



Consolidated Financial Statements
(Unaudited – Prepared by Management)

GALLIC ENERGY LTD.

Three months ended March 31, 2010 and 2009

Unaudited interim consolidated financial statements

In accordance with National Instrument 51-102 released by the Canadian Securities administrators, the Company discloses that its auditors have not reviewed these interim consolidated financial statements for the three months ended March 31, 2010 and 2009.

GALLIC ENERGY LTD. CONSOLIDATED BALANCE SHEETS

(Unaudited - Prepared by Management)

As at	March 31, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 432,858	\$ 5,942
Accounts receivable	164,340	33,506
Deposit	50,000	-
Prepaid	11,623	-
Total current assets	658,821	39,448
Property, plant and equipment (Note 4)	5,572	5,995
Evaluation & exploration assets	550,600	560,068
Total assets	1,214,993	605,511
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	624,810	751,946
Current loan from director (Note 3)	-	120,000
Total current liabilities	624,810	871,946
Going concern (Note 1)		
Commitments (Note 8)		
Subsequent events (Note 10)		
Share capital (Note 5)	5,579,494	4,144,515
Warrants (Note 5)	664,711	-
Contributed surplus (Note 5)	1,706,138	1,663,136
Deficit	(7,360,159)	(6,074,086)
Total Shareholders' deficiency	590,183	(266,435)
Total Liabilities & Shareholders' deficiency	\$ 1,214,993	\$ 605,511

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Signed "John Garden"

Director

Signed "Richard Wadsworth"

Director

**GALLIC ENERGY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS,
COMPREHENSIVE LOSS AND DEFICIT**

(Unaudited - Prepared by Management)

Three months ended March 31,	2010	2009
Revenue		
Unrealized gain/(loss) on marketable securities	\$ -	\$ (1,419)
Interest and other income	-	(4,875)
	-	(6,294)
Expenses		
General and administrative	331,964	184,721
Depreciation	622	440
Impairment of asset - USA	238,873	-
Stock based compensation	43,002	36,387
Warrant compensation	664,711	-
Foreign exchange	6,902	-
	1,286,074	221,548
Net loss and comprehensive loss	(1,286,074)	(227,842)
Accumulated deficit, beginning of year	(6,074,086)	(5,495,137)
Accumulated deficit, end of year	\$ (7,360,160)	\$ (5,722,979)
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.01)
Weighted average number of shares outstanding - basic and diluted	35,787,946	17,735,657

See accompanying notes to the consolidated financial statements.

GALLIC ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Prepared by Management)

Three months ended March 31,	2010	2009
Cash flow from operating activities		
Net loss	\$(1,286,074)	\$ (227,842)
Adjustments:		
Net (income) loss from discontinued operations	-	-
Stock based compensation (Note 5)	43,002	36,387
Warrant compensation (Note 5)	664,711	-
Unrealized (gain) loss on marketable securities	-	1,419
Impairment of assets (Note 4)	238,873	-
Depreciation (Note 4)	622	440
Change in non-cash working capital		
Accounts receivable and prepaid	(142,457)	(3,389)
Accounts payable and accrued liabilities	(127,136)	(224,860)
Cash used by continuing operation	(608,459)	(417,845)
Change in non-cash working capital from discontinued operations	-	75,000
	(608,459)	(342,845)
Cash flow from financing activities		
Issue of share capital, net of issue costs (Note 5)	1,391,977	420,194
Loan from director (Note 3)	(120,000)	120,000
Cash provided by financing activities	1,271,977	540,194
Cash flow from investing activities		
Acquisition of evaluation and exploration assets (Note 4)	(229,405)	(4,375)
Acquisition of property, plant and equipment	(199)	-
Cash used by investing activities	(229,604)	(4,375)
Decrease in cash and cash equivalents	433,914	192,974
Effect of foreign exchange rate movements on cash	(6,998)	-
	426,916	192,974
Cash and cash equivalents, beginning of year	5,942	29,291
Cash and cash equivalents, end of year	\$ 432,858	\$ 222,265

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For three months ended March 31, 2010

(Unaudited – Prepared by Management)

1. Description of Business and Going Concern

These consolidated financial statements reflect the consolidated activities of Gallic Energy Ltd. (“Gallic” or the “Company”) and its wholly owned subsidiaries.

