

**GALLIC ENERGY LTD.**

**ANNUAL INFORMATION FORM**

**For the Year Ended December 31, 2010**

**Dated April 27, 2011**

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## ABBREVIATIONS AND CONVERSION

In this Annual Information Form, the abbreviations set forth below have the following meanings:

### Natural Gas

Mcf	thousand cubic feet
Mmcf	million cubic feet
Mcf/d	thousand cubic feet per day
Mmcf/d	million cubic feet per day
MMBtu	million British Thermal Units

### Other

m <sup>3</sup>	cubic meters
BOE	barrel of oil equivalent on the basis of 6 Mcfs to 1 BOE. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcfs to 1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
\$000s	thousands of dollars

## SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this Annual Information Form constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” 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. Gallic believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- the performance characteristics of Gallic’s oil and natural gas properties;
- exploration and development plans;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to conduct acquisitions and development;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditure programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations and activities;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling and processing problems;
- fluctuation in foreign exchange rates or interest rates;
- stock market volatility and market valuations;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry;
- failure to realize the anticipated benefits of acquisitions; and
- the other factors discussed under “Risk Factors”.

Statements relating to “reserves” or “resources” are deemed to be forward-looking statements, as they involve the implied

assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable securities laws, Gallic undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each factor on Gallic's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward looking statement.

## CURRENCY

All financial information herein has been presented in Canadian dollars unless otherwise noted. "\$" or "CAD\$" means Canadian dollars, "AUD\$" means Australian dollars and "€" means Euros.

On April 27, 2011, the rate of exchange of the Canadian dollar, was expressed in Australian dollars, based on the noon buying rate as quoted by the Bank of Canada, was Canadian \$1.00 = AUD\$1.024.

On April 27, 2011, the rate of exchange of the Canadian dollar, was expressed in Euros, based on the noon buying rate as quoted by the Bank of Canada, was Canadian \$1.00 = €1.3904.

## DEFINITIONS

Unless the context indicates otherwise, the following terms shall have the meanings set out below when used in this Annual Information Form.

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended;

"**Board**" or "**Board of Directors**" means the board of directors of Gallic;

"**Class A Shares**" means Class A Shares in the capital of Gallic;

"**Gallic**" or the "**Corporation**" means Gallic Energy Ltd., a corporation incorporated under the ABCA;

"**reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) the specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval; and

"**TSXV**" means the TSX Venture Exchange Inc.

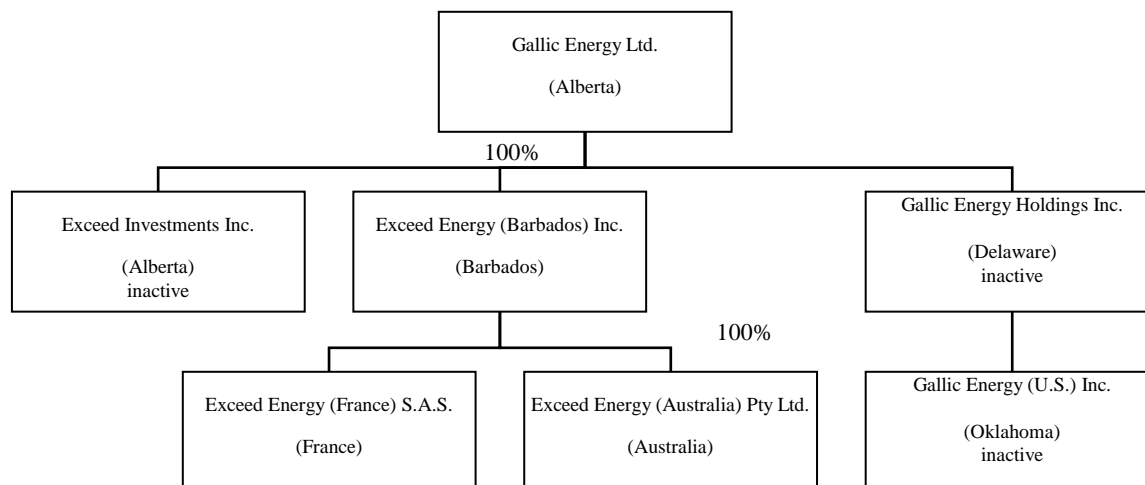
## GALLIC ENERGY LTD.

Gallic was incorporated under the ABCA as Marcana Petroleum Ltd. ("Marcana") on August 10, 1983. On August 11, 1994, Marcana amended its articles to change its name to Compact Power Holdings Limited ("Compact"). On September 5, 2000, Compact amended its articles to change its name to Exceed Capital Holdings Ltd. ("Exceed"). On June 13, 2005, Exceed registered restated articles of incorporation. On July 13, 2007, Exceed amended its articles to change its name to Gallic Energy Ltd.

The head office of Gallic is located at 1000, 205-5<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 2V7 and the registered office is located at 1000, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta T2P 0C1. The Class A Shares trade on the TSXV under the symbol "GLC".

## INTERCORPORATE RELATIONSHIPS

Gallic owns all of the outstanding shares of Exceed Investments Inc., a corporation incorporated in Alberta on November 11, 1998, Exceed Energy (Barbados) Inc., a corporation incorporated in Barbados on July 6, 2005, and Gallic Energy Holdings Inc. a corporation incorporated in Delaware on December 10, 2010. Exceed Energy (Barbados) Inc. owns all of the outstanding shares of Exceed Energy (France) S.A.S., a corporation incorporated in France on September 30, 2005, and Exceed Energy (Australia) Pty Ltd., a corporation incorporated in Australia on March 13, 2006. Gallic Energy Holdings Inc. owns all of the outstanding shares of Gallic Energy (U.S.) Inc., a corporation incorporated in Oklahoma on December 10, 2010.



## DEVELOPMENT OF THE BUSINESS OF GALLIC

Gallic is a Calgary-based company with direct investments in oil and gas interests which provide exposure to international oil and gas exploration opportunities with varying risk profiles in politically and economically stable jurisdictions. Gallic has oil and natural gas concessions in France and Australia, and is pursuing additional concessions within onshore Europe.

### Three Year History

#### 2008

In 2008, Gallic worked on four (4) applications for international exploration blocks. With respect to the application to the government of Western Australia for the exploration rights for Block L05-8 in the Canning Basin (the “Canning Block”), Gallic was designated as the “Preferred Applicant”. Under the provisions of the Commonwealth Native Title Act 1993 of Western Australia, native title parties (with whom Gallic and the Government of Western Australia were required to negotiate) were required to identify themselves within four (4) months of September 27, 2006, being the date the Government of Western Australia published its notification under Section 29 of that statute. During this four (4) month period, two (2) aboriginal groups provided notification of claims (the “Interested Parties”). In pursuing its application for the Canning Block, Gallic attended meetings with the Interested Parties in Australia and commenced negotiation of legal agreements for access to the Canning Block. On September 2, 2008, Gallic announced that it had reached the final stages in the approval process regarding its application. The legal agreements were drafted and finalized by all parties. In early 2009, Gallic announced that it had been awarded the exploration rights for the Canning Block.

On April 3, 2008 the Corporation received final approval from the French Ministry of Industry for the assignment to it of a permit for exploration rights for an area of 514 square kilometers (127,012 acres) in the Aquitaine Basin of France (the “Ger Permit”).

The exploration rights to the Ger Permit are associated with a commitment to incur €1.35 million of qualifying expenditures over a 5 year term beginning on April 3, 2008. When the original acreage size and commitment was reduced due to the competition of the bidding process, the commitment of funds were reduced and no specific work program was submitted at the time.

On August 8, 2008 the Corporation received final approval from the French Ministry of Industry for the assignment to it of a permit for exploration rights for a second area of 781 square kilometers (192,989 acres) in the Aquitaine Basin of France (the “Ledeux Permit”). The Ledeux Permit is situated approximately 10 kilometers south of the Lacq field and immediately west of

the Meillon field. The permit area is approximately 30 kilometers west of the Corporation's Ger Permit.

