest Joint Operating Agreement (JOA) for the Bieszczady Project in Poland. The Company paid US$200,000 in June 2014, and a further US$500,000 paid on Settlement in early July. Subsequent to the end of the period, the remaining US$300,000 payable was reduced to US$200,000, following the Company's decision to withdraw from the Poland assets.

5. CONTRIBUTED EQUITY

	31-Dec-14		**30-Jun-14**	
	$	**No.**	**$**	**No.**
Ordinary shares	26,239,970	194,592,828	25,520,017	166,323,529

Movement in shares	**$**	**No.**	**Issue price**
Balance at 30 June 2014	25,520,017	166,323,529	$
Shares issued in private placements (oversubscription)	843,553	28,269,299	.03
Share raising costs	(123,600)	-	
Balance at 31 December 2014	26,239,970	194,592,828	

6. RESERVES

	31-Dec-14	**30-Jun-14**
	$	**$**
Option reserves	57,935	57,935
Equity-based payment reserve	436,114	372,760
Foreign currency translation reserve	(155,694)	(205,049)
	338,355	225,646

RESERVES (CONTINUED)

	31-Dec-14
Movement Reconciliation	$
Equity-based payment reserve	
Balance at the beginning of the period	372,760
Performance rights (i)	93,600
Reversal of previous recognised performance rights due to termination	(30,246)
Balance at the end of the period	436,114

Foreign currency translation reserve	
Balance at the beginning of the period	(205,049)
Effect of translation of foreign currency operations to group presentation currency	49,355
Balance at the end of the period	**(155,694)**

(i) PERFORMANCE RIGHTS:

(a) Fair value of performance rights granted during the period

The Company has a Performance Rights Plan ("PRP") in place to allow the Directors and employees to be granted performance rights (Performance Rights) to acquire Shares in the Company.

The reason for the adoption of a new PRP was due to taxation legislation changes made in Australia in late 2009. This new taxation treatment has significantly reduced the effectiveness of Options as an incentive for the Company's Directors and employees. Accordingly, the new PRP is structured that the Board awards Performance Rights which ultimately can vest into Shares, should circumstances permit.

A Performance Right does not have an exercise price and therefore allows a recipient, subject to satisfaction of the relevant vesting conditions and performance hurdles (as applicable), to benefit by their Performance Rights vesting into ordinary shares in the Company. The adoption of such an incentive mechanism which allows the grant of Performance Rights is a current trend among the Company's ASX listed industry peer group.

The objective of the PRP is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of the Directors and employees in achieving specified performance milestones within a specified performance period. The Board will ensure that the performance milestones attached to the securities issued pursuant to the PRP are aligned with the successful growth of the Company's business activities.

The Directors and employees of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the PRP is an appropriate method to:

(a) reward Directors and employees for their past performance;
(b) provide long term incentives for participation in the Company's future growth;
(c) motivate Directors and generate loyalty from senior employees; and
(d) assist to retain the services of valuable Directors and employees.

The PRP is used as part of the remuneration planning for executive and non-executive Directors and employees. The Corporate Governance Council Guidelines recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to

RESERVES (CONTINUED)

the Company' circumstances and goals. The Performance Rights are used as part of the remuneration planning for non-executive Directors. Although this is not in accordance with the recommendations contained in the Corporate Governance Council Guidelines, the Company considers that it is appropriate for non-executive Directors to be granted Performance Rights.

Performance Rights – Managing Director and Non-Executive Chairman
During the period the Company issued performance rights to the following Key Management Personnel:

- On 28 December 2014, the Company issued 3,000,000 performance rights to each of the Managing Director, Mr Doug Jendry, and Non-Executive Chairman, Peter Wall.

The Performance rights were issued as incentive to motivate and reward performance in achieving specified performance milestones within a specified performance period.

In order for the Performance Rights to vest as Shares one of the following Performance Milestones must be achieved within three years from the date the Board agreed to issue the Performance rights:

1. the Company executes a farm out agreement in relation to the Limnytska Licence;

2. the Company's 10 trading day volume weighted average share price as traded on ASX equals or exceeds six (6) cents; or

3. the Company enters into and completes a successful financing (debt, equity or hybrid) arrangement of more than $10 million;
 (together, Vesting Conditions).

In addition, for each class of the Performance Rights, the Director must remain employed by the Company for a minimum of 12 months from the commencement date, otherwise they will immediately lapse.

The model inputs are shown in the tables below:

Managing Director

Vesting Conditions:	
Date of Grant	28/12/2014
Date of Expiry	28/12/2017
Years to Expiry	3
Number of Rights Granted	3,000,000
Total Fair Value of Rights	46,800

Non-Executive Chairman

Vesting Conditions:	
Date of Grant	28/12/2014
Date of Expiry	28/12/2017
Years to Expiry	3
Number of Rights Granted	3,000,000
Total Fair Value of Rights	46,800

Due to these vesting conditions being dependent on certain production milestones being achieved, the Company has estimated the probability of the milestones being met.