Gallic is an international exploration company with a portfolio of properties in France and Australia.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and satisfy its liabilities in the normal course of business.

The Company incurred a loss of \$1,286,074 (March 31, 2009 - \$227,842) from continuing operations for the three months ended March 31, 2010. The Company's ability to continue its operations and to realize its assets at their carrying values and fund its commitments as disclosed in Note 9 is dependent upon the continued support of its shareholders and obtaining additional financing. The Company intends to meet the commitments from treasury by accessing the capital markets as in the past through the issuance of securities, as required and as available. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

2. Significant Accounting Policies

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less when purchased.

(c) Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For three months ended March 31, 2010

(Unaudited – Prepared by Management)

and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounts that require estimates as the basis for determining the stated amounts include property, plant and equipment and stock based compensation. Actual results could differ from those estimates and affect the results reported in these consolidated financial statements.

(d) Financial instruments

Cash and cash equivalents and marketable securities have been classified as held for trading and recorded at fair value with changes in fair value included in income. Accounts receivable are classified as loans and receivables and are initially recognized at fair value and subsequently are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are initially recorded at fair value and subsequently measured at amortized cost. The carrying value of the cash and cash equivalents and accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity. The Company does not have significant exposure to market risk.

(e) Property and equipment

The Company follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized in country-by-country cost centres. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on non-producing properties, costs of drilling both productive and non-productive wells and related production equipment costs, and that portion of general and administrative expenses directly attributable to exploration and development activities.

Repairs and maintenance and operational costs that do not extend or enhance the recoverable reserves are charged to earnings. Financing and administrative costs directly attributable to specific new exploration and development projects are capitalized until commercial production has commenced.

Proceeds from the disposition of petroleum and natural gas properties are applied to reduce the capitalized costs and no gain or loss is recognized on the disposal of petroleum and natural gas properties unless such disposition would alter the depreciation rate by 20 percent or more.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For three months ended March 31, 2010
(Unaudited – Prepared by Management)

Depreciation of oil and gas properties and equipment is computed using the unit-of-production method where the ratio of production to proved reserves, before royalties determines the proportion of depreciable costs to be expensed. Oil and gas reserves and production are converted into equivalent units of six thousand cubic feet of natural gas to one barrel of oil. Undeveloped properties are excluded from the depletion calculation until quantities of proved reserves are found or impairment occurs. For each cost centre, the Company applies an annual impairment test (“ceiling test”) to determine if capitalized costs are not recoverable and exceed their fair value. The recoverability of a cost centre is assessed by comparing the carrying value of the costs centre to the sum of the undiscounted cash flows expected from the proved oil and gas reserves. If the carrying value is unrecoverable, the cost centre is written down to its fair value using the expected present value approach. This approach incorporates risk and uncertainties on the expected future cash flows from proved and probable reserves, which are discounted using a risk-free rate.

Depreciation is provided on office equipment on a straight-line basis using estimated useful lives of between one and five years.

(f) Foreign exchange and reporting currency

The accounts of the Company’s operations and the integrated operations of its foreign subsidiaries are translated into Canadian dollars using the temporal method whereby monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at the average exchange rate for the year. Depreciation and amortization are translated at the exchange rate used for those assets giving rise to the depreciation or amortization. Exchange gains and losses on translation of foreign subsidiaries are included in income in the current period.

(g) Joint ventures

Substantially all of the Company's exploration, development and production activities are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

(h) Revenue recognition

Investment

Revenue from marketable securities is recognized when dividends are declared and collection is reasonably assured and on revaluation to market value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For three months ended March 31, 2010
(Unaudited – Prepared by Management)

Resource

Oil and gas revenue is recognized at the time sales volumes are delivered to the purchasers.

(i) Income taxes

The Company uses the liability method of accounting for income taxes. Temporary differences between the tax basis of an asset or liability and the carrying amount on the balance sheet are used to calculate income tax assets and liabilities. Future income tax assets or liabilities are calculated using substantively enacted tax rates anticipated to apply in the periods in which the temporary differences are expected to reverse. Future tax assets are recognized if it is considered more likely than not that the assets will be realized.

(j) Stock based compensation

Options granted to employees, directors, consultants and others are recorded at their estimated fair value using a Black-Scholes option pricing model. The compensation cost is recognized over the vesting period of the options, net of an estimated forfeiture rate. When the options are exercised, share capital is adjusted to recognize the proceeds received and the associated non-cash compensation costs.

(k) Loss per share

For the three months ended March 31, 2010 and 2009, the outstanding options to purchase common shares were excluded from the diluted loss per share calculation as the instruments were anti-dilutive.

(l) Net income (loss) per share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the effect of dilutive instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For three months ended March 31, 2010

(Unaudited – Prepared by Management)

(n) Future Accounting Policies

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", which replaces former guidance on business combinations. The new section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business combinations be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date. The adoption of this standard will impact the accounting treatment of future business combinations.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree's identifiable net assets and also require non-controlling interests to be presented as a separate component of shareholders' equity. Under this Section, non-controlling interests in income are not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests.

These standards currently do not impact the Company as it has full controlling interest of all of its subsidiaries.

International Financial Reporting Standards

On February 13, 2008 the Canadian Accounting Standards Board has confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, IFRS will replace Canada's current GAAP for all publicly accountable profit-oriented enterprises. The Company is currently assessing the effect the change will have on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For three months ended March 31, 2010
(Unaudited – Prepared by Management)

3. Short term loan

A director of Gallic provided an unsecured loan of \$120,000 that bears interest of 7% per annum pursuant to a promissory note dated January 30, 2009. The initial due date was two days after the close of the private placement announced on March 4, 2009, however it was extended. The loan was repaid in February 2010.

4. Property, Plant and Equipment

March 31, 2010				
	Cost	Additions	Accumulated Depreciation and depletion	Net book value
Petroleum and natural gas properties	560,068	229,405	(238,873)	550,600
Office equipment	5,995	199	(622)	5,572
	566,063	229,604	(239,495)	556,172

December 31, 2009				
	Cost	Additions	Accumulated Depreciation	Net book value
Office equipment	2,229		(3,766)	5,995
	2,229		(3,766)	5,995

On April 1, 2010, the Company terminated its letter of intent to acquire the interests in oil properties in Creek County, Oklahoma, as a result of findings during the due diligence. As a result, \$238,873 of capital assets were impaired. The capital assets were acquired from December 2009 to March 31, 2010 to undertake evaluation activities during the due diligence process.

During the first quarter of 2010, the Company added \$229,604 of capital assets to the financial records. The assets are primarily attributed to evaluation of the Australian and French properties.

5. Share Capital

On January 28, 2010, the Company completed a non-brokered private placement of 18,750,000 units at a price of \$0.08 per share for gross proceeds of \$1,500,000. Each unit is comprised of one class A common share (“common share”) and one warrant, with each warrant exercisable into one common share for a period of 18 months after closing at an exercise price of \$0.12 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For three months ended March 31, 2010
(Unaudited – Prepared by Management)

The proceeds from the private placement will be used for general working capital requirements. The securities issued pursuant to this private placement will be subject to a four-month hold period.

The Company paid a finders' fee by way of the issuance of 473,000 common shares, 494,000 finders' warrants and \$24,380 in cash for finders' commissions and expenses. Each finders' warrant is exercisable into one common share for a period of 18 months after closing at an exercise price of \$0.10 per share.

The Company incurred an additional \$40,641 in legal and regulatory fees for total share issue costs of \$65,021.

The Company has 38,939,154 Class A Common Shares, 19,244,000 warrants and 2,281,250 stock options issued and outstanding as at March 31, 2010.

(a) Authorized

Unlimited number of Class A, B and C common shares.

Unlimited number of non-voting preferred shares, issuable in series, without nominal or par value.

The holders of common shares are entitled to one vote for each share on all matters submitted to a stockholder vote and are entitled to share in all dividends that the Company's board of directors, in its discretion, declares from available funds. The holders of common shares have no pre-emptive rights, no conversion rights, and there are no redemption provisions applicable to the common shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For three months ended March 31, 2010
(Unaudited – Prepared by Management)

(b) Issued

Class "A" - Common Shares	Number of shares	Amount
Balance December 31, 2009	19,844,498	\$4,144,515
Adjust 2009 - "Issued on private placement"	(128,344)	-
Issued on private placement	18,750,000	1,500,000
Share issue costs	-	(40,641)
Finder's fee	473,000	(24,380)
Balance March 31, 2010	38,939,154	\$5,579,494

In 2009, the number of shares reported under, "Issued on private placement", was overstated by 128,344 common shares. This correction is reflected in the number of shares outstanding as of March 31, 2010.

Issued and outstanding warrants:

	Warrant Exercise Price	Weighted Average Remaining Life	Number of Warrants	Amount
Balance, December 31, 2009	-	-	-	-
Warrants issued	\$ 0.119	1.3	19,244,000	664,711
Balance, March 31, 2010	\$ 0.119	1.3	19,244,000	\$ 664,711

(c) Options and warrants

The Company has a stock option plan (the "Plan") available to employees, consultants, directors and officers, with grants under the Plan by the Board of Directors. Under the Plan, the Company is authorized to issue options to purchase in aggregate up to 3,377,370 common shares. The Plan was approved at the Company's shareholder meeting held on September 9, 2008. Each option can be exercised for one common share of the Company. The options' vesting period is determined by the Board of Directors at the date of grant. Stock options to acquire common shares are granted to employees and directors from time to time at exercise

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For three months ended March 31, 2010
(Unaudited – Prepared by Management)

prices equal to the market value of the shares at the date of grant. A total of 2,281,250 stock options issued are outstanding at March 31, 2010.

i) Officers' and Directors' options

On January 29, 2010, the Company issued the Company's directors and officers 575,000 stock options which vested immediately. The stock options have a \$0.11 strike price and expire in 5 years. For the three months ended March 31, 2010, the stock based compensation expense associated with the officers' and directors' options was \$43,002 (2009 \$440) and was recorded as general and administrative expense with the offsetting entry to contributed surplus. The fair value of the stock options, \$0.083 per option, was estimated on the date of grant using the Black-Scholes option pricing model based on the following assumptions:

(1) Annualized volatility	83%	(3) Risk free interest rate	2.19%
(2) Dividend yield	0%	(4) Expected option life	5 years

The Company estimated that none of the directors and officer options will be forfeited.

Agents' warrants

On January 28, 2010, the Company issued 494,000 agents' warrants. There were also 18,750,000 warrants issued with each common share. The agents' warrants have a \$0.10 and the common share warrants have a \$0.12 exercise price and both categories expire in eighteen months. The warrant expense was \$664,711 and was recorded as general and administrative expense with the offsetting entry to warrants contributed surplus. The fair value of the warrants, \$0.0345 per warrant, was estimated using the Black-Scholes option pricing model and was based on the same assumptions as the stock options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For three months ended March 31, 2010
(Unaudited – Prepared by Management)

The following table summarizes information regarding the stock options and agents' warrants outstanding at March 31, 2010:

	Options Outstanding	Option Price Range	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Employees, Directors and Officers				
Balance December 31, 2009	1,193,750	\$0.15-\$1.16	\$ 0.49	2.0
Cancelled	(437,500)	\$1.12-\$1.16	\$ 1.14	-
Options granted	575,000	\$0.11	\$ 0.11	4.6
Balance at March 31, 2010	1,331,250	\$0.11 - \$1.16	\$ 0.49	3.8
Agents				
Compensation warrants granted	494,000	\$0.10	\$ 0.10	0.9
Balance at March 31, 2010	494,000	\$0.10	\$ 0.10	0.9
Consultants				
Balance December 31, 2009	937,500	\$0.80	-	-
Expired	(937,500)	\$0.80	-	-
Options granted	950,000	\$0.14	\$ 0.14	4.6
Balance at March 31, 2010	950,000	\$0.14	\$ 0.14	4.6

All outstanding options were exercisable at March 31, 2010. The warrants will be exercisable after the four month holding period, on May 28, 2010.

(d) Contributed Surplus

	March 31, 2010	December 31, 2009
Opening balance	\$1,663,136	\$1,468,636
Stock based compensation	43,002	194,500
Contributed surplus	\$1,706,138	\$1,663,136
Warrants	\$664,711	\$-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For three months ended March 31, 2010

(Unaudited – Prepared by Management)

6. Risk Management

Concentration risk

A majority of the Company's cash and cash equivalents are held by one major Canadian banking institution. Deposits held with this bank on occasion exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and bear minimal risk.

Credit risk

Substantially all of the Company's accounts receivable is due primarily from Canada Revenue Agency (GST).

Commodity price risk

The Company's operations and financial results may be affected by fluctuations in commodity prices and exchange rates.

Foreign exchange risk

The Company operates internationally and is therefore exposed to foreign exchange risk. Primary exposures are from fluctuations in the Euro, Australian dollar and the US dollar.

The Company holds its cash in Canadian dollars and pays its foreign denominated liabilities by converting Canadian funds to the foreign currency. Approximately 25% of payments are paid in currencies other than the Canadian dollar. The Company's reporting currency is the Canadian dollar. The gain and losses are reported on the income statement.

Liquidity Risk

The Company is exposed to liquidity risk, which is the risk that the Company may be unable to generate or obtain sufficient cash to meet its commitments as they come due. The Company intends to mitigate this risk from treasury, by accessing the capital markets as in the past through the issuance of securities as required and as available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For three months ended March 31, 2010

(Unaudited – Prepared by Management)

Capital Risk

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns to shareholders and benefits for other stakeholders in the future. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company defines capital as total equity plus debt, net of cash. The Company is not subject to any externally imposed cash flow requirements.

Financial Instruments

Assets and liabilities at December 31, 2009 that are measured at fair value are classified into the following levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The company's cash and cash equivalents have been assessed on the fair value hierarchy, and were classified as Level 1.

7. Related Party Transactions

Gallic paid legal fees to a law firm of which one of the Company's officers is a partner, as follows:

<u>For the year ended March 31,</u>	<u>2010</u>	<u>2009</u>
Total legal expenses	\$60,168	\$5,100

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related party.

As described in Note 3, pursuant to a promissory note dated January 30, 2009, a director of Gallic provided an unsecured loan of \$120,000 that bears interest of 7% per annum with no specific date of repayment. The loan plus interest was repaid in February 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For three months ended March 31, 2010

(Unaudited – Prepared by Management)

8. Commitments

In early 2008, the Company received final approval from the French Ministry of Industry for the assignment of a permit for exploration rights in the Aquitaine basin of France (the “Ger” Permit). Gallic committed to spend up to €1.35 million (Euros) on the property over a five year period beginning April 3, 2008. When the original acreage size and commitments were reduced due to the competition of the bidding process, the commitment of funds was reduced and no specific work program was submitted at that time. There were no capital expenditures made in 2009 on the “Ger” permit. As of March 31, 2010, C\$27,726 was spent on qualifying expenditures.

During 2008, Gallic was granted a second exploration permit, the “Ledeuix” permit, an area in the Aquitaine basin. The Company is committed to spend €1.7 million (Euros) on the property over a five year period. At December 31, 2009, the Company had spent C\$330,649 on qualifying expenditures. As of March 31, 2010, the Company has spent an additional C\$10,726 on qualifying expenditures.

In early 2009, the Company was awarded the exploration rights for its Block EP 464 in the Canning Basin, in Western Australia. The Company is committed to spend AUD\$6.1 million over a period of six years. At December 31, 2009, the Company had spent C\$230,411 in qualifying expenditures. As of March 31, 2010, the Company has spent an additional C\$44,215 on qualifying expenditures.

9. Income Taxes

Income tax recovery differs from the amount that would be computed by applying the Canadian federal and provincial statutory income tax rates to the loss for the years as follows:

For the three months ended March 31,	2010	2009
Loss for the year before taxes	(\$1,286,074)	(\$227,842)
Statutory tax rate	28.0%	29.0%
Expected income tax recovery	(360,101)	(66,074)
Non-deductible stock based compensation expense	43,002	36,387
Change in valuation allowance and other	317,099	29,687
Income tax recovery	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For three months ended March 31, 2010
(Unaudited – Prepared by Management)

10. Subsequent Events

On March 18, 2010, the Company entered into an arm's length letter of intent agreement with Sahara Energy Ltd. (TSXV: SAH) ("Sahara") to negotiate the acquisition by Gallic of Sahara's Alberta and Saskatchewan properties (the "Acquisition") for consideration of approximately 13,500,000 class A common shares of Gallic and the assumption of \$500,000 of Sahara's secured debt. Gallic has made a refundable deposit of \$50,000 under the terms of the letter of intent, to be applied against the purchase price at closing. The Acquisition is subject to the completion of due diligence and negotiation of a formal agreement, as well as customary closing conditions and the receipt of all applicable regulatory and TSX Venture Exchange approvals, as well as applicable Gallic disinterested shareholder approval in accordance with TSX Venture Exchange requirements.

HBdocs - 8494466v1