

**GALILEE ENERGY LIMITED**  
**ACN 064 957 419**

**NOTICE OF GENERAL MEETING**

The Directors of Galilee unanimously recommend that you vote **AGAINST** the resolution and that you **REJECT** the Offer

**Date of meeting:** Tuesday 21 January 2014

**Time of meeting:** 11am (Brisbane Time)

**Place of meeting:** Piper Alderman Lawyers, Riverside Centre, Level 36, 123 Eagle Street, Brisbane, Queensland, 4000.

## Chairman's letter

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19 December 2013

Dear Shareholder,

On 25 November 2013, Galilee Energy Limited (**Galilee**) received a bidder's statement in relation to a proportional off-market takeover bid from Olympus Funds Management Pty Ltd (**Olympus**), a wholly owned subsidiary of ASX listed Mercantile Investment Company Limited (**Mercantile**), for one (1) out of every two (2) ordinary shares in Galilee Energy (**Shares**) held by each Shareholder at an offer price of 15 cents cash per Share (**Proportional Bid**).

Galilee's constitution (**Constitution**) and the Corporations Act require that a proportional takeover bid be approved by Galilee's shareholders (**Approval**). The Approval requirement was re-affirmed by over 75% of the votes cast at the recent AGM.

The enclosed Notice of Meeting convenes a meeting of Shareholders for the purpose of considering the Proportional Bid. If the resolution is not approved, as recommended by the Board, then Olympus will be prevented from acquiring any Shares under the Proportional Bid.

Your Board considers the Proportional Bid is opportunistic because it is priced below Galilee's cash backing per Share and you will not be able to sell all of your Shares as part of the bid. For these reasons, and the reasons summarised below, your Board recommends that Shareholders vote **AGAINST** the resolution.

- ***Olympus' Proportional Bid only allows you to sell some of your Shares***

The Proportional Bid only relates to one (1) out of every two (2) Shares that you own and does not provide you with the ability to sell your entire Shareholding.<sup>1</sup>

Accordingly, if you wish to sell the balance of your Shares you will need to do so on-market and there is no guarantee of the price that Shares will trade at either before or after the close of the Proportional Bid.

- ***Olympus could obtain control of Galilee without offering you the opportunity to sell all of your Shares***

If the Proportional Bid is fully accepted, Olympus will obtain a Voting Power of 51.16%. If this occurs, or Olympus obtains a Voting Power of more than 20%<sup>2</sup> of Galilee's Shares, the Board considers that this will not be in best interests of Shareholders, given that:

- (a) Olympus may be able to determine the outcome of any decisions regarding Galilee's future operations that may need to be made;
- (b) Olympus' Shareholding will be such that a third party may not be able to successfully make a full takeover bid for Galilee's Shares without the support of Olympus. This means that it may be less likely that Galilee's Share price will reflect a control premium in the future; and
- (c) it is possible that the liquidity of Galilee's Shares may be lower than they are at present. This may affect your ability to sell your Shares and therefore Shareholders may not be able to realise the full value of their remaining Shares after the completion of the Proportional Bid.

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<sup>1</sup> Unless as a result of accepting offers made under the Proportional Bid you will hold less than \$500 worth of Shares (subject to certain restrictions to prevent Shareholders splitting parcels of Shares into multiple small holdings);

<sup>2</sup> Being the voting threshold contained in the Corporations Act that requires that a party make a takeover bid if it is to exceed that threshold (unless an exception applies);

## **Board's recommendation whether to accept the Offer**

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- ***Offer Price is less than the cash backing of Galilee's Shares***

The Offer Price represents a 14% discount to Galilee's cash backing per Share, of 17.1 cents per Share<sup>3</sup>, and ascribes no value to the Glenaras Pilot or ATP 529.

- ***Offer Price does not include a premium for 'control'***

The Offer Price of 15 cents per Share is only 3.75% higher than the three month VWAP, of 14.46 cents per Share<sup>4</sup>, and is less than the 16.5 cents per Share reached in September 2013. Accordingly, the Offer Price does not remunerate you for providing Olympus with the ability to obtain control of Galilee.

- ***Offer Price does not incorporate any value for future growth opportunities***

The Board is evaluating a number of growth opportunities that would create a diversified portfolio of hydrocarbon assets. Shareholders are being offered nothing for any value that may be derived from these growth opportunities that may be generated by the current Board.