RESERVES (CONTINUED)

(b) Recognised equity-based payment expense

The total expense recognised for Key Management Personnel under the PRP for the period are as follows:

	31-Dec-14 Value recognised during period
	$
Key Management Personnel	
Performance rights – Managing Director	46,800
Performance rights – Non-Executive Director	46,800
	93,600

7. RELATED PARTY DISCLOSURES

(a) Equity interest of Galicia

Name	Country of Incorporation	Class of shares	Equity Interest 31-Dec-14	Equity Interest 30-Jun-14
			%	%
Cossack Investments Pty Ltd	Australia	Ordinary	100	100
Zinest Holdings Limited	Cyprus	Ordinary	100	100
Geo Poshuk Ltd	Ukraine	Ordinary	100	100
Eastford Investments Sp zo.o	Poland	Ordinary	100	-
Eurogas Polska Sp zo.o	Poland	Ordinary	100	-

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise state.

	31-Dec-14	31-Dec-13
	$	$
Steinepries Paganin Lawyers & Consultants:		
A firm which Director Peter Wall is a partner – Legal services	17,718	124,703
Subsoil		
A firm which Director Igor Soshinsky is a Director – Technical expertise, Management and corporate compliance services	332,733	-

(c) Loans to related parties

There were no loans to related parties during the Period.

8. COMMITMENTS

During the period Galicia, under the terms of the SPA with Iskander for the acquisition of a 24% interest in the Bieszczady Project, the Company paid US$200,000 in June 2014, and a further US$500,000 paid on Settlement in early July 2014. Under the terms of the SPA, a final deferred payment of US$300,000 was due prior to 31 December 2014. During the reporting period the Company paid its share of concession fees and mining usufruct in relation to its 24% interest in the Bieszczady Project totalling $154,327.

Subsequent to the end of the period, on 19 February 2015, the Company reached a settlement agreement with Iskander relating to the deferred payment of US$300,000. Under the terms of the settlement agreement, the Company agreed to pay Iskander US$200,000 and each party has agreed to release each other from all future liabilities.

There are no other commitments, other than those that existed as at 30 June 2014 that the Group has entered into during the period under review.

9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no new contingencies, other than those that existed as at 30 June 2014 that the Group has entered into during the Period under review.

10. DIVIDENDS

No dividend has been paid during the Period and no dividend is recommended for the Period.

11. ACQUISITION OF SUBSIDIARY

During the financial year, the Company acquired 100% of the voting shares of Eastford Investments and Eurogas Polska. The cash consideration paid in relation to the acquisition totaled $833,500. It is considered that the acquisition of Eastford Investments and Eurogas Polska is not a business combination, but rather an acquisition of assets.

The fair value of the identifiable assets and liabilities of Eastford Investments and Eurogas Polska as at the date of acquisition are:

	Recognised on acquisition $
Cash and cash equivalents	26,861
Trade and other receivables	43,325
Exploration assets	1,177,127
Trade and other payables	(200,613)
Fair value of identifiable assets	1,046,700
Cost of the acquisition:	
Consideration paid	833,500
Consideration payable	213,200
Total	1,046,700

12. EVENTS AFTER BALANCE SHEET DATE

On 28 January 2015, the Company announced a pro-rata renounceable Rights Issue offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company on the basis of two fully paid ordinary shares in the capital of the Company for every one Share held to raise approximately $2,075,928 (before costs). The Rights Issue closed on 16 February 2015. On 20 February 2015, the Company issued 60,653,206 fully paid ordinary shares pursuant to the Rights Issue, and will proceed to place the remaining shortfall of 354,532,450 shares as soon as practicable.

On 9 February 2015, the Company advised that its wholly owned subsidiary, EuroGas Polska Sp, had been issued with a default notice relating to its interests in the Bieszczady group of leases onshore Poland.

The notice was issued by the Operator, Polske Gornictwo Naftowe I Gazownictwo SA (PGNiG). The default relates to the alleged non-payment of moneys owing for work performed by the Operator. The Company is seeking to sell its interest in the Bieszczady leases, and expects these negotiations to be completed in the coming months.

On 19 February 2015, the Company reached a settlement agreement with Iskander relating to the deferred payment due under the agreement to acquire a 24% interest in the Bieszczady leases. Under the terms of the settlement agreement, the Company agreed to pay Iskander US$200,000 and each party has agreed to release each other from all future liabilities.

On 19 February 2015, Non-Executive Directors Messrs Robert Bensh and Stuart Brown tendered their resignations as Non-Executive Directors of the Company.

Since the end of the Period, no other events have arisen that would be likely to materially affect the operations of the Company, or the state of affairs of the Company not otherwise as disclosed in the Company’s financial report.

DIRECTORS DECLARATION

The Directors' declare that:

(a) The consolidated financial statements and notes of the Group set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half year ended on that date, and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional requirements and

(b) In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board of Directors.

Peter Wall
Non-Executive Chairman
16 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
GALICIA ENERGY CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

We have reviewed the accompanying half-year financial report of Galicia Energy Corporation Limited and its controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Galicia Energy Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
GALICIA ENERGY CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Galicia Energy Corporation Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, WA
16 March 2015