Gallic had one other application for an exploration permit in Western Europe which Gallic had submitted in 2006 but the Corporation elected to discontinue that application in January 2009 as a result of prolonged and un-encouraging responses from the relevant authorities.

In February 2008, the Jorf Prospect was relinquished. In November 2008, Gallic disposed of its 15% working interest in the drilling of two (2) Slave Point wells in the Tsea region of north-eastern British Columbia (the "Cabin Property") which had been acquired on January 11, 2006 pursuant to a participation agreement with a Calgary-based private oil and gas company.

In 2008 Gallic underwent corporate restructuring. On December 2, 2008 the Corporation appointed Mr. John Garden as a director and Chief Executive Officer of the Corporation. Mr. Garden's appointment as director filled the Board position of Ms. Felicia Bortolussi who resigned from the Board effective December 2, 2008. Mr. Peter Haverson relinquished his position as interim Chief Executive Officer upon the appointment of Mr. Garden. Mr. Richard DeVries resigned as President of the Corporation on December 9, 2008 and on December 10, 2008, Gallic announced the appointment of Mr. Mark Woods as President and Chief Operating Officer of the Corporation effective January 1, 2009.

#### *2009*

Exploration rights to EP 464 in the Canning Basin in Western Australia were granted to the Corporation on January 15, 2009. EP 464 comprises an area 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.

On January 19, 2009, Gallic announced that it had elected to discontinue its remaining outstanding permit application in Western Europe as a result of prolonged and un-encouraging responses from the relevant authorities.

Gallic's corporate restructuring continued in 2009. Mr. Richard DeVries resigned as interim Chief Financial Officer of the Corporation effective March 1, 2009 and Mr. David Little was appointed Chief Financial Officer of the Corporation, effective March 1, 2009. Further, on May 26, 2009, Mr. Richard W. DeVries resigned as a director of Gallic and Mr. Richard Wadsworth was appointed to the Board of Directors.

On March 4, 2009, Gallic completed a financing for 2,700,937 Class A Shares at a price of \$0.16 per share for gross proceeds of \$432,150. Gallic's directors and officers and other non arm's length parties participated for 25% of this private placement, being 675,235 shares (\$108,050 of the total gross proceeds). A total of 128,344 Class A Shares were issued to Agents as a commission for the issuance.

The holders of Class A Shares of the Corporation approved an amendment to Gallic's Articles to consolidate its Class A Shares on a basis of a ratio of one (1) Class A Share for every twenty (20) Class A Shares issued and outstanding at Gallic's Annual General and Special Meeting held on July 8, 2009 (the "Meeting"). Within the scope of the shareholder approval received at the Meeting, the Board determined to proceed with the share consolidation on a basis of a ratio of one (1) Class A Share for every eight (8) Class A Shares issued and outstanding (the "Share Consolidation").

Gallic's Articles were amended on July 28, 2009 to consolidate Gallic's 157,729,232 issued and outstanding Class A Shares on a basis of a ratio of one (1) Class A Share for every eight (8) Class A Shares issued and outstanding. There were 19,716,154 Class A Shares outstanding post-consolidation.

The Share Consolidation was approved by the TSXV and Gallic began trading on a post-consolidated basis at the opening of trading on the TSXV on July 29, 2009. Gallic's stock symbol was changed from GLE.A to GLC for purposes of post-Share Consolidation trading.

#### *2010*

On January 28, 2010, Gallic completed a financing of 18,750,000 units at a price of \$0.08 per unit for gross proceeds of \$1,500,000. Each unit consisted of one Class A Share and one warrant, with each warrant exercisable into one Class A Share for a period of 18 months after closing at an exercise price of \$0.12 per share.

On May 7, 2010, Colin Wagner resigned as a director of the Corporation.

On August 6, 2010, the Corporation completed a non-brokered private placement, consisting of 6,000,000 units of the Corporation at a price of \$0.05 per unit for gross proceeds of \$300,000. Each unit consisted of one Class A Share and one warrant, with each warrant exercisable into one Class A Share of the Corporation within 24 months at a price of \$0.10 per warrant.

On September 20, 2010, the Corporation completed a brokered private placement, consisting of 38,000,000 units of the Corporation at a price of \$0.05 per unit for gross proceeds of \$1,900,000. Each unit consisted of one Class A Share and one warrant, with each warrant exercisable into one Class A Share of the Corporation within 24 months at a price of \$0.10 per

warrant. In connection with this issue, 1,520,000 warrants were issued to the agents for services rendered. Each warrant is exercisable into a unit at \$0.05 per unit. Each unit is comprised of one Class A Share and one warrant to acquire a Class A Share for \$0.10.

At its Annual General and Special shareholders meeting held on October 5, 2010 the shareholders approved the election of a new board of directors comprised of Jason Bednar, Charle Gamba, Richard Grafton, Gordon McIntosh, Mark Woods and John Garden.

On December 1, 2010, the Corporation announced the appointment of William H. (Bill) Smith as the Corporation's Chief Executive Officer. Mr. William H. Smith has over 35 years of oil and gas exploration and evaluation experience, largely focused on international projects. From 2000 to 2008 Mr. Smith was with AEC International Inc. and later Encana Corporation ("Encana"), where as Vice President France he was responsible for Encana's unconventional gas evaluation of Europe and its Foix project in the Aquitaine Basin of France. Mr. Smith has also held positions with Transworld Oil/Oman Oil, Forcenergy, and Anschutz Petroleum. Most recently, Mr. Smith was the principal of W H Smith International Consultants, whose main clients were Canacol Energy Ltd. and Sprott Resource Corp. Mr. Smith has a B.Sc. and M.Sc. in Geophysical Engineering and a Ph.D. in Mineral Economics.

#### *Subsequent to 2010*

On February 14, 2011, Mr. Jeffrey J. Scott was appointed to Gallic's Board of Directors.

On March 1, 2011 Mr. Mark Armanious was appointed as Vice President of Exploration. Mr. Armanious is a Professional Geologist with over 25 years of diverse exploration, exploitation and business development experience, both domestically and internationally, including Europe. Most recently he was a Senior Geological Specialist at Sproule International. Previously he was Acquisitions and Divestitures Geosciences Manager at Paramount Energy Trust. Prior to joining Paramount he was Chief Geologist for Centurion Energy International Inc., a Middle East gas focused company. Additional experience included Vice President Exploration for High Point Resources Inc., whose assets included conventional and unconventional gas in Western Canada. He is a member of APEGGA, CSPG, PESGB, EAGE and AAPG. Mr. Armanious holds a Bachelor of Science degree in geology from the University of Calgary.

On March 16, 2011 Mr. Eric Messier was appointed its Manager of Operations. Mr. Messier is a Professional Engineer with over 14 years of construction and drilling experience. Mr. Messier started his career with PanCanadian Petroleum where he was exposed to large heavy oil slant pads and shallow gas drilling. He then joined Anderson Exploration to manage their British Columbia drilling operations including their underbalanced horizontal wells program. When Devon Energy acquired the Anderson assets, Mr. Messier gained valuable on-shore and off-shore field experience in the Gulf of Mexico, Yukon, Northwest Territories and the Beaufort Sea. Before joining Gallic, he lived in France for 3 years where he was Operations Superintendent for Encana's project in the Aquitaine basin in S.W. France. Mr. Messier is a member of the APEGGA, IOQ and SPE. He is bilingual and holds a mechanical engineering degree from McGill University.

