



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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 years ended December 31, 2009 and 2008. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are prepared in Canadian dollars unless otherwise stated. This document is dated April 23, 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](http://www.sedar.com). The Company is listed on the TSX Venture Exchange under the symbol GLC-V.

## **FORWARD LOOKING STATEMENTS**

Certain disclosures set forth in this MD&A constitute forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believes", "budget", "continue", "could", "estimate", "forecast", "intends", "may", "plan", "predicts", "projects", "should", "will" and other similar expressions. All estimates and statements that describe the Company's future, goals, or objectives, including management's assessment of future plans and operations, may constitute forward-looking information under securities laws. By their nature, forward-looking statements are subject to numerous risks and uncertainties; some of which are beyond Gallic's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental, tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Gallic's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements or if any of them do so, what benefits that Gallic will derive therefrom. Gallic disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **COMPANY OVERVIEW**

Gallic was incorporated August 10, 1983 under the laws of the Province of Alberta. The principle business of the Company is twofold. First, the Company is in the business of the identification, evaluation and negotiation for the acquisition of assets. Secondly, the Company is in the business of exploring and developing the assets in the search for oil and gas assets.

Gallic is an international exploration company with a portfolio of properties in France and Australia. The Company's headquarters are in Calgary, Canada.

## **GOING CONCERN**

The Company has prepared the financial statements in accordance with the generally accepted accounting principles under the assumption that the Company is a going concern. It would be inappropriate to use the going concern assumptions in the event that the Company is unable to meet its financial liabilities because there would be material uncertainties that may cast significant doubt on the recoverability of asset values. In order to mitigate the going concern risks, the Company plans to continue to meet its commitments from treasury by accessing the capital markets as in the past through the issuance of securities, as required and as available.

The Company raised \$1.5 million through a non-brokered private placement which closed January 28, 2010. The funding was used to discharge outstanding liabilities and for working capital.

## HIGHLIGHTS

Canadian dollars	2009	2008
Cash used by investing activities	\$ (547,758)	\$ (54,872)
Net loss from operations	(578,949)	(565,447)
Loss per share - basic and diluted	(0.03)	(0.03)
Exploration and development spending:		
France	330,649	-
Australia	127,411	-
USA	102,008	-
Total petroleum and natural gas assets	560,068	-
Cash and cash equivalents	5,942	29,291
Current liabilities	\$ 871,946	\$ 415,678

## RESULTS OF OPERATIONS

The Company continues to direct its focus toward acquiring and developing international and domestic oil and gas assets. Gallic's strategies to date have focused in France and Australia. As at December 31, 2009, the Company had been granted exploration rights on properties in Western Australia and southern France. Gallic is also actively pursuing opportunities in North America.

## SUMMARY OF QUARTERLY RESULTS

Total Operations	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (loss)	-	(3,423)	15,044	(1,419)	(16,396)	38,466	37,915	2,974
Expenses	38,469	206,170	221,548	122,964	116,177	290,966	150,492	70,771
Net loss for period	(38,469)	(209,593)	(206,504)	(124,383)	(129,545)	(255,528)	(112,577)	(67,797)
Loss per share - basic and diluted	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total assets	605,511	322,102	149,993	260,300	136,420	165,521	169,846	153,001
Long term debt	-	-	-	-	-	-	-	-
<b>Continuing Operations</b>								
Revenue (loss)	-	(3,423)	15,044	(1,419)	(73,024)	(662)	8,789	2,974
Expenses	27,173	206,170	221,548	122,964	145,673	278,696	141,885	62,152
Net loss for period	(27,173)	(209,593)	(206,504)	(124,383)	(191,760)	(284,257)	(154,967)	(59,345)
Loss per share - basic and diluted	0.00	0.00	0.00	0.00	(0.01)	0.00	0.00	0.00
Total assets	605,511	322,102	149,993	260,300	136,420	165,521	169,846	152,999
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 accurate information for the December 31, 2009 reports. The report has been adjusted to show expenses as they actually occurred throughout the year.
- (2) There was no income reported for the fourth quarter of 2009 because the marketable securities which generated income during the first three quarters were sold.

Expenses during 2009 averaged \$145,000 per quarter which was comprised primarily of legal, audit and the expensing of stock options. The expenses are lower in the fourth quarter as a result of correcting entries which were recorded to correct earlier misclassified expenses in 2009.

