



GALILEE
ENERGY LIMITED

NOTICE OF ANNUAL GENERAL MEETING

incorporating

EXPLANATORY MEMORANDUM

and

PROXY FORM

Date of meeting: Thursday, 20 November 2014

Time of meeting: 11.00am (Brisbane Time)

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

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully. If you are unable to attend the Annual General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

GALILEE ENERGY LIMITED

ACN 064 957 419

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of Shareholders of Galilee Energy Limited (**Company**) will be held at 11.00am (Brisbane time) on Thursday, 20 November 2014 at the offices of Piper Alderman, Level 36 Riverside Centre 123 Eagle Street, Brisbane, Queensland.

The Explanatory Memorandum and Proxy Form accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting. Capitalised terms used in this Notice of Meeting have the meaning given to them in the "Definitions" section at the end of the Explanatory Memorandum.

ORDINARY BUSINESS

1. **Annual Financial Statements and Report**

To receive and consider the financial statements of the Company for the year ended 30 June 2014 together with the Directors' Report and the Auditor's Report as set out in the Annual Report.

2. **Resolution 1 – Non Binding Resolution to Adopt the Remuneration Report for the Financial Year ended 30 June 2014**

To consider and, if thought fit, to pass the following resolution as an **advisory resolution**:

"That, for the purposes of section 250R of the Corporations Act 2001, the Remuneration Report for the year ended 30 June 2014 be adopted."

Please note that the vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (1) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (2) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 if:

- (1) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; or
- (2) it is cast by the Chairman of the Meeting and the appointment of the Chairman as proxy:
 - (a) does not specify the way the proxy is to vote on the resolution; and
 - (b) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

3. **Resolution 2 – To Re-elect Dr David King as a Director**

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

“That Dr David King, who retires by rotation in accordance with Rule 79 of the Constitution of the Company, being eligible for re-election, be re-elected as a director of the Company.”

4. **Resolution 3 – To elect Mr Ray Shorrocks as a Director.**

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

“That Mr Ray Shorrocks, having been appointed as a Director by the Board 2 December 2013, who retires in accordance with Rule 82.2 of the Constitution of the Company and being eligible for election, be elected as a Director.”

5. **Resolution 4 – Issue of Performance Rights to Mr Peter Lansom**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the issue of 1,800,000 Performance Rights to Mr Peter Lansom, a Director of the Company, pursuant to the Company’s Performance Rights Plan and otherwise on the terms set out in the Explanatory Memorandum.”

A vote on Resolution 4 must not be cast, and the Company will disregard any votes cast contrary to this restriction, by or on behalf of Mr Peter Lansom, any other Director and any of their respective Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of the Meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Further, a vote must not be cast on this Resolution 4 (and will be taken not to have been cast if cast contrary to this restriction) by a member of the Key Management Personnel and any Closely Related Party of such a member acting as a proxy, if their appointment does not specify the way the proxy is to vote on this Resolution 4. However, a member of the Key Management Personnel or any Closely Related Party of such a member may vote when acting as proxy if that person is the Chairman of the Meeting and the appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

6. **Resolution 5 – Issue of Performance Rights to Mr Paul Bilston**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the issue of 1,650,000 Performance Rights to Mr Paul Bilston, a Director of the Company, pursuant to the Company’s Performance Rights Plan and otherwise on the terms set out in the Explanatory Memorandum.”

A vote on Resolution 5 must not be cast, and the Company will disregard any votes cast contrary to this restriction, by or on behalf of Mr Paul Bilston, any other Director and any of their respective Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of the Meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Further, a vote must not be cast on this Resolution 5 (and will be taken not to have been cast if cast contrary to this restriction) by a member of the Key Management Personnel and any Closely Related Party of such a member acting as a proxy, if their appointment does not specify the way the proxy is to vote on this Resolution 5. However, a member of the Key Management Personnel or any Closely Related Party of such a member may vote when acting as proxy if that person is the Chairman of the Meeting and the appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered. Shareholders should read the Explanatory Memorandum in full.

OTHER BUSINESS

To consider any other business that may lawfully be brought forward in accordance with the Constitution and the Corporations Act.