- ***Olympus's Proportional Bid only allows you to sell some of Shares***

The Proportional Bid only relates to one (1) out of every two (2) Shares you own in Galilee and does not generally provide Shareholders with the ability to sell their entire Shareholding.

- ***Mercantile and Olympus do not understand Galilee's business***

The Bidder's Statement describes Galilee's business as being mineral exploration and mining, and refers to the discovery and acquisition of ore reserves and mineral deposits, whereas Galilee's business is oil and gas exploration and development (i.e. hydrocarbons not minerals).

Given this fundamental misunderstanding of Galilee's assets and business, your Board is concerned that if Olympus obtains a controlling interest in Galilee, the Proportional Bid may result in a significant loss of value through the mismanagement of Galilee's assets by Olympus.

- ***Olympus' proposal is in essence to sell everything and shut down the company***

The Board considers that Olympus's primary intention is not consistent with the will of the majority of Shareholders, who, as expressed at the EGM held on 24 September 2013, overwhelmingly endorsed the proposed strategy to leverage Galilee's balance sheet and the significant expertise of the Board to grow a diversified portfolio of hydrocarbon assets.

For these reasons and those set out in the Notice of Meeting, your Board recommends that you vote **AGAINST** the resolution and **REJECT** any offer made to you in accordance with the Proportional Bid.

I encourage you to review and consider the advice and recommendation of the Directors contained in this Notice of Meeting and Galilee's Target's Statement before voting on the resolution and accepting any offers made under the Proportional Bid.

I look forward to sharing the future success of Galilee with you.

Yours sincerely,

**Dr David King**  
**Non-Executive Chairman**

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<sup>3</sup> As at 19 December 2013;

<sup>4</sup> Based on the closing price for Shares traded from 28 August 2013 to 21 November 2013 (inclusive).

**GALILEE ENERGY LIMITED**  
**ACN 064 957 419**

**NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that Galilee Energy Limited (**Galilee**) will hold a general meeting (**Meeting**) of the holders of ordinary shares in Galilee (**Shares**) at 11am (Brisbane time) on 21 January 2014 at the offices of Piper Alderman Lawyers, Riverside Centre, Level 36, 123 Eagle Street, Brisbane, Queensland.

The Explanatory Memorandum accompanying this Notice of Meeting is incorporated in, and forms part of, this Notice of Meeting. Capitalised terms used in this Notice of Meeting have the meaning ascribed to them in the "Definitions" section contained at the end of the Explanatory Memorandum.

**AGENDA:**

To consider and, if thought fit, pass, the following resolution as an ordinary resolution:

*"That, for the purposes of Rule 36 of Galilee's Constitution and for all other purposes, Shareholders approve the proportional takeover bid by Olympus Funds Management Pty Ltd for one (1) out of every two (2) ordinary shares in Galilee held by each shareholder at an offer price of \$0.15 per share, on the terms set out in the Explanatory Memorandum."*

**Voting exclusion statement**

Galilee will disregard any votes cast on the resolution by Olympus and any of its Associates.

However, Galilee need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

Further detail regarding the resolution is contained in the Explanatory Memorandum which has been prepared to assist Shareholders in considering how to vote on the resolution and the Directors recommend that Shareholders read in full.

BY ORDER OF THE BOARD

**Simon Brodie**  
Company Secretary  
Dated: 19 December 2013

The following notes and Explanatory Memorandum form part of the Notice of Meeting.

### **Voting Entitlement**

In accordance with Rule 36.2(2) of Galilee's Constitution, only persons who are registered as holding Shares as at 7.00pm (Sydney time) on 18 December 2013 (excluding Olympus and its Associates) (**Voting Shareholders**), being date on which the first offer was made to Shareholders under the Proportional Bid, will be entitled to attend and vote at the Meeting.

Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

If more than one joint holder of Shares is present at the Meeting (whether personally, by proxy, by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

### **Proxies**

Voting Shareholders are entitled to appoint a proxy. The proxy may be an individual or a body corporate.

A Voting Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes that each proxy is entitled to exercise. If a Voting Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Voting Shareholder's votes that each proxy may exercise, each proxy may exercise half of the votes disregarding fractions.

