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**GALICIA ENERGY CORPORATION LIMITED**

**ABN 73 110 184 355**

**NOTICE OF GENERAL MEETING**

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**TIME:** 10:00am (WST)  
**DATE:** Wednesday, 23 September 2015  
**PLACE:** Steinepreis Paganin  
16 Milligan Street  
Perth WA 6000

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9322 7600.*

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## IMPORTANT INFORMATION

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### Time and place of Meeting

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Notice is given that the Meeting will be held at 10:00am (WST) on Wednesday, 23 September 2015 at:

Steinepreis Paganin  
16 Milligan Street  
Perth WA 6000

### Your vote is important

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The business of the Meeting affects your shareholding and your vote is important.

### Voting eligibility

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on Monday, 21 September 2015.

### Voting in person

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To vote in person, attend the Meeting at the time, date and place set out above.

### Voting by proxy

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

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

*“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal of the Company’s Limnytska Licence, being the main undertaking of the Company, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

*“That, subject to the passing of Resolutions 1 and 3, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to acquire 100% of the issued shares in TV2U Worldwide Pty Ltd on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 3. RESOLUTION 3 – ACQUISITION OF TV2U WORLDWIDE PTY LTD

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

*“That, subject to the passing of the Resolutions 1 and 2, for the purposes of ASX Listing Rule 7.1 and section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to issue up to 714,285,714 Shares to the shareholders of TV2U Worldwide Pty Ltd (**Consideration Shares**);*
- (b) the Company to issue up to 1,035,714,286 Performance Shares to the shareholders of TV2U Worldwide Pty Ltd (**Performance Shares**); and*

- (c) *the acquisition of a relevant interest in the issued voting shares of the Company by Talico Technologies Pte Ltd (and its associates) otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of the number of Consideration Shares and the potential issue of Shares on conversion of the Performance Shares issued to Talico Technologies Pte Ltd,*

*on the terms and conditions set out in the Explanatory Statement.*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the shareholders in TV2U Worldwide Pty Ltd and any of its associates or any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Expert's Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company.

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#### 4. RESOLUTION 4 – CREATION OF A NEW CLASS OF SECURITIES

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

*“That, subject to the passing of Resolution 3, for the purpose of section 246B of the Corporations Act and for all other purposes, the Company is authorised to issue the Performance Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Talico Technologies Pte Ltd and any of its associates or any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 5. RESOLUTION 5 – ISSUE OF SHARES UNDER PROSPECTUS

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

*“That, subject to the passing of Resolutions 1 to 4, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 500,000,000 Shares under the Prospectus and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6 – ELECTION OF DIRECTOR – MR NICK FITZGERALD**

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

*“That, subject to the passing of Resolutions 1 to 4, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Nick Fitzgerald, being eligible and having consented to act, be elected as a director of the Company on and from the successful completion of the Transaction.”*

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**7. RESOLUTION 7 – ELECTION OF DIRECTOR – MR REMUS (XIN) HUA**

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

*“That, subject to the passing of Resolutions 1 to 4, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Remus (Xin) Hua, being eligible and having consented to act, be elected as a director of the Company on and from the successful completion of the Transaction.”*

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**8. RESOLUTION 8 – PLACEMENT – SHARES IN SATISFACTION OF CONVERTIBLE NOTES**

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 46,428,571 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**9. RESOLUTION 9 – ADOPTION OF EMPLOYEE INCENTIVE OPTION PLAN**

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

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Employee Incentive Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**10. RESOLUTION 10 – CHANGE OF NAME**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, subject to completion of the Transaction, for the purposes of section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to TV2U International Limited.”*

**Dated: 18 August 2015**

**By order of the Board**

**Sarah Jayne Smith  
Company Secretary**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. ACQUISITION OF TV2U

#### 1.1 Background on Transaction

On 3 June 2015, the Company announced to ASX that it had entered into a binding heads of agreement (**Heads of Agreement**) with TV2U Worldwide Pty Ltd (**TV2U**). Under the Heads of Agreement, the Company, at its exclusive option, may acquire 100% of the issued capital of TV2U by making an offer to each TV2U shareholder to acquire all of their respective TV2U shares and performance shares (**Transaction**).

TV2U is a private Australian entity and a leading digital content enabler and technology provider to the media, entertainment and telecommunications industries. Further background information on TV2U is set out in Section 1.2 of this Explanatory Statement.

The Transaction is a strategic move to diversify and expand the Company's business to deliver best of breed Over The Top (**OTT**) and Internet Protocol Television (**IPTV**) information and entertainment services to any screen, fixed or mobile, and simultaneously utilising its market leading analytical capabilities.

The consideration payable by the Company to the TV2U shareholders pursuant to the Transaction is set out in Section 4 of this Explanatory Statement and a summary of the material terms of the Heads of Agreement is set out in Section 1.8 of this Explanatory Statement.

#### 1.2 Background on TV2U and its technology

TV2U, and its wholly owned subsidiary, TV2U Singapore Pte Ltd (**TV2U Singapore**) were formed to acquire the key intellectual property, software and hardware previously owned by Nick Fitzgerald (the founder) and TV2U Pty Ltd relating to their OTT and IPTV operations.

TV2U is a developer of technologies that deliver video content through Internet OTT and IPTV video systems. TV2U also is an aggregator and supplier of content for IPTV and OTT operators. TV2U has developed an ecosystem of technologies for the delivery of end-to-end video content delivery in IPTV and OTT networks. This is the core technology that TV2U wishes to exploit. The platform solution, named IVAN (intelligent video accessible network) provides a complete solution for operators to deliver their own and additional content. This additional content can be provided by TV2U through its content acquisition service which offers clients a library of programs to add to their existing content, from regional and local to Hollywood features, documentaries, cartoons, sports, music and education.

Recently, TV2U joined forces with NTT MNC in Malaysia and other technology providers to create a global content service hub using its technology which allows it to deliver content globally. Furthermore, an agreement with set top box (**STB**) manufacturer HUMAX will allow TV2U to deliver content directly to consumers with a HUMAX STB in a number of countries across the globe.

The IPTV / OTT market for services is growing globally driven by new generations of mobile devices to consume media and improving land based and mobile data broadband capabilities. As this market grows, there are opportunities for new entrants into the market as operators delivering services as well as with incumbent operators looking to upgrade and expand their offerings through extension beyond the traditional TV into PCs, smartphones and tablets. This provides an opportunity for technology providers such as TV2U to provide both services and content into this market.

The expansion of OTT and IPTV offerings across multiple devices is seen as a significant area of growth in the market between now and 2020. While estimates of the value of the market vary depending on the company reporting it, the message is consistent: the end user market will grow in value. This will be driven by greater access to both landline and mobile broadband and new technologies and opportunities for the consumption of content via mobile devices. This will drive the entrance of new operators as well as the expansion of multi-screen consumption offerings by incumbent players creating an opportunity for technologies such as TV2U's IVAN system. The Asia Pacific region, a key target of TV2U, is seen as one of the key areas driving growth in the period to 2020.

### 1.3 Key TV2U Intellectual Property Agreements

#### (a) TV2U Singapore IP Deed

Tara IP Limited (**Tara**), TV2U Pty Ltd and Mr Fitzgerald were the original owners of certain materials, patent rights and intellectual property rights in relation to various products and processes associated with the business of TV2U (**Tara IP**).

On or around 23 June 2015, Tara, TV2U Pty Ltd and Mr Fitzgerald assigned 100% of their legal and beneficial rights in and to the Tara IP to TV2U Singapore (**TV2U Singapore IP Deed**).

#### (b) TV2U Singapore Licence Deed

Talico Technologies Pte Ltd (the major shareholder of TV2U and an entity controlled by Mr Fitzgerald) (**Talico**) is the owner of certain materials, patent rights and intellectual property rights associated with the business activities of TV2U (**Talico IP**).

On or around 23 June 2015, Talico granted to TV2U Singapore an irrevocable, royalty-free licence to use, exploit, develop, sub-licence and reproduce the Talico IP in TV2U Singapore's business (**TV2U Singapore Licence Deed**).

#### (c) Data Sharing Agreement

On or around 23 June 2015, TV2U Singapore entered into a data sharing agreement with Talico (**Data Sharing Agreement**) pursuant to which TV2U Singapore agrees to provide all customer data acquired or otherwise collated through the provision of the OTT and IPTV managed services (**Analytics**) to Talico.

#### (d) TV2U Licence Deed

On or around 23 June 2015, TV2U Singapore granted to TV2U an exclusive, irrevocable, royalty-free licence to use, exploit, develop, sub-

licence and reproduce the Tara IP and Talico IP for the purpose of OTT and IPTV services.

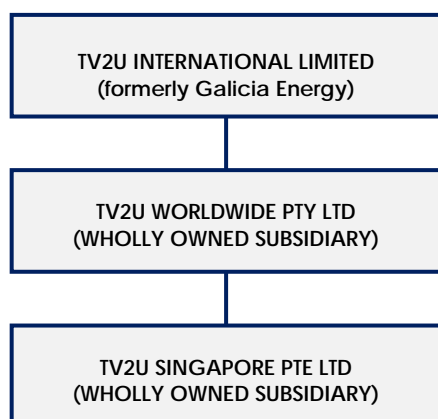
#### 1.4 Key TV2U Commercial Agreements

At the date of this Notice of Meeting, TV2U has entered into the following key commercial agreements:

- (a) **HUMAX Terms Sheet** – a terms sheet which contemplates HUMAX Pty Ltd providing access to its OTT services to enable TV2U to provide its interactive premium television services.
- (d) **Akamai Letter of Intent** – a letter of intent which contemplates Akamai Technologies, Inc. (**Akamai**) and TV2U agreeing the terms of a formal agreement pursuant to which TV2U will make its digital content and services available to Akamai's customers through technical integration with Akamai's Predictive Video Over Cellular programmes.
- (e) **Stereoscope Terms Sheet** – a terms sheet which sets out a summary of the terms on which TV2U Singapore and Stereoscope Cloud (China) Limited (**Stereoscope**) will agree a formal agreement pursuant to which TV2U will provide to Stereoscope equipment, licences to software, technical and management support services and rights to use digital content in specified Asian countries for the purposes of Stereoscope's proposed OTT interactive television and gaming streaming services.

#### 1.5 TV2U Corporate Structure

The corporate structure of the Company upon completion of the Transaction will be as follows:



#### 1.6 Transaction Consideration

The consideration to be paid by the Company for the acquisition of TV2U was negotiated on an arm's length basis between the Company and the shareholders of TV2U.

On completion of the Transaction, the Company will issue:

- (a) 714,285,714 Shares; and
- (b) 1,035,714,286 Performance Shares, comprising:

- (i) 178,571,429 Class A Performance Shares;
- (ii) 214,285,714 Class B Performance Shares;
- (iii) 285,714,286 Class C Performance Shares; and
- (iv) 357,142,857 Class D Performance Shares,

to the TV2U shareholders on a pro rata basis as consideration for the Transaction (**Consideration Securities**).

The terms and conditions of the Performance Shares are set out at Schedule 2.

The Consideration Securities will be subject to any applicable escrow restrictions under the ASX Listing Rules.

## 1.7 The Management Team

It is proposed that upon completion of the Transaction, the Company's Board will consist of the following Directors:

- (a) Non-executive Chairman – Mr Peter Wall;
- (b) Executive Director and CEO – Mr Nicholas Fitzgerald;
- (c) Executive Director – Mr Remus (Xin) Hua; and
- (d) Non-executive Director – Mr Faldi Ismail.

Profiles of each proposed member of the Board are set out below:

(a) **Mr Peter Wall – Non Executive Chairman**

Mr Peter Wall LLB BComm MAppFin FFin is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Mr Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.

Mr Wall has a wide range of experience in all forms of commercial and corporate law, with a particular focus on technology, equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions. Mr Wall is a director of the following other ASX listed companies: Aziana Limited (to be renamed BrainChip Holdings Ltd), Phytotech Medical Limited, Minbos Resources Limited, Dourado Resources NL and Global Metals Exploration NL.

(b) **Mr Nicholas Fitzgerald – Executive Director and CEO**

Mr Nick Fitzgerald (Founder and current TV2U CEO) has an exceptional pedigree averaging over 23 years each in Media and Entertainment with deep domain expertise and project experience with content owners, digital service providers, broadcasters and telecommunications companies.

Mr Fitzgerald's experience expands over 25 years in the Broadcast and New Media Industries. A successful business leader and visionary entrepreneur, Mr Fitzgerald is responsible for setting the strategic goals and objectives of the company. Prior to TV2U Mr Fitzgerald served in numerous executive level positions while involved in several successful start-up companies, including Digital Rapids a pioneer in encoding/transcoding technology. As Vice President of Digital Rapids Asia, Mr Fitzgerald was responsible for the region's operations and business development, setting up sales and distribution networks across multiple markets. It was during his tenure with Digital Rapids that the market needs for total solutions was realized and TV2U was born initially as a free consultancy service to the industry assisting "New Media" companies to understand the technology requirements and market needs.

(c) **Mr Remus (Xin) Hua – Executive Director**

Mr Hua has over 16 years experience in the Digital Media, Content & Production, Mobile Payment Systems technology sector. Mr Hua is an experience company director with skills that focus on the incubation and commercialization of media-based technology companies.

Prior to joining TV2U, Mr Hua was the founding partner and director of CIVITAS Technologies , Director at M-Pay Holdings ,Director of International Operations at MAS Group Limited and the Founder and Director of Innovations In Motion P/L.

Mr Hua has built long standing relationships in the Digital Media Sector in the Asia Pacific Region which are instrumental for the success of any companies expansion throughout the region.

(d) **Mr Faldi Ismail – Non Executive Director**

Mr Ismail is an experienced corporate advisor who specialises in the restructure and recapitalisation of a wide range of ASX-listed companies, specialising in information technology. He has many years of investment banking experience and has advised on numerous transactions including domestic and international capital raisings, structuring of acquisitions and joint ventures overseas.

Mr Ismail is also the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers & acquisitions, capital raisings and Initial Public Offerings. In addition, Mr Ismail is currently a director of WHL Energy Ltd, Advanced Engine Components Ltd, Emergent Resources Ltd and Boulder Steel Ltd.

## 1.8 Heads of Agreement Terms and Conditions

The key terms of the Heads of Agreement pursuant to which the Company has agreed to acquire 100% of the issued capital in TV2U are as follows:

- (a) **(Option):** The TV2U shareholders grant to the Company an option to acquire 100% of the issued shares (ordinary shares and performance shares) of TV2U free from encumbrances **(Option)** for an option fee of \$10. The Option may be exercised by the Company by notice in writing to TV2U during the period commencing on the date of the Heads of Agreement and expiring at 5.00pm on the date which is two months after the date of the Heads of Agreement, being 3 August 2015.

- (b) **(Consideration):** Upon completion of the Transaction, the Company will issue:
- (i) 714,285,714 Shares; and
  - (ii) 1,035,714,286 Performance Shares, comprising:
    - (A) 178,571,429 Class A Performance Shares;
    - (B) 214,285,714 Class B Performance Shares;
    - (C) 285,714,286 Class C Performance Shares; and
    - (D) 357,142,857 Class D Performance Shares,

in consideration for the acquisition of TV2U. The terms and conditions of the Performance Shares are set out in Schedule 2.

