

Galilee Energy Limited
ACN 064 957 419

TARGET'S STATEMENT

In response to the Offer for up to one (1) out of every two (2) Shares you own in Galilee
by Olympus Funds Management Pty Limited ACN 120 221 623

The Directors of Galilee unanimously recommend that you vote
AGAINST the resolution at the General Meeting scheduled for 21
January 2014 and that you **REJECT** the Offer

THIS IS AN IMPORTANT DOCUMENT

If you do not understand it or are in doubt as to how to act,
you should consult your financial or other professional adviser.

Legal Advisers



Important Notices

This Target's Statement is dated 20 December 2013 and is provided by Galilee under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement issued by Olympus on 10 December 2013.

ASIC & ASX Disclaimer

A copy of this Target's Statement was lodged with ASIC on 20 December 2013 and has been provided to the ASX. None of ASIC, ASX nor any of their officers take any responsibility for the contents of this Target's Statement.

Not investment advice

The information in this Target's Statement does not constitute financial product advice. This Target's Statement has been prepared without reference to your particular investment objectives, financial situation, taxation position and needs. It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. If you are in any doubt in relation to these matters, you should consult your investment, financial, taxation or other professional adviser.

Defined Terms

This Target's Statement uses a number of capitalised terms that are defined in section 14 which also contains some of the rules of interpretation that apply to this Target's Statement.

Information about Olympus in this Target's Statement

Except where otherwise disclosed, the information regarding Olympus and/or Mercantile in this Target's Statement has been obtained from the Bidder's Statement and other publicly available information. Galilee and its Directors are unable to verify the accuracy or completeness of the information on Olympus or Mercantile. Subject to the Corporations Act, neither Galilee, nor its officers make any representation or warranty, express or implied, regarding such information and disclaim any responsibility in respect of that information.

Proportional takeover bid

Shareholders should note that the Offer is a proportional takeover bid. Olympus is offering to acquire up to one (1) out of every two (2) Shares held by each Shareholder. If the proportional bid succeeds in full, Olympus will obtain a Voting Power in approximately 51.16% in Galilee.

General Meeting to approve the Proportional Bid

As required by Rule 36 of Galilee's Constitution, Galilee has called a General Meeting at 11.00 am 21 January 2014 to consider an ordinary resolution whether to approve the proportional takeover bid. (See Notice of Meeting dated 19 December 2013). The Directors recommend you vote AGAINST this resolution.

Disclaimer regarding forward looking statements

This Target's Statement contains certain forward-looking statements. Shareholders should note that forward looking statements are only predictions and are subject to inherent uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from implied values or anticipated results, performance or achievements expressed or implied in those forward looking statements. Such risks, variables and other factors include matters specific to Galilee, as well as

economic and financial market conditions, legislative, fiscal or regulatory developments and risks associated with the business and the operation of Galilee.

None of Galilee, any of its officers, any person named in this Target's Statement with his or her consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) or gives any assurance that the implied values, anticipated results, performance or achievements expressed or implied in forward looking statements contained in this Target's Statement will be achieved, and you are cautioned not to place undue reliance on these statements.

The forward-looking statements contained in this Target's Statement only reflect the views held only as at the date of this Target's Statement.

What you should do

Your Directors' recommendation

Vote **AGAINST** the resolution at the General meeting

As required by Rule 36 of Galilee's Constitution, Galilee has convened a General Meeting for 21 January 2014 for the purpose of shareholders considering whether to approve the Proportional Bid. The Directors unanimously recommend that you vote **AGAINST** the resolution to be considered at this meeting¹.

REJECT the Offer

1. The Directors unanimously recommend that you **REJECT** the Offer for your Shares and do not intend to accept the Offer for the Shares that they own or control.

What you need to do to **REJECT** the Offer

1. To **REJECT** the Offer, do nothing. Ignore all documents sent to you by Olympus.
2. You should read this Target's Statement, which contains your Directors' recommendation to **REJECT** the Offer and their reasons for this recommendation.
3. You may be contacted by representatives of Olympus by telephone. You do not need to speak to them, take any action or complete any forms. Do not be pressured into accepting the Offer.
4. If you have any queries about the Offer, please contact the shareholder information line within Australia on **1800 063 366** or from overseas on +61 2 8767 1155 from 8.30am to 5.30pm (Sydney Time) Monday to Friday.

To **REJECT** the Offer, **TAKE NO ACTION**

Key Dates

Offer opens	18 January 2014
Galilee Shareholder meeting (to consider the Offer)	21 January 2014
Offer Period ends	7 February 2014²

Throughout the Offer Period, the Directors will review their recommendation and advice in light of any developments and update Shareholders accordingly.

¹ Per the Notice of Meeting dated 19 December 2013, Galilee will hold a General Meeting at 11am (Brisbane time) on 21 January 2014 at the offices of Piper Alderman Lawyers, Riverside Centre, Level 36, 123 Eagle Street, Brisbane, Queensland.

² This date will be extended if Olympus extends its Offer in accordance with the Corporations Act.

Why you should REJECT the Offer

1. ***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 Share³ and ascribes no value to the Glenaras Pilot or ATP 529.

2. ***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 Share⁴ 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 suitably remunerate Shareholders for providing Olympus with the ability to obtain a controlling interest in your company.

3. ***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.

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

The Offer only relates to up 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.

5. ***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.

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

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.

7. ***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.

**For these reasons and those set out in the Notice of Meeting,
your Board recommends that you REJECT the Offer and that you
vote AGAINST approving the Offer**

³ As at 19 December 2013;

⁴ Based on the closing price for Shares traded from 28 August 2013 to 21 November 2013 (inclusive);

Chairman's Letter

20 December 2013

Dear Shareholder,

As you are no doubt aware, Olympus Funds Management Pty Ltd (**Olympus**), a wholly owned subsidiary of ASX listed Mercantile Investment Company Limited (**Mercantile**), has made a proportional off-market takeover offer for up to one (1) out of every two (2) Shares held by each Shareholder at an offer price of 15 cents cash per Share (**Offer**).

By now, you should have received your copy of a replacement bidder's statement issued by Olympus (**Bidder's Statement**) setting out the terms of the Offer.

This document that you are currently reading is Galilee's response to the Offer and the Bidder's Statement. In particular, sections 2 and 3 of this Target's Statement set out the Director's recommendation as to what you should do in relation to the Offer and the reasons for that recommendation. If you do not understand it or are in doubt as to how to act, you should consult your financial or other professional adviser.

The Directors of Galilee unanimously recommend that you **REJECT** any offers made to you in accordance with the Offer, and that you vote against approving the offer at the General Meeting⁵ on the basis that:

- The Offer only relates to up 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 share holding**⁶.
- The Offer Price represents a **14% discount to Galilee's cash backing per Share** of 17.1 cents per Share⁷ and ascribes no value to the Glenaras Pilot or ATP 529.
- The Offer Price, of 15 cents per Share, is **only 3.75% higher than the three month VWAP** of Galilee's Shares prior to the date that Olympus lodged the original bidder's statement with ASIC, being 14.46 cents per Share⁸, and is **less than the 16.5 cents per Share reached during September 2013**.
- As the Offer Price is below the cash backing per Share, **the Offer Price provides Shareholders with no compensation for any value** that may be derived from **growth opportunities** generated by the current Board.

Further, Olympus could obtain a Voting Power of approximately 51.16% in Galilee (if the Offer is fully accepted). If this occurs, or Olympus obtains a Voting Power of more than 20%⁹ in Galilee, the Board considers that the resulting position of Olympus would not be in best interests of Shareholders because, if this occurs:

⁵ See Notice of meeting dated 19 December 2014

⁶ Unless as a result of accepting the Offer you will hold less than \$500 worth of Shares (subject to certain restrictions to prevent Shareholders splitting parcels of Shares into multiple small holdings);

⁷ As at 19 December 2013;

⁸ Based on the closing price for shares traded from 28 August 2013 to 21 November 2013 (inclusive).

⁹ 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);

- (a) Olympus may be able to determine the outcome at a general meeting of Galilee Shareholder, enabling Olympus to have effective control 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 Offer.

Accordingly, your Directors unanimously recommend that you **REJECT** the Offer and will **NOT** be accepting the offer in relation to any Shares they own or control and will continue to **HOLD** their Shares as they strongly believe in Galilee's growth prospects.

Given that the current cash backing of Galilee's Shares is higher than the proposed Offer Price, in the opinion of the Directors, the Offer Price is grossly inadequate and undervalues your Shares, and Olympus is seeking to opportunistically take control of Galilee's cash resources at a time when Galilee has recently re-aligned its exploration focus.

Acceptance of the Offer would also bring with it the significant risks, which are detailed further in Section 3 of this Target's Statement. It is therefore an offer that Shareholders should **REJECT**. Accordingly, the Directors recommend that you **HOLD your Shares in Galilee**, so that you have the opportunity to participate in Galilee's future success.

