



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010

Management's Discussion and Analysis ("MD&A") of Gallic Energy Ltd. ("Gallic" or the "Company") should be read in conjunction with the interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2010 and the consolidated financial statements and MD&A for the years ended December 31, 2009 and 2008. The financial statements have been prepared in accordance with accounting principals generally accepted in Canada ("GAAP") and are presented in Canadian dollars unless otherwise stated. This document is dated November 29, 2010.

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

FORWARD LOOKING STATEMENTS

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

GALLIC ENERGY LTD.

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

French Assets

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

On August 8, 2008 the Company received approval from the French Ministry of Industry for exploration rights for a second area of 781 square km (192,989 acres) in the Aquitaine Basin of France (the "Ledeux Permit"). The Ledeux Permit is situated approximately 10 km south of the Lacq field and about 24 km west of the Meillon field. The permit area is approximately 30 km east of the Company's Ger Permit.

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

During the third quarter of 2010 the Company acquired an additional 588 km of raw 2D seismic data associated with the Ger block which is currently being re-processed and interpreted. The new data will enhance current mapping and compliment a proposed new 116 square km 3D seismic program which is currently in the planning and stage.

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

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

Australian Assets

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

Gallic has analyzed available public records in order to formulate an exploration program which will fully evaluate the hydrocarbon potential of the subject block. Gallic has loaded for evaluation approximately 55 kilometers (“km”) of reprocessed seismic and reviewed 225 km of stacked two dimensional (“2D”) seismic data. In addition to the seismic data, Gallic has completed the process of uploading all pertinent geological data, including digitized petro physical logs and cultural shape files into an industry software program. This has provided the tools to produce cross sections and subsurface geological maps necessary to enhance the geological understanding of the petroleum potential of the subject block and to identify prospects and leads, and to identify an area for a future 3D seismic acquisition.

Gallic commissioned a geological report (“Report”) from a consulting petroleum geologist, familiar with the Canning Basin. The Report summarizes the petroleum potential of the subject block and concentrates on the hydrocarbon prospectivity of the Lennard Shelf, which forms the northern margin of the Canning Basin. EP 464 is located on the Lennard Shelf, which currently hosts all the producing oil fields discovered to date.

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

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

The geologic Report recommends that Gallic expedite a three dimensional (“3D”) seismic program over the southwestern portion of Gallic’s acreage to identify the reservoir’s play types located in EP 464. Benefits of 3D seismic surveys include seismic modeling, reservoir characterization and the ability to examine seismic character, continuity and quantification of coherence, and the identification of drillable prospects. 3D seismic surveys eliminate out-of-plane reflections, provide superior focusing and achieve a higher degree of resolution of the subsurface geology. Time slices taken through the data provide a powerful means of mapping 3D structures and identifying subtle stratigraphic traps. All of the above mentioned benefits will ensure that Gallic will fully evaluate the petroleum potential over its acreage in a timely and quantitative manner.

During the third quarter of 2010, the Company has interpreted approximately 3,400 km of 2D stacked seismic data covering the Lennard Shelf and the Fitzroy Trough areas. The seismic has been tied in with well data and a series of time structure and isochron maps have been generated to assist Gallic in interpreting the regional geology. Further to the above, Gallic has received approximately 1,600 km of raw 2D seismic data over the EP 464 block and offsetting productive areas. This data is currently being reprocessed to standardize presentation and enhance resolution. This data will ultimately delineate the area that Gallic chooses to shoot its 3D seismic program with the goal of

identifying drilling locations. In addition to the seismic interpretation, petrophysical well data is being examined and geological cross sections have been constructed in the vicinity of the Blina, Sundown, West Terrace, Boundary and Lloyd fields in order to analyze the geological and reservoir parameters which will be used to predict analogue play concepts over EP 464. Several key regional geological maps have been constructed which, along with the seismic mapping, will aid the Company in evaluating Gallic lands with respect to regional hydrocarbon productive trends.