- (c) **(Conditions Precedent):** The Transaction is subject to satisfaction of certain conditions precedent, including:
- (i) completion of due diligence by the Company on TV2U's business, assets, operations, financial position, financial performance and any further matters relevant to TV2U, in each case to the satisfaction of the Company;
  - (ii) if the Company considers that it will be required by ASIC, TV2U preparing audited accounts for the shorter period of three years and the date of incorporation of TV2U and delivering those accounts to the Company;
  - (iii) the Company obtaining all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the Transaction;
  - (iv) the Company preparing a full form prospectus in accordance with section 710 of the Corporations Act (**Prospectus**), lodging the Prospectus with the ASIC and raising a minimum of \$6,000,000 under the Prospectus through the issue of Shares at a price of not less than \$0.02 each (**Prospectus Offer**);
  - (v) each of the Company and TV2U obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law as are required to enable the parties to lawfully complete the matters set out in the Heads of Agreement (including, but not limited to, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and the Company receiving conditional approval from ASX to reinstate the Company's quoted securities to trading on ASX following completion of the Transaction on conditions satisfactory to the Company, acting reasonably);
  - (vi) if required, each of the TV2U shareholders waiving all pre-emptive and other rights over any of the TV2U shares conferred by the constituent documents of TV2U, any shareholders' agreement relating to TV2U or in any other way (if any); and

- (vii) to the extent required by the ASX, the Company or the ASX Listing Rules, each TV2U shareholder entering into a restriction agreement as required by ASX imposing such restrictions on trading of those securities as mandated by the ASX Listing Rules in respect of the Consideration Securities that are provided to the Shareholders by GAL.
- (d) **(Loan):** Subject to the Company satisfactorily completing its due diligence on TV2U, the Company has agreed to make an unsecured interest free loan available to TV2U in the principal amount of \$1,000,000 **(Loan)**. If there is an event of default or completion of the Transaction does not occur for any reason, the Loan shall, at TV2U's election, be repayable on the date which is six months from the first draw down of the Loan or convertible into TV2U ordinary shares based on a valuation of \$5,000,000. The Loan shall be documented in a separate loan agreement to be entered into between the parties.
- (e) **(Convertible Notes):** TV2U has issued various convertible notes with a combined face value of \$650,000 that, subject to completion of the Transaction, the Company will satisfy through the issue of Shares at an issue price equal to \$0.014 each.
- (f) **(ESOP):** The Company agrees to adopt an employee performance rights plan on terms to be agreed.
- (g) **(Other terms):** The Heads of Agreement contains other terms considered standard for an agreement of this nature, including warranties by the TV2U shareholders, limitations on claims, exclusivity and confidentiality.

## 1.9 Pro-forma balance sheet

An unaudited pro-forma balance sheet of the Company following completion of the Transaction and other matters is set out at Schedule 1 to this Notice of Meeting.

## 1.10 Pro-forma capital structure

The pro-forma capital structure of the Company following completion of Transaction is set out below:

	Shares	Performance Shares <sup>1</sup>	Options
<b><i>Minimum subscription - \$6 million</i></b>			
Securities currently on issue	761,938,681	12,000,000	7,882,362 <sup>2</sup>
Consideration Securities to be issued to TV2U Shareholders	714,285,714	1,035,714,286	Nil
Securities to be issued pursuant to Capital Raising	300,000,000	Nil	Nil
Securities to be issued to Convertible Noteholders	46,428,571	Nil	Nil
<b>Total</b>	<b>1,822,652,966</b>	<b>1,047,714,286</b>	<b>7,882,362</b>
<b><i>Maximum subscription - \$10 million</i></b>			
Securities currently on issue	761,938,681	12,000,000	7,882,362 <sup>2</sup>
Consideration Securities to be	714,285,714	1,035,714,286	Nil

issued to TV2U Shareholders			
Securities to be issued pursuant to Capital Raising	500,000,000	Nil	Nil
Securities to be issued to Convertible Noteholders	46,428,571	Nil	Nil
<b>Total</b>	<b>2,022,652,966</b>	<b>1,047,714,286</b>	<b>7,882,362</b>

**Notes:**

1. Includes 12,000,000 performance rights currently on issue in the Company
2. Unlisted Options exercisable at \$0.17 on or before 29 February 2016.
3. Assumes completion of the Transaction, that no Options are exercised and no Shares are issued other than as contemplated by this Notice.

### 1.11 Indicative Timetable

Event	Indicative Timing*
Despatch this Notice of Meeting	19 August 2015
Shareholder meeting to approve the Transaction (and associated matters)	18 September 2015
Lodgement of the Prospectus	18 September 2015
Closing date of Capital Raising	9 October 2015
Completion of Transaction	16 October 2015
Reinstatement to official quotation on ASX	23 October 2015

\* The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders or Option holders.

### 1.12 Advantages and disadvantages to the Transaction

#### (a) Advantages

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Transaction:

- (i) The Transaction provides Shareholders with a unique opportunity to acquire a leading digital content enabler and technology provider to the media, entertainment and telecommunications industries, managed by an experienced technology team.
- (ii) TV2U is a leader in its field and has developed significant commercial partnerships with key players that should, when implemented, deliver significant revenue to TV2U (and, hence, the Company).
- (iii) The Transaction provides the Company with the potential opportunity to increase the value of the Company.
- (iv) The Transaction brings to the Company a seasoned and well-credentialed executive team with significant technology experience featuring a good mixture of the Company's existing director experience and the additional experience of the new directors.

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- (v) The issue of the Consideration Securities will complete the Company's obligations under the Heads of Agreement and will not require renegotiation of its terms.
- (vi) The issue of the Consideration Securities will result in an increased market capitalisation which combined with the completion of the Transaction may assist the Company to raise funds in the future to further its operations.

(b) **Disadvantages**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Transaction:

- (i) The Transaction will result in the issue of a significant number of Shares which will have a dilutionary effect on the current holdings of Shareholders.
- (ii) There are many risk factors associated with the Transaction and the Company's activities, or rather associated with its prospective business and operations. A non-exhaustive list of these risks is set out in Section 1.13 below.
- (iii) The Transaction involves the introduction into the Company of new assets in a sector separate from the Company's existing assets, and therefore may not be consistent with all Shareholders investment objectives when they elected to invest in the Company.
- (iv) There is no guarantee that the Shares will not fall in value on completion of the Transaction.

Shareholders you also refer to the Independent Expert's Report for a discussion of other key advantages and disadvantages of the Transaction.

### 1.13 Risk factors

#### *Introduction*

There are a number of specific risks involved for the Company, and consequently for its Shareholders, in the acquisition of TV2U, including risks specific to the business and assets of TV2U, which include the risk factors set out below.

#### *Specific risks*

(a) **Completion of Transaction**

As set out in the announcement on 3 June 2015, the Transaction remains subject to the satisfaction of the conditions precedent set out in section 1.8(c) of this Explanatory Statement.

There is a risk that the Transaction may not be successfully completed. If completion of the Transaction were to not occur, the Company would continue operating its current exploration assets and continue as a going concern, but may continue to seek new opportunities if it considers those opportunities more beneficial to Shareholders.

(b) **Contractual Risk**

In order for the Company to be able to achieve its objectives and complete the Transaction, the Company is reliant on TV2U complying with its contractual obligations under the documentation, and in certain circumstances, agreeing to any necessary amendments, negotiating further agreements and related documents. Should TV2U fail to comply with or agree to vary the terms of such agreements as the circumstances dictate, the Transaction may not complete and the Company may not acquire the full shareholding interest in TV2U it has agreed to acquire.

Further, if a party defaults in the performance of its contractual obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms. There can be no guarantee that the Transaction will be completed.

(c) **Intellectual Property**

TV2U has licensed or acquired the rights to certain patent applications relating to its core business. At the date of this Notice of Meeting, none of the patents have been granted.

Even if granted, the granting of a patent does not guarantee that the rights of others are not infringed nor that competitors will not develop competing intellectual property that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

Although the Company is not aware of any third party interests in relation to the intellectual property rights, and TV2U has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company.

The Company's prospects will also depend on the Company's ability to develop and patent technology that meets changing market needs and addresses the technological advances and competitiveness of other companies operating in the markets targeted by the Company.

(d) **Dilution Risk**

The Company currently has 761,938,681 Shares on issue. On completion of the Transaction, the Company proposes to issue the relevant number of Shares and Performance Shares under the Transaction and issue that number of Shares at the issue price to raise a minimum of \$6,000,000 as part of the capital raising referred to in Resolution 5.

These issue of the Consideration Securities and Shares under the Prospectus will significantly dilute the interests of existing Shareholders. There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the Business.

(e) **Technology Risk**

Upon completion of the Transaction, the Company will be reliant upon certain technologies and upon the successful commercialisation of the technologies as currently held by TV2U. There is a risk that as marketable technologies continue to develop in the communications industry there may be certain product developments that supersede, and render obsolete, the products and services of the Company, this would adversely affect the profitability of the Company and likely the value of the Shares.

(f) **New Market Entrants and Technology Risk**

The emergence of new competitors in the market, or any technological developments providing an alternative to TV2U's product offerings could impact the market share that the Company is able to acquire and cause downward price pressure on consumer software and services platforms, thus reducing the Company's margins and revenue. Further, existing providers of similar consumer services may also respond aggressively to TV2U's market growth to retain or regain market share, which could also impact the Company's margins and revenue.

(g) **Failure to Deal with Growth**

The TV2U business has the potential to grow rapidly. If that occurs and the Company fails to properly manage that growth, then that failure could harm its business. Any failure to meet customer demand properly could adversely affect the business.

(h) **Availability of IT Staff in the Market**

TV2U is reliant upon employees with specialist IT skills in order to develop and maintain its projects. Any shortage of availability of these skills in the IT employment market could impair the development of the TV2U products and business and the rate of such development. Such shortage could also cause wage inflation, which may impact on the Company's profitability.

(i) **Dependence on Products**

TV2U's products require the use of hardware devices and as such the business model of TV2U will be dependent upon the existence and ownership of these devices. There can be no guarantee that these devices will continue to be as widely used as they are currently or that they will not be replaced by alternative devices upon which TV2U's technology will not function as intended which could impact on the profitability of the Company.

(j) **Security Breaches and Hacker Attacks**

A malicious attack on TV2U's systems, processes or people from external or internal sources could put the integrity and privacy of customers'

data and business systems used at risk. The impact of loss or leakage of customer or business data could include costs for rebates, potential service disruption, litigation, and brand damage resulting in reduced or falling revenues. TV2U follows best practice in relation to security policies, procedures, automated and manual protection, encryption systems and staff screening to minimise this risk.

(k) **Customer Service Risk**

TV2U's business model is based on recurring revenue arising from usage. Poor customer service experiences may result if the Company loses key customer service personnel, fails to provide adequate training and resources for customer service personnel or there is a disruption to monitoring and account management systems utilised by customer service personnel. Poor experiences may result in the loss of customers, adverse publicity, litigation, regulatory enquiries and customers reducing the use of TV2U products or services. If any of these occur, it may adversely impact the Company's revenues.

**General Risks**

(a) **Additional requirements for capital**

The funds to be raised under the Transaction are considered sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(b) **General economic conditions**

Economic conditions, both domestic and global, may affect the performance of the Company. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenues and Share price can be affected by these factors, all of which are beyond the control of the Company or its Directors.

(c) **Foreign exchange rate risk**

TV2U's revenue will be predominantly in United States dollars and the Company's operating expenses will be incurred principally in Australian dollars. Movements in the USD/AUD exchange rate may adversely or beneficially affect the Company's results or operations and cash flows.

(d) **Equity market conditions**

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Securities listed on the stock market can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

General factors that may affect the market price of Shares include economic conditions in both Australia and internationally (particularly Australian, US and Chinese economic conditions), investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(e) **Change in government policy and legislation**

TV2U operates in a number of jurisdictions. Any material adverse changes in relevant government policies or legislation may affect the viability and profitability of the Company, and consequent returns to investors. The activities of the Company are subject to various international, federal, state and local laws governing taxes, labour standards and occupational health and safety, and other matters.

(f) **Reinstatement to ASX's official list**

It is anticipated that the Company's Shares will be suspended or placed in a trading halt prior to market open on the date of the Meeting. In the event the Resolutions are approved at the Meeting, it is anticipated that the Company's securities will remain suspended until settlement of the Transaction, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its listed Securities may consequently remain suspended from quotation.

**1.14 What if the Transaction does not succeed?**

If the conditions to the Transaction are not satisfied or waived, the Transaction will not proceed and the Company will seek alternative investment opportunities which will build Shareholder value.

**1.15 Directors' Recommendation**

The Directors do not have any material personal interests in the outcome of Resolution 2 and unanimously recommend that Shareholders vote in favour of this Resolution as they consider the proposed Transaction to be in the best interests of Shareholders as after assessment of the advantages and disadvantages referred to in Sections 1.12(a) and 1.12(b) the Directors are of the view that the advantages outweigh the disadvantages.

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## 2. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

### 2.1 Background

The Company's main undertaking is the exploration and development of the Limnytska licence, which is a large onshore oil and gas project spanning some 172km<sup>2</sup> in Western Ukraine (**Limnytska Licence**).

As announced on 13 August 2015, the Company has reached an in-principle agreement for the sale of Zinest Holdings, the holding entity of the Company's interest in the Limnytska Licence (**Disposal**).

The in-principle agreement provides that the Company will sell Zinest Holdings for the nominal sum of \$1.00.

The Company expects that the formal agreement in respect of the Disposal will be signed prior to the date of the Meeting and the Disposal will be completed (subject to Shareholder approval) as soon as practicable after the Meeting.

By completing the Disposal, the Company will be able to exit Ukraine without any future liabilities and, thereafter, focus on developing the business and operations of TV2U.

The financial impact of the Disposal is included with the pro-forma balance sheet set out in Schedule 1.

The Disposal is subject to Shareholder approval under ASX Listing Rule 11.2.

### 2.2 ASX Listing Rule 11.2

ASX Listing Rule 11.2 provides that, where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders.

The ASX has advised the Company that the disposal of its interest in the Limnytska Licence requires shareholder approval under ASX Listing Rule 11.2 as being a disposal of its main undertaking.

This Resolution seeks Shareholder approval for the disposal of the Company's interest in the Limnytska Licence.

### 2.3 Director interests and recommendations

The Directors do not have any material interest in the outcome of this Resolution other than as a result of their interest arising solely in the capacity as security holders.

The Board has approved the proposal to put this Resolution to Shareholders. Each of the Directors intends to vote all of their Shares in favour of this Resolution.

Based on the information available, all of the Directors consider that the proposed Disposal is in the best interests of the Company and recommend that the Shareholders vote in favour of the Resolution.

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### 3. RESOLUTION 2 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

#### 3.1 General

This Resolution seeks approval from Shareholders for a change to the nature and scale of the activities of the Company by the Transaction. The Transaction will change the nature and scale of the Company's activities.

A detailed description of the Transaction is set out above at section 1.1 of the Explanatory Statement.

#### 3.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the Official List of ASX.

Given the change in the nature and scale of the Company's activities upon completion of the Transaction, the Company has been required by ASX to obtain Shareholder approval.

ASX has advised the Company that the proposed Transaction will trigger a need to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

Accordingly, the Company is seeking Shareholder approval pursuant to this Resolution for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.3.

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### 4. RESOLUTION 3 – ACQUISITION OF TV2U WORLDWIDE PTY LTD

#### 4.1 General

This Resolution seeks Shareholder approval:

- (a) to allow the Company to issue the Consideration Securities pursuant to ASX Listing Rule 7.1 to the shareholders of TV2U in consideration for the Transaction; and
- (b) to approve the acquisition of a relevant interest in the issued voting shares of the Company by Mr Nick Fitzgerald (through his company, Talico Technologies Pte Ltd) pursuant to section 611 item 7 of the Corporations Act.

The issue of the Consideration Securities will result in Talico's voting power in the Company increasing from 0% to 33.3% upon completion of the Transaction

(assuming minimum subscription under the Prospectus Offer and no Options are exercised or Performance Shares converted).

The Consideration Securities include the issue of Performance Shares to the shareholders of TV2U on the terms outlined in Schedule 2. If all of the Performance Shares are converted to Shares, it will result in Talico's voting power in the Company increasing to a maximum of 52% (assuming minimum subscription under the Prospectus Offer and no Options are exercised).

Pursuant to ASX Listing Rule 7.2 (Exception 16), shareholder approval pursuant to ASX Listing Rule 7.1 is not required where approval is being obtained pursuant to Section 611 (Item 7) of the Corporations Act. Accordingly, if Resolution 3 is passed, the issue of the Consideration Securities will be made without using the Company's 15% annual placement capacity and the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1.

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements which must be satisfied in order to obtain shareholder approval under section 611 item 7 of the Corporations Act. The requirements are set out below.

#### **4.2 ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of this Resolution will be to allow the Company to issue the Consideration Shares pursuant to the Transaction during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to issue of the Consideration Securities:

- (a) the maximum number of Consideration Securities to be issued is:
  - (i) 714,285,714 Consideration Shares; and
  - (ii) 1,035,714,286 Performance Shares;
- (b) the Consideration Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Consideration Securities will occur on the same date;
- (c) the issue price will be nil as the Consideration Securities are being issued in consideration of the Transaction;
- (d) the Consideration Securities will be issued to the shareholders of TV2U;
- (e) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and the Performance Shares will be issued on the terms and conditions set out in Schedule 2; and

- (f) no funds will be raised by the issue of the Consideration Securities as they are being issued in consideration for the acquisition of TV2U.