QUESTIONS AND COMMENTS BY SHAREHOLDERS AT GENERAL MEETING

A reasonable opportunity will be given to Shareholders as a whole at the Meeting to ask questions about or make comments on the remuneration report and the management of the Company and to ask the auditors or their representative questions relevant to the conduct of the audit, the preparation and content of their report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and their independence in relation to the conduct of the audit.

BY ORDER OF THE BOARD

Stephen Rodgers
Company Secretary
Dated: 17 October 2014

ENTITLEMENT TO ATTEND AND VOTE

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 7.00pm (Sydney time) on Tuesday 18 November 2014.

Shareholders can vote by either:-

- attending the meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice; or
- by submitting their proxy appointment and voting instructions by facsimile.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's Share Register and attendance recorded. Attorneys should bring with them an original or certified copy of the Power of Attorney under which they have been authorised to attend and vote at the meeting.

Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of Section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed unless previously given to the Company's Share Registry.

Voting by Proxy

- A Shareholder entitled to attend and vote is permitted to appoint not more than two (2) proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a Shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as they think fit.
- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice.
- To be effective, proxies must be lodged by 11.00am (Brisbane time) on Tuesday 18 November 2014. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:-
 1. by returning a completed proxy form in person or by post using the pre-addressed envelope provided with this Notice to:-
 The Share Registry
 Galilee Energy Limited
 c/- Computershare Investor Services Pty Limited
 GPO Box 242
 MELBOURNE VIC 3001
 or
 2. by faxing a completed proxy form to:-
 Computershare Investor Services Pty Limited, on
 1800 783 447 (within Australia); or
 + 61 3 9473 2555 (outside Australia)
 or
 3. by visiting: - www.investorvote.com.au and logging in using the control number found on the front of your accompanying proxy form.
 Intermediary Online subscribers (Institutions/Custodians) may lodge their proxy instruction online by visiting www.intermediaryonline.com
or
 4. by scanning the QR code located on the front of the accompanying proxy form and logging in with your postcode.

The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the Power of Attorney, or the Power itself, must be received by the Company at the above address, or by facsimile and by 11.00am (Brisbane time) on Tuesday 18 November 2014. If facsimile transmission is used, the Power of Attorney must be certified.

How undirected proxies held by the Chairman of the meeting will be voted

If you appoint the Chairman of the Meeting as your proxy and you do not specify in the Proxy Form the manner in which you wish the Chairman to vote on the Resolutions to be considered at the Meeting, the Chairman intends to vote in favour of all Resolutions. **If you do not direct the Chairman how to vote on Resolutions 1, 4 or 5, you expressly authorise the Chairman to exercise your proxy on Resolution 1 even though it is connected directly or indirectly with the remuneration of a member of Key Management Personnel, which includes the Chairman.**

If you appoint the Chairman of the Meeting as your proxy and wish to direct the Chairman how to vote on some or all of the Resolutions to be considered at the Meeting, you must complete the directed proxy part of the Proxy Form (Step 2 on the Proxy Form).

Galilee encourages all Shareholders who submit proxies to direct their proxy how to vote on each resolution.

IMPORTANT VOTING RESTRICTIONS

If you are entitled to vote, and you wish to appoint a proxy, you should be aware that if your proxy is a person who is not entitled to vote in their own right, the person may (subject to the Corporations Act) still vote as your proxy but your proxy's vote on your behalf will only be valid if, subject to the comments above in respect of undirected proxies held by the Chairman, you direct your proxy on the Proxy Form how to vote and the proxy does vote as directed.

GALILEE ENERGY LIMITED

ACN 064 957 419

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in Galilee Energy Limited (**Company**) in connection with the business to be considered at the Meeting of Shareholders to be held at 11.00am (Brisbane time) on Thursday, 20 November 2014 at the offices of Piper Alderman, Level 36 Riverside Centre 123 Eagle Street, Brisbane, Queensland.

This Explanatory Memorandum comprises part of the accompanying Notice of Meeting. Capitalised terms are defined in the "Definitions" section at the end of this Explanatory Memorandum. Details of the business to be considered at this Meeting are set out below.