The Directors strongly encourage you to review and consider our advice and recommendation contained in this Target's Statement before making your decision in relation to the Offer.

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

If you have any questions regarding the Offer or the takeover process, we encourage you to call the shareholder information line within Australia on **1800 063 366** or from overseas on +61 2 8767 1155 from 8.30am to 5.30pm (Sydney Time) Monday to Friday.

Yours sincerely,

Dr David King
Independent Non-Executive Chairman
Galilee Energy Limited

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1. Offer Overview

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

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

The key terms of and conditions to the Offer are discussed in the following paragraphs.

1.1 Offer consideration

Olympus is making a proportional offer to acquire up to one (1) out of every two (2) Shares, each Shareholder hold at an offer price of 15 cents per Share.

Shareholders cannot accept the Offer in respect of all of their Shares. Shareholders can only accept the Offer in respect of up to one (1) out of every two (2) of their Shares only.

The Offer consideration will only become payable to Shareholders if Shareholders approve the Offer in accordance with Rule 36 of Galilee's Constitution (as described further in section 1.6 of this Target's Statement).

1.2 Conditions to the Offer

Olympus has imposed no conditions to the Offer. Specifically, Shareholders should be aware that there is no minimum acceptance condition to the Offer.

However, as detailed further in section 1.8 of the Bidder's Statement, Rule 36 of the Constitution prohibits the transfer of Shares resulting from Shareholder acceptances under the Offer, unless, and until, the Offer has been approved by those Shareholders who held Shares as at the date on which the first Offer is made to Shareholders under the Offer.

Accordingly, the Offer is subject to Shareholders approving the Offer at the general meeting of Shareholders to be held on 21 January 2014.

See section 1.8 of the Bidder's Statement for further information.

1.3 Offer Period and Extension of the Offer

Unless the Offer is extended, withdrawn or lapses, the Offer will be open for acceptance from the date of the Offer, being 18 December 2013, until 7 February 2014.

The Offer Period may, however, be extended by Olympus.

There will also be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- (a) Olympus improves the Offer Price under the Offer; or
- (b) Olympus's Voting Power increases to more than 50%.

If either of these two events occurs, the Offer Period will be automatically extended so that it ends 14 days after the relevant event occurs.

1.4 Proportional Offer only

The Offer only relates to up to one (1) out of every two (2) Shares held by each Shareholder and does not provide Shareholders with the ability to sell their entire Shareholding as part of the Offer.

Accordingly, if you accept the Offer in respect of up to one (1) out of every two (2) of your Shares, you are not entitled to accept the Offer for your remaining Shares (**Remaining Shares**), nor can a purchaser of your Remaining Shares. You may, however, sell your Remaining Shares on an ex-Offer basis.

However, ex-Offer Shares cannot be sold pursuant to the Offer and will trade separately to Shares which can be sold pursuant to the Offer during the Offer period. The market price of the ex-Offer Shares may be lower or higher than the market price of Shares that may be accepted into the Offer.

Settlement of trades of ex-Offer Shares will be deferred until after the Offer Period. If you do not accept the Offer, you may sell some or all of your Shares on market and the purchaser will then be entitled to accept the Offer in respect of up to one (1) out of every two (2) of their Shares.

1.5 Less than a Marketable Parcel

If accepting the Offer leaves you with a quantum of Shares that have a market value of less than \$500, which will be calculated on the basis of the last price at which Galilee Shares have traded on a "cum-Offer" basis on the trading day immediately prior your acceptance of the Offer, the Offer will be deemed to have been made in respect of all of your Shares. Accordingly, you will receive consideration from Olympus for all of your Shares.

As set out in section 9.2 on pages 29 to 30 of the Bidder's Statement, if Olympus is of the opinion that any Shareholder has attempted to split or otherwise manipulate their Shareholding to benefit from these arrangements, Olympus may give notice to that Shareholder (and other persons deemed to have participated in the split or manipulation) to the effect that, for the purposes of the Offer:

- (a) that Shareholder shall be deemed to hold all Galilee Shares registered in its name and the names of all other persons (**Specified Persons**) set out in that notice;
- (b) each Specified Person shall be deemed as holding no Shares; and
- (c) any acceptance of the Offer made by that Shareholder or any Specified Person shall be deemed as an acceptance of the Offer (for one out of every two of Shares).

1.6 Galilee Shareholder Approval

As a proportional takeover offer, the Offer is subject to Shareholders approving the Offer pursuant to Rule 36 of the Constitution.

Specifically, Rule 36.4 of the Constitution prohibits the registration of transfers resulting from acceptance of the Offer unless and until the Offer has been approved by those persons who held Shares at the end of the day that the first offer under the Offer is made.

Accordingly, Galilee has convened a meeting of Shareholders, other than Olympus and its Associates, who held Shares as at 7.00pm (Sydney Time) on 18 December 2013 (**Voting**

Shareholders), to be held on 21 January 2014, for the purpose of considering, and if thought fit, approving the Offer in accordance with Rule 36 of the Constitution.

Olympus and its Associates will be excluded from voting on this resolution and that resolution will be passed if more than 50% of the votes cast by Voting Shareholders are cast in favour of the resolution.

If a resolution approving the Offer is not passed, then:

- (a) any offers 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 a Shareholder by way of acceptance of the Offer.

If a resolution approving the offer is passed, then:

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

If the resolution to approve the Offer has not been voted on by 24 January 2014 (assuming that the Offer is not extended), then the resolution is taken to have been passed.

Your Directors recommend you vote **AGAINST** the resolution.

1.7 **No compulsory acquisition**

You cannot be forced to sell your Shares unless Olympus acquires a Voting Power of at least 90% by the end of the Offer Period, and otherwise satisfies the compulsory acquisition test and proceeds to compulsory acquisition of your Shares on the same terms that applied to the Offer immediately before the end of the Offer Period.

As the Offer is a proportional offer, at the end of the Offer Period and assuming that the Offer is accepted in full, Olympus may obtain a Voting Power of approximately 51.16% in Galilee (if Shareholders accept the Offer in full).

Accordingly, Olympus will only be entitled to compulsorily acquire any outstanding Shares if the Offer is fully accepted and Olympus also acquires an additional 39% of all Shares on-market during the Offer Period.

1.8 **Withdrawal of the Offer**

Olympus may withdraw the Offer for your Shares with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

Olympus may also withdraw its Offer in accordance with Rule 36 of the Constitution and section 648F of the Corporations Act.

2. Directors' recommendations

The Directors of Galilee are:

- Dr David King (Independent Non-Executive Chairman);
- Mr Ray Shorrocks (Independent Non-Executive Director);
- Mr Peter Lansom (Managing Director); and
- Mr Paul Bilston (Executive Director).

Each Director recommends that you **REJECT** the Offer, and vote **AGAINST** the resolution for the reasons set out in Section 3 of this Target's Statement.

3. Reasons to REJECT the Offer and vote AGAINST the resolution

Each of the Directors recommends that you **REJECT** the Offer and vote **AGAINST** the resolution. This recommendation is based on the following principal reasons:

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

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

Therefore, the Offer Price of 15 cents per Share 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 the date that Olympus lodged the original bidder's statement with ASIC, being 14.46 cents per Share¹⁰, 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

In addition to being below the cash backing of 17.1 cents per Share, the Offer Price does not provide Shareholders with any value for foregoing their exposure to any future upside 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 is evaluating a number of growth opportunities that would create a diversified portfolio of hydrocarbon assets.

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

The Offer only relates to up 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 Offer, it will:

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

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 Offer.

¹⁰ Based on the closing price for shares traded from 28 August 2013 to 21 November 2013 (inclusive);

Risk of minority ownership

Olympus currently has a Relevant Interest in 3,525,400 Shares in Galilee (representing 2.32%). Currently, the maximum number of Shares that Olympus may acquire pursuant to the Offer (if accepted in full) is 74,307,533 Shares or 48.84% which, when added to its current holding, would give Olympus a Voting Power of 51.16% in Galilee.

If Olympus acquires a Voting Power of more than 20% then:

- (a) Olympus may be able to determine the outcome at a general meeting of Galilee, enabling Olympus to have effective control 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 would not be able to successfully make a 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 also possible that the liquidity of Shares would be lower than at present. This may affect your ability to sell Shares and therefore Shareholders may not be able to realise the full value of their remaining Shares after the Offer Period.

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.

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

Olympus's primary intention appears to be to carry out the Strategic Review and, subject to the results of that review, seek to crystallise the value of Galilee's assets and return cash to Shareholders.

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.

Given the various statements made by Olympus in the Bidder's Statement, the Board is also concerned that if Olympus does acquire a Voting Power of greater than 20%, that it does not have the requisite oil and gas experience to carry out its stated objectives without causing significant loss of value through the mismanagement of Galilee's assets.

Specifically, Olympus has described, in section 6.3 of the Bidder's Statement, 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).