#### 4.3 Item 7 of Section 611 of the Corporations Act

##### (a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

**(Prohibition).**

##### (b) Voting Power

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

##### (c) Talico's entitlements in the Company

Talico does not currently hold any Shares or Options in the Company.

Following the completion of the Transaction and assuming no Options are exercised and no other Shares are issued other than pursuant to this Notice, Talico's shareholding and voting power in the Company will be as follows:

#### Maximum holdings of Talico following the issue of Consideration Securities

	Voting Power as at the date of this Notice	Shares	Performance Shares	Voting Power after issue of the Consideration Securities	Voting Power after conversion of the Performance Shares
<i>Minimum subscription: \$6 million</i>					
Talico	-	607,142,857	880,357,143	33.31%	51.82%
Other Shareholders	100%	1,215,510,109	167,357,143	66.69%	48.18%
<b>Total</b>	-	<b>1,822,652,966</b>	<b>1,047,714,286</b>	-	-
<i>Maximum subscription: \$10 million</i>					
Talico	Nil	607,142,857	880,357,143	30.02%	48.45%
Other Shareholders	100%	1,415,510,109	167,357,143	69.98%	51.55%
<b>Total</b>	-	<b>2,022,652,966</b>	<b>1,047,714,286</b>	-	-

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
  - (A) a body corporate the first person controls;
  - (B) a body corporate that controls the first person; or
  - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

An entity controls another entity if it has the capacity to determine the outcome of decisions about that other entity's financial and operating policies.

A relevant agreement includes an agreement, arrangement or understanding, whether written or oral, formal or informal and whether or not having legal or equitable force.

Mr Nick Fitzgerald is an associate of Tallico in accordance with this definition.

(e) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

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It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (iv) a body corporate in which the person's voting power is above 20%; and
  - (v) a body corporate that the person controls.
- (f) **Associates of Talico**

Mr Fitzgerald will have a relevant interest in the Consideration Shares and Performance Shares held by Talico. Mr Fitzgerald is an associate of Talico as he controls Talico.

- (g) **Control**

The Corporations Act defines "control" broadly. Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company.

#### 4.4 Reason Section 611 Approval is Required

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following completion of the Transaction, assuming no other Shares are issued (other than as contemplated by this Notice) and assuming minimum subscription under the Prospectus Offer and no Options are exercised, Talico and Mr Fitzgerald will have a relevant interest in 607,142,857 Shares and 880,357,143 Performance Shares in the Company, representing 33.3% voting power in the Company prior to the conversion of any Performance Shares, and 51.82% following the conversion of all Performance Shares.

Accordingly, this Resolution seeks Shareholder approval for the purpose of section 611 Item 7 and all other purposes to enable the Company to issue the Consideration Securities.

#### 4.5 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RSM Bird Cameron contained in Schedule 4 to this Explanatory Statement.

- (a) **Identity of the Acquirer and its Associates**

It is proposed that Talico will be issued with 607,142,857 Consideration Shares and 880,357,143 Performance Shares in accordance with the terms of the Heads of Agreement as set out in Section 1.3 of this Explanatory Statement. Talico is controlled by Mr Nick Fitzgerald.

No associates of Talico (other than Mr Fitzgerald) currently have or will have a relevant interest in the Company.

(b) **Relevant Interest and Voting Power**

***Relevant Interest***

The relevant interest of Talico and its associates in Shares (both current, and following the issue of the Consideration Securities and assuming minimum subscription under the Prospectus Offer) is as follows:

Party	Capacity	Relevant Interest as at the date of this Notice of Meeting	Relevant Interest after the issue of the Consideration Shares	Relevant Interest after conversion of all the Performance Shares
Talico	Shareholder	Nil	607,142,857	1,487,500,000
Mr Fitzgerald	Controller of Talico	Nil	607,142,857	1,487,500,000

***Voting Power***

The voting power of Talico and its associates in the Company (both current, and following the issue of the Consideration Shares and assuming minimum subscription under the Prospectus Offer) is as follows:

Party	Voting Power as at the date of this Notice of Meeting	Voting Power after issue of the Consideration Shares	Voting Power after exercise of the Performance Shares
Talico (and its associates)	0%	33.31%	51.82%
Other Shareholders	100%	66.69%	48.18%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Further details on the voting power of Talico (and Mr Fitzgerald) are set out in the Independent Expert's Report prepared by RSM Bird Cameron.

(c) **Summary of increases**

The estimated maximum relevant interest that Talico and its associates will hold after completion of the Transaction is 607,142,857 Shares and, if all Performance Shares issued to Talico are converted in accordance with the terms on which they are issued, 1,487,500,000 Shares, and the maximum voting power that Talico and its associates will hold is 51.82%.

(d) **Assumptions**

The following assumptions have been made in calculating the above voting power:

- (i) the Company has 761,938,681 Shares and 7,882,362 Options on issue as at the date of this Notice of Meeting;
- (ii) no Options are exercised following the date of this Notice;

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- (iii) the Company receives the minimum subscription for Shares under the Prospectus Offer;
- (iv) the Company does not issue any additional Shares other than pursuant to this Notice of Meeting and pursuant to the conversion of the existing 12,000,000 Performance Shares on issue in the Company; and
- (v) Talico and its associates do not acquire an interest in any additional Securities other than under this Resolution.

(e) **Reasons for the proposed issue of securities**

As set out in Section 1.3 of this Explanatory Statement, the reason for the issue of securities to Talico is to satisfy the consideration requirements under the Heads of Agreement to acquire 100% of the shares in TV2U.

(f) **Date of proposed issue of securities**

The Consideration Securities the subject of this Resolution will be issued on the date of completion of the Transaction, being a date after the Meeting in accordance with the timetable set out in Section 1.11 and otherwise to be determined by the Company and TV2U.

(g) **Material terms of proposed issue of securities**

The Consideration Shares will be issued on the same terms and conditions as all other existing Shares on issue in the Company.

The Performance Shares will be issued on the terms and conditions set out in Schedule 2.

(h) **Intentions of Talico**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Talico and its associates:

- (i) have no present intention of making any significant changes to the business of the Company;
- (ii) have no present intention to inject further capital into the Company;
- (iii) have no present intention regarding the future employment of the present employees of the Company;
- (iv) do not intend to redeploy any fixed assets of the Company;
- (v) do not intend to transfer any property between the Company and any other entity; and
- (vi) have no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to Talico and its associates at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(i) **Interests and Recommendations of Directors**

- (i) Upon completion of the Transaction, the Board will consist of the persons listed in Section 1.7 of this Explanatory Statement.
- (ii) None of the current Board members have a material personal interest in the outcome of this Resolution.
- (iii) All of the current Directors are of the opinion that the Transaction is in the best interests of Shareholders and, accordingly, the current Directors unanimously recommend that Shareholders vote in favour of all of the Resolutions contained in this Notice of Meeting. The Director's recommendations are based on the reasons outlined in Section 4.6 below.
- (iv) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass this Resolution.

(j) **Capital Structure**

A table showing the Company's current capital structure and the possible capital structure on completion of the Transaction is set out in Section 1.10.

**4.6 Advantages of the Transaction**

Refer to Section 1.12 for a non-exhaustive list of advantages to a shareholders decision on how to vote on the Transaction.

**4.7 Disadvantages of the Transaction**

Refer to Section 1.12 for a non-exhaustive list of advantages to a shareholders decision on how to vote on the Transaction.

**4.8 Independent Expert's Report**

The Independent Expert's Report prepared by RSM Bird Cameron (a copy of which is attached as Schedule 4 to this Explanatory Statement) assesses whether the transactions contemplated by this Notice of Meeting are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by this Notice of Meeting are **not fair but reasonable** to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

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#### 4.9 Pro forma balance sheet

A pro forma balance sheet of the Company post the completion of the issue is set out in Schedule 1.

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### 5. RESOLUTION 4 – CREATION OF A NEW CLASS OF SECURITIES

This Resolution seeks Shareholder approval for the Company to be authorised to issue the Performance Shares to Talico. The Performance Shares are intended to be issued in part consideration of the acquisition of TV2U as described in Section 1 of this Explanatory Statement.

A company with a single class of shares on issue, which proposes to issue new securities not having the same rights as its existing shares, is taken to vary the rights of existing shareholders unless the Constitution already provides for such an issue.

Section 246B of the Corporations Act provides that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the Shareholders holding Shares in that class; or
- (b) the written consent of the Shareholders who are entitled to at least 75% of the votes that may be cast in respect of Shares in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Schedule 2. This Resolution is a special resolution.

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### 6. RESOLUTION 5 – ISSUE OF SHARES UNDER PROSPECTUS

#### 6.1 General

This Resolution seeks Shareholder approval for the issue of up to 500,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$10,000,000 under a Prospectus.

It is a condition precedent of the Transaction that the Company issue the Prospectus to raise up to a minimum of \$6,000,000 by the issue of a minimum of 300,000,000 Shares at an issue price of \$0.02 per Share.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of this Resolution will be to allow the Company to issue the Shares pursuant to the Prospectus during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

#### 6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of Shares under the Prospectus:

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- (a) the maximum number of Shares to be issued is 500,000,000;
  - (b) the Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
  - (c) the issue price will be \$0.02 per Share;
  - (d) the Shares will be issued to investors who subscribe for the Shares under the Prospectus. None of these subscribers will be related parties of the Company;
  - (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
  - (f) the Company intends to use the funds raised from the Prospectus towards development of the TV2U business, protection of the TV2U intellectual property rights, administration and salaries, expenses of the Transaction (and associated equity raising) and general working capital.

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## 7. RESOLUTION 6 TO 7 – ELECTION OF DIRECTORS

Resolutions 6 to 7 seek approval for the election of Messrs Nick Fitzgerald and Mr Remus (Xin) Hua as Directors, with effect from successful completion of the Transaction, in accordance to clause 13.4 of the Constitution and Section 201E of the Corporations Act.

Clause 13.4 of the Constitution provides that Shareholders at a general meeting may appoint a person as a Director in addition to the existing Directors.

The qualifications and experience of the proposed Directors are set out below.

### **Nick Fitzgerald**

Mr Nick Fitzgerald (Founder and current TV2U CEO) has an exceptional pedigree averaging over 23 years each in Media and Entertainment with deep domain expertise and project experience with content owners, digital service providers, broadcasters and telecommunications companies.

His experience expands over 25 years in the Broadcast and New Media Industries. A successful business leader and visionary entrepreneur, Mr Fitzgerald is responsible for setting the strategic goals and objectives of TV2U. Prior to TV2U Mr Fitzgerald served in numerous executive level positions while involved in several successful start-up companies, including Digital Rapids a pioneer in encoding/transcoding technology. As Vice President of Digital Rapids Asia, Mr Fitzgerald was responsible for the region's operations and business development, setting up sales and distribution networks across multiple markets. It was during his tenure with Digital Rapids that the market needs for total solutions was realized and TV2U was born initially as a free consultancy service to the industry assisting "New Media" companies to understand the technology requirements and market needs.

### **Mr Remus (Xin) Hua**

Mr Hua has over 16 years experience in the Digital Media, Content & Production, Mobile Payment Systems technology sector. Mr Hua is an experience company

director will skills that focus on the incubation and commercialization of media-based technology companies.

Prior to joining TV2U, Mr Hua was the founding partner and director of CIVITAS Technologies , Director at M-Pay Holdings ,Director of International Operations at MAS Group Limited and the Founder and Director of Innovations In Motion P/L.

Mr Hua has built long standing relationships in the Digital Media Sector in the Asia Pacific Region which are instrumental for the success of any companies expansion throughout the region.

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## **8. RESOLUTION 8 – PLACEMENT – SHARES IN SATISFACTION OF CONVERTIBLE NOTES**

### **8.1 General**

TV2U has issued various convertible notes to sophisticated investors with an aggregate face value of \$650,000 (**Convertible Notes**).

This Resolution seeks Shareholder approval for the issue of 46,428,571 Shares in satisfaction of all existing Convertible Notes on issue at completion of the Transaction.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of this Resolution will be to allow the Company to issue the Shares pursuant to the Placement during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **8.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares in satisfaction of all existing Convertible Notes:

- (a) the maximum number of Shares to be issued is 46,428,571;
- (b) the Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the deemed issue price per Share is \$0.014;
- (d) the Shares will be issued to holders of the Convertible Notes, none of whom is a related party of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of Shares as the Shares are being issued in satisfaction of the Convertible Notes.

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9. **RESOLUTION 9 – APPROVAL OF EMPLOYEE INCENTIVE OPTION PLAN**

This Resolution seeks Shareholders approval for the adoption of the employee incentive scheme titled “Employee Incentive Option Plan” (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of three years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If this Resolution is passed, the Company will be able to issue Securities under the Plan to eligible participants over a period of three years without impacting on the Company’s ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Securities have previously been issued under the Plan.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Securities under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

A summary of the key terms and conditions of the Plan is set out in Schedule 3. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

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10. **RESOLUTION 10 – CHANGE OF NAME**

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

This Resolution is conditional on the completion of the Transaction and seeks the approval of Shareholders for the Company to change its name to “**TV2U International Limited**”.

If this Resolution is passed the change of name will take effect when ASIC alters the details of the Company’s registration.

The proposed name has been reserved by the Company and if this Resolution is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Transaction in order to effect the change.

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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Class A Performance Shares** means Performance Shares having the milestone condition to conversion set out in the in the sub-paragraph headed Class A Performance Shares in Schedule 2.

**Class B Performance Shares** means Performance Shares having the milestone condition to conversion set out in the in the sub-paragraph headed Class B Performance Shares in Schedule 2.

**Class C Performance Shares** means Performance Shares having the milestone condition to conversion set out in the in the sub-paragraph headed Class C Performance Shares in Schedule 2.

**Class D Performance Shares** means Performance Shares having the milestone condition to conversion set out in the in the sub-paragraph headed Class D Performance Shares in Schedule 2.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Galicia Energy Corporation Limited (ABN 73 110 184 355).

**Constitution** means the Company's constitution.

**Consideration Securities** means the Consideration Shares and the Performance Shares.

**Consideration Shares** means the 714,285,714 Shares to be issued to the shareholders of TV2U in accordance with the agreement summarised in Section 1.8.

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

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by this Notice.

**Independent Expert's Report** means the report set out at Schedule 4.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Performance Share** means a performance share in the Company to be issued to the shareholders of TV2U in accordance with the agreement summarised in Section 1.8 and having the terms set out in Schedule 2.

**Plan** means the Employee Incentive Option Plan of the Company to be approved by Shareholders under Resolution 9.

**Plan Option** means an Option issued under the Plan.

**Prospectus** means the prospectus to be issued by the Company for the offer of up to 500,000,000 Shares at \$0.02 each to raise up to \$10,000,000.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**RSM Bird Cameron** means RSM Bird Cameron Corporate Pty Ltd (ACN 050 508 024).

**Securities** mean a Share or Option.

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

**Shareholder** means a registered holder of a Share.

**Talico** means Talico Technologies Pte Ltd.

**Transaction** means the acquisition by the Company of the shares in TV2U as described in Section 1 of the Explanatory Statement.

