



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

Management's Discussion and Analysis ("MD&A") of Gallic Energy Ltd. ("Gallic" or the "Company") should be read in conjunction with the consolidated financial statements and accompanying notes for the years ended December 31, 2010 and 2009. The financial statements have been prepared in accordance with accounting principals generally accepted in Canada ("GAAP") and are presented in Canadian dollars unless otherwise stated. This document is dated April 26, 2011.

Additional information relating to the Company, including the Company's Annual Information Form ("AIF"), can be found on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. The Company is listed on the TSX Venture Exchange under the symbol GLC-V.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or Gallic's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "predict" and "potential" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The forward-looking statements included in this MD&A and in certain documents referenced herein are expressly qualified by this cautionary statement. Gallic undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities laws.

GALLIC ENERGY LTD.

Gallic was incorporated on August 10, 1983 under the laws of the Province of Alberta. Gallic is an oil and natural gas exploration company based in Calgary, Alberta, Canada. The Company has oil and natural gas concessions in France and Australia, and is pursuing additional concessions within onshore Europe.

Highlights

- During the first three quarters of 2010, the Company raised \$3.7 million in private placement financings
- On October 5, 2010, Messrs. Jason Bednar, Charle Gamba, Richard Grafton, Gordon McIntosh, Mark Woods, and John Garden were elected to the Board of Directors
- On December 1, 2010, Mr. William H. (Bill) Smith was appointed as the Company's Chief Executive Officer and elected to the Board of Directors
- In January, 2011, Gallic announced 531 BCF net unrisks conventional prospective gas resources resulting from an independent evaluation prepared by Chapman Petroleum Engineering Ltd for the Ger Permit in France, one of the Company's two permits in France
- On February 14, 2011, Mr. Jeffrey Scott was appointed to Gallic's Board of Directors
- In March 2011, Mr. Mark Armanious was appointed as Vice President of Exploration and Mr. Eric Messier was appointed Manager of Operations
- In April, 2011, the Company completed a \$23 million bought deal financing

French Assets

On April 3, 2008 the Company received approval from the French Ministry of Industry for exploration rights to 514 square km (127,012 acres) in the Aquitaine Basin of France (the "Ger Permit").

On August 8, 2008 the Company received approval from the French Ministry of Industry for exploration rights for a second area of 781 square km (192,989 acres) in the Aquitaine Basin of France (the “Ledeux Permit”). The Ledeux Permit is situated approximately 10 km south of the Lacq field and immediately west of the Meillon field. The permit area is approximately 30 km west of the Company’s Ger Permit.

Gallic commenced its work program on both the Ger and Ledeux permits by translating and interpreting 29 well reports and digitizing well logs from the corresponding wells. The Company utilized the resulting information to develop a database that was used in creating geological cross sections and pertinent geological maps. Gallic purchased and reprocessed approximately 254 km of 2D seismic data which was instrumental in constructing key time structure and isochron maps. The resulting maps were utilized for the evaluation hydrocarbon potential for both shallow Tertiary and deeper Cretaceous/Jurassic targets.

During the third quarter of 2010 the Company acquired an additional 588 km of raw 2D seismic data in the Ger block which has been re-processed and is currently being interpreted. The new data will enhance current mapping and compliment a proposed new 120-180 square km 3D seismic program currently in the planning stage.

The Company has acquired new petrophysical data and well reports on and offsetting the Ger block. Gallic has translated well reports and digitized and normalized corresponding log data. This new information will expand the Eocene and Cretaceous mapping and extrapolate potential gas occurrence.

In the Ledeux block, Gallic Energy has acquired 180 square km of raw 3D seismic data that has been reprocessed and is currently being interpreted. Approximately 2,100 km of 2D seismic data have been ordered and will be reprocessed and interpreted. The 3D seismic data covers an area encompassing the Saucedo #1 well which has produced 1.8 billion cubic feet (“Bcf”) of sweet gas from the Jurassic Meillon dolomites. The 3D data will enable Gallic to analyze the structure of the underlying thrusts sheets and map the extent of the Meillon reservoir.

Australian Assets

On January 15, 2009, the Department of Mines and Petroleum of the Government of Western Australia granted the Company exploration rights to EP 464 in the Canning Basin in Western Australia. EP 464 comprises an area of approximately 246,332 hectares (608,700 acres) and Gallic has identified exploration potential that would be the focus of its anticipated future oil exploration activities in the area.