Purpose of Explanatory Memorandum

The purpose of this Explanatory Memorandum is to provide Shareholders with information which may be relevant to the Resolutions to be put to Shareholders at the Meeting.

1. Annual Financial Report

The first item of business of the Notice of Meeting deals with the presentation of the Company's Annual Financial Report for the year ending 30 June 2014. Shareholders should consider this document and raise any matters of interest with the Directors when this item is being considered.

The Company's Annual Financial Report for the year ended 30 June 2014 is available on the Company's website at www.galilee-energy.com.au.

No resolution is required to be moved in respect of this item.

2. Resolution 1: Remuneration Report for the Year ended 30 June 2014

During this item of business, Shareholders at the meeting may comment on and ask questions about the Remuneration Report that appears in the Company's Annual Report 2014.

Section 300A of the Corporations Act requires the Director's Report to contain a remuneration report containing information about the Board's policy for determining the nature and amount of the remuneration of directors and senior management. The report must also explain the relationship between the remuneration policy and the Company's performance. The disclosure requirements stipulated in section 300A of the Corporations Act have been complied with.

The Corporations Act (sections 250R (2) and 250R (3)) provides that the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast on the resolution at the Annual General Meeting are against adoption of the report, then:

- if comments are made on the report at the Annual General Meeting, the Company's remuneration report for the financial year ending 30 June 2015 will be required to include an explanation of the board's proposed action in response or, if no action is proposed, the board's reasons for this; and

- if, at the Company's 2015 Annual General Meeting, at least 25% of the votes cast on the resolution for adoption of the remuneration report for the relevant financial year are against its adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of directors of the Company (**Spill Resolution**). For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the directors (other than any managing director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

Recommendation

The Remuneration Report forms part of the Company's Annual Report, made in accordance with a unanimous resolution of the Directors. Each of the Directors recommends the report to Shareholders for adoption.

3. Resolution 2: Re-election of Dr David King as a Director

Dr David King was appointed as a Director following his election to the Board by shareholders at the general meeting of the Company held 24 September 2013.

Rule 79.2 of the Company's Constitution requires that if no director would otherwise be required by rule 79.1 to submit for election or re-election, the director or directors to retire at an annual general meeting are those who have been longest in office since their election. ASX Listing Rule 14.5 requires that a Company that has Directors must hold an election for Directors each year regardless of whether the requirement for a Director to stand for re-election under the rotation rule arises or not.

As Dr King was appointed a Director to the Board the same day as Mr. Paul Bilston, Rule 79.3 determines the method of determining which of the directors retire in those circumstances. In this instance it has been agreed by the relevant Directors that Dr King will stand for re-election at the upcoming AGM for 2014. Dr King being eligible offers himself for re-election.

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 a Fellow of the Australian Institute of Geoscientists. Dr King is non-executive Chairman of Robust Resources Ltd, and of Cellmid Ltd, and a non-executive director of Republic Gold Ltd and African Petroleum Corporation Ltd.

Recommendation of Directors

The Directors (other than Dr King) unanimously recommend that Shareholders vote in favour of Resolution 2.

4. Resolution 3: Election of Mr Ray Shorrocks as a Director

Rule 82.2 of the Company's Constitution provides that any Director appointed by the Board under Rule 82.1 shall only hold office until the termination of the next Annual General Meeting (**AGM**) of the Company.

Mr Shorrocks was appointed to the Board by the Directors on 2 December 2013 meaning that his appointment will expire 20 November 2013 unless re-elected at the upcoming AGM. Mr Shorrocks will therefore retire from office in accordance with this requirement and being eligible submits himself for re-election.

Mr Shorrocks has over 20 years' experience working in the investment banking industry. He 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.

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

Recommendation of Directors

The Directors (other than Mr Shorrocks) unanimously recommend that Shareholders vote in favour of Resolution 3.

5. Resolutions 4 and 5 - Issue of Performance Rights to Mr Peter Lansom and Mr Paul Bilston

Resolutions 4 and 5 seek Shareholder approval for the issue of Performance Rights to Mr Peter Lansom and Mr Paul Bilston, respectively, in accordance with the Company's Performance Rights Plan.