On April 13, 2011, the Corporation completed its previously announced \$23,000,000 bought deal offering, with a syndicate of underwriters co-led by Macquarie Capital Markets Canada Ltd. and Canaccord Genuity Corp., and including Raymond James Ltd., Paradigm Capital Inc. and Fraser Mackenzie Limited. The Corporation issued a total of 57,500,000 units (the "Units") at a price of \$0.40 per Unit for total gross proceeds of \$23,000,000. Each Unit consists of one Class A Share and one half common share purchase warrant ("Warrant") of the Corporation. Each whole Warrant entitles the holder to acquire one Class A Share at a price of \$0.60 until April 13, 2013.

## **DESCRIPTION OF THE BUSINESS OF GALLIC**

### **Business of Gallic**

Gallic is a Calgary-based company with direct investments in oil and gas interests which provide exposure to international oil and gas exploration opportunities with varying risk profiles in politically and economically stable jurisdictions. Gallic's international efforts are currently in France and Australia, with a view to developing opportunities and commencing operations in these regions. As part of this business, Gallic makes select investments in international opportunities. The Corporation's objective is to assemble an inventory of quality international oil and gas exploration opportunities. Gallic's international operations are to be targeted in countries with significant exploration potential and developed fiscal and legal regimes.

### **Corporate Strategy**

In reviewing potential drilling or acquisition opportunities Gallic gives consideration to the following criteria:

- (a) risk capital to secure or evaluate the opportunity;
- (b) the potential return on the project, if successful;

- (c) the likelihood of success; and
- (d) risked return versus cost of capital.

In general, Gallic pursues a portfolio approach in developing opportunities with a balance of risk profiles in an attempt to generate sustainable levels of growth.

It should be noted that the Board of Directors may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above based upon the Board of Director's consideration of the qualitative aspects of the subject properties, including risk profile, technical upside, reserve life and asset quality.

### **Competition**

The oil and natural gas industry is competitive in all its phases. Gallic competes with numerous other participants possessing greater financial resources and technical facilities than it in the search for, and the acquisition of, oil and natural gas properties. Gallic's ability to acquire properties and potential reserves in the future will depend not only on its ability to develop properties, but also on its ability to select and acquire suitable producing properties or prospects for exploration. Management of the Corporation believes that the Corporation will be able to continue to compete successfully with its competitors in acquiring such properties or prospects.

### **Personnel**

As of December 31, 2010, Gallic had two full time employees and three full time equivalent consultants, who along with the directors and officers of Gallic, collectively attend to the management and daily operations of the Corporation. Additional consultants are retained from time to time on a contract basis as needed.

## **FORM 51-101F1 STATEMENT OF RESERVES DATA**

### **Date of Statement**

This report and statement is dated April 27, 2011. The information in the report provided in this statement is as of the Corporation's most recently completed financial year ended December 31, 2010. Management of the Corporation prepared this statement in accordance with NI 51-101 on April 27, 2011.

The Corporation has no reserves and as such, has no future net revenue.

### **Other Oil And Gas Information**

#### *Oil and Gas Properties*

Gallic currently has no producing or non-producing oil and gas properties.

#### *Oil and Gas Wells*

Gallic currently has no producing wells or non-producing wells.

### **Properties With No Attributed Reserves**

As at December 31, 2010, the Corporation had 320,000 net and gross acres of properties onshore France and in 608,700 net and gross acres of properties onshore Australia which the Corporation has an interest, but no reserves have been assigned. The Corporation has no properties in which its rights to explore, develop and exploit are expected expire within one year. See "Exploration and Development Activities" for existence, nature, timing and costs of the expected work commitments for these properties.

### **Forward Contracts**

As at December 31, 2010, Gallic did not have any forward contracts.

### **Additional Information Concerning Abandonment and Reclamation Costs**

As at December 31, 2010, Gallic had no future liabilities associated with any oil and gas properties.

### **Tax Horizon**

Gallic was not required to pay income taxes during the year ended December 31, 2010. Due to the significant amount of non-capital losses accumulated by the Corporation and the uncertain outcome of its oil and gas activities, Gallic cannot at this time reasonably estimate when it will begin paying income taxes.

## Costs Incurred

The Corporation incurred \$960,040 on capital expenditures for the year ended December 31, 2010 (2009 - \$560,068).

### Petroleum and natural gas assets

Opening balance, January 1, 2010	\$ 560,068
Additions	960,040
Impairments	(372,747)
Closing balance, December 31, 2010	1,147,361

## Exploration and Development Activities

The Corporation did not hold an interest in any gross or net wells completed during the year ended December 31, 2010.

### France

The exploration rights to the Ger Permit are associated with a commitment to incur €1.35 million of qualifying expenditures over a 5 year term beginning on April 3, 2008. When the original acreage size and commitment was reduced due to the competition of the bidding process, the commitment of funds were reduced and no specific work program was submitted at the time. In 2011 the Corporation intends to re-enter two to four wells on the Ger Permit.

The exploration rights to the Ledeuix Permit are associated with a commitment to incur €1.70 million of qualifying expenditures over a 5 year term beginning on August 8, 2008. The commitments at the time of the permit grant were allocated as per the following work program:

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

At December 31, 2010, the Corporation had incurred Euros €625,000 of capital expenses combined over both permits of the Aquitaine Basin.

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

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

The Corporation 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. These new data will expand the Eocene and Cretaceous mapping and extrapolate potential gas resources.

In the Ledeuix block, Gallic Energy has acquired 180 sq km of raw 3D seismic data, which 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 thrust sheets and map the extent of the Meillon reservoir.

## Australia

The exploration rights to EP 464 are associated with a commitment to incur expenditures of AUD\$6.1 over a six year term. The commitment at the time the permit was granted was allocated as per the following work program:

Year	Minimum Work Requirement
1	100 km 2D seismic reprocessing
2	50 km new 2D seismic survey
3	One (1) exploration well
4	20 km <sup>2</sup> new 3D seismic survey
5	100 km 2D seismic survey
6	One (1) exploration well

As of December 31, 2010, the Corporation had incurred AUD\$340,000 of capital expenditures on Block EP 464.

To date Gallic has compiled and analyzed available public records to formulate an exploration program which will fully evaluate the hydrocarbon resources 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 geological report (the “**Report**”) of the petroleum potential of the subject block provided a review of the hydrocarbon prospectively 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.

There 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 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 Formation all form excellent reservoirs with trapping mechanisms are 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 and fourth quarters of 2010 the Corporation 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 into 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.

### Production Estimates

There is no estimated production for the year ended December 31, 2011.

### Production History

There is no production history for the year ended December 31, 2010.

### Form 51-101F3

Attached to this AIF as Schedule B is the companion Form 51-101F3 “Report of Management and Directors on Oil and Gas Disclosures”

## INDUSTRY CONDITIONS

### Environmental Regulation

The oil and gas industry is subject to a variety of environmental regulations in all of the jurisdictions in which Gallic is pursuing exploration opportunities. Compliance with such legislation can require significant expenditures or result in operational

restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness. Management of Gallic believes that Gallic is and will continue to be in compliance with applicable environmental protection requirements.

### **Government Regulation**

The oil and gas industries in all of the jurisdictions in which Gallic is pursuing exploration opportunities are subject to extensive regulation governing operations, including land tenure, exploration, development, production, refining, transportation, marketing, pricing and taxation, as imposed by regulations at various levels of government and administration.

### **Pricing and Marketing – Oil and Natural Gas**

The marketability and price of oil and natural gas which may be acquired or discovered by Gallic will be affected by numerous factors beyond Gallic's control. The ability of Gallic to market any natural gas discovered may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Gallic is also subject to market fluctuations in the prices of oil and natural gas, uncertainties related to the delivery and proximity of its reserves to pipelines and processing facilities and extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

### **Trends**

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near future of Gallic's business.

One trend is the volatility of commodity prices. Oil and natural gas prices are determined by economic factors and in the case of oil prices, political factors and a variety of additional factors beyond our control. These factors include economic conditions, in the United States and Canada and worldwide, the actions of the Organization of Petroleum Exporting Countries ("OPEC"), governmental regulation, political stability in the Middle East and elsewhere, internal capacity to produce natural gas in the United States and elsewhere from shale deposits, the foreign supply of oil and natural gas, risks of supply disruption, the price of foreign imports, the weather and the availability of alternative fuel sources.

