



Dear shareholder,

I am pleased to be writing to you for the first time as the Chairman of Galilee Energy Limited (ASX: **GLL**) ("**Galilee**" or the "**Company**"). I believe the recent changes to the Board and Management of the Company herald a new era in its development and growth. I am looking forward to working with both the Board and Management to deliver a superior return for shareholders.

I am particularly pleased to be working with your new Managing Director Peter Lansom and Executive Director Paul Bilston, both of whom are significant investors in the Company. Peter and Paul bring fresh enthusiasm, energy and substantial upstream and downstream technical expertise and experience to the Company.

The Company has commenced the search for an additional independent Non-executive Director to round out the skills, experience and independence of the Board. The Company no longer employs the previous Managing Director Mr Haworth.

Galilee Basin Permits

Work has commenced on an objective review of the Galilee Basin permits. The brief is to determine the best path forward for the long term capital and investment requirements of these permits. Almost five years after drilling the Glenaras Pilot and despite a total investment of over \$64 million in ATP 529P, the Company has still not completed the promised testing nor met any of its self-imposed reserve booking deadlines.

It is important that for the Company to continue funding exploration/appraisal activities on these permits there is sufficient confidence in the technical and commercial merits of the project. The prospects of a positive outcome for shareholders must be good enough to justify the expenditure.

The review is ongoing, however it appears that the long promised production results from the Glenaras pilot and consequently the reserve certification will be further delayed from that advised in July 2013. The current drawdown rates make it unlikely that these results will be available until the end of the first quarter of 2014 or potentially even later.

With regard to ATP 799P, I expect to be able to announce a decision on the future of this permit by the AGM on 28 November 2013. The review of the current Glenaras Pilot and ATP 529P should be complete by the end of the year.

Mercantile Investment Company (MVT)

On 21 October 2013 Mercantile Investment Company Limited ("MVT") announced its intention to make a proportional takeover offer ("the Proposal") for 50% of each shareholding in Galilee at a price of 15 cents per share. The Company has not received any formal bid documentation from MVT, and as such the Directors recommend you take no action at this time. I note that the bid is approximately 20% below the current cash backing of the Company.



Annual General Meeting

The Company has had a number of requests from shareholders to clarify the situation in regards to voting at the Annual General Meeting (“AGM”) as a consequence of the changes to the Board announced on 30 October 2013.

As a result of the resignations of Messrs Young, Camarri and Jensen after the Notice of Meeting (“NOM”) had been sent to shareholders, the following resolutions will be withdrawn before the start of the meeting:

Resolution 2 – Re-election of Mr Rino Camarri as a Director

Resolution 3 – Election of Mr Andrew Young as a Director

Resolution 4 – Election of Mr Paul Jensen as a Director

Resolutions one and five should be considered by shareholders as laid out in the NOM. The Directors of the Company reaffirm their belief that Resolution 5 is in the best interests of the Company, and unanimously recommend that Shareholders vote in favour of this Resolution. More details can be found in the Explanatory Memorandum, included in the NOM, sent to shareholders on 25 October 2013.

AGM Venue

I would also like to remind all shareholders of the change of venue for the Annual General Meeting - now to be held at the office of BDO, Level 6, 10 Eagle Street, Brisbane. The date and time for the meeting, 2 pm on 28 November 2013 remain unchanged.

Growth Strategy

The Board is currently reviewing the Company’s previous growth strategy. Currently, the Company is exposed to a binary outcome dependent on the commerciality or otherwise of its Galilee Basin assets. We strongly believe that the Company needs to broaden its risk profile by building a portfolio of exploration and appraisal assets to grow shareholder value and to rebuild confidence within the investment community. This strategy will be finalised after the appointment of an additional independent Non-executive Director, and in essence will involve:

- ❖ the development of a short, medium and long term plan to grow the Company
- ❖ diversifying the Company into new plays and assets to reduce its overall risk exposure
- ❖ identifying and acquiring quality undervalued assets where Board and Management skills provide a competitive advantage.

We have a number of opportunities under review and are confident that we can build a quality portfolio within a reasonable timeframe.

I look forward to the opportunity to meet with you at the upcoming Annual General Meeting.

Yours faithfully



David King
Chairman