As approval is required for Resolutions 4 and 5 for the same reasons, the explanations for these two Resolutions have been combined into this single summary.

Background

The Performance Rights Plan has been established to provide eligible employees with an opportunity to share in the growth in the value of the Company's Shares and to encourage them to improve the Company's performance and its returns to Shareholders, through the acquisition of securities in the Company that are subject to certain performance criteria.

Listing Rule 10.14, however, provides that a Director may not acquire securities under an employee incentive scheme without the prior approval of Shareholders.

Accordingly, Resolutions 4 and 5 seek Shareholder approval for the Company to issue Performance Rights to Mr Lansom and Mr Bilston, respectively, pursuant to the Company's Performance Rights Plan, for the purpose of Listing Rule 10.14.

Corporations Act

In addition to the restrictions contained in the Listing Rules, unless an exception applies, the Corporations Act restricts the Company from giving certain "benefits" to persons (who hold managerial or executive offices (as defined in the Corporations Act) on ceasing their employment with the Company (**Termination Benefits**), in the absence of Shareholder approval.

The term "benefit" is defined broadly in the Corporations Act and includes benefits arising from the Board exercising its discretion under the rules of the Performance Rights Plan (**Rules**).

Specifically, the Rules include provisions that enable the Board to waive some or all of the Performance Conditions and/ or Forfeiture Conditions that attach to the Performance Rights issued to a Participant, where a Participant ceases to be employed by a member of the Group, including as a result of redundancy, resignation, death, or termination of their employment.

Accordingly, Resolutions 4 and 5 also seek Shareholder approval to enable the Board to provide Termination Benefits to Mr Lansom and Mr Bilston, respectively, in the event that the Board exercises these discretions.

A summary of the terms of the Performance Rights Plan is set out in Annexure A. The specific terms that will apply to the issue of Performance Rights to Mr Lansom and Mr Bilston are set out below.

	Resolution 4	Resolution 5
<i>Proposed allottees</i>	Mr Peter Lansom (or his nominated entity)	Mr Paul Bilston (or his nominated entity)
<i>Maximum number of securities to be issued</i>	1,800,000 Performance Rights, in three equal tranches of 600,000 Performance Rights	1,650,000 Performance Rights, in three equal tranches of 550,000 Performance Rights
<i>Issue date</i>	The Performance Rights will be issued as soon as practicable following the Meeting and, in any event, will be issued no later than 1 month after the Meeting.	
<i>Issue and exercise price</i>	<p>The Performance Rights are being issued as part of the remuneration of each of Mr Lansom and Mr Bilston and as an incentive for future performance. As such, they will be issued free of charge.</p> <p>While the exercise of Performance Rights will be subject to the Performance Rights having vested on the satisfaction of the Performance Conditions (subject to the Board's discretion to waive those Performance Conditions in certain circumstances), Mr Lansom and Mr Bilston will not be required to pay any exercise price to receive Shares on the exercise of Performance Rights. As such, no loans have been or will be provided as part of the Performance Rights Plan.</p>	
<i>Performance Conditions</i>	<p>The Rules allow for the Board to require the satisfaction of one or more "Performance Conditions" in order for the Performance Rights issued under the Plan to vest and, therefore, become exercisable by a Participant.</p> <p>The Performance Rights proposed to be issued to Mr Lansom and Mr Bilston, respectively, pursuant to Resolutions 4 and 5 will vest in the following three tranches, subject to satisfaction of the following Performance Conditions:</p>	

	Tranche	Performance Condition	Vesting Date	Maximum aggregate number proposed to be issued pursuant to tranche
	Tranche 1	The closing price of Shares being \$0.25 or more for a period of 10 consecutive trading days	1 December 2015	1,150,000
	Tranche 2	The closing price of Shares being \$0.30 or more for a period of 10 consecutive trading days	1 December 2016	1,150,000
	Tranche 3	The closing price of Shares being \$0.35 or more for a period of 10 consecutive trading days	1 December 2017	1,150,000
<i>Details of Directors or their associates who previously received Performance Rights under the Plan</i>	None of the existing Directors or any of their Associates have previously been issued Performance Rights in accordance with the Plan.			
<i>Names of persons referred to in Listing Rule 10.14 that are entitled to participate in the Performance Rights Plan</i>	<p>Only 'Eligible Employees' are entitled to participate in the Performance Rights Plan.</p> <p>'Eligible Employees' are employees of the Company and its associated body corporates (Group), and certain other persons for whom the Company is deemed to be the employer for the purposes of the Tax Act, who are determined by the Board to be Eligible Employees for the purposes of the Plan.</p>			