Nature of Operations

The Company has no material sources of revenue and a significant portion of available funding is being directed towards exploration and resource development.

The financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company is in the process of exploring and developing its international oil and natural gas properties and has not yet determined whether its international oil and natural properties contain proven and probable reserves.

The ability of the Company to continue as a going concern is dependent on the Company's ability to obtain financing to continue development of the international oil and natural gas properties and commercialize the projects. There is no certainty that the Company will be able to obtain the financing required to continue the international exploration and development activities. In addition, there is no certainty that the international oil and gas properties will contain economically recoverable reserves.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

CORRECTION OF AN ERROR

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. In the first quarter of 2010, share issue costs, including amounts relating to warrants issued in conjunction with unit offerings, were expensed. The relative fair value of the warrant component of units offered has been re-determined in accordance with the methodology outlined in the interim consolidated financial statements. The Company has restated the classification of share issue costs, which resulted in the following adjustments:

Summary of Effects of Restatement	March 31, 2010	
	Previously reported	Restated
<i>Statement of operations items</i>		
Warrant compensation expense	664,711	-
Net loss and comprehensive loss	(1,286,074)	(788,291)
Loss per share, basic and diluted	(0.04)	(0.02)

Balance sheet items

Share capital	5,579,494	5,194,614
Warrants	664,711	384,880
Contributed surplus	1,706,138	1,706,138
Deficit	(7,360,159)	(6,695,451)

This correction decreased the accumulated deficit at June 30, 2010 from \$7,756,788 to \$7,092,078.

SELECTED FINANCIAL INFORMATION

The following is a summary of selected information for the year ended December 31, 2009 and for the three and nine months ended September 30, 2010 and 2009:

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2010	2009	2010	2009	2009
Cash used by investing activities	\$ (148,136)	\$ (171,285)	\$ (537,906)	\$ (175,734)	\$ (547,758)
Cash used by operations	(548,984)	121,173	(1,421,997)	(341,063)	(67,863)
Cash from financing activities	2,249,400	(22,998)	3,564,378	517,270	517,272
Net Loss	(396,122)	(209,593)	(1,413,968)	(603,861)	(578,949)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.03)	(0.03)	(0.03)
Exploration and development spending:					
France	109,196	198,236	196,013	198,236	330,649
Australia	38,940	61,208	85,368	61,208	127,411
USA	-	-	-	-	102,008
Canada	-	-	-	-	-
Total petroleum and natural gas assets	711,836	259,444	711,836	259,444	560,068
Current assets	1,686,934	58,770	1,686,934	58,770	39,448
Current liabilities	(225,351)	(573,599)	(225,351)	(573,599)	(871,946)
Working capital	\$ 1,461,583	\$ (514,829)	\$ 1,461,583	\$ (514,829)	\$ (832,498)

2010 FINANCIAL RESULTS

For the three months ended September 30, 2010, the Company incurred a loss of \$396,122 (2009 – 206,170). The current period loss includes \$157,076 of general and administrative expenditures (2009 - \$112,836), which were higher as the Company had additional employees in 2010 compared to 2009. New venture expenditures incurred during the quarter were \$101,093 (2009 – nil) related to costs associated with potential acquisitions in Oklahoma and Canada. These opportunities are no longer being pursued. Stock based compensation expense was \$136,919 (2009 - \$92,894) and increased due to additional share options being issued in 2010.

For the nine months ended September 30, 2010, the Company incurred a loss of \$1,414,115 (2009 – 614,063). The loss was higher due to \$101,093 (2009 – nil) of new venture expenditures relating to potential acquisitions in Oklahoma and Canada; the Company abandoned the pursuit of both opportunities in the second quarter of 2010, which resulted in a \$372,747 impairment of costs previously capitalized. General and administrative expenditures increased to \$751,336 (2009 - \$447,075) as a result of the Company hiring additional staff during 2010, and higher

professional fees incurred during the year. Stock based compensation for the period was \$186,249 (2009 - \$165,668).