4. Frequently asked questions

This section provides answers to some frequently asked questions about the Offer. It is not intended to address all relevant issues for Shareholders.

This section should be read together with the rest of this Target's Statement.

Question	Answer
What is the Bidder's Statement?	The Bidder's Statement is the document issued by Olympus that sets out information on Olympus and the terms of its offer for up to one (1) out of every two (2) of the Shares that you hold in Galilee. See section 1 on pages 9 to 11 of this Target's Statement for more information.
What is this Target's Statement	The Target's Statement is the document that you are currently reading. It has been prepared by Galilee and provides Galilee's response to the Offer, as outlined in the Bidder's Statement, including the recommendation of your Directors to REJECT the Offer. See section 1 on pages 9 to 11 of this Target's Statement for more information.
What is the Offer for my Shares?	Olympus is offering to purchase up to one (1) out of every two (2) Shares that you own for 15 cents per Share. See section 1.1 and 1.2 on page 9 of this Target's Statement for more information.
What is a 'proportional' takeover Offer?	A proportional takeover bid (such as the Offer) is a takeover bid for a specified portion of the securities in a class of shares. The Corporations Act requires that the specified proportion is the same for all holders of securities in that class. The specified proportion for the Offer is up to one (1) out of every two (2) of Shares held by each Shareholder. See section 1.4 on page 10 of this Target's Statement for more information.
Why are Shareholders required to approve the Offer?	Galilee's Constitution (Rule 36) prohibits the registration of transfers resulting from acceptances of the Offer unless and until the Offer has been approved by Voting Shareholders, which are those Shareholders on the register at the end of the day the first offer under the Offer is made, being 18 December 2013. See section 1.5 on page 10 of this Target's Statement for more information.
Was the Offer 'unsolicited'?	Yes. The Offer was made at Olympus's initiation and was not sought out by Galilee and was therefore 'unsolicited'.
Is the offer 'hostile'?	Yes. Takeover bids like the Offer are often labelled 'hostile' because the bidder (in this case Olympus) is making an offer to the target's shareholders (in this case Galilee) without the endorsement or support of the directors of the target.

Question	Answer
<p>Who is Olympus?</p>	<p>Olympus is a wholly owned subsidiary of ASX listed Mercantile Investment Company Limited (Mercantile) and has no substantive business operations and no material assets.</p> <p>Mercantile is Chaired by Sir Ron Brierley and describes its principal activities as <i>“investment in cash and securities which will provide risk adjusted returns by way of short term trading, profit making ventures and holding shares for dividend yield/ long term capital appreciation, as appropriate”</i>.</p> <p>See section 2.1 on pages 10 of the Bidder’s Statement for more information.</p>
<p>Does Olympus own any Shares in Galilee?</p>	<p>No. Olympus does not own any Shares in Galilee.</p> <p>However, Olympus has a Relevant Interest in 25,400 Shares owned by Mercantile (as the ultimate holding company of Olympus).</p> <p>Olympus also has a Relevant Interest in 3,500,000 Shares the subject of an option granted by Siblow Pty Limited, being an entity associated with Mercantile’s Chairman, Sir Ron Brierley, to Mercantile.</p> <p>As a result, Olympus currently has a Relevant Interest in 3,525,400 Shares in Galilee (representing a Voting Power of 2.32% in Galilee), and may acquire a Relevant Interest in 74,307,533 Shares pursuant to the Offer, which, when added to its current holding, would give Olympus a Voting Power of 51.16% in Galilee.</p> <p>See section 8.3 on page 26 of the Bidder’s Statement for more information.</p>
<p>Why is Olympus making the Offer?</p>	<p>As at the date of the Bidder’s Statement, Olympus held cash at bank of \$5,492.19 and Mercantile had cash at bank of \$699,004.87.</p> <p>In contrast, as at the date of this Target’s Statement, Galilee has approximately \$26,100,000 in cash, representing cash backing of 17.1 cents per Share.</p> <p>Accordingly, your Board considers that Olympus has made the Offer to opportunistically seek to acquire control of Galilee and its assets at a price below their market value, so as to increase the value of Mercantile for the benefit of Mercantile’s Shareholders, to the detriment of Galilee’s Shareholders.</p>
<p>What choices do I have?</p>	<p>As a Shareholder you can:</p> <ol style="list-style-type: none"> 1. REJECT the Offer by doing nothing; 2. Sell all of your Shares on-market; 3. Accept the Offer for 50% of your shares and retain the other 50%; or 4. Accept the Offer for 50% of your Shares and sell the other 50% of your Shares on-market on andEx-Offer’ basis. <p>See section 5 at pages 20 and 21 of this Target’s Statement for more information.</p>

Question	Answer
<p>What do the Directors recommend?</p>	<p>Your Directors unanimously recommend that you REJECT the Offer. If there is any change to this recommendation or any material development in relation to the Offer, Galilee will inform you.</p> <p>See section 2 on page 12 of this Target's Statement for more information.</p>
<p>Why are the Directors recommending that I reject the Offer</p>	<p>Your Directors recommend that you REJECT the Offer because:</p> <ul style="list-style-type: none"> • the Offer Price is less than the cash backing of Galilee's Shares • the Offer Price does not include a premium for 'control' • the Offer Price does not incorporate any value for future growth opportunities • the Offer only allows you to sell some of your Shares • Mercantile and Olympus do not understand Galilee's business • Olympus's proposal is in essence to sell everything and shut down Galilee • the Board considers that Olympus's primary intention, to shut down the company and return cash to Shareholders, 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. <p>See section 3 at pages 13 and 14 of this Target's Statement for more information.</p>
<p>How do I reject Olympus's inadequate Offer?</p>	<p>To REJECT the Offer, you should vote AGAINST the resolution at the General Meeting, do nothing with respect to the offer and disregard all correspondence from Olympus.</p> <p>See page 3 of this Target's Statement for more information.</p>
<p>What are the consequences of accepting the Offer now?</p>	<p>If you accept the Offer now:</p> <ul style="list-style-type: none"> • you will be unable to accept any superior offer from another bidder that may emerge unless you become entitled to withdraw your acceptance or the Offer lapses; • you will have no guarantee of receiving the consideration for your Shares until the Offer has been voted on by Shareholders in accordance with Rule 36 of Galilee's Constitution; and • you will lose the voting rights attached to your Shares in favour of Olympus. <p>See section 1.6 on pages 10 to 11 of this Target's Statement for more information.</p>

Question	Answer
<p>If I accept the Offer now, can I withdraw my acceptance?</p>	<p>No. Olympus has not granted any withdrawal rights. This means that if you accept the Offer you will not be able to withdraw your acceptance unless the Offer Period is extended beyond one month and the Offer is still subject to Shareholder approval in accordance with Rule 36 of Galilee's Constitution at the time of extension.</p> <p>See section 1.2 on page 9 of this Target's Statement for more information.</p>
<p>Can I be forced to sell my Shares?</p>	<p>No. You cannot be forced to sell your Shares unless Olympus acquires a Voting Power of at least 90% of all Shares by the end of the Offer Period, and otherwise satisfies the compulsory acquisition test and proceeds to compulsory acquisition of your Shares on the same terms that applied to the Offer immediately before the end of the Offer Period.</p> <p>As the Offer is a proportional offer, Olympus will only be able to acquire a Voting Power of at least 90% of all Shares by the end of the Offer Period if the Offer is fully accepted and it also acquires an additional 39% of all Shares on-market, the Board considers it highly unlikely that Olympus will be able to proceed to compulsory acquisition.</p> <p>See section 1.7 on page 11 of this Target's Statement for more information.</p>
<p>Is there any minimum acceptance conditions?</p>	<p>No. The Offer is not subject to Olympus acquiring a minimum percentage of Galilee's Shares.</p> <p>See section 9.1 on page 28 of the Bidder's Statement.</p>
<p>When does the Offer close?</p>	<p>The Offer is scheduled to close at 7.00pm ((Sydney Time)) 7 February 2014, but can be extended by Olympus.</p> <p>If Olympus wishes to extend the Offer Period it must do so no later than seven days before the end of the Offer Period unless a rival bid is made after this time.</p> <p>See page 3 of this Target's Statement for more information.</p>
<p>When do I have to decide?</p>	<p>If you wish to follow your Board's recommendation and REJECT the Offer, you do not need to do anything. Simply disregard all correspondence from Olympus.</p> <p>If you wish to accept the Offer, you need to do so before the end of the Offer Period at 7.00pm (Sydney Time) 7 February 2014. However, Olympus can elect to extend the Offer Period. In addition, the Offer Period may be extended automatically in certain circumstances.</p> <p>See sections 1.3 on page 9 and Section 5.3 at pages 20 and 21 of this Target's Statement for more information.</p>
<p>Is the Offer conditional?</p>	<p>No. However, the Offer is subject to Shareholder approval of the Offer being obtained in accordance with Rule 36 of Galilee's Constitution.</p> <p>If Shareholders resolve to reject the Offer in accordance with Rule 36 of Galilee's Constitution, the Offer will not proceed. This means that if you have accepted the Offer you will be free to deal with your Shares.</p> <p>See section 1.2 on page 9 and Section 1.6 at pages 10 to 11 of this Target's</p>