**TV2U** means TV2U Worldwide Pty Ltd.

**TV2U Singapore** means TV2U Singapore Pte Ltd.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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**SCHEDULE 1 – PRO FORMA BALANCE SHEET**

Item	Galicia Energy Corporation Ltd Consolidated Group 30 April 2015	Pro Forma Adjustments (refer below)	Pro Forma After Issue
<b>ASSETS</b>	\$	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	2,475,985	2,830,032	5,306,017
Prepayments	-	-	-
Trade and other receivables	35,811	-	35,811
<b>Total Current Assets</b>	<b>2,511,796</b>	<b>2,830,032</b>	<b>5,341,828</b>
<b>Non-Current Assets</b>			
Property plant & equipment	-	-	-
IP Rights	-	2,344,968	2,344,968
Exploration and evaluation assets	-	-	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>2,344,968</b>	<b>2,344,968</b>
<b>TOTAL ASSETS</b>	<b>2,511,796</b>	<b>5,175,000</b>	<b>7,686,796</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	936,344	-	936,344
Other payables	-	-	-
Provisions	251,444	-	251,444
<b>Total Current Liabilities</b>	<b>1,187,788</b>	<b>-</b>	<b>1,187,788</b>
<b>TOTAL LIABILITIES</b>	<b>1,187,788</b>	<b>-</b>	<b>1,187,788</b>
<b>NET ASSETS</b>	<b>1,324,008</b>	<b>5,175,000</b>	<b>6,499,008</b>
<b>EQUITY</b>			
Contributed equity	28,496,536	15,110,714	43,607,250
Reserves	(273,487)	5,942,857	5,669,370
Accumulated losses	(26,899,041)	(15,878,571)	(42,777,612)
<b>TOTAL EQUITY</b>	<b>1,324,008</b>	<b>5,175,000</b>	<b>6,499,008</b>

**Assumptions for Pro Forma Adjustments:**

1. Minimum subscription under the Prospectus
2. Issue of 714,285,714 Consideration Shares
3. Fair value of Performance Shares issued
4. Provision raised for impairment of TV2U
5. Shares issued in lieu of Convertible Note
6. Repay TV2U for IP acquired upon completion of Prospectus

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## SCHEDULE 2 – TERMS AND CONDITIONS OF PERFORMANCE SHARES

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The terms of the Performance Shares are as follows:

- (a) **(Performance Shares):** Each Performance Share is a share in the capital of the Company.
- (b) **(General Meetings):** The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to the Company's shareholders. Holders have the right to attend general meetings of the Company's shareholders.
- (c) **(No Voting Rights):** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of the Company's shareholders, subject to any voting rights under the Corporations Act 2001 (Cth) or the ASX Listing Rules where such rights cannot be excluded by these terms.
- (d) **(No Dividend Rights):** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(No Rights on Winding Up):** Upon winding up of the Company, the Performance Shares may not participate in the surplus profits or assets of the Company.
- (f) **(Transfer of Performance Shares):** The Performance Shares are not transferable.
- (g) **(Reorganisation of Capital):** In the event that the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- (h) **(Application to ASX):** The Performance Shares will not be quoted on ASX. Upon conversion of the Performance Shares into Shares in accordance with these terms, the Company must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Shares arising from the conversion.
- (i) **(Participation in Entitlements and Bonus Issues):** Subject always to the rights under item (g) (Reorganisation of Capital), Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Purchaser Shares such as bonus issues and entitlement issues.
- (j) **(Amendments required by ASX):** The terms of the Performance Shares may be amended as necessary by the board of directors of the Company in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
- (k) **(No Other Rights):** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

## Conversion of the Performance Shares

- (a) **(Issue of Performance Shares):** The Performance Shares will be issued on completion of the acquisition of TV2U (**Completion**).
- (b) **(Milestones):** The respective classes of Performance Shares will convert into Shares upon the Board of the Company confirming:
- (i) **(Class A Performance Shares)** – Class A Performance Shares will convert into Shares on a one (1) for one (1) basis in the event that the earnings before interest, tax, depreciation and amortisation of the Company (**EBITDA**) is greater than or equal to \$5 million (in any rolling 12 month period) within two years of Completion;
  - (ii) **(Class B Performance Shares)** – Class B Performance Shares will convert into Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$10 million (in any rolling 12 month period) within three years of Completion;
  - (iii) **(Class C Performance Shares)** – Class C Performance Shares will convert into Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$15 million (in any rolling 12 month period) within four years of Completion; and
  - (iv) **(Class D Performance Shares)** – Class D Performance Shares will convert into Shares on a one (1) for one (1) basis in the event that the EBITDA is greater than or equal to \$20 million (in any rolling 12 month period) within four years of Completion,
- (the **Milestones**).

For the avoidance of doubt, Completion means that date that the Company completes the acquisition of TV2U Worldwide Pty Ltd.

- (c) **(Conversion of Performance Shares):** Upon the relevant Milestone being achieved that respective class of Performance Shares will convert into Shares on a one (1) for one (1) basis in satisfaction of the Milestone.
- (d) **(No Conversion if Milestone not Achieved):** Any Performance Share not converted into a Share in accordance with any relevant Milestone will lapse.
- (e) **(After Conversion):** The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Purchaser Shares then on issue and application will be made by the Company to ASX for official quotation of the Company Shares issued upon conversion.
- (f) **(Conversion Procedure):** The Company will issue the Holder with a new holding statement for the Company Shares as soon as practicable following the conversion of the Performance Shares into Shares.
- (g) **(Ranking of Shares):** The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.

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## SCHEDULE 3 – EMPLOYEE INCENTIVE OPTION PLAN

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The material terms and conditions of the Employee Incentive Option Plan are as follows:

- (a) **Eligibility and Grant of Plan Options:** The Board may grant Plan Options to any full or part time employee or executive Director of the Company or an associated body corporate or subject to, and in accordance with, any necessary ASIC relief being obtained, a casual employee or contractor the Company or any or an associated body corporate (**Eligible Participant**). Plan Options may be granted by the Board at any time.
- (b) **Consideration:** Each Plan Option issued under the Plan will be issued for nil cash consideration.
- (c) **Conversion:** Each Plan Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date:** The exercise price and expiry date for Plan Options granted under the Plan will be determined by the Board prior to the grant of the Plan Options.
- (e) **Exercise Restrictions:** The Plan Options granted under the Plan may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Plan Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the Plan Options.
- (f) **Renounceability:** Eligible Participants may renounce their offer in favour of a nominee (the Eligible Participants and their nominees are each **Participants**).
- (g) **Lapsing of Plan Options:** Subject to the terms of the offer made to a Participant, an unexercised Plan Option will lapse:
- (i) on the Eligible Participant ceasing employment with the Company and:
    - (A) any Exercise Conditions have not been met by the date the Relevant Person ceases to be an Eligible Participant (**Ceasing Date**); or
    - (B) where any Exercise Conditions have been met by the Ceasing Date or the Plan Option is not subject to any Exercise Conditions, the Participant does not exercise the Plan Option within a period of six (6) months after the Ceasing Date (or a further date as determined by the Board after the Ceasing Date);
  - (ii) if any Exercise Condition is unable to be met; or
  - (iii) the expiry date has passed.
- (h) **Share Restriction Period:** Shares issued on the exercise of Plan Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the Plan Options.
- (i) **Disposal of Options:** Plan Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.

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- (j) **Trigger Events:** The Company may permit Plan Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.
  - (k) **Participation:** There are no participating rights or entitlements inherent in the Plan Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Plan Options.
  - (l) **Change in exercise price:** A Plan Option will not confer a right to a change in exercise price or a change in the number of underlying Shares over which the Plan Option can be exercised.
  - (m) **Reorganisation:** If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
  - (n) **Limitations on Offers:** The Company must take reasonable steps to ensure that the number of Shares to be received on exercise of Plan Options offered under an offer when aggregated with:
    - (i) the number of Shares that would be issued if each outstanding offer for Shares, units of Shares or options to acquire Shares under the Plan or any other employee share scheme of the Company were to be exercised or accepted; and
    - (ii) the number of Shares issued during the previous 5 years from the exercise of Plan Options issued under the Plan (or any other employee share plan of the Company extended only to Eligible Participants),

does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can ASIC Class Order 03/184).

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**Galicia Energy Corporation Limited**

**Financial Services Guide and  
Independent Expert's Report**

**August 2015**

**We have concluded that the Transaction is Not Fair but Reasonable to Shareholders of Galicia  
Energy Corporation Limited.**

## Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - (a) basic deposit products;
  - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

### **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### **Remuneration or other benefits received by our employees**

All our employees receive a salary.

### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### **Associations and relationships**

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

### **Complaints Resolution**

#### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### *Referral to External Dispute Resolution Scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

**Contact Details**

You may contact us using the details set out at the top of our letterhead on page 1 of the FSG.

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## Independent Expert's Report

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14 August 2015

Shareholders  
Galicia Energy Corporation Limited  
PO Box 1263  
WEST PERTH WA 6872

Dear Shareholders

## **Independent Expert's Report ("Report")**

### **1. Introduction**

- 1.1. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to shareholders for a General Meeting of Galic Energy Corporation Limited ("GAL" or "the Company") to be held on or around 18 September 2015, at which, shareholder approval will be sought for the issue of 714.3 million ordinary shares, and up to 1,035.7 million performance shares, in GAL as consideration for the acquisition of 100% of the issued capital of TV2U Worldwide Pty Ltd ("TV2U") (the "Proposed Transaction").
- 1.2. If the Proposed Transaction is approved, Talico Technologies Pte Ltd (and its associates) ("Talico"), as the major shareholder of TV2U, will initially hold 33% of the issued capital of GAL on an undiluted basis and 52% of the issued capital of GAL on a diluted basis (assuming the performance shares issued to TV2U shareholders convert and no existing options or performance rights convert).
- 1.3. The Directors of GAL have requested that RSM Bird Cameron Corporate Pty Ltd ("RSMBCC"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").
- 1.4. The request for approval of the Proposed Transaction is included as Resolution 3 in the Notice. Resolution 3 is subject to Resolutions 1 and 2 included in the Notice being approved. We have restated these resolutions below:

Resolution 1:

*"That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal of the Company's Limnytska Licence, being the main undertaking of the Company, on the terms and conditions set out in the Explanatory Statement."*

Resolution 2:

*"That, subject to the passing of Resolutions 1 and 3, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to acquire 100% of the issued shares in TV2U Worldwide Pty Ltd on the terms and conditions set out in the Explanatory Statement."*

## Resolution 3:

*“That, subject to the passing of the Resolutions 1 and 2, for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to issue up to 714,285,714 Shares to the shareholders of TV2U Worldwide Pty Ltd (Consideration Shares);*
- (b) the Company to issue up to 1,035,714,286 Performance Shares to the shareholders of TV2U Worldwide Pty Ltd (Performance Shares); and*
- (c) the acquisition of a relevant interest in the issued voting shares of the Company by Talico Technologies Pte Ltd (and its associates) otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of the number of Consideration Shares and the potential issue of Shares on conversion of the Performance Shares issued to Talico Technologies Pte Ltd,*

*on the terms and conditions set out in the Explanatory Statement.*

1.5. When considering the Proposed Transaction, we have included any impact Resolutions 1 and 2 will have on the fairness and reasonableness. The Proposed Transaction is also subject to a number of conditions which are described in Section 3. We have considered the impact of any conditions that must be met in order for the Proposed Transaction to complete. We have considered all related resolutions and conditions as part of the Proposed Transaction because, without them, the Proposed Transaction cannot complete.

1.6. The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

## 2. Summary and Conclusion

### Opinion

- 2.1. In our opinion, and for the reasons set out in Sections 11 and 12 of this Report, the Proposed Transaction is **not fair but reasonable** to the Non-Associated Shareholders of GAL.

### Approach

- 2.2. In assessing whether the Proposed Transaction is fair and reasonable to the non-associated shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – Content of Expert Reports (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.3. Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 2.4. Therefore we have considered whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders by assessing and comparing:
- The Fair Value of a share in GAL on a control basis pre the Proposed Transaction; with
  - The Fair Value of a share in GAL on a non-control basis immediately post completion of the Proposed Transaction,

and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

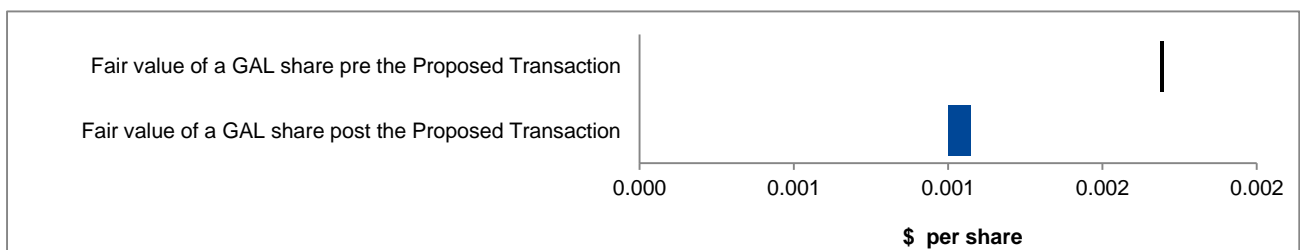
- 2.5. Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair and reasonable” is set out at Section 3 of this Report.

## Fairness

- 2.6. Our assessed values of a GAL share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

Assessment of fairness	Ref:	Value per Share Low	High
Fair value of a GAL share pre the Proposed Transaction - Control basis	8.22	\$0.002	\$0.002
Fair value of a GAL share post the Proposed Transaction - Non control basis and excluding the capital raising	9.20	\$0.001	\$0.001

**Table 1: Assessed values of a GAL share pre and post the Proposed Transaction (Source: RSMBCC analysis)**



**Figure 1: GAL Share Valuation Graphical Representation (Source: RSMBCC Analysis)**

- 2.7. In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be not fair to the Non-Associated Shareholders of GAL, as the value of a GAL share post the Proposed Transaction is less than the value of a GAL share pre the Proposed Transaction.
- 2.8. In order to assess the impact of the Performance Shares, we have also analysed the value of a GAL share pre the Proposed Transaction to the value of a GAL share post the Proposed Transaction assuming the minimum requirement of each Performance Share is achieved. The following table summarises this analysis:

Milestones	Ref	Assessed value if Performance Shares issued \$	Fair? \$
Class A Performance Shares	10.15	0.020	Fair
Class B Performance Shares	10.15	0.039	Fair
Class C Performance Shares	10.15	0.065	Fair
Class D Performance Shares	10.15	0.075	Fair

**Table 2: Valuation of a GAL share when Performance Shares are converted (Source: RSMBCC Analysis)**

- 2.9. The table above indicates that, if any of the Performance Shares are converted, the Proposed Transaction would be fair.

## Reasonableness

- 2.10. RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
  - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 2.11. If the Proposed Transaction does not proceed then it is likely that the Company will continue to focus on maximising value from the Limnytska Project while seeking alternative investments. Further, the \$1 million loaned to TV2U by GAL will be repayable six months after the first amount is drawn by TV2U. TV2U has the option to repay the loan in cash or shares. Any issue of shares will be based on a value of TV2U of \$5 million which means GAL will receive an interest of 20% in TV2U. As such, it is possible that GAL will hold an interest in TV2U even if the Proposed Transaction is not approved.
- 2.12. The share price of GAL currently exceeds the share price prior to the announcement of the Proposed Transaction. Therefore, if the Proposed Transaction does not proceed, it is possible that the share price of GAL could fall to prices observed prior to the announcement of the Proposed Transaction.
- 2.13. Our analysis of fairness excludes the capital raising which is a condition of the Proposed Transaction. We have excluded the capital raising so that we could assess the impact of the acquisition of TV2U. However, we note that Shareholders will benefit from a capital raising that is in excess of the current share price.
- 2.14. The key advantages of the Proposed Transaction are:
- The Proposed Transaction is fair.
  - The Company will be participating in a large and growing market;
  - TV2U does not operate a business that is as capital intensive as oil and gas exploration;
  - Increased liquidity in GAL's shares;
  - Improved news flow; and
  - TV2U's technology has been implemented in the past and is proven to work, although it has not yet generated sufficient revenues to be profitable.
- 2.15. The key disadvantages of the Proposed Transaction are:
- Shareholders' interests in GAL will be diluted;
  - If the Performance Shares are not converted, Talico would have enough control to block special resolutions and would have significant influence in passing or blocking ordinary resolutions and passing special resolutions. If the Performance Shares are converted then Talico could pass or block general resolutions, block special resolutions and have significant influence in passing special resolutions;
  - The TV2U technology has not been proven at a commercial scale;

- The investment in TV2U may not be consistent with the objectives of existing shareholders; and
- The EBITDA hurdles of the Performance Shares do not include the costs of the listed entity, which will reduce the earnings that will be delivered to Shareholders.

2.16. We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of GAL at this time.

2.17. In our opinion, the position of the Non-Associated Shareholders of GAL if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of GAL.

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### 3. Summary of Transaction

#### Overview

3.1. GAL has entered into a binding heads of agreement with TV2U shareholders where GAL will acquire 100% of the issued capital of TV2U by issuing the following consideration to TV2U shareholders:

- 714,285,714 ordinary shares in GAL (“Upfront Consideration”);
- 1,035,714,286 Performance Shares with the following performance criteria (“Performance Consideration”)
  - 178,571,429 performance shares that convert into GAL shares on a one for one basis in the event that the earnings before interest, tax, depreciation and amortisation (“EBITDA”) for TV2U is greater than or equal to \$5 million in any rolling 12 month period within two years of completion of the Proposed Transaction (“Class A Performance Shares”);
  - 214,285,714 performance shares that convert into GAL shares on a one for one basis in the event that the EBITDA for TV2U is greater than or equal to \$10 million in any rolling 12 month period within three years of completion of the Proposed Transaction (“Class B Performance Shares”);
  - 285,714,286 performance shares that convert into GAL shares on a one for one basis in the event that the EBITDA for TV2U is greater than or equal to \$15 million in any rolling 12 month period within four years of completion of the Proposed Transaction (“Class C Performance Shares”);
  - 357,142,857 performance shares that convert into GAL shares on a one for one basis in the event that the EBITDA for TV2U is greater than or equal to \$20 million in any rolling 12 month period within four years of completion of the Proposed Transaction (“Class D Performance Shares”);

3.2. GAL has agreed to lend TV2U \$1 million, subject to satisfactorily completing due diligence. The loan will be interest free. If the Proposed Transaction does not complete or there is a default, then an interest rate of 10% per annum will be applied to the loan. Further, the loan must be repaid six months after the first draw down, either in cash or TV2U shares, at TV2U’s discretion. If the loan is repaid in TV2U shares, the value of TV2U is assumed to be \$5 million (i.e. GAL will receive an interest in TV2U of 20%).