The Proxy Form and, if the form is signed under a power of attorney or other authority, the authority under which the form is signed (or a certified copy of the authority) must be received:

- a) by post at Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia; or
- b) by facsimile (within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555; or
- c) online at [www.investorvote.com.au](http://www.investorvote.com.au) following the instructions on the Proxy Form,

not less than 48 hours prior to the time of commencement of the Meeting or adjourned Meeting, (as the case may be), at which the proxy named in the Proxy Form proposes to vote (i.e. no later than 11am (Brisbane time) on 19 January 2014).

A Proxy Form must be signed by the Shareholder or the Shareholder's attorney duly authorised in writing or, if the Shareholder is a company, in a manner permitted by the Corporations Act. The proxy may, but need not, be a Shareholder.

A Proxy Form accompanies this Notice of Meeting. Additional Proxy Forms are available on request from Galilee's registered office.

### **Undirected proxies held by the Chair of the Meeting**

If you appoint the Chair of the Meeting as your proxy and if you do not specify in the Proxy Form the manner in which you wish the Chair to vote on the resolution to be considered at the Meeting, the Chair intends to vote against the resolution.

The Chair of the Meeting will also be deemed to be appointed where a signed Proxy Form is returned but does not contain the name of the proxy or where the person appointed on the Proxy Form is absent from the Meeting.

Galilee encourages all Shareholders that submit Proxy Forms to direct their proxy how to vote on the resolution.

### **Corporate Representatives**

In order to vote in person at the Meeting, a Voting Shareholder that is a corporation may appoint an individual to act as its representative. The appointment must comply with section 250D of the Corporations Act, meaning that Galilee will require a certificate of appointment of corporate representative executed in accordance with section 250D of the Corporations Act. The completed certificate should be lodged with Galilee's share registry before the Meeting or at the registration desk on the day of the Meeting.

### **Required Majority**

The resolution is an ordinary resolution, requiring the approval of a simple majority of the votes cast by Voting Shareholders.

### **General**

Shareholders, their proxy, attorney or Corporate Representatives who plan on attending the Meeting are asked to arrive at the venue at least 30 minutes prior to the time the Meeting is scheduled to commence, so that Shareholders can be checked against the Galilee's share register, or appointment as proxy, attorney or corporate representative can be verified and their attendance noted.

**GALILEE ENERGY LIMITED**  
**ACN 064 957 419**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared to assist Shareholders in considering the business to be conducted at the Meeting and how to vote on the resolution and comprises part of the accompanying Notice of Meeting.

The Directors recommend that Shareholders read this Explanatory Memorandum in its entirety before deciding how to vote on the resolution.

Capitalised terms used in this Explanatory Memorandum have the meaning ascribed to them in the "Definitions" section at the end of this Explanatory Memorandum.

Details of the business to be considered at the Meeting are set out below.

### **Background to Meeting**

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On 25 November 2013, Olympus (a wholly-owned subsidiary of Mercantile) lodged a bidder's statement with ASIC, which contained the terms of a proportional takeover bid for one (1) out of every two (2) Shares held by each Shareholder at 15 cents cash per Share (**Proportional Bid**).

The original bidder's statement was subsequently amended and has been replaced by a replacement bidder's statement that was lodged with ASIC on 10 December 2013 (**Bidder's Statement**).

Pursuant to Rule 36.2 of the Constitution, the Proportional Bid is conditional on Shareholders approving the Proportional Bid.

Specifically, Rule 36.2 (1) of the Constitution prohibits the transfer of Shares resulting from the acceptance of offers under the Proportional Bid, unless, and until, the Proportional Bid has been approved by those Shareholders who held Shares as at the date on which the first offer is made to Shareholders under the Proportional Bid (**Voting Shareholders**).

Accordingly, the Notice of Meeting convenes a meeting of Voting Shareholders to consider and, if thought fit, approve the Proportional Bid for the purposes of Rule 36.2(1) of the Constitution.

If a resolution approving the Proportional Bid is not passed, then:

- (a) all offers under the Proportional Bid that have not been accepted, or which have been accepted, but for which binding contracts have not yet resulted, are deemed to be withdrawn; and
- (b) all binding agreements will be rescinded,

and Olympus will return any documents received from Shareholders by way of acceptance of the Offer.

If a resolution approving the Proportional Bid is passed, then:

- (a) any offers under the Proportional Bid that have been accepted will become effective; and
- (b) any offers under the Proportional Bid that have not been accepted may be accepted or rejected on its terms.