	<p>Accordingly, any future Director or Associate who is an employee of a member of the Group, and certain other persons for whom the Company is deemed to be the employer for the purposes of the Tax Act, will be entitled to participate in the Plan.</p> <p>However, as Shareholder approval is not currently being sought, and has not previously been obtained, for the issue of Performance Rights to Dr. King or Mr Shorrocks, or any other Director other than Mr Lansom and Mr Bilston, no Performance Rights will be issued to Dr King, Mr Shorrocks or any other Director that may be appointed in the future unless Shareholder approval is separately sought and obtained for the issue of such Performance Rights pursuant to Listing Rule 10.14.</p>
<i>Why are Performance Rights proposed to be issued</i>	<p>In the Company's circumstances, the Directors consider that the Performance Rights provide a cost-effective means of incentivising senior management as opposed to alternative forms of incentives (e.g. cash bonuses or increased cash remuneration), which appropriately align the interests of Participants in the Plan with those of the Company.</p>
<i>Why the number of Performance Rights was Chosen</i>	<p>The number of Performance Rights was chosen following commercial negotiations between the Company and each of Mr Lansom and Mr Bilston.</p> <p>The Board considered that offering Mr Lansom and Mr Bilston the Performance Rights, together with their existing remuneration packages, will assist the Company in retaining the services of Mr Lansom and Mr Bilston.</p>
<i>Directors' interest in the outcome</i>	<p>Other than the interests that each of Mr Lansom and Mr Bilston have in receiving Performance Rights pursuant to Resolutions 4 and 5 (respectively), no other Director has any interest in the outcome of Resolutions 4 and 5.</p>
<i>Valuation of the Performance Rights</i>	<p>The Performance Rights are not currently (and will not in the future be) quoted on the ASX and as such have no market value.</p> <p>The Performance Rights provide the holder with a right to receive one Share upon the exercise of that Performance Right (subject to the relevant Performance Conditions being met). Accordingly, the Performance Rights may have a present value at the date of their grant and may acquire future value dependent upon the extent to which the Share price increases during the term of the Performance Rights.</p> <p>As a general proposition, Performance Rights are akin to options to acquire shares (having a zero or low exercise price) and have value. Various factors impact upon the value of Performance Right's including things such as:</p> <p>(a) the period outstanding before the expiry date of the Performance Rights;</p>

	<p>(b) the exercise price of the Performance Rights (if any) relative to the underlying price or value of the Shares into which they may be converted;</p> <p>(c) the proportion of the issued capital as expanded upon the exercise of the Performance Rights (i.e. whether or not the Shares that might be acquired upon exercise of the Performance Rights represent a controlling or other significant interest);</p> <p>(d) the value of the Shares into which the Performance Rights may be converted; and</p> <p>(e) whether or not the Performance Rights are listed or able to be transferred (i.e. readily capable of being liquidated).</p> <p>There are various formulae which can be applied to determining the theoretical value of options.</p> <p>The Company has applied a Black-Scholes and Monte Carlo simulation methodology. The value of an option calculated by the Black-Scholes and Monte Carlo simulation methodology is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk free interest rate and the volatility of the company's underlying share price.</p> <p>The Company has attributed a total value of \$123,625 to the Performance Rights to be granted pursuant to Resolutions 4 and 5 (\$64,500.00 for the Performance Rights to be issued to Mr Lansom and \$59,125.00 for the Performance Rights to be issued to Mr Bilston).</p> <p>The Performance Right valuation noted above assumes a market price of the Shares on the date of grant of \$0.14 per Share, being the market value of the Shares as at the date that the valuation was prepared on as at the 20 November 2014. Shareholders should be aware that there is a possibility that the market price of the Shares on the date of grant of the Performance Rights will be different to the assumed price of \$0.14 cents used for the valuation</p>
<p><i>Disclosure of total remuneration package</i></p>	<p>As noted above, the Performance Rights are proposed to be issued to Mr Lansom and Mr Bilston as a means of providing a cost effective means of incentivising and remunerating Mr Lansom and Mr Bilston for their respective roles as Managing Director and Executive Director.</p> <p>The remuneration from the Company to Mr Lansom and Mr Bilston is currently:</p>