Question	Answer
	Statement for more information.
<p>What are the tax implications of accepting the Offer?</p>	<p>A general outline of the tax implications of accepting the Offer for certain Australian resident Galilee shareholders is set out in section 9 of this Target's Statement and section 7 on pages 25 to 26 of the Bidder's Statement.</p> <p>You should not rely on those summaries as advice on your own affairs, as it does not take into account your personal circumstances. You should speak to your financial adviser or accountant to clarify the tax implications of accepting the offer.</p> <p>See section 9 on page 37 of this Target's Statement for more information.</p>
<p>Can I speak to someone if I have further queries in relation to the Offer?</p>	<p>Yes. If you have any further queries in relation to the Offer, please call the shareholder information line within Australia on 1800 063 366 or from overseas on +61 2 8767 1155 from 8.30am to 5.30pm (Sydney Time) Monday to Friday.</p> <p>In addition, announcements made to ASX and other important information will be posted on Galilee's website at www.galilee-energy.com.au.</p> <p>See page 2 of this Target's Statement for more information.</p>

5. What are your options

As a Galilee Shareholder, you have three choices currently available to you:

5.1 Take no action and REJECT the Offer

Shareholders who do not wish to accept the Offer and who do not wish to sell their Shares on market should do nothing.

5.2 Sell your Shares on market

Shareholders can sell their Shares on market for cash.

On 17 December 2013 Galilee's Share price on the ASX closed at 14 cents per share.

Shareholders who sell their Shares on market for cash:

- will receive the consideration for sale of their Shares sooner than if they accept an Offer that is subject to outstanding condition of shareholder approval in accordance with Rule 36 of Galilee's Constitution;
- may incur a brokerage charge; and
- will not receive the benefit of any subsequent increase in any offer for Galilee (whether from Olympus or a third party) should this eventuate.

However, if you have accepted the Offer in relation to one (1) out of every two (2) of your Shares and you are left with a parcel of shares with a Market Value of greater than \$500, **Remaining Shares**), you cannot accept the Offer for your Remaining Shares, nor can a person who buys the Remaining Shares from you

In those circumstances, once you have accepted the Offer, the Remaining Shares will be locked to prevent a person who purchases those Remaining Shares from accepting the Offer. The trading of these Remaining Shares must be done on a deferred settlement basis on the ASX. This may impact upon the trading price for those shares, compared to those held by persons who have not accepted the Offer.

If you sell your Shares on market for cash, you may be liable for capital gains tax or income tax on the sale. See section 7 on pages 25 and 26 of the Bidder's Statement for further information on the tax consequences of the sale of Shares on market.

Shareholders who wish to sell their Shares on market should contact their broker for information on how to effect the sale.

5.3 Accept the Offer

Shareholders may elect to accept the Offer. Details of the consideration that will be received by Shareholders who accept the Offer are set out in section 1.2 on page 7 of the Bidder's Statement.

You may only accept the Offer for up to one (1) out of every two (2) of the Shares held by you and not a greater proportion, unless you are a trustee or nominee as set out on page 4 of the Bidder's Statement

If, by accepting the Offer, you will be left holding Shares with a Market Value of less than \$500, Olympus will acquire all of your Shares for 15 cents per Share.

If you will be left holding a parcel of shares with a Market Value greater than \$500 following your acceptance of the Offer (**Remaining Shares**), you cannot accept the Offer for your Remaining Shares, nor can a person who buys the Remaining Shares from you. Once you accept the Offer, your Remaining Shares will be locked to prevent a person who purchases those shares from accepting the Offer. The trading of these Remaining Shares must be done on a deferred settlement basis on the ASX. This may impact upon the trading price for those shares, compared to those held by persons who have not accepted the Offer.

For more information, consult section 9.2 on pages 28 and 29 of the Bidder's Statement.

Shareholders who accept the Offer may be liable for capital gains tax on the disposal of their Shares (see section 7 of the Bidder's Statement). However they will not incur any brokerage charge.

The Bidder's Statement contains details of how to accept the Offer on page 4 of the Bidder's Statement.

6. Directors' response to Bidder's claims

Olympus made a number of claims in the Bidder's Statement in support of its Offer.

Your Directors' response to the key claims is summarised below.

The intentions of Olympus are uncertain

Bidder's Claim	Galilee's response
<p>Section 4.2 of the Bidder's Statement includes disclosure of Olympus's intention that, if it obtains a Shareholding sufficient to result in the appointment of a majority of the Directors of the Board, that its nominees will look to undertake a strategic review of the strategy, operations, activities and assets of Galilee (Strategic Review).</p> <p>The Bidder's Statement also states that, while Olympus does not presently intend to do so, it may potentially requisition a general meeting of Shareholders if it cannot engage positively with the current Galilee Board to ensure that the Board appropriately reflects the Shareholding base of the company.</p>	<p>Shareholders should be aware that the only firm intention expressed by Olympus is to carry out the Strategic Review.</p> <p>Accordingly, there is no certainty that Olympus will pursue all, or any, of the items that it has stated that it will consider.</p> <p>It is also uncertain from the Bidder's Statement how many Directors Olympus considers would be "reflective" of the Shareholding that it may acquire through the Offer.</p> <p>For example, it is uncertain whether, if Olympus were to acquire a Voting Power of approximately 30% in Galilee, whether Olympus considers the appointment of 2 or 3 nominees to the Board, or some greater or lesser number, to be "reflective" of that shareholding.</p> <p>There is, therefore, no certainty as to whether Olympus will seek to requisition a general meeting of Shareholders or not, and whether Galilee will be able to avoid incurring the additional costs, as well as demands on management time and attention that is associated with requisitioning a meeting of Shareholders.</p>
<p>Olympus has advised that, as part of the Strategic Review, it will seek to determine the means by which capital can be returned to Shareholders as equitably and efficiently as possible.</p> <p>Section 4.5 of the Bidder's Statement includes disclosure of correspondence between Galilee and Olympus, including disclosure of Olympus's view that is not in a position to express any view on the quantum, form or structure of any capital distribution that it may seek to pursue or its participation in such a return.</p>	<p>Notably Olympus has declined to confirm whether, if a buyback of Shares was conducted at 15 cents per Share (being the same price per share that Olympus is offering shareholders), it would participate in such a buyback of Shares or not.</p> <p>In this context, Shareholders should be aware that Mercantile has also previously supported the equal buyback of shares by other companies in which it held investments and sought to appoint the majority of the Board (notably, Murchison Metals Ltd ASX Code MMX), and after recommending the buyback to shareholders, instead, through that buyback process, sought to increase its control in MMX by electing not to participate in that buyback.</p>

Uncertain whether Olympus has sufficient expertise to implement stated intentions

<p>As part of the Strategic Review that Olympus has stated that it intends to undertake, Olympus says that it will</p> <p>(a) <i>“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”; and</i></p> <p>(b) <i>consider “the means by which.... capital can be returned to all Galilee Shareholders...”.</i></p> <p>Olympus has also stated that it has not determined the identity of any nominee that it may appoint to the Board of Galilee and that the experience and expertise of any Olympus nominee that it may appoint will depend on the needs of Galilee at that time.</p>	<p>It is unclear what (if any) experience Olympus or any of its directors may have in assessing, developing and/or selling oil or gas assets such as the Glenaras Project, and how it will deliver value to Shareholders through this process.</p> <p>In contrast, the current Board has extensive experience in oil and gas exploration and production and has already utilised this experience to undertake a detailed review of the Glenaras Pilot results to date and has also, after a review of ATP 799, relinquished that permit.</p> <p>As the Offer is due to close less than two months after the date of the Bidder’s Statement, and Galilee’s business currently comprises only oil and gas exploration and development activities, it is unclear how the needs of Galilee may change in that time such that the experience and expertise of a nominee Director could be any different from the current mix.</p>
<p>The Bidder’s Statement also describes Galilee’s business as being mineral exploration and processing, whereas Galilee’s business is oil and gas exploration and development (i.e. hydrocarbons).</p>	<p>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 Offer may result in a significant loss of value through the mismanagement of Galilee’s assets by Olympus and or its nominee directors.</p> <p>In contrast, the current Board, the majority of whom were appointed by an overwhelming majority of votes cast at a general meeting of Shareholders on 24 September 2013, have extensive experience in oil and gas exploration and production and have already utilised this experience to undertake a detailed review of the Glenaras Pilot results to date and have also, after a review of ATP 799, relinquished that permit.</p>