Prices received for production and associated operating expenses are impacted in varying degrees by factors outside management's control. These factors include, but are not limited to, the following: world market forces, including the ability of OPEC to set and maintain production levels and prices for crude oil; political conditions, including the risk of hostilities and revolutionary uprisings in the Middle East and other regions throughout the world; increases or decreases in crude oil quality and market differentials; the impact of changes in the exchange rate between Canada and U.S. dollars on prices received by the Corporation; North American market forces, most notably shifts in the balance between supply and demand for crude oil and natural gas and the implications for the price of crude oil and natural gas; global and domestic economic and weather conditions; price and availability of alternative fuels; and the effect of energy conservation measures and government regulations.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers may generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for consumables and service suppliers triggering premium costs for their goods and services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various goods and service suppliers also usually decline.

Higher worldwide energy prices have resulted in a heightened demand for oil and gas exploration and development opportunities. The higher prices reflect rising world demand for hydrocarbons, especially in Asia. At the same time, productivity maintenance and hydrocarbon reserve replacement are growing worldwide concerns, notwithstanding the availability of new technology and higher reinvestment levels. These conditions reflect the growing maturity of productive hydrocarbon-bearing basins throughout the world.

### **Foreign Operations**

Gallic is primarily engaged in the application for international oil and natural gas opportunities. These opportunities will provide Gallic with projects to be executed over the next five (5) years. International oil and gas operations are subject to inherent risks and uncertainties which are beyond the control of Gallic, particularly those associated with exploring for, and developing, economic quantities of hydrocarbons and include volatile commodity prices, political risks, foreign exchange rates, issues relating to global supply and demand, government regulations and environmental matters. Gallic's international exploration ventures may entail certain political and technical business risks. Gallic's strategy is to mitigate such risks by operating in politically and economically stable countries and by aligning itself with partners that have international experience.

## **RISK FACTORS**

There are a number of risk factors associated with Gallic and its business. These risks are summarized below:

### **Overview**

The business carried on by Gallic is subject to a number of risk factors. An investment in securities of Gallic is suitable only to those investors who are willing to risk the loss of their entire investment. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management of Gallic. An investment in the securities of Gallic is speculative and involves a high degree of risk due to the nature of Gallic's involvement in the business of exploration for petroleum and natural gas. The following is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form.

### **Stage of Development**

An investment in Gallic is subject to certain risks related to the nature of Gallic's business and its early stage of development. There are numerous factors which may affect the success of Gallic's business which are beyond Gallic's control including local, national and international economic and political conditions. Gallic's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. Gallic's operations in international jurisdictions expose Gallic to risks which may not exist for domestic operations such as political and currency risks. Gallic has a limited history of operations and earnings and there can be no assurance that Gallic's business will be successful or profitable or that commercial quantities of oil and/or natural gas will be discovered by Gallic. Gallic has not paid any dividends and it is unlikely to pay dividends in the immediate or foreseeable future.

### **Operational Risk**

Gallic is engaged in exploration and development of natural resource properties. The natural resource exploration, development and production industry involves a high degree of risk which (even with a combination of experience, knowledge and careful evaluation) provides no assurance that opportunities of Gallic will be produced in commercial quantities or that future commercial quantities of natural resources can be successfully found or produced.

Gallic's operations are subject to the risks normally incident to the operation and development of natural resource properties, including drilling, trenching and surveying, all of which could result in personal injuries, loss of life and damage to the property of Gallic and others. In accordance with customary industry practice, the Corporation expects to be insured through its joint venture partners. Notwithstanding the foregoing, Gallic is not fully insured against all of these risks, nor are all such risks insurable.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time; production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

### **Oil and Natural Gas Development**

No reserves have been assigned in connection with Gallic's interests in international operations, given the early stage of development. The future value of Gallic is therefore dependent on the success or otherwise of Gallic's activities which are principally directed toward the further exploration, appraisal and development of its assets in international jurisdictions. Exploration, appraisal and development of oil and natural gas reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of Gallic's international interests will lead to a commercial discovery or, if there is commercial discovery, that Gallic will be able to realize such reserves as intended. Not all properties that are explored are ultimately developed into new reserves. If at any stage Gallic is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, Gallic's business, financial condition and/or results of operations and, accordingly, the trading price of the Gallic shares, is likely to be materially adversely affected.

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by Gallic will result in discoveries of oil, condensate or natural gas that are commercially or economically possible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as

overpressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Infrastructure development in some of the countries in which the Corporation may operate may be limited. These factors may affect the Corporation's ability to explore and develop its properties and to store and transport its oil and gas production.

Gallic's operations are subject to all the risks normally incident to the exploration, development and operation of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, potential environmental damage, blow-outs, fires and spills, all of which could result in personal injuries, loss of life and damage to property of Gallic and others. In accordance with industry practice, Gallic will carry normal and customary insurance coverage.

Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing.

### **Risks of Foreign Operations**

All of Gallic's current oil and natural gas prospects are located in foreign jurisdictions. As such, Gallic is subject to political, economic, and other uncertainties, including, but not limited to, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Gallic's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

Gallic's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with Gallic's operations in international jurisdictions, Gallic may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. Gallic may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Gallic's exploration, development and production activities in international jurisdictions could be substantially affected by factors beyond Gallic's control, any of which could have a material adverse effect on Gallic.

Gallic's operations may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of Gallic including, among other things, a change in oil or natural gas pricing policy, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations and the development and abandonment of fields.

In addition, Gallic and its subsidiaries were formed pursuant to, and their operations are governed by, a number of complex legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Corporation's foreign exploration, development and production activities could be substantially affected by factors beyond Gallic's control, any of which could have a material adverse effect on Gallic.

### **Licenses and Permits**

The operations of Gallic may require licenses and permits from various governmental authorities. There can be no assurance that Gallic will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations at its projects. Natural resources operations (including lease acquisitions) are subject to extensive government regulations. Operations may be affected from time to time in varying degrees by political and ecological developments, such as restrictions on production, price controls, tax increases and pollution controls.

### **Reliance on Industry Partners**

Gallic relies on industry partners including suppliers, contractors and joint venture parties in executing its business strategy and operations. As a result, Gallic is or may be exposed to third party credit risk through its contractual arrangements with its current or future suppliers, contractors and joint venture parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on Gallic and its ability to implement its business strategy and operations.

## **Additional Financing**

The Corporation's future capital commitments on its existing assets will likely exceed existing cash resources, which would require Gallic to raise additional financing. The ability of Gallic to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of Gallic. There is a risk that the interest rates will increase given the current historical low level of interest rates. An increase in interest rates could result in a significant increase in the amount Gallic pays to service debt and affect the Corporation's ability to fund ongoing operations.

This in turn could limit growth prospects in the short run or may even require Gallic to dedicate cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that Gallic will be successful in its efforts to arrange additional financing on terms satisfactory to Gallic. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. If additional financing is raised by the issuance of shares from the treasury of Gallic, control of Gallic may change and shareholders may suffer additional dilution.

From time to time, Gallic may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may temporarily increase Gallic's debt levels above industry standards.

## **Industry Conditions**

The international oil and natural gas industry is intensely competitive and Gallic competes with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce oil and natural gas but also carry on refining operations and market petroleum and other products on an international basis. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and invasion of water into producing formations.

The marketability and price of oil and natural gas which may be acquired or discovered by Gallic will be affected by numerous factors beyond the control of Gallic. The ability of Gallic to market any natural gas discovered may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Gallic is also subject to market fluctuations in the prices of oil and natural gas, uncertainties related to the delivery and proximity of its reserves to pipelines and processing facilities and extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Gallic is also subject to a variety of waste disposal, pollution control and similar environmental laws

The oil and natural gas industry is subject to varying environmental regulations in each of the jurisdictions in which Gallic may operate. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. Gallic may be responsible for abandonment and site restoration costs.