The resolution will be passed if more than 50% of the votes cast by Voting Shareholders are cast in favour of the resolution.

## **Board's recommendation whether to accept the Offer**

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As will be further detailed in the Target's Statement to be sent to Shareholders shortly, the Board recommends that Shareholders **REJECT** the Proportional Bid.

Some of the reasons for the Board recommending that Shareholders **REJECT** the Proportional Bid include that the:

### ***Offer Price is less than the cash backing of Galilee's Shares***

As at the date of this Notice of Meeting, Galilee has approximately \$26,100,000 in cash, representing a cash backing of 17.1 cents per Share.

The Offer Price, of 15 cents per Share, therefore, represents a 14% discount to this cash backing per Share, and ascribes no value to the Glenaras Pilot or ATP 529.

### ***Offer Price does not include a premium for 'control'***

The Offer Price, of 15 cents per Share, is only 3.75% higher than the three month VWAP of Galilee's Shares prior to (and including) the date that Olympus lodged the original bidder's statement with ASIC, being 14.46 cents per Share<sup>5</sup>, and is less than the 16.5 cents per Share reached during September 2013.

Accordingly, in the Board's opinion, the Offer Price does not sufficiently remunerate Shareholders for providing Olympus with the ability to obtain a controlling interest in your company.

### ***Offer Price does not incorporate any value for future growth opportunities***

As noted above, the Offer Price is below the cash backing per Share.

Accordingly, in addition to ascribing no value to the Glenaras Pilot or ATP 529, the Offer Price does not provide Shareholders with any value for foregoing their exposure to any future upside (if any) that may be generated by the current Board.

Specifically, consistent with the strategy outlined to Shareholders when the majority of the current Board members were nominated for appointment in September 2013, the Board has already commenced the evaluation of a number of growth opportunities with the intention of creating a diversified portfolio of hydrocarbon assets.

### ***Olympus's Proportional Bid only allows you to sell some of Shares***

As previously stated, the Proportional Bid only relates to one (1) out of every two (2) Shares that you own in Galilee and does not generally provide Shareholders with the ability to sell their entire Shareholding.

Accordingly, if a Shareholder accepts the Proportional Bid, it will:

- (a) retain 50% of their current Shareholding; and
- (b) receive 15 cents cash for each of the Shares accepted under the Proportional Bid.

If Shareholders wish to sell the remainder of their Shares, Shareholders will need to do so on market and there is no guarantee of the price at which the Shares will trade from time to time, whether before or after the close of the Proportional Bid.

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<sup>5</sup> Based on the closing price for shares traded from 28 August 2013 to 21 November 2013 (inclusive).

## **Reasons to vote against the Resolution**

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As Shareholders will not be able to sell all of their Shares in accordance with Proportional Bid and the Offer Price is below the cash backing per Share, your Board considers that the Proportional Bid is opportunistic and recommends that Shareholders vote **AGAINST** the resolution. Additional reasons for recommending that Shareholders vote **AGAINST** the resolution are summarised below.

### ***Olympus's Proportional Bid only allows you to sell some of your Shares***

The Proportional Bid only relates to one (1) out of every two (2) Shares you own in Galilee and does not provide you with the ability to sell your entire Shareholding<sup>6</sup>

Accordingly, if you wish to sell the balance of your Shares you will need to do so on-market and there is no guarantee of the price that Shares will trade at either before or after the close of the Proportional Bid.

### ***Olympus could gain control without offering to buy all of your Shares***

Olympus currently has a Relevant Interest in 3,525,400 Shares in Galilee (representing 2.32% of Galilee's Shares). The maximum number of Shares that Olympus may acquire pursuant to the Proportional Bid (if accepted in full) is 74,307,533 Shares, or 48.84% of Galilee's Shares, which, together with its current interest, would result in Olympus having a Voting Power of 51.16% of Galilee's Shares.

If Olympus acquires a Voting Power of more than 20%<sup>7</sup> of Galilee's Shares then:

- (a) Olympus may be able to determine the outcome of any decisions regarding Galilee's future operations that may need to be made;
- (b) Olympus's Shareholding will be such that a third party may not be able to successfully make a full takeover bid for Galilee's Shares without the support of Olympus. This means that it may be less likely that Galilee's Share price will reflect a control premium in the future; and
- (c) it is possible that the liquidity of Galilee's Shares may be lower than they are at present. This may affect your ability to sell your Shares and therefore Shareholders may not be able to realise the full value of their remaining Shares after the completion of the Proportional Bid.