Current Board Composition

<p>Section 3.4 on page 12 of the Bidder's Statement includes disclosure of Olympus's opinion that it considers it inappropriate for Malt Energy Pty Ltd (Malt) (who holds 16.12% of the Shares in Galilee) to nominate all directors to the Galilee Board.</p> <p>Section 3.4 then states that "<i>This is particularly relevant in circumstances where the price paid by Malt to acquire its investment in Galilee does not include a premium that would have been applicable had Malt sought to acquire a controlling interest in Galilee.</i>"</p>	<p>Consistent with the provisions of the Corporations Act, Galilee considers that it is a fundamental right of any Galilee Shareholder to be able to nominate a Director to the Board.</p> <p>Galilee also considers that it is also appropriate (as was the case with the current Board) that all Shareholders be provided with the opportunity to consider whether to approve any such nominations.</p> <p>While it is worth noting that Malt did not acquire a 'controlling interest' in Galilee, Galilee considers that this fundamental right should be provided to Shareholders irrespective of what price they pay for their Shares.</p>
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Change in Strategic Direction

<p>As part of the Strategic Review, Olympus has stated its intention to seek to establish a realisable value for the Glenaras Project and, if it cannot be sold, write off the costs of that project and seek to return cash to Shareholder.</p> <p>The Chairman's Letter on page 1 of the Bidder's Statement also includes disclosure of Olympus's belief that "<i>Galilee has incurred operating costs and expenditure on speculative exploration ventures with little return for Shareholders.</i>", and that speculative new exploration ventures are "<i>not the appropriate strategic direction for Galilee</i>".</p>	<p>Galilee is an oil and gas exploration and development company.</p> <p>While the nature of oil and gas exploration and development is inherently speculative, and it is possible that such activity may not prove successful, many Shareholders have invested in Galilee on this basis and the potential for such exploration to deliver significant returns to Shareholders.</p> <p>In this context, Galilee notes that 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 as has been proposed by the current Board.</p>
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Uncertain whether Olympus can satisfy its obligations under the Offer

<p>Section 5.1 of the Bidder's Statement, includes disclosure of the fact that the total amount that Olympus may be required to pay if Olympus acquires 50% of all the Galilee Shares on issue on the date of the Bidder's Statement in which it does not have a Relevant Interest is \$11,410,535.</p> <p>Section 5 of the Bidder's Statement also states that Olympus has received a binding letter of commitment from Mercantile (its sole shareholder), who has committed to loan Olympus the funds required to satisfy its obligations under the Offer.</p> <p>The Bidder's Statement also discloses that, as at 10 December 2013, Mercantile had cash at bank of \$699,004.87 and that Mercantile's cash position varies from day to day depending on dividends received and trading in securities.</p>	<p>Given that Mercantile has less than 10% of the cash (if accepted in full) to satisfy its obligations under the Offer, Shareholders should be aware that unless Mercantile can dispose of sufficient assets or obtain funding from its third party funding sources, it may have insufficient cash to satisfy the Offer Price for your Shares.</p> <p>Accordingly, while this would mean that you may retain your Shares in Galilee, if you accept the Offer you will be prevented from disposing of your Shares on market or to any other third party until after the Offer Period without their being any certainty that you will receive the Offer Price payable for your Shares under the Offer.</p>
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7. Overview of Galilee

7.1 Overview

Galilee was incorporated on 27 June 1994 and admitted to the Official List of ASX Limited (ASX) on 15 February 1996.

Galilee holds a leading position in the Galilee Basin with a coal seam gas and hydrocarbon permit in central Queensland through subsidiary, Galilee Resources.

The Galilee Gas Project in ATP 529P is held in an unincorporated 50/50 joint venture with AGL Energy Limited (AGL, ASX: AGK) under which AGL is the operator. In September 2011, the first gas discovery from the Glenaras pilot was announced. The pilot is undergoing gas flow testing, having produced 1,170 mscf in May 2012.

During the 2013 financial year Galilee has focussed on:

- activities required to deliver Shareholder value from the Galilee basin permits; and
- investigate growth and expansion through the acquisition of hydrocarbon projects.

7.2 Board Renewal

With the untimely passing of Steven Koroknay on 6 June 2013, the Company undertook a search for a new independent Non-executive Chairman and Andrew Young was selected and appointed on the 19 August.

On the 24 September, Glenn Haworth resigned from his position as Managing Director and was appointed General Manager and the then Board appointed Mr Paul Jensen as an independent Non-executive Director.

At the General Meeting of Shareholders held on the same day, Cam Rathie was removed as a Director and Dr David King, and Messrs Paul Bilston and Peter Lansom (**New Directors**) were each elected to the Board. The fifth resolution, being the removal of Mr Glenn Haworth as Managing Director, was withdrawn as a result of his resignation and appointment as General Manager immediately prior to the General Meeting.

As reported previously to Shareholders on 15 October 2013, the New Directors subsequently filed an application in the Supreme Court of Queensland for leave to bring proceedings against Messrs Young, Camarri, Jensen and Haworth.

On 30 October 2013, the company advised that Mr Young, Mr Camarri and Mr Jensen had resigned as Directors of Galilee and advised Galilee that they would not be standing for election as Directors at the forthcoming Annual General Meeting. The Company also advised that, in light of the resignations, the New Directors had notified Galilee of their agreement to withdraw the application lodged in the Supreme Court of Queensland and Galilee consented to the proceedings being withdrawn.

As announced on 31 October and 2 December 2013, your new Galilee Board is now comprised of four Directors, with Dr. David King as Independent Non-executive Chairman, Mr Ray Shorrocks as an Independent Non-executive Director, Peter Lansom as Managing Director and Paul Bilston as an Executive Director.

7.3 Company Strategy and Growth

The Board is currently reviewing the Company's previous growth strategy. Specifically, the Board considers that the historic growth strategy has resulted in the Company being exposed to a binary outcome dependent on the commerciality or otherwise of its Galilee Basin assets,

and that Galilee 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 continue to evolve over the course of the next few months 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.

7.4 ATP 529P Galilee Gas Project

ATP 529P tenement covers an area of 3,953 km². The tenement is located north of Longreach in Queensland. The primary target is the Permian age Betts Creek beds, up to 35m net coal with average gas content on the Glenaras anticline of 6.0m³ and up to 7.8m³ per tonne (DAF), found typically between 800 and 1,000m. In September 2012 AGL lodged a renewal and a four-year later work program application that included statutory relinquishment of 33% of the tenement.

Previous project activities include 540 km 2D seismic surveys, ten core holes and construction of the Glenaras pilot; incorporating five production wells and a 357 ML produced water holding pond.

Work has commenced on an objective review of the Glenaras Pilot and ATP 529, with the purpose of determining the best path forward for the long-term capital and investment requirements of this project.

The Board considers that it is important that for the Company to continue funding exploration/appraisal activities on this permit there must be 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.

7.5 Board of Directors

Dr David King PhD, MSc, PAusIMM, FAICD

(Independent Non-executive Chairman)

Appointed Independent Non-executive Director on 24 September 2013 and Chairman on 31 October 2013.

Dr King was a founder and Non-executive Director of Sapex Ltd, Gas2Grid Ltd and Eastern Star Gas Ltd. He has substantial natural resource related experience, having previously served as managing director of North Flinders Mines Ltd and CEO of Beach Petroleum and Claremont Petroleum.

Dr King is a Fellow of the Australian Institute of Company Directors; a Fellow of the Australasian institute of Mining and Metallurgy and Chartered Professional (Management); and a Fellow of the Australian Institute of Geoscientists. Dr King is Non-executive Chairman of Robust Resources Ltd, and a Non-executive Director of Cellmid Ltd, Republic Gold Ltd and African Petroleum Corporation Ltd.

Peter Lansom B.E. Petroleum (Hons)

Managing Director

Appointed Non-executive Director on 24 September 2013 and Managing Director on 31 October 2013.

Peter holds a Bachelor of Petroleum Engineering (Honours) degree from the University of NSW and has over 25 years' experience in conventional and unconventional exploration and development, working with Comet Ridge Ltd, Eastern Star Gas (ESG), Origin Energy and Santos. He has significant expertise in subsurface engineering, asset valuation, field development planning and commercial and corporate finance. In his past role at Origin, in the key management position of Chief Petroleum engineer, he had responsibility for delivering the corporate year end petroleum reserves report and ensuring that consistently high standards in sub-surface engineering were maintained across that company's assets. In his recent role as Executive Director at ESG, Peter had overall engineering responsibility for the exploration and pilot development of the company's CSG assets in NSW which resulted in certifying 3P reserves of over 3500 PJ over a 5 year period, and saw the company grow to a \$900 million market capitalisation.

Paul Bilston B.E. (Mech), PhD.

Executive Director

Appointed: Non-executive Director on 24 September 2013 and Executive Director on 31 October 2013.

With 18 years' experience in the Oil and Gas sector Paul has worked in a number of senior technical, commercial and management roles domestically and overseas. Early in his career, Paul worked in engineering consulting as a senior engineer and as project manager / director for Worley and GHD. This was followed by senior management roles with AGL Energy, head of CSG for AJ Lucas (where he sold the Gloucester CSG Project to AGL for \$370M) and recently as Managing Director of ASX listed Challenger Energy.