## **Environmental Regulation and Risks**

Extensive national, state and local environmental laws and regulations in foreign jurisdictions are anticipated to affect nearly all of the operations of Gallic. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. There can be no assurance that Gallic will not incur substantial financial obligations in connection with environmental compliance.

Significant liability could be imposed on Gallic for damages, cleanup costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by Gallic or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on Gallic. Moreover, Gallic cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by Gallic for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on Gallic.

## **Volatility of Oil and Gas Prices and Markets**

Gallic's financial performance and condition are substantially dependent on the prevailing prices of oil and natural gas at the time when Gallic commences production, which prices may be unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on Gallic's operations and financial condition. Prices for crude oil fluctuate in response to global supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the control of Gallic including, but not limited, to the world economy and OPEC's ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. Natural gas prices are influenced

primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources.

Prices varied considerably throughout 2008 through 2010, particularly since August 2008, when the price of oil decreased significantly, concurrently with the downturn in the global economy. Any further substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future exploration programs. All of these factors could result in a material decrease in Gallic's value, cash flows and profitability causing a reduction in its oil and gas interest acquisition and development activities.

From time to time Gallic has and may in the future enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Gallic will not benefit from such increases.

### **The Global Economy**

The global economy has not fully recovered and unforeseen events may negatively impact Gallic's financial condition. Market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, caused significant volatility to commodity prices over the last few years. These conditions worsened in 2008 and continued in early 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Although economic conditions improved towards the latter portion of 2009 through 2010, these factors have negatively affected company and trust valuations and continue to impact the performance of the global economy going forward.

### **Title to Properties and Assets**

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of Gallic which could result in a reduction of the revenue received by Gallic.

### **Fluctuations in Foreign Currency Exchange Rates**

All of Gallic's current prospects are located in foreign jurisdictions. Fluctuations in the U.S. dollar, the Euro, Australian dollar and/or other currency exchange rates may cause a negative impact on revenue and costs and could have a material adverse impact on Gallic's operations. World oil prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate that may fluctuate over time. A material increase in the value of the Canadian dollar negatively impacts production revenues.

### **Competition**

Competition could adversely affect Gallic's performance. The oil and natural gas industry is characterized by intense competition and Gallic competes directly with other companies that have greater technical and financial resources. Many of these competitors not only explore for and produce oil and natural gas but also carry on refining operations and market petroleum and other products on an international basis. The industry also competes with other industries who supply non-petroleum energy products.

### **Key Personnel**

The competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Gallic will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Gallic, as the case may be.

### **Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration and early development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for the shares of Gallic will be subject to market trends generally, notwithstanding the financial and operational performance of the company.

## **Potential Conflicts of Interest**

Certain of the directors of Gallic are engaged and will continue to be engaged in the search for oil and gas interests on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with Gallic. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the ABCA which require a director or officer of a corporation who is party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with Gallic to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

## **Dilution**

Gallic's Class A Shares, including rights, warrants, special warrants, subscription receipts and other securities to purchase, to convert into or to exchange into Gallic's Class A Shares, may be created, issued, sold and delivered on such terms and conditions and at such times as the Board of Directors may determine. In addition, Gallic may issue additional shares from time to time pursuant to Gallic's option and other incentive plans such as restricted share units. The issuance of these Gallic Class A Shares could result in dilution to holders of Gallic's Class A Shares.

## **Net Asset Value**

Gallic's net asset value will vary depending upon a number of factors beyond the control of Gallic's management, including oil and natural gas prices. The trading prices of the shares of Gallic is also determined by a number of factors which are beyond the control of management and such trading prices may be greater than or less than the net asset value of Gallic.

## **SHARE CAPITAL**

Gallic is authorized to issue an unlimited number of common shares in Classes A, B and C, and an unlimited number of Preferred Shares, issuable in series.

### **Class A Shares**

Gallic is authorized to issue an unlimited number of Class A Shares. Holders of Class A Shares are entitled to one (1) vote per share at meetings of shareholders of Gallic. Holders of Class A Shares are entitled to receive dividends in such amounts as the Board of Directors may from time to time declare, subject to any prior rights of the holders of Preferred Shares. Holders of Class A Shares need not rank or be treated equally in the declaration or payment of dividends in the full and absolute discretion of the directors. Holders of Class A Shares are entitled to receive *pro rata* the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to any prior rights of the holders of Preferred Shares.

### **Class B Shares**

Gallic is authorized to issue an unlimited number of Class B Shares. Holders of Class B Shares are entitled to one (1) vote per share at meetings of shareholders of Gallic. Holders of Class B Shares are entitled to receive dividends in such amounts as the Board of Directors may from time to time declare, subject to any prior rights of the holders of Preferred Shares. Holders of Class B Shares need not rank or be treated equally in the declaration or payment of dividends in the full and absolute discretion of the directors. Holders of Class B Shares are entitled to receive *pro rata* the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to any prior rights of the holders of Preferred Shares.

### **Class C Shares**

Gallic is authorized to issue an unlimited number of Class C Shares. Holders of Class C Shares are entitled to one (1) vote per share at meetings of shareholders of Gallic. Holders of Class C Shares are not entitled to receive dividends. Holders of Class C Shares are not entitled to receive *pro rata* the remaining property and assets of Gallic upon its dissolution or winding-up.

The Class C Shares may be converted, at the option of the holder, at any time, in increments of one-third (1/3) of the number of Class C Shares outstanding at the time of conversion, into Class A Shares, on a one (1) for one (1) basis, at such time as the earnings per Class A Share, as calculated prior to deductions or allowances for income taxes, dividends, depletion, amortization and depreciation, for any twelve (12) month period, exceed the sums of \$0.05, \$0.10 and \$0.15 per Class A Share, respectively. The earnings on Class A Shares are based on the assumption of 1,500,000 Class A Shares being issued, and are subject to a proportionate adjustment according to the number of Class A Shares actually listed at the time that the conversion privilege is being exercised. The earnings per Class A Share shall be calculated by the management of Gallic, acting reasonably. A holder of Class C Shares who exercises the conversion right with respect to any twelve (12) month calendar period is prohibited from again exercising the right until the expiry of three (3) months from the last day of that twelve (12) month period. Holders of Class C Shares are entitled to exercise the conversion right in proportion to the number of shares held by them, and the right is cumulative. The directors may by ordinary resolution designate a procedure for the exercise of the conversion right.

Gallic shall have the right, subject to applicable securities and corporate legislation, at any time and from time to time after a date that is ten (10) years from the date of issue of Class C Shares, to redeem all or any portion of the Class C Shares at a price equal to \$0.001 per share.

### **Preferred Shares**

Gallic is authorized to issue an unlimited number of Preferred Shares, issuable in series, with such rights, privileges, restrictions and conditions as the directors may determine. Holders of Preferred Shares are entitled to receive dividends if, as and when declared by the Board of Directors and to receive *pro rata* the remaining property and assets of Gallic upon its dissolution or winding-up, in preference to all other shares of the Corporation.

### **DIVIDEND POLICY**

Gallic has not declared or paid any dividends on the Gallic Class A Shares, Class B Shares, Class C Shares or the Preferred Shares since its incorporation. Any decision to pay dividends on the Gallic Class A Shares, Class B Shares, Class C Shares or the Preferred Shares will be made by the Board of Directors on the basis of Gallic's earnings, financial requirements and other conditions existing at such future time.

### **MARKET FOR SECURITIES**

The Class A Shares were listed and posted for trading on the TSXV on October 10, 2000. The Class A Shares trade on the TSXV on July 29, 2009 under the symbol "GLC". The following table sets forth the reported market price ranges and the trading volumes for the Class A Shares for the periods indicated, as reported by the TSXV.