Working capital as at September 30, 2010 was \$1,461,692 (December 31, 2009 - \$832,498 deficiency) consisted primarily of cash \$1,610,416 (2009 - \$5,942), accounts receivable of \$53,232 (2009 - \$33,232) relating to GST receivable, and \$23,394 of prepaid expenses and deposits (2009 – nil).

The Company's working capital position improved from December 31, 2009 as a result of 3 private placements that occurred during 2010.

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

The Company completed a non-brokered private placement on August 6, 2010, for 6 million units at \$0.05 per unit for gross proceeds of \$300 thousand. Each unit consists of 1 common share and 1 common share purchase warrant. Each warrant, subject to a 4-month hold period, entitles the holder to acquire a common share for \$0.10 per share until August 6, 2012.

On September 20, 2010, the Company completed a brokered private placement for 38 million units at \$0.05 per unit for gross proceeds of \$1.9 million. Each unit consists of 1 common share and 1 common share purchase warrant. Each warrant, subject to a 4-month hold period, entitles the holder to acquire a common share for \$0.10 per share until September 20, 2012.

During the period ended September 30, 2010 2,177,500 warrants were exercised for cash proceeds of \$256,100.

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

The Company incurred \$524,515 additions to petroleum and natural gas assets during the nine months ended September 30, 2010. \$124,745 was incurred in the 3-month period ended September 30, 2010. Of these expenditures, \$168,408 was spent in France, \$101,105 on the GER permit and \$67,303 on the Ledoux permit. \$85,368 was spent in Australia. Spending included the purchase of raw Seismic data in France, and other costs relating to geological and geophysical work performed.

On October 14, 2009 Gallic announced that it had entered into a letter of intent with Energy Invest Group Ltd. to acquire a 75% working interest in two oilfields in Creek County Oklahoma. On April 1, 2010, the Company terminated the acquisition due to findings during the due diligence process. On March 18, 2010, the Company entered into a letter of intent with Sahara Energy Ltd. for the acquisition of Sahara's Alberta and Saskatchewan properties. An impairment charge of \$372,747 was incurred during the second quarter of 2010 relating to the write off of \$298,021 capitalized with respect to the Oklahoma transaction and \$74,726 capitalized relating to the Canadian transaction. \$270,739 of the costs had been incurred in 2010.

LIQUIDITY AND CAPITAL RESOURCES

As at the date of this MD&A, Gallic had approximately \$1.4 million of cash on hand. Existing cash will be used for the work program commitments in France and Australia and anticipated general and administrative expenses. The Company currently has no material source of active business revenue, and as such will be dependent upon share issuances, farm-out arrangements, or other sources of financing in order to fund the 2011 capital program.

COMMITMENTS

AUSTRALIA

On May 28, 2010 the Department of Mines and Petroleum of the Government of Western Australia approved the following variation to its work commitment:

Year	Minimum Work Requirement	Estimated CAD Expenditures	Estimated AUS Expenditures
2009	100 km 2D seismic reprocessing	198,580	200,000
2010	150 km new 2D seismic reprocessing	496,450	500,000
2011	50km ² of new 3D seismic survey	1,489,350	1,500,000
2012	One exploration well	1,985,800	2,000,000
2013	20km ² of new 3D seismic survey	695,030	700,000
2014	One (1) exploration well	1,985,800	2,000,000
Total		\$6,851,010	\$6,900,000

Canadian dollar amounts may change each quarter due to foreign exchange fluctuations.

The Company expects to meet the requirement to reprocess 150 km of 2D seismic by the end of the permit period.

FRANCE

The exploration rights to the Ger Permit are associated with a commitment to incur 1,349,000 Euro of qualifying expenditures (no specific work program at this time) over a 5-year term beginning on April 3, 2008. At September 30, 2010, approximately \$240,000 has been incurred against this commitment.