### ***Your Board has a clear strategy and is well funded***

Your current Board has a clear strategy for how it intends to generate significant returns for Shareholders by identifying, acquiring, exploring and/or developing oil and gas opportunities.

This strategy, together with Galilee's strong balance sheet, mean that Galilee has the potential to deliver significant returns to Shareholders

Your Board is actively considering potential opportunities to add value to Shareholders. While there can be no assurances that any transaction may be successfully identified and implemented, the Board is confident of its ability to create a diversified portfolio of hydrocarbon assets.

### ***Mercantile and Olympus do not understand Galilee***

The Bidder's Statement describes Galilee's business as being mineral exploration and processing, whereas Galilee's business is oil and gas exploration and development (hydrocarbons).

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<sup>6</sup> Unless as a result of accepting offers made under the Proportional Bid you will hold less than \$500 worth of Shares (subject to certain restrictions to prevent Shareholders splitting parcels of Shares into multiple small holdings);

<sup>7</sup> Being the voting threshold contained in the Corporations Act that requires that a party make a takeover bid if it is to exceed that threshold (unless an exception applies);



Given this fundamental misunderstanding of Galilee's business, and the potential for Olympus to obtain a controlling interest in Galilee, your Board is concerned that the Proportional Bid may result in a significant loss of value through the mismanagement of Galilee's assets by Olympus and or its nominee directors.

***Olympus's proposal is in essence to sell everything and shut down the company***

Section 4.2 of the Bidder's Statement includes disclosure of Olympus's intention, if it obtains a Shareholding sufficient to result in the appointment of a majority of the members of the Board, to conduct a strategic review to:

- *“explore, amongst other things, where cost savings can be obtained, so that Galilee's costs are at a level consistent with that of a non-operating joint venture partner in the Glenaras Project;*
- *confirm that Galilee may immediately cease any further expenditure on ATP 799P (a tenement which is wholly owned and operated by Galilee) and any other exploration expenses or commitments to acquire any other hydrocarbon or resource development opportunities and, if this commercially feasible, develop the process to achieve this objective;*
- *seek to make a precise assessment of the remaining costs required to establish a realisable value for the Glenaras Project, or for a write-off of that project. (If any value can be established for the Glenaras Project, the Review will seek to identify means by which this value can be translated to cash);*
- *seek to determine the means by which, subject to Galilee Shareholder approval, capital can be returned to all Galilee Shareholders as equitably and as efficiently as possible.”*

**(Strategic Review).**

Shareholders should be aware that the only firm intention expressed by Olympus is to carry out the Strategic Review and, therefore, there is no certainty that Olympus will pursue all, or any, of the other items that it has stated that it will consider.

However, Shareholders that have invested in Galilee on the basis that Galilee is an oil and gas exploration and development company may consider that Olympus's proposal, to carry out the Strategic Review and return cash to Shareholders, is not in the best interests of Galilee and that the return of cash to Shareholders may not generate the same level of return as further exploration and development activity may.

Specifically, it is possible that the costs involved in Galilee ceasing all exploration and development activity so as distribute cash to Shareholders may result in Shareholders receiving a lower return than if Galilee were to continue in its exploration and development plans and to conduct a more orderly re-assessment and diversification of its project portfolio.

In contrast, your Board considers that it is now well positioned to grow Shareholder value by leveraging the significant experience of the Board and Galilee's current balance sheet to grow a diversified portfolio of prospective hydrocarbon assets.

***Uncertain whether Olympus has sufficient expertise to implement stated intentions***

Olympus has stated that as part of the Strategic Review it will:

- (a) *“seek to make a precise assessment of the remaining costs required to establish a realisable value for the Glenaras Project, or for a write-off of that project. (If any value can be established for the Glenaras Project, the Review will seek to identify means by which this value can be translated to cash)”; and*
- (b) *consider “the means by which... capital can be returned to all Galilee Shareholders...”.*

However, it is unclear what (if any) experience Olympus or any of its directors have in assessing, developing and/ or selling oil or gas assets such as the Glenaras Project, and how it will best be able to deliver value to Shareholders through this process.