Period	High	Low	Trading Volume
<b>2010</b>			
January	0.14	0.10	550,262
February	0.12	0.10	304,350
March	0.16	0.10	629,487
April	0.15	0.095	464,423
May	0.10	0.05	314,874
June	0.06	0.04	1,184,477
July	0.075	0.05	1,017,240
August	0.095	0.06	3,562,874
September	0.295	0.09	8,396,727
October	0.39	0.275	11,150,565
November	0.42	0.28	4,171,860
December	0.53	0.39	4,989,925
<b>2011</b>			
January	0.62	0.38	5,078,121
February	0.56	0.40	4,080,924
March	0.54	0.35	7,839,000
April 1-26	0.47	0.38	3,375,800

## PRIOR SALES

Other than options to acquire Class A Shares pursuant to the Corporation's option plan, during the financial year ended December 31, 2010 the Corporation did not issue any unlisted securities other than as follows:

Description	Date	Number	Issue or Exercise Price Per Common Share/Unit
Warrants	January 28, 2010	19,244,000	\$0.12
Warrants	August 6, 2010	6,000,000	\$0.10
Warrants	September 20, 2010	38,000,000	\$0.10
Broker Warrants	September 20, 2010	1,520,000	\$0.05(1)
Restricted Share Units	December 1, 2010	2,500,000	(2)

### Notes:

- (1) The Corporation issued 1,520,000 warrants to the brokers involved in the September 20, 2010 unit issuance as commission for services rendered. Each broker's 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 Class A Share and one warrant exercisable into one Class A Share at an exercise price of \$0.10 until September 20, 2012.
- (2) On December 1, 2010, the Corporation issued 2,500,000 restricted share units ("RSU's") to the Corporation's Chief Executive Officer. Under the terms of the plan, the RSU's awarded will vest in four equal portions every six-months following the grant date and will be settled in Class A Shares. The fair value of the RSU's on grant date is expensed into income evenly over the same period that the units vest. For the year-ended December 31, 2010, \$91,146 was expensed relating to RSU's.

## DIRECTORS AND OFFICERS

The name, municipality of residence, principal occupation for the prior five (5) years and positions of each of the directors and officers of Gallic are as follows:

Name and Residence	Position with Gallic	Date of Appointment as Director	Principal Occupation During the Past 5 Years
William H. Smith Calgary, Alberta	Chief Executive Office and Director	December 1, 2010	Mr. William H. Smith, has been Chief Executive Officer of Gallic Energy Ltd. since December 1, 2010. Mr. Smith has over 35 years of oil and gas exploration and evaluation experience, largely focused on international projects. From 2000 to 2008 Mr. Smith was with AEC International Inc. and later Encana, where as Vice President France he was responsible for Encana's unconventional gas evaluation of Europe and its Foix project in the Aquitaine Basin of France. Mr. Smith has also held positions with Transworld Oil/Oman Oil, Forcenergy, and Anschutz Petroleum. Most recently, Mr. Smith was the principal of W H Smith International Consultants, whose main clients were Canacol Energy Ltd. and Sprott Resource Corp. Mr. Smith has a B.Sc. and M.Sc. in Geophysical Engineering and a Ph.D. in Mineral Economics.

<b>Name and Residence</b>	<b>Position with Gallic</b>	<b>Date of Appointment as Director</b>	<b>Principal Occupation During the Past 5 Years</b>
Jason Bednar Calgary, Alberta	Chairman and Director	October 5, 2010	Presently, Chief Financial Officer and Director of Sagres Energy Inc., an international oil and gas exploration company. Former Chief Financial Officer of Pan Orient Energy Corp, a South East Asia Exploration company, from 2004 to April 2009. Past Manager of Financial Reporting for Canadian 88 Energy Corp (1998-2002) and former Controller of Canadian Superior Energy Inc (2002-2004). Mr. Bednar is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Saskatchewan.
Charle Gamba Houston, Texas	Director	October 5, 2010	Chief Executive Officer of Canacol Energy Ltd. Past Vice President of Exploration for Occidental Oil and Gas Company (Oxy) in Colombia. Chief Geologist with Oxy in Ecuador and Chief Geoscientist for Oxy in Qatar. Geologist with 15 years of multidisciplinary experience in the oil and gas industry in Latin America, Middle East, North America, and South East Asia with Occidental Petroleum, Alberta Energy Company (Encana), Canadian Occidental (Nexen), and Imperial Oil.
John Garden Calgary, Alberta	Director	December 2, 2008	Chief Executive Officer of the Corporation since December 2008. Chief Executive Officer and President of Deadeye Engineering Inc. since 1995. Former Director and Chief Executive Officer of Maskal Energy Inc.
Richard Grafton Calgary, Alberta	Director	October 5, 2010	Mr. Grafton has over 30 years' experience in the investment and energy business. Currently, Mr. Grafton is President and Chief Executive Officer of Grafton Capital Corporation, a private capital company concentrating on long term value creation. In 2007, Mr. Grafton was appointed Vice-Chairman of Canaccord Capital Corporation acting as the firm's ambassador to the global energy markets. Prior thereto, Mr. Grafton acted as Executive Vice President and Managing Director, Global Head of Energy of Canaccord Adams. He was responsible for all aspects of the firm's oil and gas operations.
Gordon McIntosh Calgary, Alberta	Director	July 8, 2009	Manager, BC Area Operations since January 2010 after a position as team leader for Trident Exploration Corp. since December 2008. Prior thereto, Mr. McIntosh held the position of Vice-President, Engineering at Tecton Energy Canada ULC from March 2006 to December 2008 and the position of Senior Exploitation Engineer with Ketch Resources Trust from July 2005 to March 2006. From July 2003 to July 2005 Mr. McIntosh worked as a Program Manager with Samson Canada Ltd.

<b>Name and Residence</b>	<b>Position with Gallic</b>	<b>Date of Appointment as Director</b>	<b>Principal Occupation During the Past 5 Years</b>
Jeffrey Scott Calgary, Alberta	Director	February 14, 2011	Mr. Scott is Founder and Chairman of Gran Tierra Energy (GTE.TO), a South American based exploration and production company with a current market capitalization of \$2.4 billion. He is also President of Postell Energy Co. Ltd., a 31-year-old private oil company operating in Western Canada. Mr. Scott has extensive mergers, acquisitions and public company experience. Over the last 16 years he has been involved in a variety of capacities from founder to officer and / or director of numerous publically traded companies. He was a co-founder and director of Saxon Energy Services, an international drilling company. Mr. Scott is currently also a director of Tuscany International Drilling Inc. and Petromanas Energy Inc. Mr. Scott holds a Bachelor of Arts degree from the University of Calgary, and a Masters of Business Administration from California Coast University.
Mark Woods Calgary, Alberta	President, Chief Operating Officer and Director	October 5, 2010	President and Chief Operating Officer of the Corporation since January 2009. Senior engineer in the operations group with Enerplus Resources Fund from September 2007 to December 2008. Prior thereto, Manager of Operations at Stylus Energy Inc. and held various engineering positions with Acclaim Energy Trust and Devon Canada.
Mark Armanious Calgary, Alberta	Vice President, Exploration	N/A	Mr. Armanious is a Professional Geologist with over 25 years of diverse exploration, exploitation and business development experience, both domestically and internationally, including Europe. Most recently he was a Senior Geological Specialist at Sproule International. Previously he was Acquisitions and Divestitures Geosciences Manager at Paramount Energy Trust. Prior to joining Paramount he was Chief Geologist for Centurion Energy International Inc., a Middle East gas focused company. Additional experience included Vice President Exploration for High Point Resources Inc., whose assets included conventional and unconventional gas in Western Canada. He is a member of APEGGA, CSPG, PESGB, EAGE and AAPG. Mr. Armanious holds a Bachelor of Science degree in geology from the University of Calgary.
David Little Calgary, Alberta	Chief Financial Officer	N/A	Chief Financial Officer of the Corporation since March 2009. Director of Resolution Resources, Trophy Resources and Energy North Inc. Chairman and Chief Executive Officer of Avery Resources Inc, from 2002 to 2007. Investment advisor from 1979 to 2002 for several national brokerage firms specializing in junior resources financing.
Trevor Wong-Chor Calgary, Alberta	Corporate Secretary	N/A	Mr. Wong-Chor is a securities and energy lawyer practicing in Calgary Alberta at Davis LLP where he is also the managing partner of the Calgary office. Solicitor with Davis LLP since September 2004 and prior thereto solicitor with Borden Ladner Gervais LLP, and its predecessor firms since 1998.