3.3. TV2U must use \$325,000 of the funds lent to it to repay certain convertible notes. Further, GAL must issue 46.4 million ordinary shares to said convertible note holders.

3.4. If the Proposed Transaction is approved then three nominees of TV2U will be appointed to the Board of GAL.

#### Key conditions of the Proposed Transaction

3.5. Implementation of the Proposed Transaction is subject to the following Conditions Precedent being satisfied:

- GAL must complete a capital raising of at least \$6 million at an issue price of at least \$0.02;
- All relevant approvals are obtained; and
- Due diligence is completed to the satisfaction of GAL.

### Resolutions that must be approved for the Proposed Transaction to complete

3.6. Resolutions 1 and 2 in the Notice must also be approved in order for the Proposed Transaction to complete. We have detailed the resolutions below:

	Approval sought	Impact on Fairness	Impact on Reasonableness
Resolution 1	Disposal of main undertaking	There is an agreement in place to dispose of the main undertaking to a third party. This agreement is at arms-length. As such, the disposal reflects fair market value and has no impact on fairness.	Resolution 1 will impact reasonableness to the extent that shareholders will no longer have an interest in an oil and gas company. However, resolution 1 can be approved without the need to approve the Proposed Transaction so the disposal of the assets could occur regardless of whether the Proposed Transaction occurs. Also, it is the intention of GAL to dispose of this asset.
Resolution 2	Change to nature and scale of activities	The change in nature and scale of activities does not impact value. As such, there is no impact on fairness.	A change in nature of activities is the result of the Proposed Transaction so this resolution will impact reasonableness.

**Table 3: Other resolutions that must be approved to complete the Proposed Transaction**

### Rationale for the Proposed Transaction

- 3.7. The Proposed Transaction will result in the disposal of high risk, capital intensive oil and gas assets located in countries with high sovereign risk.
- 3.8. GAL will acquire a developed technology which will expose the Company to a market with significant value but with less risk than its current assets.

### Impact of Proposed Transaction on GAL's Capital Structure

3.9. The Proposed Transaction will result in Talico holding an initial interest in GAL of 33% and 52% if the Performance Shares are converted.

3.10. The table below sets out a summary of the capital structure of GAL prior to and post the Proposed Transaction.

	Prior to Proposed Transaction		Post Proposed Transaction	
<b>Shares on issue</b>				
Non-associated Shareholders	761,938,681	100%	761,938,681	42%
Talico	-	0%	607,142,857	33%
Other TV2U shareholders	-	0%	107,142,857	6%
New capital raising*	-	0%	300,000,000	16%
Convertible note holders	-	0%	46,428,571	3%
<b>Total shares on issue</b>	<b>761,938,681</b>	<b>100%</b>	<b>1,822,652,966</b>	<b>100%</b>
<b>Out of the money derivatives</b>				
<b>Options</b>				
Non-associated optionholders	7,882,362	100%	7,882,362	100%
<b>Total unlisted options on issue</b>	<b>7,882,362</b>	<b>100%</b>	<b>7,882,362</b>	<b>100%</b>
<b>Performance rights</b>				
Non-associated holders	12,000,000	100%	12,000,000	1%
Talico	-	0%	880,357,143	84%
Other TV2U shareholders	-	0%	155,357,143	15%
<b>Total derivatives on issue</b>	<b>12,000,000</b>	<b>100%</b>	<b>1,047,714,286</b>	<b>100%</b>
<b>If all Performance Shares convert</b>				
<b>Shares on issue</b>				
Non-associated shareholders	761,938,681	100%	761,938,681	27%
Talico	-	0%	1,487,500,000	52%
Other TV2U shareholders	-	0%	262,500,000	9%
New capital raising	-	0%	300,000,000	10%
Convertible note holders	-	0%	46,428,571	2%
<b>Total unlisted options on issue</b>	<b>761,938,681</b>	<b>100%</b>	<b>2,858,367,252</b>	<b>100%</b>

\* Assuming minimum capital raising of \$6 million

**Table 4: Share structure of GAL before and after the Proposed Transaction**

3.11. The table shows that Talico will receive an initial interest of 33% in GAL and that current GAL shareholders will initially dilute from 100% to 42%. The additional dilution to GAL shareholders comes from the issue of shares to other TV2U shareholders, the capital raising as a condition precedent and the issue of shares to certain convertible note holders.

3.12. Talico will increase its interest in GAL to 52% if the Performance Shares are converted. Further, existing shareholders will be diluted to an interest of 27%.

## 4. Scope of the Report

### Corporations Act

- 4.1. Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that is below 20% to an interest that is above 20%. Completion of the Proposed Transaction will result in the Talico increasing its interest in GAL from nil to approximately 33% before performance shares convert and 52% if all the performance shares convert.
- 4.2. Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.
- 4.3. Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolution 3 under Item 7 of Section 611 of the Act.
- 4.4. Section 611(7) of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("RG 111") advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

### Regulatory guidance

- 4.5. In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by ASIC in RG 111.
- 4.6. RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.7. RG 111 states that the expert report should focus on:
- the issues facing the security holders for whom the report is being prepared; and
  - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.8. Where an issue of shares by a company otherwise prohibited under section 606 is approved under Item 7 of Section 611 and the effect on the company shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.9. RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover offer, stating:
- A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
  - A takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.

4.10. Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is “fair and reasonable” to the Non-Associated Shareholders, the analysis undertaken is as follows:

- A comparison of the fair value of an ordinary share in GAL prior to (on a control basis) and immediately following (on a non-control basis) the Proposed Transaction, being the ‘consideration’ for the Non-Associated Shareholders – fairness; and
- A review of other significant factors which the Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.

4.11. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that it proceeds or does not proceed including:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

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## 5. Profile of GAL

- 5.1. GAL is a listed company with oil and gas exploration assets in the Ukraine. In August 2014, Galicia changed its name from Cossack Energy Limited. The Company has a market capitalisation of \$8.4 million and cash of \$2.4 million. The Company has no debt.
- 5.2. GAL holds a 100% interest in the Limnytska Project. The Limnytska Project was the foundation asset that GAL originally listed with on the ASX. The project covers 172km<sup>2</sup> in Western Ukraine. The Company announced in its 2014 annual report that it intends to farmout the project and limit expenditure due to the decline in the oil price. We note that there has also been considerable civil unrest in the Ukraine in recent times.
- 5.3. GAL recently signed an agreement for the sale of the Limnytska Project for \$1 and the sale is the subject of Resolution 1 included in the Notice.

### Directors and management

- 5.4. The directors and key management of GAL are summarised in the table below.

Name	Title	Experience
Peter Wall	Non-Executive Chairman	<p>Mr Peter Wall LLB BComm MAppFin FFin is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Peter graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.</p> <p>Peter has a wide range of experience in all forms of commercial and corporate law, with a particular focus on technology, equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions. Peter is a director of the following other ASX listed companies: Aziana Limited (to be renamed BrainChip Holdings Ltd), Phytotech Medical Limited, Minbos Resources Limited, Dourado Resources NL and Global Metals Exploration NL.</p>
Faldi Ismail	Non-Executive Director	<p>Mr Ismail is an experienced corporate advisor who specialises in the restructure and recapitalisation of a wide range of ASX-listed companies, specialising in information technology. He has many years of investment banking experience and has advised on numerous transactions including domestic and international capital raisings, structuring of acquisitions and joint ventures overseas.</p> <p>Faldi is also the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers &amp; acquisitions, capital raisings and Initial Public Offerings. In addition, Faldi sits on the board of numerous other ASX listed companies.</p>
Igor Soshinsky	Non-Executive Director	<p>Mr Soshinsky is an experienced business advisor who has been involved in senior managerial positions with a number of consulting companies in logistics, transportation, telecommunications, real estate and infrastructure development industries. More recently, Mr Soshinsky has provided advisory services to explorers and producers in the coal and oil &amp; gas industries in the Ukraine. Mr Soshinsky is also the Director of the Management Company that Galicia Energy has engaged to oversee its Ukraine operations.</p>

Table 5: GAL Directors (Source: Company announcements)

## Financial Performance

5.5. The following table sets out a summary of the financial performance of GAL for the years ended 30 June 2013 ("FY13"), 30 June 2014 ("FY14") and the six months ended 31 December 2014 ("HY15").

\$	HY15 Reviewed	FY14 Audited	FY13 Audited
Revenue	15,171	223,246	41,439
Employee benefits expenses	(144,318)	(306,532)	(125,178)
Administration and exploration expenses	(1,381,623)	(1,961,047)	(256,875)
Interest and finance costs	(5,484)	(1,001)	-
Depreciation expense	-	(404)	(372)
Share based payments	(63,354)	(372,760)	-
Foreign exchange (loss)/gain	(137)	(4,429)	-
<b>Loss before income tax expense</b>	<b>(1,579,745)</b>	<b>(2,422,927)</b>	<b>(340,986)</b>
Income tax expense	-	(39,729)	-
<b>Net loss for the year</b>	<b>(1,579,745)</b>	<b>(2,462,656)</b>	<b>(340,986)</b>
Other Comprehensive Income/(loss)	49,355	(205,049)	-
<b>Total Comprehensive Loss</b>	<b>(1,530,390)</b>	<b>(2,667,705)</b>	<b>(340,986)</b>

Table 6: Financial Performance (Source: GAL Financial Statements)

5.6. The Statement of Comprehensive Income is indicative of an exploration company, with very little revenue and the majority of expenditure on exploration and administration.

## Financial Position

5.7. The table below sets out a summary of the financial position of GAL as at 30 June 2013, 30 June 2014 and 31 December 2014.

\$	31 December 2014 Reviewed	30 June 2014 Audited	30 June 2013 Audited
<b>Current Assets</b>			
Cash and cash equivalents	858,138	3,037,288	839,726
Trade and other receivables	427,985	201,615	560,039
<b>Total Current Assets</b>	<b>1,286,123</b>	<b>3,238,903</b>	<b>1,399,765</b>
<b>Non-Current Assets</b>			
Other assets	-	9,986	9,986
Property, plant and equipment	452,543	96,403	2,430
Deferred exploration expenditure	12,276,306	10,806,987	-
<b>Total Non-Current Assets</b>	<b>12,728,849</b>	<b>10,913,376</b>	<b>12,416</b>
<b>Total Assets</b>	<b>14,014,972</b>	<b>14,152,279</b>	<b>1,412,181</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	1,021,028	644,937	136,858
Provisions	244,052	10,367	1,928
<b>Total Current Liabilities</b>	<b>1,265,080</b>	<b>655,304</b>	<b>138,786</b>
<b>Total Liabilities</b>	<b>1,265,080</b>	<b>655,304</b>	<b>138,786</b>
<b>Net Assets</b>	<b>12,749,892</b>	<b>13,496,975</b>	<b>1,273,395</b>
<b>Equity</b>			
Issued capital	26,239,970	25,520,017	11,058,427
Reserves	338,355	225,646	1,000
Accumulated losses	(13,828,433)	(12,248,688)	(9,786,032)
<b>Total Equity</b>	<b>12,749,892</b>	<b>13,496,975</b>	<b>1,273,395</b>

Table 7: Financial Position (Source: GAL Financial Statements)

5.8. As at 31 December 2014, GAL had net tangible assets of \$12.7 million. GAL had no debt and a cash balance of \$0.9 million. We note that the quarterly report for March 2015 indicates a cash balance of \$0.5 million and no debt. The Company completed a capital raising in February 2015 which raised \$0.3 million. In April 2015, the Company placed shortfall shares to raise \$1.8 million. Unaudited cash as at 30 June 2015 was \$1.7 million.

### Capital Structure

5.9. GAL has 761,938,681 ordinary shares on issue. The Company also has the following derivatives on issue:

- 7,882,362 unlisted options with an exercise price of \$0.17 and an expiry date of 29 February 2016; and
- 12,000,000 performance shares that convert based on a number of hurdles relating to the oil and gas assets being disposed or if GAL raises \$10 million.

5.10. The Top 20 shareholders of GAL as at 23 July 2015 are set out below.

	Shareholder	Number of Shares	% of Total Shares
1	J P Morgan Nominees Australia Limited	42,456,702	5.57
2	Mr John Edwin Milligan & Mrs Joanna Milligan	28,645,000	3.76
3	Pheakes Pty Ltd	28,421,908	3.73
4	Golden Dawn Limited	24,500,000	3.22
5	Bby Nominees Limited	20,833,333	2.73
6	Ah Super Pty Ltd	20,000,000	2.62
7	Mrs Joanna Milligan & Mr John Edwin Milligan	13,550,000	1.78
8	Berenes Nominees Pty Ltd	12,000,000	1.57
9	Garf Pty Limited	11,666,667	1.53
10	Kateryna Lysenko	10,500,000	1.38
11	Anna Eltsova	10,489,500	1.38
12	Comsec Nominees Pty Limited	10,112,262	1.33
13	Scintilla Strategic Investments Limited	10,000,000	1.31
14	Bby Nominees Limited	10,000,000	1.31
15	Mr David James Wall	9,000,000	1.18
16	Vathiel Finance Corp	9,000,000	1.18
17	Energy Capital Partners Pty Ltd	8,107,773	1.06
18	Mr Michael John Davy	7,040,883	0.92
19	Suburban Holdings Pty Limited	7,000,000	0.92
20	Ningbo Inwit Pty Ltd	7,000,000	0.92
		<b>300,324,028</b>	<b>39.4</b>
	Remainder	461,614,653	60.60
	<b>Total GAL Shareholders</b>	<b>761,938,681</b>	<b>100.00</b>

Table 8: GAL Top 20 shareholders (Source: GAL)

**Share price performance**

5.11. The figure below sets out a summary of GAL’s closing share prices and traded volumes for the 12 months to 13 August 2015.



**Figure 2: GAL Daily Closing Share Price and Traded Volumes (Source: ASX/S&P Capital IQ)**

5.12. Between September 2014 and February 2015, GAL’s share price was in steady decline. There was little news to explain the decrease in share price over this time. We note that the global oil price declined significantly between September 2014 and January 2015, with Brent falling from approximately US\$100 per barrel to a low of US\$48 per barrel, a fall of approximately 52%.

5.13. Since April 2015, there has been a considerable increase in volume of trading in GAL’s shares. On 29 April 2015, GAL responded to an ASX Price Query and stated that it was not aware of any reason for the increase in volumes. In its March 2015 quarterly report, GAL announced that it was exiting its Poland assets. Further, on 22 April 2015, the Company raised \$2.1 million. Since the announcement of the Proposed Transaction, announcements have focussed on agreements entered into by TV2U and the exit from GAL’s exploration assets.