The absence of such expertise is evident from Olympus's description of Galilee's business, as contained in the Bidder's Statement, as being about mineral exploration and processing, which, as Shareholders are aware, is incorrect – given that Galilee is an oil and gas exploration company (i.e. exploration for hydrocarbons not minerals).

In contrast, the current Board, the majority of whom were appointed by an overwhelming majority of votes cast at the EGM held on 24 September 2013, have extensive experience in oil and gas exploration and production and have already confirmed to Shareholders that no further expenditure on ATP 799 can be justified and have relinquished that permit.

The Board has also commenced a further detailed technical assessment of the Glenaras Pilot and ATP 529P, which is due to be completed by the end of the 2013 calendar year, and has commenced evaluation of a number of potential growth opportunities to increase Shareholder value by developing a diversified portfolio of hydrocarbon assets.

This experience in the oil and gas sector has also been complemented and enhanced through the recent appointment of an additional independent non-executive director, Mr Ray Shorrocks, who is a director of Patersons Securities Limited and has over 20 years' experience working in the investment banking industry.

### ***Your Board has already implemented many of the items proposed by Olympus***

Your Board has already commenced its own strategic review, has relinquished ATP 799P (as advised to Shareholders at the AGM) and is evaluating ways to reduce Galilee's outgoing cashflow on both corporate costs as well as the operating costs related to the Glenaras Pilot. Ongoing reductions are anticipated as a result of a review of office and other operating costs in early 2014.

## **Reasons to vote in favour of the Resolution**

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### ***Liquidity***

Although the Directors recommend that Shareholders vote **AGAINST** the resolution, it may be advantageous for those Shareholders who wish to accept the Proportional Bid if the resolution is passed, as the Proportional Bid will be allowed to proceed and those Shareholders who intend to accept the Proportional Bid will have the ability to receive 15 cents cash per Share for one (1) out of every two (2) Shares that they own.

While the Offer Price is:

- (a) below Galilee's cash backing per Share, of approximately 17.1 cents per Share (by approximately 14%)<sup>8</sup>;
- (b) is less than the 16.5 cents per Share reached in September 2013; and
- (c) is only slightly higher (3.75%) than the three month VWAP prior to (and including) the date of Galilee receiving the original bidder's statement from Olympus<sup>9</sup>,

this may still be seen as advantageous to those Shareholders who have a significant Shareholding in Galilee as it may enable them to receive a higher price per Share than they may otherwise receive if they were to sell their Shares on market.

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<sup>8</sup> As at 19 December 2013;

<sup>9</sup> Based on the closing price for shares traded from 28 August 2013 to 21 November 2013 (inclusive);

***Offer Price may provide greater return obtained through continued exploration activity***

As outlined in the Bidder's Statement, Olympus's primary intention is to carry out the Strategic Review and, subject to the results of that review, seek to crystallise the value of Galilee's assets and then return cash to Shareholders.

While Shareholders should be aware that the only firm intention expressed by Olympus in the Bidder's Statement is to carry out the Strategic Review, and therefore there is no certainty that Olympus will pursue all, or any, of the other items proposed by it, Shareholders may consider that the reduced focus on oil and gas exploration is advantageous.

Specifically, there are various risks inherent in oil and gas exploration and development, which involves a high degree of risk. Accordingly, it is possible that Galilee may not be able to deliver to Shareholders (either through Share price appreciation or dividend payments) returns that equal or exceed the Offer Price and Shareholders may consider that it would be advantageous if Galilee were to cease any oil and gas exploration activity and return capital to Shareholders.

**Recommendation of Directors**

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For the reasons outlined in this Explanatory Memorandum, the Directors unanimously recommend that Shareholders vote **AGAINST** the resolution and advise that they intend to vote any Shares they own or control **AGAINST** the resolution.

Shareholders should also be aware that if the Chair of the Meeting is appointed as your proxy, and if you do not specify how you wish the Chair to vote on the resolution, that the Chair intends to vote **AGAINST** the resolution.

