

**GALILEE ENERGY LIMITED**

**Response to AFR Article**

Galilee Energy Limited ("Galilee") refers to the article in today's Australian Financial Review and confirms that it has received an indicative, confidential and incomplete proposal from Bathurst Resources Limited ("Bathurst") to acquire all of the shares in Eastern Resources Group Limited ("Eastern"), a wholly owned subsidiary of Galilee. The indicative proposal, received on the evening of Monday 25<sup>th</sup> October, did not contain key commercial terms regarding the potential acquisition.

On 21 October 2010, Galilee announced that the Board had resolved to proceed with an initial public offering of Eastern shares on the ASX ("IPO") in late October 2010.

The indicative proposal for \$30,000,000 received from Bathurst was subject to a due diligence period, regulatory consents and any shareholder approval required. The Galilee Directors also understand that Bathurst's ability to fund the acquisition contemplated by the indicative proposal was dependent on Bathurst completing a capital raising.

When considering the indicative proposal, the Galilee Board considered their view of the long term value of Eastern and its assets, the uncertainty of the indicative proposal, and the timing of completion of the indicative proposal.

After taking into account all of these factors, the Galilee Board determined that it was in the best interests of Galilee shareholders to proceed with the proposed IPO rather than to pursue the indicative proposal for the following reasons:

- The IPO will be fully underwritten and therefore has a high degree of certainty;
- Galilee will retain a significant minority stake in Eastern after the IPO, thus allowing Galilee and therefore Galilee shareholders to retain exposure to Eastern's assets. Galilee will therefore receive the benefit of any appreciation of value of the assets of Eastern in the medium to long term; and
- Under the IPO, all Galilee shareholders as at 15 October will be offered the opportunity to participate in a priority offer for the Eastern shares and therefore gain further exposure to Eastern's assets and any long term benefits and upside associated with holding shares in Eastern.

Galilee intends to lodge a prospectus for the Eastern IPO tomorrow.



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**Important Notice:**

*A Prospectus for the IPO of Eastern Resources Group Ltd is proposed to be lodged with the Australian Securities and Investments Commission (ASIC) on 29 October 2010. Investors wishing to acquire shares in Eastern Resources Group Ltd will need to complete the application form that will be in or will accompany the Prospectus. Any further information about the IPO will be contained in the Prospectus and a copy of that Prospectus may be obtained from Galilee Energy Limited. The offer of shares in Eastern Resources Group Limited will be made in the Prospectus after it has been lodged with ASIC. Applicants will need to consider the prospectus in deciding whether to acquire shares in Eastern Resources Group Limited.*

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