5.14. GAL’s share price performance is discussed in more detail in Paragraph 8.9.

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## 6. Profile of TV2U

### Background

- 6.1. TV2U was only established in 2015, however, the underlying business has been operating since 2008. During this time the vendors have created proprietary technology for the provision of end to end digital media solutions delivered to all types of viewing devices, including televisions, computers and mobile phones. TV2U's technology encompasses two services:
- 6.2. A platform for customers to deliver video and gaming content over the internet (IVAN); and
- 6.3. A content solution for TV2U customers to provide to their customers (TARA TV).
- 6.4. Both of these services are provided for delivery to the end user over the internet, either via Over the Top ("OTT") delivery or via Internet Protocol Television ("IPTV"). OTT is the provision of content to an end user (e.g., a television viewer) via an internet connection that can be accessed from anywhere the user can connect to the internet (a well-known example of this is Netflix). IPTV is the provision of content via the a managed network and is usually limited to a set top box based service (an example of this is similar in delivery to a traditional Foxtel service where video can only be delivered to a Foxtel box)
- 6.5. The introduction of OTT technologies to TV platforms has changed both the delivery platforms and viewing habits of consumers who increasingly expect to be able to watch their specific linear and on demand content on any device with a screen. This, coupled with the market penetration of smartphones and tablets, means there is an increase both in the potential viewing minutes per subscriber as well as a larger field of potential subscribers.
- 6.6. The combination of the cloud based solution approach and fact that most of the core software technology components for the delivery of TV2U service is proprietry technology means TV2U can further enlarge the pool of potential subscribers enabling operators low ARPU operators market entry into the video market place.
- 6.7. TV2U has an open approach to delivery of video platform allowing operators to select a mixture of both TV2U components and other ecosystem products to build a customised end to end solution adapted to the unique requirements of their market. As well as the selected core technology components TV2U provides the integration services to build the unique solution and can complement this with a managed service to operate the platform for its customers if required.
- 6.8. TV2U owns a number of patents protecting its products. However, it relies on a number of technologies owned by third parties (or parties related to Talico), particular for the provision of its TARA TV product.
- 6.9. It is our understanding that the technology involved in delivering products similar to TV2U's is constantly changing and there are numerous market participants with a large number of patents. We note that TV2U has not undertaken a freedom to operate analysis in relation to its technologies. As is the case with any patent, there is no guarantee that TV2U's patents will not be disputed.
- 6.10. One of the key advantages of TV2U's technology is its potential use of advertising as a main source of revenue. Rather than TV2U customers charging end users for access to content, TV2U's customers will instead derive income from advertisers and provide the content to the end user for free or at a low cost. TV2U's technology will allow its customers to provide targeted advertising to their end users, thereby increasing the value of its service to advertisers and should also drive increased usage and market penetration with its access to high quality, advertising funded, free content.

6.11. TV2U notes the key benefits of its technology and service offering are as follows:

- The technology remains effective over poor quality networks;
- The technology delivers video to multiple device types as well as traditional set top boxes
- The technology protects content from piracy through a number of measures that are sufficiently robust that hollywood will grant content rights to the platform;
- The technology through its analytics and social network tools can assist in targeted advertising;
- The service offered can provide an end to end solution, including provision of content; and
- The service is offered with a disruptive commercial model that allows access to large and largely untapped low ARPU subscriber markets.

### History of service delivery

6.12. TV2U is currently delivering or has undertaken a number of contracts, as set out below:

- Technology provider for Nemont.tv, a local on line television company with turnover of around \$8 million (source: Capital IQ);
- Technology provider for BV Sport, the broadcaster of live coverage of the Indonesian Soccer League;
- Delivery of live streaming from the Beijing Olympics; and
- Provided secure streaming for the 2014 FIFA World Cup.

6.13. None of the contracts have been commercially viable (profitable on a large scale) but provide a proof of concept for technologies delivered by TV2U.

### Competition

6.14. Competition in the management and delivery of content over the internet is high. There are a number of large competitors in the market that dominate delivery of OTT and IPTV. In Australia, these are competitors such as Netflix and Foxtel. In addition to the user known companies, other competitors such as Ericsson, Huawei and Cisco offer back end solutions.

6.15. Competition is also high in obtaining access to content. For example, live sport is highly sought after and is generally controlled by existing large media owners who can utilise live sport to charge a premium for their services.

6.16. In our opinion, large scale and dominant market positions are likely to be controlled by existing major competitors. As such, the success of TV2U will depend on its ability to monetise second and third tier customers or create a product that is better than those produced by major competitors.

### Agreements

6.17. TV2U is developing a number of contractual negotiations and has implemented the following agreements:

#### **HUMAX Terms Sheet Pty Ltd**

6.18. A terms sheet which contemplates HUMAX Pty Ltd providing access to its OTT services to enable TV2U to provide its interactive premium television services.

**Stereoscope Terms Sheet**

- 6.19. A terms sheet which sets out a summary of the terms on which TV2U Singapore and Stereoscope Cloud (China) Limited (“Stereoscope”) will agree a formal agreement pursuant to which TV2U will provide to Stereoscope equipment, licences to software, technical and management support services and rights to use digital content in specified Asian countries for the purposes of Stereoscope’s proposed OTT interactive television and gaming streaming services.

**Akamai Letter of Intent**

- 6.20. A letter of intent which contemplates Akamai Technologies, Inc. (“Akamai”) and TV2U agreeing the terms of a formal agreement pursuant to which TV2U will make its digital content and services available to Akamai’s customers through technical integration with Akamai’s Predictive Video Over Cellular programmes.

**Directors to be appointed to the Board of GAL**

Name	Experience
Mr Nick Fitzgerald	<p>Mr Fitzgerald (Founder and current TV2U CEO) has 23 years’ experience in Media and Entertainment with expertise and project experience with content owners, digital service providers, broadcasters and telecommunications companies.</p> <p>His experience expands over 25 years in the Broadcast and New Media Industries. Nick is responsible for setting the strategic goals and objectives of the company. Prior to TV2U Nick served in numerous executive level positions while involved in several start-up companies, including Digital Rapids a company involved in encoding/transcoding technology. As Vice President of Digital Rapids Asia, Nick was responsible for the region’s operations and business development, setting up sales and distribution networks across multiple markets. It was during his tenure with Digital Rapids that the market needs for total solutions was realized and TV2U was born initially as a free consultancy service to the industry assisting “New Media” companies to understand the technology requirements and market needs.</p>
Mr Remus (Xin) Hua	<p>Mr Hua has over 16 years’ experience in the Digital Media, Content &amp; Production, and Mobile Payment Systems technology sector. Remus is an experienced company director with skills that focus on the incubation and commercialization of media-based technology companies.</p> <p>Prior to joining TV2U, Remus was the founding partner and director of CIVITAS Technologies , Director at MPay Holdings, Director of International Operations at MAS Group Limited and the Founder and Director of Innovations In Motion P/L.</p> <p>Remus has built long standing relationships in the Digital Media Sector in the Asia Pacific Region.</p>

**Financial Performance**

- 6.21. TV2U was only recently established and does not have a trading history.

## Financial Position

6.22. The table below sets out a summary of the financial position of TV2U as at 30 April 2015.

	Ref:	Unaudited as at 30-Apr-15 \$
<b>Current Assets</b>		
Cash and cash equivalents		10,726
<b>Total Current Assets</b>		<b>10,726</b>
<b>Non-Current Assets</b>		
Preliminary expenses		2,164
Plant and equipment	6.23	2,327,778
<b>Total Non-Current Assets</b>		<b>2,329,942</b>
<b>Total Assets</b>		<b>2,340,668</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Borrowings	6.24	2,329,943
<b>Total Current Liabilities</b>		<b>2,329,943</b>
<b>Non-Current Liabilities</b>		
<b>Total Liabilities</b>		<b>2,329,943</b>
<b>Net Assets</b>		<b>10,725</b>
<b>Equity</b>		
Issued capital		10,725
Reserves		-
<b>Total Equity</b>		<b>10,725</b>

**Table 9: Financial Position (Source: Annual Report)**

6.23. The only asset of significance held by TV2U is the head end assets related to Tara TV and associated technologies. The plant and equipment was purchased from an associated entity and has been recorded in the financial statements at the purchase price. We have reviewed the value of the plant and equipment in Section 9 and provide further comment in said section.

6.24. Borrowings relate to amounts owed to related party entities and represent deferred consideration for the plant and equipment. The loans are payable to TV2U Pty Ltd and TV2U Global Ltd.

## 7. Valuation Approach

### Valuation methodologies

7.1. In assessing the Fair Value of an ordinary GAL share prior to and immediately following the Proposed Transactions, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

#### Market based methods

7.3. Market based methods estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

7.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.

7.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

#### Income based

7.6. Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

7.7. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

- 7.8. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

#### **Asset based methods**

- 7.9. Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
  - liquidation of assets method; and
  - net assets on a going concern basis.
- 7.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.11. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.
- 7.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

#### **Selection of Valuation Methodologies**

##### **Valuation of a GAL share pre the Proposed Transaction (control basis)**

- 7.13. In assessing the value of a GAL share prior to the Proposed Transaction we have utilised a sum of parts valuation which combines the following methodologies:
- for all non-exploration assets and liabilities – net assets on a going concern; and
  - for all exploration assets – market values based on signed sales agreements.
- 7.14. We have also utilised the quoted market price methodology as a secondary valuation methodology.
- 7.15. Our valuation methodologies were selected on the following basis:
- GAL has signed a binding sales agreement for the Limnytska Project. GAL does not have any other significant assets other than cash. As such, the most appropriate basis of valuation is the book value of asset and liabilities, other than exploration assets where the offer prices for the exploration assets provide a better measure of value;
  - GAL's shares are listed on the ASX which means there is a regulated and observable market for its shares. However, consideration must be paid to adequate liquidity and activity in order to rely on the quoted market price method;
  - In our opinion, the DCF methodology cannot be used as future revenue and expenses cannot be forecast with sufficient reasonable basis to meet the requirements of RG111 (specifically, a

reserve must be defined before the DCF methodology could be contemplated for exploration assets); and

- An FME methodology is not appropriate as GAL does not have a history of profits.

#### **Valuation of a GAL share post the Proposed Transaction (non-control basis)**

7.16. In assessing the value of GAL post the Proposed Transaction, we have used the pre Proposed Transaction value and included the impact of the Proposed Transaction assuming it proceeds. In particular, we have made the following adjustments:

- Included the value of TV2U's assets and liabilities at face value, except for its plant and equipment;
- Included TV2U's plant and equipment at market value, which we have assessed using the historic cost methodology.
- Included the cash raised as a result of the capital raising that is a condition of the Proposed Transaction;
- Included any dilution from the issue of shares;
- Included specific costs associated with the Proposed Transaction; and
- Included the payments made to convertible note holders plus the GAL shares issued to convertible note holders.

7.17. We have then assessed the value of a GAL share post the Proposed Transaction on a non-controlling basis by adjusting for minority discount.

7.18. Our valuation methodologies adopted for valuing TV2U were selected on the following basis:

- It is reasonable to value assets and liabilities at face value;
- We have valued the plant and equipment at historic cost because TV2U does not currently generate profits from its technology and, as the company is in the start-up phase, there is not a reasonable basis for using forecast cash flows to calculate a DCF;

#### **Valuation of a GAL share if the Performance Shares are converted (non control basis)**

7.19. The Performance Shares will only convert to ordinary shares if certain EBITDA targets are achieved. Although we do not consider it is appropriate to use an earnings based valuation methodology to value GAL on the assumption that the Performance Shares are not converted, we consider it appropriate to value GAL using an FME methodology on the assumption that the Performance Shares are converted. This is because, for the Performance Shares to convert, TV2U must be making a profit.

7.20. We have selected the FME methodology for valuing GAL on the assumption that the Performance Shares convert because this is the most applicable method for valuing profitable companies.

## 8. Valuation of GAL Prior to the Proposed Transaction

- 8.1. As stated at paragraph 7.13 we have assessed the value of a GAL share prior to the Proposed Transaction on a sum of parts basis and have also considered the quoted price of its listed securities. In both valuations, we have included a premium for control.

### Sum of parts valuation

- 8.2. We have assessed the value of a GAL share on a control basis to be approximately \$0.002 per share (undiluted), prior to the Proposed Transaction, based on the sum of parts valuation methodology, as summarised in the table below.

	Ref.	31-Dec-14	Low	High
		\$	\$	\$
Deferred exploration expenditure (exploration assets)	8.5 to 8.6	12,276,306	1	1
Cash	8.7	858,138	1,670,000	1,670,000
Other assets and liabilities	5.7	(384,552)	(384,552)	(384,552)
<b>Net assets (sum of parts)</b>		<b>12,749,892</b>	<b>1,285,449</b>	<b>1,285,449</b>
Actual number of shares on issue	5.9		761,938,681	761,938,681
<b>Value per share (undiluted)</b>			<b>\$0.002</b>	<b>\$0.002</b>

Table 10: Assessed Fair Value of a GAL Share – sum of parts basis (Source: RSMBCC Analysis)

- 8.3. Our assessment has been based on the reviewed net assets of GAL as at 31 December 2014 of approximately \$12.7 million as per the Company's financial statements. We have been advised that, except for adjustments noted below, there has been no significant change in the net assets of GAL since 31 December 2014.
- 8.4. In order to calculate a current market value of GAL's shares, we have made a number of adjustments to the carrying values of net assets included in the Statement of Financial Position. These adjustments are set out below.

#### Exploration expenditure

- 8.5. We have adjusted the book value of deferred exploration expenditure for the disposal of the Bieszczady Project and restated the value of the Limnytska Project based on the current offer price received by GAL.
- 8.6. We note that the sale value of the Limnytska Project of \$1 is significantly lower than the value included in the financial statements. The value included in the financial statements was based on the acquisition cost of the project and does not factor current market sentiment towards the project. This is especially so, given the growing unrest in the Ukraine since the Limnytska Project was acquired and the recent decline in oil prices.

#### Cash

- 8.7. We have adjusted cash to reflect the balance at 30 June 2015 as disclosed in the Company's quarterly report for the June 2015.

**Quoted Price of Listed Securities (secondary method)**

8.8. In order to provide a comparison and cross check to our sum of parts valuation of GAL, we have considered the recent quoted market price for GAL’s shares on the ASX prior to the announcement of the Proposed Transaction.

*Analysis of recent trading in GAL shares*

8.9. The figure below sets out a summary of GAL’s closing share price and volume of GAL shares traded in the 12 months to 2 June 2015, the date prior to the announcement of the Proposed Transaction. The assessment only reflects trading prior to the announcement of the Proposed Transaction in order to avoid the influence of any movement in price that may have occurred as a result of the announcement.



**Figure 3: GAL Share Price Volume Graph (Source: S&P Capital IQ)**

8.10. Over the trading period prior to the announcement of the Proposed Transaction, GAL shares have traded at a high of \$0.054 and a low of \$0.004. Prior to April 2015, volumes had been low, with a small spike in trading when the acquisition of the Bieszczady Project was announced. In April 2015, volumes started to increase. The share price also started to increase during this time. There is no explanation for the increase. On 29 April 2015, GAL responded to an ASX Price Query stating that it was not aware of any reason for the increase in trading volumes. On the same date, the total volume of shares traded was 40.8 million. Trading since this time has seen a noticeable increase in regular volumes.

8.11. Between February 2015 and April 2015, an additional 493.1 million GAL shares were issued. This was an increase of shares on issue of 183.8% over the period. As such, the increase in volume could be partly explained by the significant increase in shares on issue. However, in our opinion, it does not adequately explain the increase in volumes. It would appear more likely that there was speculation in the market that GAL was going to enter into a transaction.

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- 8.12. To provide further analysis of the quoted market prices for GAL's shares, we have considered the VWAP over a number of trading day periods ending 2 June 2015. An analysis of the volume in trading in GAL's shares for the 1, 5, 10, 30, 60, 90, 120 and 180 day trading periods is set out in the table below.

VWAP as at 2 June 2015	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
<b>VWAP (\$)</b>	-	0.012	0.012	0.011	0.010	0.010	0.010	0.011
Total Volume (000's)	-	21,459	101,607	363,727	418,651	427,227	432,228	448,892
Total Volume as a % of Total Shares	0.00%	2.82%	13.35%	47.78%	54.99%	56.12%	56.77%	58.96%
Low Price (\$)	-	0.011	0.011	0.007	0.005	0.004	0.004	0.004
High Price (\$)	-	0.013	0.014	0.014	0.014	0.014	0.014	0.032
Trading Days (no.)	-	3	8	28	51	70	84	131

**Table 11: Traded volumes of GAL Shares to 2 June 2015 (Source: S&P Capital IQ)**

- 8.13. The table above indicates recent high volume and liquidity in GAL shares, with 47.8% of total shares traded over 30 trading days. This is reflective of a highly liquid stock. However, we note that the trading data above is likely to reflect speculation of a back door listing, rather than reflecting the underlying value of GAL's existing assets.
- 8.14. An analysis of trading prior to 1 April 2015 indicates that just 3.5% of GAL shares were traded over a period of 30 trading days and the 30 day volume weighted average price was \$0.006.

*Value of a GAL Share on a non-control minority basis*

- 8.15. As we have noted that recent trading of GAL shares is likely to have included speculation of a transaction, we have selected the 30-day VWAP for trading prior to 1 April 2015. Therefore, in our opinion, \$0.006 reflects the quoted market price valuation of a GAL share on a minority basis prior to the Proposed Transaction.