Each of the directors of Gallic will hold office until the next annual meeting of the shareholders of Gallic or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with the Corporation's articles or by-laws.

As of the date of this Annual Information Form, the directors and executive officers of Gallic, as a group, beneficially own, directly or indirectly, or exercise control or direction over 18,906,687 Class A Shares, which represents approximately 8% of the number of Class A shares outstanding.

The Board of Directors has an Audit Committee, a Reserves Committee and a Compensation Committee. The members of the Audit Committee are Jason Bednar, Richard Grafton and Gordon McIntosh. The Audit Committee Charter provides that the Audit Committee shall pre-approve all non-audit services to be provided by the external auditors of Gallic. The members of the Reserves Committee are Gordon McIntosh, Charle Gamba and Mark Woods. The members of the Compensation Committee are Richard Grafton, Jason Bednar and John Garden.

### **Corporate Cease Trade Orders**

To the knowledge of Gallic's management, other than as disclosed below, no director or executive officer of Gallic, or a personal holding company of any such person, is, or within the 10 years before the date of this Annual Information Form has been, a director, chief executive officer or chief financial officer of any other issuer that:

- (a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Garden was a director and the Chief Executive Officer of Maskal Energy Inc. In June 2008, the Alberta Securities Commission (the "ASC") and the British Columbia Securities Commission (the "BCSC") issued a cease trade order suspending trading of the securities of Maskal Energy Inc. as a result of a failure to file its required financial information. The cease trade orders issued by the ASC and the BCSC regarding Maskal Energy Inc. have not yet been revoked. Maskal Energy Inc. is listed on the TSXV.

### **Bankruptcies**

To the knowledge of Gallic's management, no director or executive officer, or any shareholder holding sufficient number of securities of Gallic to affect materially the control of Gallic, or a personal holding company of any such person:

- (a) is, at the date of this Annual Information Form or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### **Penalties or Sanctions**

To the knowledge of Gallic's management, other than as set forth herein, no director or executive officer, or any shareholder holding a sufficient number of securities of Gallic to affect materially the control of Gallic, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Jeffrey J. Scott entered into a settlement agreement with the Alberta Securities Commission ("ASC") on February 6, 2009 with respect to allegations that Mr. Scott, along with certain other directors of High Plains Energy Inc. ("High Plains") acted contrary to the public interest in connection with their inadequate rectification of incorrect production information disclosed to the public in press releases issued by High Plains between July 2005 and January 2006. Mr. Scott admitted that he had acted contrary to the public interest by failing to: (i) disclose High Plains' actual production for the period of July to November 2005, with comparative references to the untrue figures disclosed for those months in the press releases disseminated during that period; (ii) compare the actual production rates for December 2005 and January 2006 with the untrue figures disclosed in the

press releases for those months; and (iii) ensure that High Plains disclosed in a timely manner that the accuracy of its earlier disclosures of the monthly production was questionable and under review by High Plains. Mr. Scott and each of the other respondents to the settlement agreement were ordered to pay \$25,000 to the ASC of which \$5,000 was a payment towards investigation costs. The ASC noted in the settlement agreement that Mr. Scott and the other directors were provided with false information by management of High Plains with respect to production levels, and thus had no knowledge of the untrue statements in certain press releases issued by management in late 2005, until January 30, 2006, at the earliest. The ASC also noted that each of the subject directors, upon being made aware of the potential problem with High Plains' reported production, made substantial efforts and committed significant amount of time in a good faith effort to resolving the problems and determining High Plains' actual production and noted that none of the subject directors had been previously sanctioned by the Commission, and each cooperated fully with staff in its investigation.

As a result of the above the TSX Venture Exchange and the TSX conducted their own reviews as to Mr. Scott's acceptability to serve as a director or officer of any respective Exchange listed issuer. They determined, in a letter written on January 20, 2010 by Compliance & Disclosure that Mr. Scott must obtain written approval prior to occupying such post and the TSXV determined that he should complete one half day workshop "Simplifying Timely Disclosures", which he successfully completed on April 26, 2010 and further that any Venture Exchange listed company on whose board he sits implement a written disclosure policy.

### **Conflicts of Interest**

The directors and officers of Gallic have participated or may participate in activities and investments in the oil and natural gas industry outside the scope of their engagement or employment as directors or officers of Gallic. As a result, the directors and officers may become subject to conflicts of interest. The ABCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

## **AUDIT COMMITTEE**

### **Audit Committee Charter**

The Audit Committee of the Board of Directors operates under a written charter that sets out its responsibilities and composition requirements. A copy of the Audit Committee Charter of Gallic is attached to this Annual Information Form as Schedule "A".

### **Composition of the Audit Committee**

The members of the Audit Committee are Jason Bednar, Richard Grafton and Gordon McIntosh. All are financially literate. Mr. Bednar is the Non-Executive Chairman of the Board of the Corporation. All of such members are considered to be "independent" within the meaning of *National Instrument 52-110 Audit Committees* ("NI 52-110").

The following sets out the education and experience of each director relevant to the performance of his duties as a member of the Audit Committee.

*Jason Bednar, B.Comm., C.A.*

Chief Financial Officer and Director of Sagres Energy Inc., a private international oil and gas exploration company. Former Chief Financial Officer of Pan Orient Energy Corp, a South East Asia Exploration company, from 2004 to April 2009. Past Manager of Financial Reporting for Canadian 88 Energy Corp. (1998-2002) and former Controller of Canadian Superior Energy Inc. (2002-2004).

*Richard Grafton*

Mr. Grafton has over 30 years' experience in the investment and energy business. Currently, Mr. Grafton is President and Chief Executive Officer of Grafton Capital Corporation, a private capital company concentrating on long term value creation. In 2007, Mr. Grafton was appointed Vice-Chairman of Canaccord Capital Corporation acting as the firm's ambassador to the global energy markets. Prior thereto, Mr. Grafton acted as Executive Vice President and Managing Director, Global Head of Energy of Canaccord Adams. He was responsible for all aspects of the firm's oil and gas operations.

*Gordon McIntosh*

Manager, BC Area Operations since January 2010 after a position as team leader for Trident Exploration Corp. since December 2008. Prior thereto, Mr. McIntosh held the position of Vice-President, Engineering at Tecton Energy Canada ULC from March 2006 to December 2008 and the position of Senior Exploitation Engineer with Ketch Resources Trust from July 2005 to March 2006. From July 2003 to July 2005 Mr. McIntosh worked as a Program Manager with Samson Canada Ltd.

#### **Auditors' Fees**

Deloitte & Touche LLP, Calgary, Alberta, Chartered Accountants are the auditors of Gallic. The table below sets out the aggregate fees billed by Deloitte & Touche LLP to Gallic in the last three (3) fiscal years.