Ray Shorrocks Non-executive Director

Independent Non-executive Director

Appointed: Independent Non-executive Director on 2 December 2013.

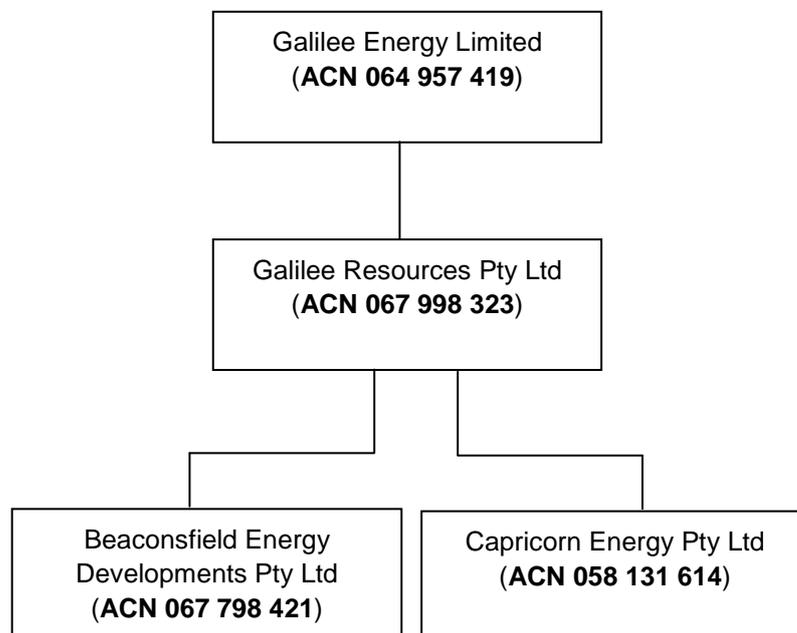
With over 20 years' experience working in the investment banking industry, Ray is highly conversant and experienced in all areas of mergers and acquisitions and equity capital markets, including a significant track record of transactions in the metals and mining, industrials and property sectors.

Ray is a director of Patersons Securities Limited and heads the corporate finance department in Sydney. He is also chairman of Republic Gold Limited and a director of a number of private companies.

7.6 Corporate structure

Galilee holds its permits via two wholly owned subsidiaries of Galilee, as illustrated by the corporate structure shown in Figure 3.

FIGURE 3: Galilee's CORPORATE STRUCTURE



7.7 Share Capital

Galilee currently has approximately 156,140,466 fully paid ordinary Shares on issue.

7.8 Substantial Shareholders

Substantial holder notices lodged with ASX before the date of this Target's Statement indicate that the following individuals or entities (together with their Associates) have Relevant Interests in 5% or more of Galilee's Shares:

Shareholder	Number of Shares	%
Ecarlate Pty Ltd	18,342,608	12.06
Ekco Investments Pty Ltd	8,881,011	5.84
AMP Life Limited	8,419,967	5.53

7.9 Performance rights

As at the date of this Target's Statement, Galilee had 2 million unlisted performance rights on issue as set out in the table below.

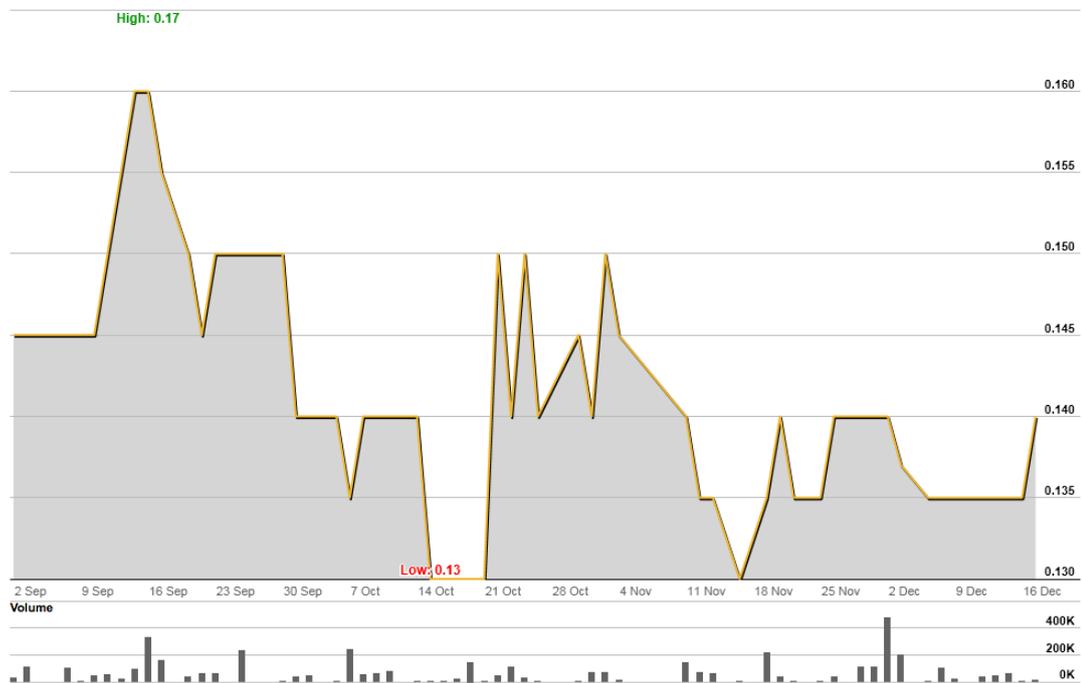
Number	Expiry date	Exercise price
400,000	01/03/2014	Nil: Vests on share price of 49 cents
400,000	01/03/2015	Nil: Vests on share price of 61.25 cents
400,000	01/03/2015	Nil: Vests on share price of 21 cents
400,000	01/03/2016	Nil: Vests on share price of 28 cents
400,000	01/03/2017	Nil: Vests on share price of 35 cents

7.10 Share price history

The chart below depicts Galilee's daily closing Share price since 1 September 2013 and the volume of Shares traded.

Galilee's Share price and volume trading history

(Source: Comsec)



7.11 Financial position

Galilee's historical audited financial results for each of financial years ending 30 June 2013, 2012 and 2011 are summarised in the following tables.

Statement of profit or loss and other comprehensive income for the year ended 30 June			
	2013 \$'000	2012 \$'000	2011 \$'000
Continuing operations			
Revenue	1,593	2,237	1,022
Exploration and evaluation expenses			
Proportionate share of exploration and evaluation expenditure in joint venture	(4,598)	(6,053)	(1,697)
Consulting fees	(307)	(79)	(66)
Contractors	(2,669)	-	(12)
Depreciation	(1)	(1)	(21)
Other	(219)	(100)	(468)
	(7,794)	(6,233)	(2,264)
Administration expenses			
Employee benefits expense	(890)	(844)	(1,008)
Directors' remuneration	(173)	(175)	(491)
Consulting fees	(248)	(686)	(325)
Depreciation	(20)	(24)	(33)
Finance costs	-	-	(11)
General administration expenses	(443)	(536)	(1,462)
	(1,774)	(2,265)	(3,329)
Profit/(loss) before income tax	(7,975)	(6,261)	(4,571)
Income tax benefit/(expense)	1,479	-	137
Profit/(loss) from continuing operations after tax	(6,496)	(6,261)	(4,434)
Discontinued operations			
Profit from discontinued operations after tax		-	25,864
Profit/(loss) for the year	(6,496)	(6,261)	21,430
Other comprehensive income, net of tax			
Currency translation differences		-	460
Total comprehensive income for the year	(6,496)	(6,261)	21,890
		Cents	Cents
Earnings/(loss) per share from continuing operations			
Basic earnings per share	(4.3)	(4.1)	(2.9)
Diluted earnings per share	(4.3)	(4.1)	(2.9)
Earnings per share from discontinued operations			
Basic earnings per share		-	17.0
Diluted earnings per share		-	17.0
Earnings/(loss) per share for profit/(loss) for the year			
Basic earnings per share	(4.3)	(4.1)	14.1
Diluted earnings per share	(4.3)	(4.1)	14.1

These financial statements must be read in conjunction with the company's financial reports presented for the Financial Years ended 30 June 2011, 2012, 2013 available at the ASX and company websites.

Statement of financial position
as at 30 June

	2013 \$'000	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	27,393	33,801	40,227
Trade and other receivables	1,405	1,033	1,106
Inventories		-	-
Other assets		-	-
Total current assets	28,798	34,834	41,333
Non-current assets			
Trade and other receivables	713	713	702
Property, plant and equipment	118	130	152
Intangible assets		-	-
Total non-current assets	831	843	854
Total assets	29,629	35,677	42,187
LIABILITIES			
Current liabilities			
Trade and other payables	777	370	691
Financial liabilities		-	-
Total current liabilities	777	370	691
Non-current liabilities			
Trade and other payables	8	24	23
Provisions	442	421	372
Deferred tax liabilities		-	-
Total non-current liabilities	450	445	396
Total liabilities	1,227	815	1,087
Net assets	28,402	34,862	41,100
EQUITY			
Issued capital	60,228	60,228	60,228
Reserves	(6,689)	(6,724)	(6,747)
Accumulated losses	(25,137)	(18,642)	(12,380)
Total equity	28,402	34,862	41,100

These financial statements must be read in conjunction with the company's financial reports presented for the Financial Years ended 30 June 2011, 2012, 2013 available at the ASX and company websites.

Statement of cash flows
for the year ended 30 June

	2013	2012	2011
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers	-	-	16,873
Payments to suppliers and employees	(9,085)	(8,718)	(16,594)
	-	-	(2,826)
Other revenue	801	(8)	375
Interest received	1,596	2,322	774
Interest paid	-	-	411
Tax benefit received	289	-	-
Net cash outflow from operating activities	(6,399)	(6,404)	(1,809)
Cash flows from investing activities			
Net cash flow from sale of a subsidiary	-	-	31,982
Payments for property, plant and equipment	(9)	-	(651)
Proceeds from disposal of property, plant and equipment	-	(11)	766
(Payments for) bonds and deposits	-	(11)	-
Net cash (outflow) inflow from investing activities	(9)	(22)	32,097
Cash flows from financing activities			
Proceeds from issue of shares	-	-	-
Share issue transaction costs	-	-	-
Repayments of borrowings	-	-	(1,418)
Net cash (outflow) inflow from financing activities	-	-	(1,418)
Net increase (decrease) in cash and cash equivalents	(6,408)	(6,426)	28,870
Cash and cash equivalents at the beginning of the financial year	33,801	40,227	11,375
Effects of exchange rate changes on cash and cash equivalents			(17)
Cash and cash equivalents at the end of the financial year	27,393	33,801	40,227

These financial statements must be read in conjunction with the company's financial reports presented for the Financial Years ended 30 June 2011, 2012, 2013 available at the ASX and company websites.

8. Risk Factors affecting Galilee

In considering whether to accept the Offer, Shareholders should be aware that there are various risks associated with continuing to hold Shares in Galilee.

While some of these risks are outlined in this section 8, these risks ought not to be taken as an exhaustive list of all of the risks faced by Galilee or by Shareholders. Shareholders should be aware that there may be other risks not specifically referred to that may in the future materially affect the financial performance of Galilee and the value of Shares.

8.1 Exploration and development risks generally

The nature of oil and gas exploration and development is inherently speculative and involves a high degree of risk. There can be no assurance that Galilee's planned exploration, appraisal and development activities will be successful, nor that if gas and/or associated liquids resources are identified, it will be economical to extract these resources.

Specifically, oil and gas exploration may involve exploration activities and drilling operations which do not generate a positive return on investment. This may occur, for example, where only dry wells are identified, and also where wells are productive but do not generate sufficient revenues to return a profit after accounting for drilling, exploration and associated costs. It is possible that further information gained during exploration and the preparation of such studies will lead to a determination by Galilee that it is uneconomic to pursue the development of some or all of its permits, which may materially adversely affect the financial position and performance of Galilee.

8.2 Resource estimates

Resource estimates that are the basis for Galilee's exploration programs are, necessarily, expressions of judgment based on the interpretation of data received through exploration activity. Estimates frequently alter significantly when new information or techniques become available. This may alter the assessment of the prospectivity of the permit areas and/or the present exploration programs, with a potential material adverse effect on the financial position and performance of Galilee.

8.3 Permitting risk

Galilee will require additional permits, such as petroleum leases, should it seek to conduct development and production activities on its tenement areas. There is no guarantee that Galilee will be granted all of the necessary permits and approvals, including a petroleum lease, in order to carry out these development and production activities.

Further, Galilee's existing permits are, and any future petroleum leases will be, subject to certain conditions, including, for example, minimum expenditure conditions.

There is no guarantee that any application to convert the existing permits into petroleum leases will be granted on favourable terms or that Galilee will be able to comply with any of the conditions imposed on such petroleum leases. Galilee may have to relinquish one or more of its permits, or have a tenement cancelled for non-compliance with any one or more conditions.

Any failure by Galilee to obtain any required permit or approval, or the relinquishment or cancellation of any of its permits or a subsequent petroleum lease may materially and adversely affect the financial position and performance of Galilee.

8.4 Economic factors

Factors such as inflation, currency and commodity price fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and the stock market. Galilee's future possible revenues and Share price may be affected by these factors, which are beyond the control of Galilee.

8.5 Future capital requirements

Until Galilee has developed one of the permits and is able to realise value from marketable oil or gas, it is likely to incur ongoing operating losses.

As Galilee has no other means of generating income or cash, it will require debt or equity funding or will need to seek additional joint venture partners after the exhaustion of existing working capital. There can be no assurance that Galilee will be able to raise sufficient capital resources or obtain joint venture partners for that purpose, or that it will be able to obtain additional resources on terms acceptable to Galilee.

Any additional equity financing may be dilutive to Galilee's existing Shareholders and any debt financing if available, may involve restrictive covenants, which limit Galilee's operations and business strategy. Galilee's failure to raise capital if and when needed could delay or suspend Galilee's business strategy and could have a material adverse effect on Galilee's activities.

8.6 Land access, Native Title and aboriginal cultural heritage

Galilee's ability to explore and later develop its permits depends on securing adequate land access arrangements with land owners and occupiers. Galilee must also reach agreement with other tenement holders to carry out operations on areas where its permits overlap.

Galilee's ability to explore and later develop the permits may also be affected by the administration and determination of Native Title rights, Aboriginal cultural heritage management, environmental regulation and the state of relations with members of local communities.

Any failure to reach agreement with one or more land owners or occupiers, or the identification of any site that has any cultural significance, may require that Galilee avoid one or more sites when carrying out field programs and project development, which may have a material adverse effect on the financial position and performance of Galilee.

8.7 Environmental management

Galilee's operations are and will be subject to stringent environmental regulation.

Environmental regulations are likely to evolve in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance and more stringent environmental assessments of proposed projects. Galilee may become subject to liability for pollution or other hazards against which it has not insured or cannot insure against.

Whilst Galilee has received no claims or advices which would suggest that there is any particular exposure in relation to any of its present interests, it remains possible that such claims could arise and could materially adversely affect the financial position and performance of Galilee.

8.8 Changes in legislation and government regulation

Changes to legislation or Government policy in Australia, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in Galilee.

There is a further risk of future regulation of the practice of hydraulic fracturing which Galilee intends to pursue in conjunction with horizontal drilling as part of its exploration and development activities.

9. Taxation

Section 7 on pages 24 to 25 of the Bidder's Statement sets out advice on the Australian income tax, capital gains tax and stamp duty consequences of the Offer.

Shareholders should not rely solely on section 7 of the Bidder's Statement in relation to the implications of accepting the Offer.

Shareholders should consult their own tax advisers for their own particular circumstances.

In particular, Shareholders who are subject to taxation outside Australia should obtain their own tax advice which may be different to that applicable to Australian resident Shareholders.

10. Continuous Disclosure

Galilee is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require Galilee to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Galilee has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Shares.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au or from the Galilee website at <http://www.galilee-energy.com.au/>

Between 31 October 2013, the date of release of the Galilee annual report for the financial year ended 30 June 2013, and the date of the Bidder's Statement, Galilee has issued the following ASX announcements:

Date	Announcement
31 October 2013	Annual Report to Shareholders
31 October 2013	Quarterly activity report and Appendix 3B
07 November 2013	AGM - change of venue
19 November 2013	Letter to Shareholders
25 November 2013	MVT: Bidder's Statement re proportional takeover offer
26 November 2013	Receipt of Bidder's Statement
28 November 2013	MD presentation to the AGM
28 November 2013	Results of Meeting
29 November 2013	Notice of initial substantial holder from MVT
29 November 2013	MVT: Supplementary Bidder's Statement re takeover offer
02 December 2013	Non-executive director appointed
02 December 2013	Initial Director's Interest Notice
09 December 2013	Ceasing to be a substantial holder
09 December 2013	Change of Director's Interest Notice
09 December 2013	Change of Director's Interest Notice
10 December 2013	MVT: Replacement Bidders Statement
13 December 2013	Service Agreements – key terms
18 December 2013	Supplementary Bidder's Statement re takeover bid from MVT
19 December 2013	Notice of General Meeting

11. Additional Information

11.1 Directors' interests in Galilee

(a) Directors' interests in Galilee

The number and description of Galilee securities in which each Director has a Relevant Interest as at the date of this Target's Statement are:

Director	Shares Directly Held	Shares Indirectly Held
Mr Paul Bilston	N/A	4,380,165
Mr Peter Lansom	N/A	4,380,165
Dr David King	N/A	N/A
Mr Raymond Shorrocks	N/A	N/A

(b) Dealings in Shares by Directors and Associates

No Director nor any of their Associates has acquired or disposed of a Relevant Interest in any Shares in the four month period ending on the date immediately before the date of this Target's Statement other than as follows:

Date	Director	Number of Shares Acquired	Number of Shares Sold	Price per Galilee Share
5/12/2013	Mr Paul Bilston	4,380,165	Nil	12.5 cents
5/12/2013	Mr Peter Lansom	4,380,165	Nil	12.5 cents

Mr Paul Bilston and Mr Peter Lansom, who are each Associates of Malt Energy Limited (**Malt**) (as a result of being Shareholders and Directors of Malt), each had a Relevant Interest in the 24,532,647 Shares that Malt sold on 5 December 2013 (at an aggregate price of 12.33 cents per Share), which Shares included the 4,380,165 Shares acquired by each of Messrs Bilston and Lansom as set out in the table immediately above.