Gallic has analyzed available public records in order to formulate an exploration program which will fully evaluate the hydrocarbon potential underlying the subject block. Previous work included reprocessing of 270 km of 2D seismic data, digitizing of logs and petrophysical evaluation of available log data. A Report of the petroleum potential of the subject block provided a review of the hydrocarbon prospectivity of the block, located on the Lennard Shelf within the northern margin of the Canning Basin. This region has several producing oil fields and discoveries to date.

Three play types relevant to exploration within EP 464 were identified in the Report:

1. Middle to Upper Devonian Pillara and Upper Devonian Nullara reef complexes flanking the Fitzroy Trough as well as lateral equivalent marine fan sandstones and conglomerates of the Gogo Formation, exhibit excellent reservoir potential.
2. Sand development associated with the early Carboniferous “Laurel delta play”. Includes fine grained porous sandstones interbedded with marine shales that provide the stratigraphic trapping mechanism. Oil flowed from thin Laurel sands in Meda-1, while Yullero-1 and St. George Range-1 measured gas flows.
3. Carboniferous clastic and carbonate deposits of the Anderson Formation and Permian sandstones of the Grant Formations form excellent reservoirs with trapping mechanisms described as stratigraphic and structural four-way closures. Production is found in Lloyd, Sundown, Boundary, West Terrace and West Kora.

To further define the prospectivity of the block, during the third quarter and fourth quarter of 2010 the Company interpreted approximately 3,400 km of 2D data covering the Lennard Shelf and the Fitzroy Trough areas. The seismic has been tied to well data to identify several prospects. An additional 1,600 km of raw 2D seismic data over the EP 464 block and offsetting productive areas were acquired reprocessed and incorporated in to the regional assessment. Subsequently, in the first quarter of 2011 Gallic selected a 3D seismic program to be acquired in the second half of 2011 in order to delineate several drilling locations identified by the existing 2D geophysical data and geological data.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is a summary of selected information is as at and for the years ended December 31:

	2010	2009	2008
<i>Operations</i>			
Net loss and comprehensive loss	\$ (2,231,287)	\$ (578,949)	\$ (565,447)
Loss per share - basic and diluted	(0.04)	(0.03)	(0.03)
<i>Cash Flow</i>			
Cash used by operations	\$ (1,512,367)	\$ (67,863)	\$ (135,571)
Exploration expenditures:			
France	(479,838)	(330,649)	-
Australia	(209,463)	(127,411)	-
USA	(196,013)	(102,008)	-
Canada	(74,726)	-	-
<i>Financial Position</i>			
Total assets	\$ 2,713,333	\$ 605,511	\$ 136,420
Current assets	1,543,902	39,448	135,587
Current liabilities	539,951	871,946	415,678
Working capital (deficiency)	1,003,951	(832,498)	(280,091)
Shareholders' equity (deficiency)	2,173,382	(266,435)	(279,258)

2010 FINANCIAL RESULTS

2010

The Company incurred a net loss of \$2,231,960 and \$578,949 for the years ended December 31, 2010 and 2009, respectively.

The loss incurred during 2010 includes \$1,219,466 of general and administrative expenditures (2009 - \$381,425), which were significantly higher as a result of the Company hiring additional employees and consultants during the year as well as increased professional fees as a result of the Company's growth on the commencement of the Company's exploration programmes.

Stock based compensation expense was \$635,816 (2009 - \$194,500) and increased due to additional share options and restricted share units issued during the year.

On October 14, 2009 Gallic announced that it had entered into a letter of intent with Energy Invest Group Ltd. to acquire a 75% working interest in two oilfields in Creek County, Oklahoma. On April 1, 2010, the Company

terminated the acquisition due to findings during the due diligence process. On March 18, 2010, the Company entered into a letter of intent with Sahara Energy Ltd. for the acquisition of Sahara's Alberta and Saskatchewan properties. An impairment charge of \$372,747 was incurred during the second quarter of 2010 relating to the write off of \$298,021 capitalized with respect to the Oklahoma transaction and \$74,726 capitalized relating to the Canadian transaction. \$270,739 of the costs had been incurred in 2010.

2010 - Fourth Quarter

For the three months ended December 31, 2010, the Company incurred a loss of \$817,319 compared to \$38,469 for the three months ended December 31, 2009. General and administrative expenditures was \$367,037 (2009 - \$65,650) for the three months ended December 31, 2010, increasing as a result of the Company adding employees and consultants during the year, as well as professional fees incurred on account of the commencement of the Company's exploration programmes. Stock based compensation for the period was \$449,567 (2009 - \$28,832), and increased due to additional share options and restricted share units issued during the year.