	Director	Remuneration*	
	Mr Peter Lansom	Excluding the Performance Rights proposed to be issued as per Resolution 4, Mr Lansom currently receives remuneration of \$325,000 per annum (inclusive of superannuation) from the Company for his services as Managing Director.	
	Mr Paul Bilston	Excluding the Performance Rights proposed to be issued as per Resolution 5, Mr Bilston currently receives remuneration of \$300,000 per annum (inclusive of superannuation) from the Company for his services as an Executive Director.	
	<i>*Paid pursuant to service contracts with the Company.</i>		
Existing interest in the Company	The current Relevant Interests (i.e. before any of the Resolutions are approved) of each of Messrs Lansom and Bilston in the securities of the Company are set out below:		
	Director	Shares	Performance Rights
	Mr Peter Lansom	4,588,498	Nil
	Mr Paul Bilston	4,600,165	Nil
Explanation of the termination benefits	<p>The Performance Rights Plan contains provisions setting out the treatment of unvested Performance Rights, including the Board's discretion to waive any Performance Conditions attaching to those Performance Rights in the event that a Participant cease to be employed by a member of the Group as a result of, among other things, redundancy, resignation, death, termination of employment for cause or permanent incapacity.</p> <p>As noted above, the exercise of these discretions by the Board will constitute a Termination Benefit for the purposes of the restrictions contained in the Corporations Act.</p>		
Value of the termination benefits	<p>Various matters will or are likely to affect the value of the Termination Benefits that the Board may give under the Performance Right Plan and, therefore the value of the Termination Benefits cannot be determined in advance.</p> <p>The value of a particular benefit resulting from the exercise of the Board's discretion under the Performance Rights Plan will depend on factors such as the Company's share price at the time of the exercise of this discretion and the number of Performance Rights in respect of which the Board decides to waive the Performance Conditions. Some of the factors that may affect the value of the Termination Benefits are as follows:</p>		

	<p>(a) the nature and extent of any Performance Conditions waived by the Board;</p> <p>(b) the number of Performance Conditions that have been satisfied at the time that the Board exercises this discretion; and</p> <p>(c) the number of unvested Performance Rights that the Participant holds at the time that this discretion is exercised.</p>
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Dilution effect of the issue of the Performance Rights

If all of the Performance Rights that are proposed to be issued to Mr Lansom and Mr Bilston pursuant to Resolutions 4 and 5, respectively, are granted and are subsequently exercised (and assuming that no other Performance Rights, options to acquire Shares or Shares are issued prior to the exercise of the Performance Rights), the following will be the dilution effect of Resolutions 4 and 5 on the current issued capital of the Company:

Allottees/Other Shareholders	Current Share Holding (Direct and Indirect)	% of Total Share Capital (152,140,466 Shares on issue)	Number of Shares upon Exercise of all Performance Rights	% of Total Share Capital (155,590,466 Shares on Issue)
Mr Peter Lansom	4,588,498	3%	6,388,498	4.1%
Mr Paul Bilston	4,600,165	3%	6,250,165	4.0%
Other Shareholders	142,951,803	94%	142,951,803	91.9%
Total	152,140,466	100%	155,590,466	100%

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by the proposed Resolutions 4 and 5.

Recommendation of Directors

The Non- Executive Directors of the Company, being Dr. David King and Mr Ray Shorrocks each recommend that Shareholders vote in favour of each of resolution 4 and 5.

Mr Bilston and Lansom do not make any voting recommendation to Shareholders as to how to vote on Resolutions 4 and 5.