**Valuation of a GAL share (quoted price of listed securities methodology)**

- 8.16. Our valuation of a GAL share, on the basis of the recent quoted market price including a premium for control is approximately \$0.008, as summarised in the table below.

	Ref.	Low	High
30-day VWAP of a GAL share at 31 March 2015	8.15	\$0.006	\$0.006
Add premium for control	8.18	25%	35%
<b>Quoted market price controlling value</b>		<b>\$0.008</b>	<b>\$0.008</b>

**Table 13: Assessed value of a GAL share – Quoted Price of Listed Securities (Source: RSMBC analysis)**

**Key assumptions**

*Control Premium*

- 8.17. The value derived at paragraph 8.16 is indicative of the value of a marketable parcel of shares assuming the shareholder does not have control of GAL. RG 111.11 states that when considering the value of a company's shares the expert should consider a premium for control. If the Proposed Transaction is successful, Talico will hold an interest of at least 33% of the issued share capital of GAL and, therefore, as

explained in paragraph 4.10, our assessment of the Fair Value of a GAL share must include a premium for control.

- 8.18. In selecting a control premium we have given consideration to the RSM Bird Cameron 2013 Control Premium Study. The study performed an analysis of control premiums paid over a 7-year period to 31 December 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies in the mining and metals sectors was in the range of 25% to 35%. In valuing an ordinary GAL Share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in the range of 25% to 35%.

### Valuation summary and conclusion

- 8.19. A summary of our assessed values of an ordinary GAL share on a control basis pre the Proposed Transaction, derived under the two methodologies, is set out in the table below.

	Ref.	Low	High
Sum of parts		\$0.002	\$0.002
Quoted market value		\$0.008	\$0.008
<b>Preferred valuation</b>		<b>\$0.002</b>	<b>\$0.002</b>

**Table 12: GAL Share valuation summary (Source: RSMBCC analysis)**

- 8.20. In our opinion we consider that the sum of parts valuation methodology provides a better indicator of the Fair Value of a GAL share as we consider our analysis of the trading of GAL's shares prior to the announcement of the Proposed Transaction indicates that the market for GAL's shares is not deep enough to provide an assessment of their Fair Value.
- 8.21. In addition, we note that prior to April 2015, GAL's share price was trading around \$0.004. We have highlighted previously that there was no explanation for the increase in share price and trading volumes after April 2015 other than an increase in cash reserves and speculation that GAL could undertake a transaction.
- 8.22. Therefore, in our opinion, the Fair Value of a GAL share pre the Proposed Transaction is approximately \$0.002 on a controlling basis, undiluted.

## 9. Valuation of GAL Following the Proposed Transaction

9.1. We summarise our valuation of a GAL share subsequent to the Proposed Transaction on a net assets on a going concern basis in the table below.

Post Proposed Transaction	Ref:	Low Value \$	High Value \$
Undiluted Value of GAL pre Proposed Transaction	8.2	1,285,449	1,285,449
Value of TV2U	9.4	1,424,746	1,424,746
Condition precedent capital raising	9.15	5,700,000	9,500,000
Payment to convertible note holders	9.16	(650,000)	(650,000)
<b>Undiluted value of GAL</b>		<b>7,760,195</b>	<b>11,560,195</b>
Number of shares on issue pre Proposed Transaction		761,938,681	761,938,681
Shares issued to TV2U shareholders	3.1	714,285,714	714,285,714
Condition precedent capital raising	9.15	300,000,000	500,000,000
Shares issued to TV2U convertible note holders	9.17	46,428,571	46,428,571
Shares issued to existing GAL convertible note holders	9.18	-	12,000,000
<b>Total shares after Proposed Transaction</b>		<b>1,822,652,966</b>	<b>2,034,652,966</b>
Undiluted value per share		\$0.004	\$0.006
Discount for minority interest	9.19	\$(0.001)	\$(0.001)
<b>Minority value per share (undiluted)</b>		<b>\$0.003</b>	<b>\$0.005</b>
Minority value excluding capital raising	9.20	\$0.001	\$0.001

Table 13: Assessed Value of GAL on Net Assets Basis (post-Proposed Transaction)

9.2. We consider that the minority value of a GAL share post the Proposed Transaction is between \$0.003 and \$0.005 on an undiluted basis.

9.3. We have adjusted the net asset value and shares on issue of GAL for the following:

### Value of TV2U

9.4. We have assessed the value of TV2U on a control basis to be approximately \$1.4 million, based on the sum of parts valuation methodology, as summarised in the table below.

	Ref.	31-Dec-14 \$	Low \$	High \$
Intellectual property	9.5 to 9.13	2,327,778	3,741,799	3,741,799
Cash	9.14	12,890	12,890	12,890
Other assets and liabilities	9.14	(2,329,943)	(2,329,943)	(2,329,943)
<b>Net assets (sum of parts)</b>		<b>10,725</b>	<b>1,424,746</b>	<b>1,424,746</b>

Table 14: Assessed Fair Value of TV2U – sum of parts basis (Source: RSMBC Analysis)

9.5. We have assessed the value of the TV2U plant and equipment using the cost incurred methodology. This methodology assumes that a willing buyer would pay for the cost to develop an asset to a stage similar to that of the plant and equipment. The best measure of cost of developing the technology is the costs directly associated with TV2U's technology.

- 9.6. TV2U classified its plant and equipment expenditure into the following categories:

	Cost \$
Middleware and Content Management	1,129,347
Analytics	2,169,586
Miscellaneous	442,867
<b>Total Cost</b>	<b>3,741,799</b>

**Table 15: Plant and equipment expenditure (Source: TV2U)**

- 9.7. We note that the amount in the table above is greater than the amount reflected in the financial statements of TV2U. The amount recorded in the financial statements was based on the purchase price paid by TV2U. We have not considered this value in our calculation as it is not reflective of an arms-length transaction.
- 9.8. Middleware and content management comprises software and hardware (servers) relating to the management of licences, content delivery, transactions and programming (non-exhaustive). It also relates to programming required to provide the interface that is seen by users on their viewing devices.
- 9.9. Analytics is the software and hardware related to recording, processing and delivering user information so that it can be utilised by TV2U's customers to structure and deliver content and advertising to maximise user experience and profits.
- 9.10. Miscellaneous costs relate to software and programming to improve user experience and allow the delivery of the technology across a number of user devices such as televisions or mobile phones using a number of proprietary operating systems (for example, Apple products and Samsung products).
- 9.11. We note that TV2U has a number of contracts in place for delivery of services. TV2U is yet to deliver on these contracts so, for the purpose of our Report, we have not relied on these contracts to estimate values. This is because we do not consider that there is reasonable basis for estimating future cash flows based on the contracts at such an early stage. However, these contracts and TV2U's history of delivering services based on the iVAN system provide comfort that the costs reflected in developing the system are a reasonable reflection of current market value on the basis that any acquirer would benefit from costs already incurred and there is a market for TV2U's services.
- 9.12. In particular, we note that the payments identified in the agreement with Stereoscope for the provision of the head end technology are in excess of our replacement value.
- 9.13. We consider all the costs in the table above relevant when considering the value of TV2U's technology at \$3.7 million based on the replacement cost methodology.
- 9.14. Other assets and liabilities mostly comprise cash and debt, which we have valued at face value.

#### *Condition precedent capital raising*

- 9.15. We have adjusted the net asset value of GAL post the Proposed Transaction by between \$6 million (less \$300,000 for transaction and capital raising costs) and \$10 million (less \$500,000 for transaction and capital raising costs) to reflect the capital raising that is a condition precedent of the Proposed Transaction. We have used a low and high range because the condition precedent required a capital raising of at least \$6 million at \$0.02 per share whereas the Notice includes a resolution to raise up to \$10 million at \$0.02 per share. This would result in between 300 million shares and 500 million shares being issued.

*Payment to TV2U convertible note holders and issue of shares*

- 9.16. As part of the Proposed Transaction, GAL has pre-lent TV2U \$1 million. It is a condition of the loan that \$650,000 is applied to repaying convertible notes held by third parties. We have deducted this payment from our value of GAL post the Proposed Transaction.
- 9.17. In addition to the payment to the convertible note holders, GAL is required to issue 46.4 million shares to the convertible note holders.

*Issue of shares to existing GAL convertible note holders*

- 9.18. The terms of the existing convertible notes in GAL include a conversion event where, if GAL raises \$10 million or more, the convertible notes can be converted to shares. As such, we have included the issue of shares in our high case valuation because we assume that GAL raises \$10 million.

*Minority interest discount*

- 9.19. In selecting a minority discount we have given consideration to our control premium applied in Paragraph 8.18, where we established a range for a control premium of between 25% and 35%. The resulting corresponding minority discount range based on said control premiums is between 17% and 26%.

*Value per share excluding impact of condition precedent capital raising*

- 9.20. We have considered the value of a GAL share post the Proposed Transaction but prior to the capital raising so that shareholders can consider the impact of the Proposed Transaction without the influence of a capital raising that could potentially be value accretive. We note that there is a significant change in value when the capital raising is excluded.

	Ref	Low	High
Undiluted net asset value	9.1	\$7,760,195	\$11,560,195
Cash from capital raising	9.15	(\$5,700,000)	(\$9,500,000)
<b>Undiluted net asset value</b>		<b>\$2,060,195</b>	<b>\$2,060,195</b>
Undiluted shares on issue	9.1	1,822,652,966	2,034,652,966
Shares issued for capital raising	9.15	(300,000,000)	(500,000,000)
<b>Undiluted shares on issue</b>		<b>1,522,652,966</b>	<b>1,534,652,966</b>
<b>Undiluted value per share</b>		<b>\$0.001</b>	<b>\$0.001</b>
Minority interest discount	9.19	\$(0.000)	\$(0.000)
<b>Minority value per share on a diluted basis</b>		<b>\$0.001</b>	<b>\$0.001</b>

**Table 16: Calculation of GAL value excluding capital raising (Source: RSMBCC)**

- 9.21. We have considered the value of a GAL share post the Proposed Transaction but prior to the capital raising so that shareholders can consider the impact of the Proposed Transaction without the influence of a capital raising that could potentially be value accretive. We note that there is a significant change in value when the capital raising is excluded.

- 9.22. The table below compares the value of a GAL share post the Proposed Transaction assuming the condition precedent capital raising is included and excluded:

	Ref:	Value per Share	
		Low	High
Value of GAL post Proposed Transaction including the capital raising	9.1	\$0.003	\$0.005
Value of GAL post Proposed Transaction excluding the capital raising	9.20	\$0.001	\$0.001

**Table 17: Comparison of GAL value post Proposed Transaction including and excluding the capital raising (Source: RSMBCC)**

- 9.23. The table above shows that the transaction value is lower without the capital raising. However, it is important to note that if the capital raising is undertaken at \$0.02, that the market is valuing GAL at the capital raising price. As such, although the underlying value including a valuation of the plant and equipment using the historic cost methodology indicates a value of \$0.001, the market will likely trade at a significant premium to this price. This means that the market will factor in “blue sky”. Whilst this is a common occurrence, we do not believe our valuation should factor blue sky due to the risks inherent in successfully commercialising TV2U’s services. Therefore, we have performed our analysis of fairness excluding the impact of the capital raising.

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## 10. Valuation of GAL assuming the Performance Shares are issued

10.1. Our preferred methodology for valuing GAL post the Proposed Transaction is an asset based methodology. We used this methodology because TV2U does not currently generate profits, the technology is commercially unproven and TV2U does not have sufficient contracts in place to forecast cash flows with a reasonable basis.

10.2. However, the Proposed Transaction includes the Performance Shares which will only be issued if certain EBITDA measures are achieved. As such, when considering the impact that the Performance Shares could have on our opinion of fairness, we have considered the FME valuation methodology.

10.3. The FME methodology involves the following process:

- Establish appropriate future maintainable earnings;
- Calculate appropriate EBITDA multiple to be applied to the business of TV2U;
- Multiple the future maintainable earnings by the EBITDA multiples to calculate enterprise value (“EV”); and
- Adjust the FME value by net debt and surplus assets/liabilities to arrive at an equity value.

### *Establish future maintainable earnings*

10.4. We have based our future maintainable earnings on the EBITDA hurdles that must be achieved for the Performance Shares to convert to shares. These hurdles are based on the earnings of TV2U only. As such, they exclude any overheads that will be borne by the listed entity. Therefore, we have reduced the hurdle EBITDA by an estimated cost of overheads.

10.5. Our expected EBITDA if each of the hurdles are achieved are set out below:

	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Class D Performance Shares
Hurdle EBITDA	5,000,000	10,000,000	15,000,000	20,000,000
Estimated GAL overheads	(810,000)	(810,000)	(810,000)	(810,000)
<b>Maintainable EBITDA</b>	<b>4,190,000</b>	<b>9,190,000</b>	<b>14,190,000</b>	<b>19,190,000</b>

**Table 18: Maintainable EBITDA (Source: RSMBCC)**

10.6. Estimated overheads are based on previous administration costs of GAL and adjusted for expected future costs linked to new corporate contracts.

### *Calculate EBITDA multiple*

10.7. In determining the capitalisation multiple to be applied to the future maintainable earnings we have analysed the multiples of companies listed on the ASX operating in the following categories:

- Technology Hardware and Equipment;
- Information Technology;
- Software Services; and
- All listed companies.

10.8. We have calculated the average multiple for each of the categories above and have also separated the multiples by certain EBITDA amounts, as set out in the table below:

Industry Classification	Sector	EBITDA < \$5m	EBITDA > \$5m < \$10m	EBITDA > \$10m < \$15m	EBITDA > \$15m < \$20m	EBITDA > \$20m < \$50m
<b>Current multiple</b>						
Technology Hardware and Equipment	12.8	12.8	8.0	8.8	17.7	19.6
Information Technology	11.6	11.1	10.1	9.8	12.9	14.9
Software and Services	11.3	10.1	10.1	9.8	12.1	14.8
<b>Average</b>	<b>11.9</b>	<b>11.3</b>	<b>9.4</b>	<b>9.4</b>	<b>14.3</b>	<b>16.4</b>
<b>Total Market Average</b>	<b>9.3</b>	<b>6.9</b>	<b>10.0</b>	<b>9.0</b>	<b>9.8</b>	<b>10.2</b>
<b>Forward multiple</b>						
Technology Hardware and Equipment	10.3	8.7	4.8	8.4	12.2	16.1
Information Technology	10.6	12.2	10.5	8.7	9.7	11.5
Software and Services	10.7	13.1	10.5	8.8	9.3	11.5
<b>Average</b>	<b>10.5</b>	<b>11.3</b>	<b>8.6</b>	<b>8.6</b>	<b>10.4</b>	<b>13.0</b>
<b>Total Market Average</b>	<b>9.3</b>	<b>10.7</b>	<b>8.9</b>	<b>9.5</b>	<b>8.8</b>	<b>9.0</b>

Note: Any multiples above 30x have been considered outliers and have been excluded from the calculations in the table

**Table 19: Average multiples on the ASX (Source: Capital IQ)**

10.9. The table above indicates that multiples in technology focused sectors are higher than the market average. We note that the Technology Hardware and Equipment sector indicates significantly higher average EBITDA multiples where EBITDA is greater than \$15 million. However, these average multiples are impacted by small sample sizes. As such, we have discounted these multiples in our analysis.

10.10. It is apparent from the table that average multiples increase as earnings increase, with the exception of the movement from EBITDA below \$10 million to EBITDA above \$10 million. The decline in multiples from below \$10 million to above \$10 million could be because the market factors in greater growth aspects for companies with EBITDA below \$10 million.

10.11. We have applied the following multiples to the potential EBITDA of TV2U:

	EBITDA > \$5m < \$10m	EBITDA > \$10m < \$15m	EBITDA > \$15m < \$20m	EBITDA > \$20m < \$50m
Applied multiple	9.4	9.4	12.3	14.1

**Table 20: Multiples to be applied to potential TV2U EBITDA (Source: RSMBC)**

#### Calculate enterprise value

10.12. The EV is calculated by multiplying the potential EBITDA of TV2U by the relevant EBITDA multiple, as set out in the table below:

	Ref:	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Class D Performance Shares
Future maintainable earnings	3.1	4,190,000	9,190,000	14,190,000	19,190,000
Earnings multiple	10.11	9.4	9.4	12.3	14.1
<b>Enterprise value</b>		<b>39,333,343</b>	<b>86,709,062</b>	<b>174,019,722</b>	<b>269,845,927</b>

**Table 21: EV of GAL if TV2U EBITDA achieved (Source: RSMBC)**

*Equity value of GAL*

- 10.13. In order to calculate the equity value (the value attributable to shareholders) of GAL assuming the Performance Shares convert, we must adjust the EV by net debt (total debt minus total cash and cash equivalents). We should also adjust for any surplus assets or liabilities, however, for the purposes of this Report we have assumed there are no surplus assets or liabilities.
- 10.14. TV2U has indicated that expected capital expenditure will be financed by joint venture partners. If the joint venture partners do not finance capital expenditure and GAL is required to borrow to finance capital expenditure, this debt will reduce the value of GAL by the value of the debt. For the purpose of our calculation, we have assumed that the cash balance is also nil. Therefore, for the purpose of our calculation, we have assumed net debt of nil.
- 10.15. The equity values of a GAL share assuming the Performance Shares are converted are set out below.