Exploration expenditures

The Company spent \$960,040 on additions to petroleum and natural gas assets during 2010. Of these expenditures, \$479,838 was spent in France (\$317,898 on the GER permit and \$161,940 on the Ledoux permit) and \$209,463 was spent in Australia. Spending included the purchase of raw seismic data in France, and other costs relating to geological and geophysical work performed. \$435,525 was spent during the 3-month period ended December 31, 2010.

Working capital

Working capital as at December 31, 2010 was \$1,003,951 (December 31, 2009 - \$832,498 deficiency) consisted primarily of cash \$1,428,817 (2009 - \$5,942), accounts receivable of \$94,931 (2009 - \$33,506), and \$20,154 of prepaid expenses and deposits (2009 - nil).

Financing

On January 28, 2010, the Company completed a non-brokered private placement for 18.75 million units at \$0.08 per unit for gross proceeds of \$1.5 million. Each unit consists of 1 common share and 1 common share purchase warrant. Each warrant entitles the holder to acquire a common share for \$0.12 per share until July 28, 2011.

The Company completed a non-brokered private placement on August 6, 2010, for 6 million units at \$0.05 per unit for gross proceeds of \$300 thousand. Each unit consists of 1 common share and 1 common share purchase warrant. Each warrant entitles the holder to acquire a common share for \$0.10 per share until August 6, 2012.

On September 20, 2010, the Company completed a brokered private placement for 38 million units at \$0.05 per unit for gross proceeds of \$1.9 million. Each unit consists of 1 common share and 1 common share purchase warrant. Each warrant entitles the holder to acquire a common share for \$0.10 per share until September 20, 2012.

Also during the period, the Company issued 473,000 common shares as commission to agents involved with the January 28, 2010 private placement and 1,520,000 warrants were issued to Brokers involved in the September 20, 2010 private placement. Each warrant is exercisable into one unit until September 20, 2012 at an exercise price of \$0.05 per unit. Each unit is comprised of one common share and one warrant exercisable into one common share at an exercise price of \$0.10 per share until September 20, 2012.

For the year ended December 31, 2010 5,052,700 warrants were exercised for cash proceeds of \$596,840.

On April 13, 2011, the Company issued 57,500,000 units at \$0.40 per unit for gross proceeds of \$23 million (\$21.5 million net) by way of a brokered bought deal financing. Each unit consists of one common share and half a share purchase warrant. Each warrant entitles the holder to acquire a common share for \$0.60 over a two year period. The

cash will be used for the work program commitments in France and Australia and anticipated general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

As at the date of this MD&A, Gallic had approximately \$22.1 million of cash on hand, this will be used for the work program commitments in France and Australia and anticipated general and administrative expenses.

ISSUED AND OUTSTANDING SHARE INFORMATION

As at April 26, 2011, the Company had 152,523,604 shares outstanding. The Company currently has 7,678,750 stock options and 81,429,550 warrants outstanding. Additionally, 2,500,000 restricted share units have been granted to an officer of the Company.

COMMITMENTS

FRANCE

The exploration rights to the Ger Permit are associated with a commitment to incur €1,349,000 of qualifying expenditures (no specific work program at this time) over a 5-year term beginning on April 3, 2008. At December 31, 2010, approximately €440,000 had been incurred against the Ger commitment.

The exploration rights to the Ledeux Permit are associated with a commitment to incur approximately €1,700,000 of qualifying expenditures over a 5 year term beginning on August 8, 2008. The commitments at the time of the permit grant have been allocated in accordance with the following work program:

Year	Minimum Work Requirement
2008	Compile existing data
2009	Process and interpret existing seismic data
2010	Acquire up to 40 km 3D or 60 km 2D new seismic data
2011	Reopen, test and potentially complete existing well
2012	Evaluate results and prepares second exploration phase

At December 31, 2010, approximately €185,000 had been spent against the Ledeux commitment.

AUSTRALIA

In early 2009, the Company was awarded the exploration rights for Block EP 464 in the Canning Basin in Western Australia. The Company is committed to spend AUD \$6.1 million over a period of 6 years, under which the Company has committed to the below work program:

Year	Minimum Work Requirement
2009	100 km 2D seismic reprocessing
2010	150 km new 2D seismic reprocessing
2011	50km ² of new 3D seismic survey
2012	One exploration well
2013	20km ² of new 3D seismic survey
2014	One exploration well

As of December 31, 2010, the Company had spent approximately AUD\$340,000 in qualifying expenditures in Australia.