Definitions

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

Associate has the meaning given to that term in the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, where applicable, the Australian Securities Exchange operated by ASX.

Board means the Board of Directors of the Company.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company or **Galilee** means Galilee Energy Limited ACN 064 957 419.

Constitution means the constitution of the Company.

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

Director means a director of the Company at the date of this Notice of Meeting.

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

Group means the Company and each of its Associated Body Corporates (as that term is defined in the Corporations Act).

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules or **ASX Listing Rules** means the listing rules of ASX.

Meeting means the Annual General Meeting of the Company to be held at the offices of Piper Alderman Level 36, Riverside Centre 123 Eagle Street, Brisbane Queensland on Thursday 20 November 2014 at 11.00am (Brisbane Time).

Notice of Meeting means, unless the context requires otherwise, this document which comprises the Company's Notice of Meeting to be held at 11.00am (Brisbane time) on Thursday, 20 November 2014 at the offices of Piper Alderman, Level 36, Riverside Centre 123 Eagle Street, Brisbane Queensland and the accompanying Explanatory Memorandum and the Proxy Form.

Participant means an eligible employee who has accepted an offer from the Company to participate in the Plan.

Performance Rights Plan or Plan means the Galilee Energy Limited Performance Rights Plan.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution of the Company set out in this Notice of Meeting.

Rules means the rules of the Galilee Energy Limited Performance Rights Plan (as amended from time to time).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder in the Company.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

Termination Benefit means a benefit that meets the criteria of section 200AB of the Corporations Act and is given in the circumstances contemplated by section 200A of the Corporations Act.

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

Appendix A – Summary of the Rules of the Performance Rights Plan

The following is a summary of the key terms of the rules of the Galilee Energy Limited Performance Rights Plan (**Rules**):

General terms

1. Any person that is an employee of the Company or any of its' associated body corporates (**Group**), and certain other persons for whom the Company is deemed to be the employer for the purposes of section 83A-35 of the Tax Act, is an 'Eligible Employee' for the purposes of the Plan.
2. Subject to certain exceptions, including where participation would result in a member of the Group failing to comply with or contravene any applicable law, the Board may, in its absolute discretion, invite any Eligible Employee to participate in the Plan (**Invitation**).
3. The Board will have the sole discretion in providing an Invitation to an Eligible Employee to determine among other things:
 - (a) the number of Performance Rights to which the Eligible Employee is entitled to apply for, or the basis on which the number of Performance Rights is to be determined;
 - (b) the date on which the Performance Rights will be granted and the date that the Performance Rights will vest with the Participant (**Vesting Date**), or the basis on which this will be determined;
 - (c) the exercise price (if any) for the issue of Shares on the exercise of Performance Rights (**Exercise Price**);
 - (d) the performance conditions (if any) which are required to be satisfied prior to the vesting of the Performance Rights (**Performance Conditions**) and the time period over which those Performance Conditions are required to be met; and
 - (e) the conditions (if any) attaching to the Performance Rights and/ or any Shares delivered on exercise of those Performance Rights, which, if satisfied, will result in the forfeiture of the Performance Rights and/ or any Shares issued on the exercise of the Performance Rights (**Forfeiture Conditions**).

Exercise and Forfeiture

4. Subject to the Rules and a Participant not first notifying the Company that it does not wish to exercise its Performance Rights, all Performance Rights will be, and will be deemed to have been, exercised on the Vesting Date.
5. Subject to the Rules,
 - (a) a Performance Right will only be exercisable if all Performance Conditions (if any) relating to the Performance Right have been satisfied; and
 - (b) a Performance Right will lapse, and will not be exercisable thereafter, on the occurrence of any Forfeiture Condition attaching to the Performance Right, unless the Board determines otherwise.
6. If a Participant ceases to be employed by any member of the Group due to his or her death, illness, permanent disability, redundancy or any other circumstance approved by the Board, then all unvested Rights granted to that Participant will lapse, unless the Board determines otherwise having regard to the portion of the Performance Period elapsed and the Performance Conditions.