(c) Benefits and agreements

(1) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the Board or managerial office of Galilee or a Related Entity.

(2) Agreements connected with or conditional on the Offer

There are no agreements made between any Director and any other person in connection with or conditional on, the outcome of the Offer other than in his or her capacity as a holder of Shares.

(3) Benefit from Olympus

None of the Directors has agreed to receive or is entitled to receive, any benefit from Olympus which is conditional on, or is related to, the Offer other than in his or her capacity as a holder of Shares.

(4) Interests of Directors in contracts with Olympus

None of the Directors has any interest in any contract entered into by Olympus.

(d) Interests and dealings in Olympus securities

(1) Interests in Bidder securities

As at the date immediately before the date of this Target's Statement, no Directors had a Relevant Interest in any of Olympus's or Mercantile's securities.

(2) Dealings in Bidder securities

No Director or Associate acquired or disposed of a Relevant Interest in any of Olympus or Mercantile's securities in the four-month period ending on the date immediately before the date of this Target's Statement.

11.2 Directors' intentions in relation to the Offer

Each Director who has a Relevant Interest in Shares presently intends to **REJECT** the Offer in relation to those Shares that they own or control. Details of the Relevant Interests of each Director are set out in section 11.1 of the Target's Statement.

11.3 Litigation

On 14 October 2013, current Directors (Messrs' Peter Lansom, Paul Bilston and Dr David King) commenced derivative proceedings against former directors of Galilee (Messrs' Andrew Young, Rino Camarri, Glenn Haworth and Paul Jensen) and against Galilee itself.

These proceedings related to circumstances surrounding:

- (a) the entry into a service agreement with Mr Haworth for the position of General Manager of Galilee (**Service Agreement**); and
- (b) the appointment of Mr Jensen as a Director of Galilee,

Immediately prior to the general meeting of Shareholders held on 24 September 2013.

These proceedings were dismissed following the resignation of Messrs Young, Camarri and Jensen as Directors of Galilee.

Subsequently, Galilee elected to rescind the Service Agreement. Alternatively, Galilee terminated the Service Agreement.

On 12 December 2013, Mr Haworth commenced proceedings in the Federal Court seeking relief against Galilee and Messrs' Lansom, Bilston and Dr King for, among other things:

- (a) a declaration that Galilee contravened provisions of the *Fair Work Act 2009 (Cth)* (**Fair Work Act**) by failing to provide Mr Haworth with sufficient notice of the termination of his employment (or making payment in lieu of notice) and by failing to pay him for untaken leave, and that the other respondents were involved in those contraventions; and
- (b) an order that Galilee and the other respondents pay a civil penalty to Mr Haworth with respect to the alleged contraventions and an order that Galilee pay Mr Haworth \$175,000, with respect to his notice period, and \$3,181.30 for his untaken annual leave for the period from 24 September 2013 to 4 November 2013.

Galilee and the Directors intend to defend these proceedings.

Other than as set out above, at the date of this Target's Statement, neither Galilee nor a Related Entity is a party to any legal proceedings or aware of any circumstances that may lead to litigation.

11.4 Executive service agreements

No person has been or will be given any benefit (other than a benefit that can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the Board or a managerial office of Galilee or a related entity as a result of the Offer.

11.5 Prospects for an improvement in either Offer or an alternate offer

As at the date of the Target's Statement, the Directors are not aware of any other offer, an improved offer or potential offer for Shares.

11.6 Other

To the best of Galilee's knowledge, no other material contract to which Galilee is a party contains change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position or performance, profits and losses or prospects of Galilee.

12. No Other Material Information

This Target's Statement is required to include all the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- Only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

Your Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Galilee's releases to the ASX, and in the documents lodged by Galilee with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

Your Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, your Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, your Directors have had regard to:

- the nature of the Shares;
- the matters that Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Shareholders' professional advisers; and
- the time available to Galilee to prepare this Target's Statement.

13. Consents

Piper Alderman has given its written consent to being named in this Target's Statement as the lawyers to Galilee. Piper Alderman has not withdrawn that consent prior to the lodgement of this Target's Statement with ASIC.

Computershare Investor Services Pty Ltd has given its written consent to being named in this Target's Statement as Galilee's share registrar. Computershare Investor Services Pty Ltd has not withdrawn that consent prior to the lodgement of this Target's Statement with ASIC.

Each party named above as having given its consent to being named in this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;
- does not make or purport to make any statement that is included in this Target's Statement and there is no statement in this Target's Statement which is based on any statement of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statement included in this Target's Statement other than references to its name.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

The makers of those statements are not required to consent to, and have not consented to, the inclusion of such statements (if any) in this Target's Statement.

Further, as is permitted by ASIC Class Order 13/528, this Target's Statement may include or be accompanied by certain statements which are made in, or based on statements made in documents lodged with ASIC or given to ASX. The makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of those documents (free of charge) please contact Mr Simon Brodie, Galilee's Chief Financial Officer, by fax on +61 7 3216 1199 or by email to sbrodie@galilee-energy.com.au.

14. Glossary and Interpretation

14.1 Glossary

The meanings of terms used in the Target's Statement are:

\$	Australian dollars;
ASIC	means the Australian Securities and Investments Commission;
Associates	has the meaning given to that term in the Corporations Act;
ASX	means ASX Limited ACN 008 624 691;
Bidder	means Olympus Funds Management Pty Limited ACN 121 415 576;
Bidder's Statement	means the replacement bidder's statement issued by Olympus and dated 10 December 2013;
Board	means the board of Directors of Galilee;
Constitution	means the constitution of the Company in place from time to time;
Corporations Act	means the <i>Corporations Act 2001</i> (Cth);
Director	means a director of Galilee, and Directors means all of the directors of Galilee;
EGM	means the general meeting of Shareholders held on 24 September 2013.
Galilee/ Company	means Galilee Energy Limited ACN 112 291 960 and/or its Related Entities (as the context requires) as at the date of this Target's Statement;
Listing Rules	means the listing rules of the ASX;
Market Value	means the total value of the Shares held by a Shareholder based on the closing trading price of the Shares on the ASX on the day that any particular Shareholder accepts the Offer (and will be based on the closing price of Shares in the ex-offer market, assuming any trades take place in that market on the relevant day);
Notice of Meeting	means the notice of meeting convening the meeting of Shareholders to be held on 21 January 2014, for the purpose of considering, and if thought fit, approving the Offer for the purpose of Rule 36 of the Corporations Act.
Olympus	means Olympus Funds Management Pty Limited ACN 120 221 623;
Offer	means the offer from Olympus to acquire up to one (1) out of every two (2) of the Shares owned by each Shareholder, which

offer is contained in Annexure A, page 37 of the Bidder's Statement;

Offer Price	means 15 cents per Share;
Offer Period	means the period during which the Offer will remain open for acceptance in accordance with Appendix A, page 37 of the Bidder's Statement;
Related Entity	means in relation to any entity, an entity which is a related body corporate of that entity under section 50 of the Corporations Act;
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 a person registered in Galilee's register of members as a holder of a Share;
Target's Statement	means this document being the statement of Galilee issued under Part 6.5 Division 3 of the Corporations Act.
Voting Power	has the meaning given to that term in section 610 of the Corporations Act.

14.2 Interpretation

In this Target's Statement:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing the singular include the plural and vice versa;
- (c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (d) a reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant;
- (e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (f) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement;
- (g) a reference to a time is a reference to Australian Eastern Standard Time (unless otherwise stated); and
- (h) a reference to \$ is a reference to the lawful currency of Australia.

15. Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of Galilee. All Directors voted in favour of that resolution.

Signed for Galilee Energy Limited



Peter Lansom
Managing Director

Corporate Directory

Directors

Dr David King
Mr Ray Shorrocks
Mr Paul Bilston
Mr Peter Lansom

Company Secretary

Mr Bill Lyne
Mr Simon Brodie

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