The exploration rights to the Ledeuix Permit has a commitment to incur an estimated €1,700,000 (~\$2.4 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	Estimated CAD Expenditures	Estimated € Expenditure
1	Compile existing data	140,060	100,000
2	Process and interpret existing seismic data	140,060	100,000
3	Acquire up to 40 km 3D or 60 km 2D new seismic data	980,420	700,000
4	Reopen, test and potentially complete existing well	980,420	700,000
5	Evaluate results and prepares second exploration phase	140,060	100,000
Total		\$2,381,020	1,700,000

Canadian dollar amounts may change each quarter due to foreign exchange fluctuations.

At September 30, 2010, approximately \$110 thousand had been incurred against this commitment. An addition 180 Km² of 3D data has been recently received and is currently being processed.

ISSUED AND OUTSTANDING SHARE INFORMATION

As at November 29, 2010, the Company had 86,749,154 shares outstanding. The Company currently has 3,318,750 stock options outstanding and 60,954,000 warrants outstanding to acquire 62,474,000 common shares.

CHANGE IN ACCOUNTING POLICIES

International Financial Reporting Standards

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

As of September 30, 2010, the scoping and diagnostic phase and the impact analysis and evaluation phase have been completed. Gallic cannot reasonably predict the effect to its financial statements or to its business at this time as management has not yet finalized the adoption of its accounting policies and many of the differences identified are still being quantified. Differences are anticipated in the following areas:

- Oil and gas properties currently classified as petroleum and natural gas assets will be classified as either PP&E or Exploration and Evaluation assets (E&E). Upon transition to IFRS, Gallic will reclassify all E&E expenditures included in PNG assets on the balance sheet. These assets will be measured at cost and will not be depleted but will be assessed for impairment when indicators suggest the possibility of impairment. Most of Gallic’s properties will be E&E assets.
- Under Canadian GAAP, transaction costs relating to business combinations could be capitalized. These amounts will be expensed on transition to IFRS.
- Gallic currently expenses stock based compensation on a straight-line basis. Under IFRS, share based payments are expensed based on a graded vesting schedule.
- Under Canadian GAAP, impairment testing on oil and gas properties is performed at a cost center level. Under IFRS, impairment testing will be performed at a lower level, referred to as a cash-generating unit. This will result in a greater number of impairment tests.

Prior to the end of 2010 the Company will be meeting with its information technology consultants to finalize potential changes to its information systems and will also be working internally and with its external auditors to identify impacts on all other matters. The Company’s Audit Committee will continue to receive regular progress reports on the IFRS conversion going forward.

RELATED PARTY AND OFF BALANCE SHEET TRANSACTIONS

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

ADDITIONAL INFORMATION

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

SUMMARY OF QUARTERLY RESULTS

Total Operations	Q3	2010	Q1 (restated)	2009 (1)				2008
		Q2 (restated)		Q4	Q3	Q2	Q1	Q4
Net revenue (loss)	147	-	-	-	(3,423)	15,044	(1,419)	(16,396)
Expenses	396,122	396,629	621,363	38,469	206,170	221,548	122,964	116,177
Net loss for period	(395,975)	(396,629)	(621,363)	(38,469)	(209,593)	(206,504)	(124,383)	(129,545)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	2,415,466	807,924	1,214,993	605,511	322,102	149,993	260,300	136,420
Long term debt	-	-	-	-	-	-	-	-

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

DIRECTORS AND OFFICERS

Jason Bednar, Director, Chairman

Charle Gamba, Director

Richard Grafton, Director

Gordon McIntosh, Director

John Garden, Director and Chief Executive Officer

Mark Woods, Director, President and Chief Operating Officer

David Little, Chief Financial Officer

Felicia Bortolussi, Corporate Secretary

Robert Cross, Special Advisor to the Board

Sam Charanek, Special Advisor to the Board