## Definitions

The following words shall have the following meanings in this Notice of Meeting and Explanatory Memorandum:

**AGM** means an annual general meeting of Shareholders.

**ASIC** means the Australian Securities and Investments Commission;

**Associate** has the meaning given to that term in the Corporations Act;

**Bidder's Statement** means the replacement bidder's statement lodged with ASIC by Olympus on 9 December 2013;

**ASX** means ASX Limited ACN 008 624 691 or, where applicable, the securities markets operated by ASX;

**Board** means the board of Directors of Galilee;

**Constitution** means the constitution of Galilee;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**Director** means a director of Galilee as at the date of this Notice of Meeting;

**EGM** means the general meeting of Shareholders held on 24 September 2013;

**Explanatory Memorandum** means this explanatory memorandum and any schedule or annexure to it;

**Galilee** means Galilee Energy Limited ACN 064 957 419;

**Glenaras Project** means the Galilee Gas Project, ATP 529P, which is held in an unincorporated 50/50 joint venture between Galilee and AGL Energy Limited

**Meeting** means the general meeting of Shareholders to be convened in accordance with this Notice of Meeting (as adjourned);

**Mercantile** means Mercantile Investment Company Limited ACN 121 415 576;

**Notice of Meeting** means, unless the context requires otherwise, this document which comprises the notice of meeting, the Explanatory Memorandum and Proxy Form;

**Offer Period** means the period during which the Proportional Bid will remain open for acceptance in accordance with Appendix A section 2 of the Bidder's Statement;

**Offer Price** means 15 cents per Share;

**Olympus** means Olympus Funds Management Pty Ltd ABN 30 120 221 623;

**Proportional Bid** means the offer by Olympus to acquire one (1) out of every two (2) Shares held by each Shareholder, which offer is contained in section 1 of the Bidder's Statement;

**Proxy Form** means the proxy form enclosed with this Notice of Meeting;

**Relevant Interest** has the same meaning as given to that term in sections 608 and 609 of the Corporations Act;

**Share** means a fully paid ordinary share in the capital of Galilee;

**Shareholder** means the holder of a Share;

**Strategic Review** means the strategic review that Olympus has proposed to undertake on Galilee's strategy, operations, activities and assets as detailed in section 4.2 of the Bidder's Statement;

**Target's Statement** means the statement to be issued by Galilee under Part 6.5 Division 3 of the Corporations Act;

**Voting Shareholder** means a Shareholder (other than Olympus or an Associate of Olympus) who holds Shares as at 7:00pm on 18 December 2013, being the date on which the first offer is made to Shareholders under the Proportional Bid; and


**Voting Power** has the meaning given to that term in section 610 of the Corporations Act.


**VWAP** means the volume weighted average price of the Shares traded through the ASX (as published by the ASX).

In this Notice of Meeting and the Explanatory Memorandum words importing the singular include the plural and vice versa.



**Lodge your vote:**

 **Online:**  
www.investorvote.com.au

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GPO Box 242 Melbourne  
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**Control Number: 999999**

**SRN/HIN: I999999999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:00am (Brisbane time) Sunday, 19 January 2014**

**How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

**Vote Directly**

**Voting 100% of your holding:** Mark either the For, Against or Abstain box opposite each item of business. Your vote will be invalid on an item if you do not mark any box OR you mark more than one box for that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement.

**Appoint a Proxy to Vote on Your Behalf**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

**Signing Instructions for Postal Forms**

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

**Attending the Meeting**

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** →

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.



I 9999999999

I ND

## Voting Form

Please mark  to indicate your directions

### STEP 1 Indicate How your Vote will be Cast *Select one option only*

At the General Meeting of Galilee Energy Limited to be held at Piper Alderman Lawyers, Riverside Centre, Level 36, 123 Eagle Street, Brisbane, Queensland on Tuesday, 21 January 2014 at 11:00am (Brisbane time) and at any adjournment or postponement of that meeting, I/We being member/s of Galilee Energy Limited direct the following: **XX**

#### 1. Vote Directly

Record my/our votes strictly in accordance with directions in Step 2.

#### 2. Appoint a Proxy to Vote on Your Behalf: I/We hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

**PLEASE NOTE:** A Direct Vote will take priority over the appointment of a Proxy. For a valid Direct Vote to be recorded you must mark FOR, AGAINST, or ABSTAIN on each item.

**OR**

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit).

### STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

1 Proportional takeover bid by Olympus Funds Management Pty Ltd

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies **AGAINST** the item of business.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

GLL

1 7 7 6 0 2 A

Computershare +