	Ref:	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Class D Performance Shares
Enterprise value (\$)	10.12	39,333,343	86,709,062	174,019,722	269,845,927
Add cash and cash equivalents (\$)		-	-	-	-
Less total debt (\$)		-	-	-	-
<b>Equity value (\$)</b>		<b>39,333,343</b>	<b>86,709,062</b>	<b>174,019,722</b>	<b>269,845,927</b>
Total shares on issue post Proposed Transaction*	9.1	1,822,652,966	1,822,652,966	1,822,652,966	1,822,652,966
Conversion of Performance Shares	3.1	178,571,429	392,857,143	857,142,858	1,785,714,287
<b>Total shares on issue is EBITDA achieved</b>		<b>2,001,224,395</b>	<b>2,215,510,109</b>	<b>2,679,795,824</b>	<b>3,608,367,253</b>
<b>Value per share of Galicia if EBITDA achieved (\$)</b>		<b>0.020</b>	<b>0.039</b>	<b>0.065</b>	<b>0.075</b>

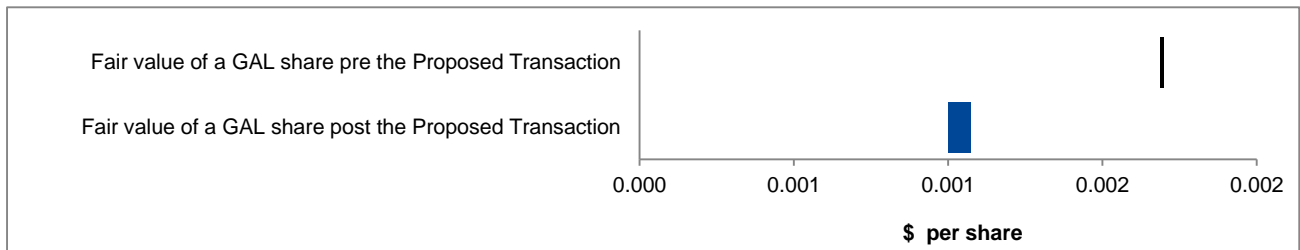
**Table 22: Equity value of GAL if Performance Shares are converted (Source: RSMBCC)**

## 11. Is the Proposed Transaction Fair to GAL Shareholders

11.1. Our assessed values of a GAL share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

Assessment of fairness	Ref:	Value per Share	
		Low	High
Fair value of a GAL share pre the Proposed Transaction - Control basis	8.22	\$0.002	\$0.002
Fair value of a GAL share post the Proposed Transaction - Non control basis and excluding the capital raising	9.20	\$0.001	\$0.001

**Table 23: Assessed values of a GAL share pre and post the Proposed Transaction (Source: RSMBCC analysis)**



**Figure 4: GAL Share Valuation Graphical Representation (Source: RSMBCC Analysis)**

11.2. In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be not fair to the Non-Associated Shareholders of GAL, as the value of a GAL share post the Proposed Transaction is less than the value of a GAL share pre the Proposed Transaction.

11.3. In order to assess the impact of the Performance Shares, we have also analysed the value of a GAL share pre the Proposed Transaction to the value of a GAL share post the Proposed Transaction assuming the minimum requirement of each Performance Share is achieved. The following table summarises this analysis:

Milestones	Ref	Assessed value if Performance Shares issued \$	Fair?
Class A Performance Shares	10.15	0.020	Fair
Class B Performance Shares	10.15	0.039	Fair
Class C Performance Shares	10.15	0.065	Fair
Class D Performance Shares	10.15	0.075	Fair

**Table 24: Valuation of a GAL share when Performance Shares are converted (Source: RSMBCC Analysis)**

11.4. The table above indicates that, if any of the Performance Shares are converted, the Proposed Transaction would be fair.

## 12. Is the Proposed Transaction Reasonable

12.1. RG11 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of GAL if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

### Stated Intentions of Talico in relation to the Proposed Transaction

12.2. The stated intentions of Talico in relation to the Proposed Transaction are not to make any significant changes to the business of the Company, subject to the Proposed Transaction.

### Future prospects of GAL if the Proposed Transaction does not proceed

12.3. The sale of the Limnytska Project is not subject to the Proposed Transaction being approved, therefore, if the Proposed Transaction does not proceed then it is possible that GAL can dispose of the asset and will be left without an asset. If the resolution to dispose of the Limnytska Project is also rejected then GAL will continue to focus on maximising the value from the Limnytska Project while simultaneously seeking alternative investments to add value to shareholders.

12.4. The \$1 million loaned to TV2U by GAL will be repayable six months after the first amount is drawn by TV2U. TV2U has the option to repay the loan in cash or shares. Any issue of shares will be based on a value of TV2U of \$5 million which means GAL will receive an interest of 20% in TV2U. As such, it is possible that GAL will hold an interest in TV2U even if the Proposed Transaction is not approved.

### Trading in GAL shares following the announcement of the Proposed Transaction

12.5. As demonstrated in the chart below, there was a moderate or negative response to the announcement of the Proposed Transaction.

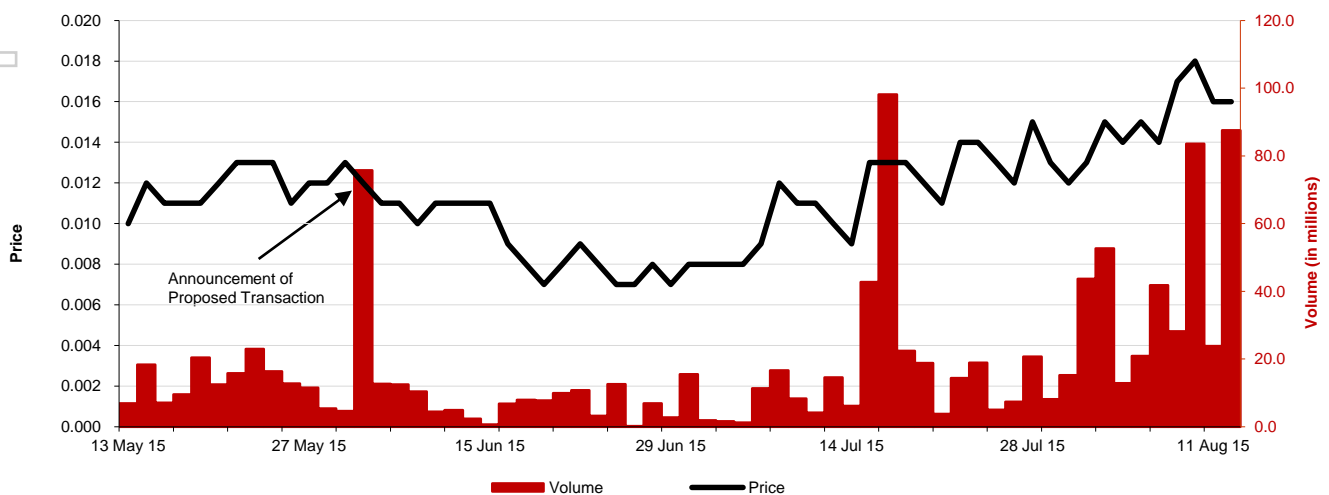


Figure 5: GAL Post Announcement Share Price Volume Graph (Source: S&P Capital IQ)

- 12.6. The chart opposite shows that the GAL share price initially declined following the announcement of the Proposed Transaction. Following the release of announcements on agreements with Humax, Stereoscope and Akamai, the share price has recently exceeded the price prior to the announcement. This indicates a positive response in the market to the Proposed Transaction. Further, as noted in paragraph 8.11, there was most likely speculation in the share price of GAL that a transaction was expected and that the share price prior to April could be more reflective of the value of GAL prior to the Proposed Transaction.
- 12.7. A condition of the Proposed Transaction is to raise at least \$6 million at \$0.02 per GAL share. In order to comment on the acquisition of TV2U, we have excluded this capital raising from our analysis. However, GAL shareholders will benefit from a capital raising undertaken at a price in excess of the current share price.

### **Advantages and disadvantages**

- 12.8. In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceed than if they do not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

#### ***Advantages of approving the Proposed Transaction***

##### *Advantage 1 – Access to a large market*

- 12.9. The provision of online video delivery technology services a global market. There are no restrictions on where the technology could be implemented and TV2U's technology can be provided to large and small customers. TV2U does not currently have a significant share of the global market, however, there is an opportunity for its technology to be adopted. This is evident by the contract in China where TV2U has the opportunity to demonstrate the effectiveness of its technology on a large scale.

##### *Advantage 2 – Not capital intensive with low risk return*

- 12.10. Unlike oil and gas exploration, the development and implementation of TV2U's technology is less capital intensive, where capital expenditure is only incurred where a contract justifies the expense. This does not mean, however, that the operations of TV2U business are risk free. There is still commercial risk in successful uptake and implementation of the technology.

##### *Advantage 3 – Increased liquidity in GAL shares*

- 12.11. Since speculation of a transaction commenced, liquidity in GAL shares has increased considerably. Increased liquidity makes it easier for shareholders to dispose of their shares should they choose to.

##### *Advantage 4 – Improved news flow*

- 12.12. The operations of TV2U are likely to provide more regular opportunities to update the market for progress. More regular news flow could result in greater liquidity.
- 12.13. The Company will no longer be reliant on high risk, one-time events.

*Advantage 5 – Known and proven technology*

12.14. TV2U's technology is not new. It is well developed and has been implemented a number of times on a small scale. As such, shareholders are not exposed to an unknown or undeveloped technology. This reduces the risk to shareholders of an unproven technology.

**Disadvantages of approving the Proposed Transaction***Disadvantage 1 – Dilution of shareholders' interests in GAL*

12.15. The Proposed Transaction will result in diluting the current Non-Associated Shareholders interest in GAL on an undiluted basis from 100% to 33% on an undiluted basis and 52% on a diluted basis. Consequently, Talico is highly likely to be able to pass general resolutions and special resolutions (assuming not all shareholders vote on resolutions) which will result in the loss of control by Non-Associated Shareholders.

*Disadvantage 2 – Talico's potential to control GAL*

12.16. Mr Fitzgerald will be appointed to the Board of GAL and will also hold at least 33% of the issued capital of GAL. Mr Fitzgerald is the major shareholder of Talico. Mr Fitzgerald's Board influence and Talico's interest in the issued capital of GAL will give it some control over the decision making of GAL.

*Disadvantage 3 – TV2U does not have a commercially proven technology*

12.17. The technology of TV2U has not been proven on a commercial scale. As such, there is no guarantee that the business of TV2U will add value to shareholders in the long term.

*Disadvantage 4 – Change in undertaking may not be consistent with shareholder objectives*

12.18. GAL is currently an oil and gas exploration company. If the Proposed Transaction is approved, GAL will become a technology developer and provider. In addition, it will dispose of the Limnytska Project. As such, shareholders will no longer hold any exposure to oil and gas exploration. This may not be consistent with the investment objectives of all shareholders.

*Disadvantage 5 – EBITDA hurdles are not based on entire company earnings*

12.19. The EBITDA hurdles are based on the business of TV2U. As such, they do not include costs associated with operating the listed entity. As such, achieving the EBITDA hurdle will not mean that the earnings for GAL are similar. The earnings for GAL will be reduced by costs associated with running the company. It's not certain what these costs will be in the future,

**Alternative Proposal**

12.20. We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of GAL a greater benefit than the Proposed Transaction.

**Conclusion on Reasonableness**

12.21. In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of GAL.

12.22. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

**RSM BIRD CAMERON CORPORATE PTY LTD**



**A GILMOUR**

Director



**G YATES**

Director

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## APPENDIX 1

### Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

### Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

### Reliance on this Report

This report has been prepared solely for the purpose of assisting GAL Shareholders in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

### Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Galicia Energy Corporation Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

**Disclosure of Interest**

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of \$27,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Galicia Energy Corporation Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

**Consents**

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd or RSM Bird Cameron Partners or has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

## APPENDIX 2

### Sources of Information

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for GAL for the years ended 30 June 2013 and 30 June 2014;
- Review financial statements for GAL for the six months ended 31 December 2014;
- Unaudited financial statements for TV2U for the years ended 30 June 2013 and 30 June 2014;
- Management accounts for GAL and TV2U for the period to 30 April 2015;
- ASX announcements of GAL;
- Contracts between TV2U and its customers;
- Specialist report provided to GAL on TV2U's technology;
- Heads of Agreement;
- S&P Capital IQ database;
- Connect4 database; and
- Discussions with Directors, Management and staff of GAL.

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## APPENDIX 3

### Glossary of Terms and Abbreviations

Term or Abbreviation	Definition
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
AMA	Al Maynard and Associates Pty Ltd
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
Class A Performance Shares	178,571,429 performance shares that convert into GAL shares on a one for one basis in the event that EBITDA for TV2U is greater than or equal to \$5 million in any rolling 12 month period within two years of completion of the Proposed Transaction
Class B Performance Shares	214,285,714 performance shares that convert into GAL shares on a one for one basis in the event that the EBITDA for TV2U is greater than or equal to \$10 million in any rolling 12 month period within three years of completion of the Proposed Transaction
Class C Performance Shares	285,714,286 performance shares that convert into GAL shares on a one for one basis in the event that the EBITDA for TV2U is greater than or equal to \$15 million in any rolling 12 month period within four years of completion of the Proposed Transaction
Class D Performance Shares	357,142,857 performance shares that convert into GAL shares on a one for one basis in the event that the EBITDA for TV2U is greater than or equal to \$20 million in any rolling 12 month period within four years of completion of the Proposed Transaction
Connect 4	An entity of Thompson Reuters which is an aggregator of ASX listed company announcements and disclosures
Company	GAL
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
DCF	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Directors	Directors of GAL
EBIT	Earnings, Before, Interest and Tax
EBITDA	Earnings, Before, Interest, Tax, Depreciation and Amortisation
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities

Term or Abbreviation	Definition
<b>Fair Value</b>	the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
<b>FME</b>	Future Maintainable Earnings
<b>FOS</b>	Financial Ombudsman Service
<b>FSG</b>	Financial Services Guide
<b>FY##</b>	Financial year ended 30 June
<b>GAL</b>	Galicia Energy Corporation Limited
<b>IBIS</b>	IBIS World, producer of industry reports
<b>IER</b>	This Independent Expert Report
<b>IPTV</b>	Internet Protocol Television
<b>MEE</b>	Multiple of exploration expenditure
<b>Non Associated Shareholders</b>	Shareholders not associated with the Proposed Transaction
<b>Non control basis</b>	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
<b>Notice</b>	The notice of meeting to vote on the Proposed Transaction
<b>NPBT</b>	Net Profit Before Tax
<b>NPAT</b>	Net Profit After Tax
<b>OTT</b>	Over the top
<b>Performance Consideration</b>	Class A, Class B, Class C and Class D Performance Shares
<b>Proposed Transaction</b>	The proposal to issue shares to Talico in exchange for 100% of the issued capital of TV2U, inclusive of all associated transactions
<b>Regulations</b>	Corporations Act Regulations 2001 (Cth)
<b>Report</b>	This Independent Experts Report prepared by RSMBCC dated 14 August 2015
<b>RG 111</b>	ASIC Regulatory Guide 111 Contents of Expert's Reports
<b>RSMBCC</b>	RSM Bird Cameron Corporate Pty Ltd
<b>S&amp;P Capital IQ</b>	An entity of Standard and Poors which is a third party provider of company and other financial information
<b>Talico</b>	Talico Technologies Pte Ltd
<b>TV2U</b>	TV2U Worldwide Pty Ltd and TV2U Singapore Pte Ltd
<b>Upfront Consideration</b>	714,285,714 ordinary shares in GAL
<b>VWAP</b>	Volume weighted average share price