CHANGE IN ACCOUNTING POLICIES

International Financial Reporting Standards

In 2008, the Canadian Institute of Chartered Accountants (“CICA”) Accounting Standards Board confirmed that International Financial Reporting Standard (“IFRS”) will replace GAAP effective January 1, 2011 for publically accountable enterprises. The adoption date of January 1, 2011 will require the restatement of comparative amounts beginning in January 2010, including an opening balance sheet as at January 1, 2010.

As at December 31, 2010, the scoping and diagnostic phase and the impact analysis and evaluation phase have been completed. Gallic cannot reasonably predict the effect to its financial statements or to its business at this time as management has not yet finalized the adoption of its accounting policies and many of the differences identified are still being quantified. Differences are anticipated in the following areas:

- Oil and gas properties currently classified as petroleum and natural gas assets will be classified as either PP&E or Exploration and Evaluation assets (E&E). Upon transition to IFRS, Gallic will reclassify all E&E expenditures included in petroleum and natural gas assets on the balance sheet. These assets will be measured at cost and will not be depleted but will be assessed for impairment when indicators suggest the possibility of impairment. All of Gallic’s properties will be E&E assets.
- Under Canadian GAAP, Gallic follows the CICA’s guideline on full cost accounting under which all costs directly associated with the acquisition of, the exploration for, and the development of petroleum reserves are capitalized on a country-by-country cost centre basis. Under IFRS, pre-exploration costs, including pre-license and acquisition costs, are expensed as incurred until such time that legal exploration or development rights are obtained. Certain costs which were capitalized at December 31, 2009 (which were impaired in 2010) would have been expensed as incurred and as such opening deficit is expected to be \$102,008 lower than reported under Canadian GAAP.
- Gallic currently expenses stock based compensation on a straight-line basis. Under IFRS, share based payments are expensed based on a graded vesting schedule. The impact of this difference has not yet been finalized.
- Under Canadian GAAP, impairment testing on oil and gas properties is performed at a cost center level. Under IFRS, impairment testing will be performed at a lower level, referred to as a cash-generating unit. This will result in a greater number of impairment tests. Gallic has identified 3 cash-generating units, being: Block 464 in Australia, and the GER and Ledoux permits in France. No impairments are currently expected on adoption of IFRS.

The Company’s Audit Committee will continue to receive regular progress reports on the IFRS conversion going forward.

RELATED PARTY AND OFF BALANCE SHEET TRANSACTIONS

Pursuant to a promissory note dated January 30, 2009, a director of Gallic provided an unsecured loan of \$120,000 that bore interest of 7% per annum with no specific date of repayment. The loan plus interest (\$8,400) was repaid in February 2010. The Company has not entered into any off balance sheet transactions.

ACCOUNTING POLICIES AND ESTIMATES

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. Details outlining Gallic’s accounting policies are contained in the notes to the audited consolidated financial statements for the year ended December 31, 2010.

SUMMARY OF QUARTERLY RESULTS

Total Operations	2010 (1)				2009 (2)			
	Q4	Q3	Q2 (restated)	Q1 (restated)	Q4	Q3	Q2	Q1
Net revenue (loss)	526	147	-	-	-	(3,423)	15,044	(1,419)
Expenses	817,846	396,122	396,629	621,363	38,469	206,170	221,548	122,964
Net loss for period	(817,320)	(395,975)	(396,629)	(621,363)	(38,469)	(209,593)	(206,504)	(124,383)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	2,713,333	2,415,466	807,924	1,214,993	605,511	322,102	149,993	260,300
Long term debt	-	-	-	-	-	-	-	-

(1) In the first quarter of 2010, share issue costs, including amounts relating to warrants issued in conjunction with unit offerings, were expensed. This was corrected in the third quarter of 2010. The table has been adjusted to reflect these changes.

(2) Expenses were overstated and capital was understated during the first three quarters of 2009 because of classification issues. During the fourth quarter of 2009, the misallocations were adjusted to provide more precise information for the December 31, 2009 reports. The table has been adjusted to reflect these changes.

DIRECTORS AND OFFICERS

William H. Smith, Director and Chief Executive Officer
 Mark Woods, Director, President and Chief Operating Officer
 Mark Armanious, Vice President Exploration
 David Little, Chief Financial Officer
 Jason Bednar, Director, Chairman and Audit Committee Chairman
 Charle Gamba, Director
 Jeffrey Scott, Director
 Richard Grafton, Director
 John Garden, Director
 Gordon McIntosh, Director
 Robert Cross, Special Advisor to the Board
 Sam Charanek, Special Advisor to the Board
 Trevor Wong-Chor, Corporate Secretary

Additional information relating to the Company can be found on SEDAR at www.sedar.com