7. If a Participant ceases to be employed by any member of the Group due to any 'special circumstance', as determined by the Board at its sole discretion, all unvested Performance Rights granted to that Participant are retained by that Participant and the Board must determine, having regard to the extent to which the Performance Conditions have been met on the expiry of the Performance Period, the extent to which the Performance Rights will Vest on the relevant vesting date.
8. If an executive director of the Company ceases employment with the Company, is removed as an executive director of the Company and is appointed as a non-executive director of the Company, then the Board has the discretion to determine the extent to which any unvested Performance Rights will Vest.
9. If an offer is made by a person to acquire the whole of the issued ordinary share capital of the and after announcement of the offer the offeror (being a person who did not control the Company prior to the offer) acquires control of the Company, or any other event occurs which causes a change of control of the Company, the Board has the discretion to determine whether Performance Rights will vest and become exercisable (whether or not all of the Performance Conditions have been met), having regard to:
 - (a) the portion of the Performance Period elapsed; and
 - (b) the Performance Conditions.
10. Without limiting the discretion of the Company as to the way in which it will procure the acquisition of Shares for the purpose of implementing the Plan, the Company may on the vesting of Performance Rights:
 - (a) issue Shares to a participant;
 - (b) procure the transfer of Shares to a Participant; or
 - (c) procure that the Shares are held on trust for the Participant

Entitlements and reconstructions

11. Where Shares have been issued to a trustee to be held on trust pending the exercise of a Performance Right, the trustee will exercise any voting rights it has in respect of the Shares at the direction of the Participant and all dividends (if any) paid in respect of the Shares will be paid to the Participant.
12. Subject to the Listing Rules, if there is a bonus issue to holders of Shares, the number of Shares over which a Performance Right is exercisable will be increased by the number of Shares which a Participant would have received if the Performance Right had been exercised before the relevant record date for the bonus issue.
13. If, prior to the vesting of any Performance Rights, there is a reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the number of Performance Rights and Shares to which each Participant is entitled will be reconstructed in the manner permitted by the Listing Rules.
14. Participation in the Plan does not confer on any Eligible Employee any right to a grant of Rights, or delivery of Shares on exercise of Performance Rights, apart from those rights created on acceptance by the Board of an offer of a Participant (constituted by completing and returning an Application Form) who has been invited by the Board to participate in the Plan.

Miscellaneous

15. Participants are not able to transfer or otherwise dispose of an interest in their Performance Rights unless the Board determines otherwise.
16. The Company will not apply for official quotation of any Performance Rights. However, Shares issued as a result of the exercise of Performance Rights will rank equally with the Company's fully paid ordinary shares on and from the date of issue
17. Subject to the Corporations Act, the Listing Rules and all other applicable laws, the Rules may be amended or supplemented at any time by resolution of the Board.



GALILEE

ENERGY LIMITED

ABN 11 064 957 419



Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

┌ 000001 000 GLL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Voting Form



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

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



**For your vote to be effective it must be received by
11:00am (Brisbane time) Tuesday 18 November 2014**

How to Vote on Items of Business

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

Vote Directly

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

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

Appoint a Proxy to Vote on Your Behalf

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

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

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

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

Attending the Meeting

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

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

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

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

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



I 9999999999

I ND

Voting Form

Please mark to indicate your directions

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

XX

At the Annual General Meeting of Galilee Energy Limited to be held at the offices of Piper Alderman, Level 36 Riverside Centre 123 Eagle Street, Brisbane, Queensland on Thursday, 20 November 2014 at 11:00am (Brisbane time) and at any adjournment or postponement of that meeting, I/We being member/s of Galilee Energy Limited direct the following:

1. Vote Directly

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

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

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

the Chairman of the Meeting **OR**

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

OR

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

STEP 2 Items of Business

PLEASE NOTE: If you have appointed a proxy and you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority. If you are directly voting and you mark the **Abstain** box for an item, it will be treated as though no vote has been cast on that item and no vote will be counted in computing the required majority.

		For	Against	Abstain
1	Remuneration Report for the Year ended 30 June 2014	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Re-election of Dr David King as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Election of Mr Ray Shorrocks as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Issue of Performance Rights to Mr Peter Lansom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Issue of Performance Rights to Mr Paul Bilston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /