



Consolidated Financial Statements of

GALLIC ENERGY LTD.

As at and for the years ended
December 31, 2009 and 2008

Auditors' Report

To the Shareholders of

Gallic Energy Ltd.:

We have audited the consolidated balance sheets of Gallic Energy Ltd. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

April 23, 2010
Calgary, Alberta

Deloitte & Touche LLP

Chartered Accountants

Gallic Energy Ltd.
Consolidated Balance Sheets

As at	December 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,942	\$ 29,291
Accounts receivable	33,506	10,800
Marketable securities	-	9,200
Assets of discontinued operations	-	86,296
Total current assets	39,448	135,587
Property, plant and equipment (Note 5)	566,063	833
Total assets	605,511	136,420
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	751,946	415,678
Loan from director (Note 4)	120,000	-
Total current liabilities	871,946	415,678
Going concern (Note 1)		
Commitments (Note 9)		
Subsequent events (Note 11)		
Shareholders' deficiency		
Share capital (Note 6)	4,144,515	3,747,243
Contributed surplus (Note 6)	1,663,136	1,468,636
Deficit	(6,074,086)	(5,495,137)
Total Shareholders' deficiency	(266,435)	(279,258)
Total liabilities & shareholders' deficiency	\$ 605,511	\$ 136,420

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Signed "Colin Wagner"

Director

Signed "Richard Wadsworth"

Director

Gallic Energy Ltd
Consolidated Statements of Operations,
Comprehensive Loss and Deficit

Years ended	December 31,	December 31,
	2009	2008
Revenue		
Realized gain/(loss) on sale of marketable securities	\$ (3,423)	\$ 14,937
Unrealized gain/(loss) on marketable securities	13,625	(77,050)
Interest and other income	-	190
	10,202	(61,923)
Expenses		
General and administrative	380,106	482,190
Depreciation	1,930	668
Stock based compensation	194,500	145,548
Foreign exchange	1,319	-
	577,855	628,406
Net loss from continuing operations	(567,653)	(690,329)
Net income (loss) from discontinued operations	(11,296)	124,882
Net loss and comprehensive loss	(578,949)	(565,447)
Accumulated deficit, beginning of year	(5,495,137)	(4,929,690)
Accumulated deficit, end of year	\$ (6,074,086)	\$ (5,495,137)
Net loss per share - basic and diluted	\$ (0.03)	\$ (0.03)
Weighted average number of shares outstanding - basic and diluted	19,227,812	16,886,873

See accompanying notes to the consolidated financial statements.

Gallic Energy Ltd
Consolidated Statements of Cash flows

Years ended	December 31, 2009	December 31, 2008
Cash flow from operating activities		
Net loss	\$ (578,949)	\$ (565,447)
Adjustments:		
Net (income) loss from discontinued operations	11,296	(124,882)
Stock based compensation (Note 6)	194,500	145,548
Realized (gain) loss on sale of marketable securities	3,423	(14,937)
Unrealized (gain) loss on marketable securities	(13,625)	77,050
Unrealized foreign exchange loss	-	373
Depreciation (Note 5)	1,930	668
Change in non-cash working capital		
Accounts receivable	(22,706)	8,693
Marketable securities	-	-
Accounts payable and accrued liabilities	336,268	387,648
Cash used by continuing operation	(67,863)	(85,286)
Cash provided by discontinued operations	75,000	33,856
Non-cash working capital from discontinued operations	-	(84,141)
	7,137	(135,571)
Cash flow from financing activities		
Issue of share capital, net of issue costs (Note 6)	397,272	-
Loan from director	120,000	-
Cash provided by financing activities	517,272	-
Cash flow from investing activities		
Proceeds on disposal of marketable securities	19,402	65,924
Changes in non-cash working capital	-	(120,796)
Acquisition of property, plant and equipment	(567,160)	-
Cash used by investing activities	(547,758)	(54,872)
Cash provided by discontinued operations	-	83,000
	(547,758)	28,128
Decrease in cash and cash equivalents	(23,349)	(107,443)
Effect of foreign exchange rate movements on cash	-	(373)
	(23,349)	(107,816)
Cash and cash equivalents, beginning of year	29,291	137,107
Cash and cash equivalents, end of year	\$ 5,942	\$ 29,291

See accompanying notes to the consolidated financial statements.

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

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 \$567,653 from continuing operations (2008 - \$690,329) for the year ended December 31, 2009 and had negative cash flow. 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

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

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, accounts receivable 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.

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

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

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.

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

Resources

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 years ended December 31, 2009 and 2008, 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.

(m) Changes in Accounting Policies

The Company adopted the following new CICA Handbook Sections as of January 1, 2009:

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

Goodwill and Intangible Assets

Section 3064 – “Goodwill and Intangible Assets”, was adopted on January 1, 2009. This Section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This standard did not impact the Company’s consolidated financial statements.

Financial Instruments

During 2009, the CICA issued amendments to Handbook Section 3862, Financial Instruments – Disclosures.

The amendment to Section 3862 enhanced disclosure requirements concerning the liquidity of financial instruments and provides new disclosure requirements for fair value measurements. This amendment had application for annual financial statements ending after September 30, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173 – “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”, which requires the Company to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The accounting treatments provided in EIC-173 have been applied in the preparation of these financial statements and as required have been applied retrospectively without restatement of prior periods. The adoption of this standard did not have a material impact on the valuation of financial assets.

(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

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

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.

3. Discontinued operations

In November 2008, the Company formally relinquished all its working interest in the TSEA Cabin well in North eastern British Columbia for proceeds of \$83,000 resulting in a gain on sale of \$91,567. As of December 31, 2009 \$11,296 remained unpaid and was deemed uncollectable. The account receivable was written off to net income (loss) from discontinued operations.

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

	2008
Revenue	
Gas sales, net of royalties	\$ 63,103
Expenses	
Operating	29,247
Depletion and accretion	541
	33,315
Gain on disposition	91,567
Net income from discontinued operations	\$ 124,882

4. 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.

5. Property, Plant and Equipment

December 31, 2009			
	Cost	Accumulated Depreciation and depletion	Net book value
Petroleum and natural gas properties	560,068	-	560,068
Office equipment	9,761	3,766	5,995
	569,829	3,766	566,063

December 31, 2008			
	Cost	Accumulated Depreciation	Net book value
Office equipment	2,669	1,836	833
	2,669	1,836	833

6. Share Capital

On July 29, 2009, the Company proceeded with the consolidation of its common shares. The consolidation was approved at the annual general and special meeting of the shareholders of the Company held on July 8, 2009 and was subsequently approved by the TSX Venture Exchange. The consolidation resulted in each shareholder of the Company receiving one

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

post-consolidation share for every eight pre-consolidation common shares held. The number of shares, options and earnings per share data presented in these financial statements have been adjusted to reflect the impact of the share consolidation. The Company has 19,844,498 Class A Common Shares and a total of 2,131,250 stock options issued and outstanding as at December 31, 2009.

(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.

(b) Issued

Class "A" - Common Shares	Number of shares	Amount
Balance December 31, 2007 and 2008	16,886,873	\$ 3,747,243
Issued on private placement	2,829,281	452,686
Share issue costs		(34,879)
Finder's fee	128,344	(20,535)
Balance December 31, 2009	19,844,498	\$ 4,144,515

March 4, 2009, the Company issued 2,829,281 common shares as a result of a private placement at \$0.16 per share. In connection with the private placement, 128,344 shares were issued to registered dealers as the commission and finders' fee with a value of \$20,535 which is included in share issue costs. An additional, \$34,879 in costs related to the private placement was paid.