	Year Ended December 31, 2010 <sup>(4)</sup>	Year Ended December 31, 2009 <sup>(4)</sup>	Year Ended December 31, 2008
Audit fees <sup>(1)</sup>	\$47,100	\$79,272	\$28,090
Audit-related fees <sup>(2)</sup>	Nil	Nil	Nil
Tax fees <sup>(3)</sup>	\$5,000	Nil	\$33,231
All other fees	Nil	Nil	Nil
<b>TOTAL</b>	<b>\$52,100</b>	<b>\$79,272</b>	<b>\$61,321</b>

#### **Notes:**

- (1) Audit fees consist of fees for the audit of annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as Audit fees. During fiscal 2010, 2009 and 2008, the services provided in this category included research of accounting and audit-related issues.
- (3) Tax fees consist of fees for the preparation of tax returns and research of tax-related issues.
- (4) These fees are summarized based on the fees which have been billed-to-date by Deloitte & Touche LLP in respect of the year ended December 31, 2010.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There have been no outstanding legal proceedings material to Gallic to which Gallic was a party or in respect of which any of its properties were subject, nor are there any such proceedings currently known to the Corporation to be contemplated. There have been no penalties or sanctions imposed against Gallic by a court relating to securities legislation or by a securities regulatory authority nor have there been any settlement agreements entered into by Gallic with a court relating to securities legislation or with a securities regulatory authority. There have been no penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor making an investment decision.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer of Gallic, or shareholder of Gallic that is the direct or indirect beneficial owner of, or exercises control or direction over, more than 10% of any class or series of the Corporation's outstanding voting securities, or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction or any proposed transaction which materially affects Gallic or any of its affiliates.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Class A Shares is Valiant Trust Company at its principal offices in Calgary, Alberta.

### **MATERIAL CONTRACTS**

There are no material contracts, other than contracts entered into in the ordinary course of business, that are material to Gallic that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect.

## **INTEREST OF EXPERTS**

The auditors of Gallic are Deloitte & Touche LLP, Calgary, Alberta, Chartered Accountants. Deloitte & Touche LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

## **ADDITIONAL INFORMATION**

Additional information concerning Gallic may be found under Gallic's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or by contacting the Corporation at its head office at 1000, 205-5<sup>th</sup> Avenue SW, Calgary, Alberta T2P 2V7. Additional information, including information concerning directors' and officers' remuneration and indebtedness, principal holders of Gallic's securities and securities authorized for issuance under equity compensation plans, is contained in the Management Proxy and Information Circular dated September 1, 2010 in respect of the meeting of shareholders of Gallic held on October 5, 2010. Additional financial information is provided in Gallic's audited financial statements and management's discussion and analysis for the period ended December 31, 2010 which are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **SCHEDULE A AUDIT COMMITTEE CHARTER**

### ***Policy Statement***

It is the policy of Gallic Energy Ltd. (the “Corporation”) to establish and maintain an Audit Committee, composed entirely of independent directors, to assist the Board of Directors (the “Board”) in carrying out their oversight responsibility for the Corporation’s internal controls, financial reporting and risk management processes. The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

### ***Composition of the Committee***

1. The Audit Committee shall consist of at least three directors. The Board shall appoint the members of the Audit Committee and may seek the advice and assistance of the Compensation Committee in identifying qualified candidates. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.
2. Directors appointed to the Audit Committee by the Board should be independent. A director is independent if the director has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of the director’s independent judgment. In determining whether a director is independent of management, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.
3. Each member of the Audit Committee should be “financially literate”. In order to be financially literate, a director must be, at a minimum, able to read and understand financial statements that present a breadth and complexity of accounting issues generally comparable to the breadth and complexity of issues expected to be raised by the Corporation’s financial statements.
4. A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.

### ***Meetings of the Committee***

1. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or a senior officer of the Corporation. Meetings of the Audit Committee shall correspond with the review of the quarterly financial statements and management discussion and analysis of the Corporation.
2. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the auditors, who shall be entitled to attend each meeting of the Audit Committee and shall attend whenever requested to do so by a member of the Audit Committee.
3. Notice of a meeting of the Audit Committee shall:
  - (a) be in writing;
  - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
  - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
  - (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
4. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee. However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.

5. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
6. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
7. The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.
8. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.

***Duties and Responsibilities of the Committee***

1. The Audit Committee's primary duties and responsibilities are to:
  - (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;
  - (b) monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
  - (c) monitor the independence and performance of the Corporation's external auditors;
  - (d) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
  - (e) directly oversee the external audit process and results and resolve any disagreements between management and the external auditor regarding financial reporting;
  - (f) provide an avenue of communication among the external auditors, management and the Board; and
  - (g) ensure that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.
2. The Audit Committee shall have the authority to:
  - (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - (b) discuss with the management and senior staff of the Corporation, its subsidiaries and affiliates, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
  - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
  - (d) to set and pay the compensation for any advisors employed by the Audit Committee.
3. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
4. The Audit Committee shall:

- (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor and the compensation of the external auditors;
- (b) consider the recommendations of management in respect of the appointment of the external auditors;
- (c) review the audit plan with the Corporation's external auditors and with management;
- (d) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
- (e) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
- (f) review and resolve any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
- (g) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
- (h) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;
- (i) review, and if appropriate, recommend for approval by the Board, the audited annual financial statements, management discussion and analysis and related documents in conjunction with the report of the external auditors;
- (j) review, and if appropriate, recommend for approval by the Board, the quarterly unaudited financial statements and management discussion and analysis;
- (k) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including annual and quarterly financial statements, management discussion and analysis, annual reports, annual information forms and press releases;
- (l) oversee any of the financial affairs of the Corporation, its subsidiaries and affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management;
- (m) pre-approve all non-audit services to be provided to the Corporation, its subsidiaries and affiliates by the external auditors;
- (n) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
- (o) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Change of Auditors Notice and documentation required pursuant to National Instrument 51-102 (or any successor legislation) and the planned steps for an orderly transition period;
- (p) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities laws, on a routine basis, whether or not there is to be a change of external auditors; and
- (q) review with management at least annually, the financing strategy and plans of the Corporation.

5. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
6. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
7. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a securityholder of the Corporation, the external auditors, or senior management.
8. The Audit Committee shall periodically review with management the need for an internal audit function.
9. The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.
10. The Audit Committee shall establish and maintain procedures for:
  - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
11. The Audit Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors or auditing matters.
12. The Audit Committee shall review with the Corporation's legal counsel as required but at least annually, any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
13. The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.

**SCHEDULE B  
FORM 51-101F3  
REPORT OF MANAGEMENT AND DIRECTORS  
ON OIL AND GAS DISCLOSURE**

*This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“NI 51-101”).*

Terms to which a meaning is ascribed in NI 51-101 have the same meaning, in this form.

**Report of Management and Directors on Reserves Data and Other Information**

Management of Gallic Energy Ltd. (the “Company”) is responsible for the preparation and disclosure of information with respect to the Corporation’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

The board of directors of the Corporation has reviewed the assets, data and position of the Corporation as of December 31, 2010 and has determined that, as of December 31, 2010, being the last day of the Corporation’s most recently completed financial year, the Corporation had no reserves.

An independent qualified reserves evaluator has not been retained to evaluate the Corporation’s reserves data as the Corporation has no reserves as of December 31, 2010 and no report of an independent qualified reserves evaluator will be disclosed by the Corporation for the 2010 fiscal period.

The board of directors has reviewed the Corporation’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

- a) the content and filing with securities regulatory authorities of Form 51-101F1 containing information detailing the Corporation’s oil and gas activities;
- b) the Corporation not filing Form 51-101F2, which is the report of the independent qualified reserves evaluator on reserves data because the Corporation has no reserves; and
- c) the content and filing of this report.

Because reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery. Therefore, based on information available at December 31, 2010, the board of directors of the Corporation has determined that the Corporation had no reserves at that time.

*(signed) “William H. Smith”*

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William H. Smith, Director and Chief Executive Officer

*(signed) “David Little”*

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David Little, Chief Financial Officer

*(signed) “Jason Bednar”*

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Jason Bednar, Chairman of the Board and Director

*(signed) “John Garden”*

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John Garden, Director

April 27, 2011