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

(c) Stock Options

The Company has a stock option plan (the “Plan”) available to employees, consultants, directors and officers, with grants under the Plan approved 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 prices equal to the market value of the shares at the date of grant. A total of 2,131,250 stock options issued are outstanding at December 31, 2009.

i) Officers’ and Directors’ options

On August 13, 2009, the Company issued the Company’s directors and officers 718,750 stock options which vested immediately. The stock options have a \$0.15 strike price and expire in 5 years. For the year ended December 31, 2009, the stock based compensation expense associated with the officers’ and directors’ options was \$194,500 (2008 \$145,548) 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%
(2) Dividend yield	0%
(3) Risk free interest rate	2.39%
(4) Expected option life	5 years

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

The following table summarizes information regarding the stock options outstanding at December 31, 2009:

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

	*Options Outstanding	Option Price Range	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance, Dec 31 2007	2,225,000	\$0.80 - \$1.16	\$0.94	2.0
Expired	(187,500)	\$0.80	\$0.80	-
Balance, Dec 31, 2008	2,037,500	\$0.80 - \$1.16	\$0.94	2.0
Forfeited	(625,000)	\$0.80 - \$1.16	\$0.78	-
Granted	718,750	\$0.15	\$0.15	4.6
Balance, Dec 31, 2009	2,131,250	\$0.15 - \$1.16	\$0.67	2.9

*On July 29, 2009, the Company concluded an 8:1 share consolidation. The stock option information reflects consolidation.

All outstanding options were exercisable at December 31, 2009.

(d) Contributed Surplus

	December 31, 2009	December 31, 2008
Opening balance	\$ 1,468,636	\$ 872,067
Stock based compensation	194,500	145,548
Warrants reclassified	-	451,021
Ending balance	\$ 1,663,136	\$ 1,468,636

7. 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). During the year the Company had a bad debt expense of \$11,296 due to an uncollectible balance owed by the purchaser of the British Columbia properties

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

in 2008. The carrying value of accounts receivable reflects management's assessment of associated credit risks.

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 gains 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.

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

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

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.

8. 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 December 31,</u>	<u>2009</u>	<u>2008</u>
Total legal expenses	\$ 252,463	\$88,400

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 4, 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. Interest expense in the amount of \$7,700 was recorded in the year ended December 31, 2009.

9. 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 have been no capital expenditures made in 2009 or 2008 on the "Ger" permit.

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, 2008 the Company had not incurred any qualifying expenditures. In 2009, the Company spent C\$330,649 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

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

million over a period of six years. In 2009, the Company spent C\$230,411 in qualifying expenditures.

10. 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:

	2009	2008
Loss for the year before taxes	\$ (578,949)	\$ (565,447)
Statutory tax rate	29.00%	29.50%
Expected income tax recovery	(167,895)	(166,807)
Increase resulting from:		
Non-deductible stock based compensation expense	56,405	42,937
Change in valuation allowance and other	111,490	123,870
Income tax recovery	\$ -	\$ -

The components of the future tax asset are summarized below:

	2009	2008
Future income tax assets:		
Operating losses	923,147	792,553
Issue costs	70,882	69,100
Future income tax assets	994,028	861,652
Less: Valuation allowance	(994,028)	(861,652)
	\$ -	\$ -

11. Subsequent Events

On January 28, 2010, the Company closed a non-brokered private placement of 18,750,000 units at a price of \$0.08 per share for gross proceeds of \$1.5 million. Each unit is comprised of one common share and one warrant, with each warrant exercisable into one common share for a period of 18 months after the close at an exercise price of \$0.12 per share. Gallic paid a finders' fee by way of the issuance of 473,000 common shares, 494,000 finders' warrants and \$24,830 cash for finders' commissions and expenses. Each finders' warrant is exercisable into one common share for a period of 18 months after the close at an exercise price of \$0.10 per share.

In February 2010, the unsecured loan of \$120,000 from a director of the Company was repaid.

Gallic Energy Ltd.
Notes to Consolidated Financial Statements

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 - 8356082v1