## PROPERTY, PLANT AND EQUIPMENT – UNPROVED ASSETS

The Company was actively pursuing investment opportunities in France, Australia and the United States during 2009. As a result, the Company incurred \$560,068 in capital related expenditures. The costs are reported by country in the following table:

	Net book value at December 31, 2009
France	330,649
Australia	127,411
USA	102,008
<b>Total petroleum and natural gas assets</b>	<b>560,068</b>

### 1. AUSTRALIA

Exploration rights to EP 464 in the Canning Basin in Western Australia were granted to the Company on January 19, 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. The exploration rights to EP 464 are associated with a commitment to incur expenditures of AUD\$6.1MM 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	Estimated Expenditures (\$AUD)
1	100 km 2D seismic reprocessing	200,000
2	50 km new 2D seismic survey	400,000
3	One (1) exploration well	2,000,000
4	20 km <sup>2</sup> new 3D seismic survey	700,000
5	100 km 2D seismic survey	800,000
6	One (1) exploration well	2,000,000
<b>Total</b>		<b>AUD\$ 6,100,000</b>

As of December 31, 2009, the Company had incurred C\$127,411 of capital expenditures. The Company also incurred commitment related costs which were expensed for a total of C\$103,000.

To date Gallic has been undergoing the process of compiling and analyzing available public records to best formulate an exploration program that would fully evaluate the hydrocarbon resources underlying the subject block. Gallic has loaded for evaluation approximately 55 KM of reprocessed seismic and started to review 225 KM of stacked 2D seismic data. In addition to the seismic data based population, 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.

Gallic also commissioned a geological report from a Consulting Petroleum Geologist familiar with the Canning basin of Western Australia. The report describes the petroleum potential of the subject block commencing with the exploration history and geological introduction of the Canning Basin and concentrating on the hydrocarbon

prospectively of the Lennard Shelf, which forms the northern margin of the basin. EP464 is located on the Lennard Shelf, which currently hosts all the producing oil fields discovered to date. In this report, three play types relevant to exploration within EP464 were identified:

1. Porous Devonian carbonates in reef and ramp settings, where leaching and dolomitization have occurred. Late Givetian to Frasnian Pillara reef complexes flanking the Fitzroy Trough have good reservoir potential. Marine fan sandstones and conglomerates associated with the fringing reefal carbonates (Gogo Formation) may also form hydrocarbon reservoirs. Carbonate complexes of the Late Famennian reef building cycle (Nullara Limestone) further form potential hydrocarbon reservoirs.
2. Sand development associated with the early Carboniferous “Laurel delta play”. These fine grained sandstones show porosities of 15% with intra formational marine shales providing stratigraphic trapping the mechanism. Oil flowed from thin Laurel sands in Meda-1, while Yullero-1 and St. George Range-1 measured gas flows.
3. Carboniferous marine and continental clastic and carbonate deposits associated with the Anderson Formation and Permian sandstones associated with the Grant Formations all form excellent reservoirs. Trapping mechanism are described as stratigraphic and structural four-way closures. Production is found in Lloyd, Sundown, Boundary, West Terrace and West Kora. Proven plays include draped bioherms, anticlinal closures and tilted fault blocks. Untested plays include unconformities, fault rollovers, diapirs and stratigraphic traps.

The Report goes on to recommend that Gallic expedite a 3D seismic program over the southwestern-part of Gallic’s acreage to best identify the above-mentioned reservoir types located over EP 464. The three dimensional seismic surveys are superior to conventional 2D programs and eliminate out-of-plane reflections, provide superior focusing and achieve a higher degree of resolution of the subsurface geology. More importantly, horizontal slices (time slices) may be taken through the data volumes that would provide a powerful means of mapping three-dimensional structures and subtle stratigraphic traps. Further benefits of 3D seismic surveys include seismic modeling, reservoir characterization and the ability to examine seismic character, continuity and quantification of coherence. All of these above mentioned benefits will ensure that Gallic will fully evaluate the petroleum potential over its acreage in a timely and quantitative manner.

The Company continues to acquire data and review seismic information and review the Geological report to prioritize the areas of focus within the block and the exploration strategy to develop the large acreage position of EP 464.

## **2. FRANCE**

On April 3, 2008 the Company 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 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 Company 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 about 24 kilometers west of the Meillon field. The permit area is approximately 30 kilometers east of the Company’s Ger Permit.

The exploration rights to Ledeux 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:

<b>Year</b>	<b>Minimum Work Requirement</b>	<b>Estimated Expenditures (€)</b>
1	Compile existing data	100,000
2	Process and interpret existing seismic data	100,000
3	Acquire up to 40 km 3D or 60 km 2D new seismic data	700,000
4	Reopen, test and potentially complete existing well	700,000
5	Evaluate results and prepares second exploration phase	100,000
<b>Total</b>		<b>€1,700,000</b>

At December 31, 2009, the Company had incurred \$330,649 of capital expenses combined over both permits of the Aquitaine Basin.

Gallic has commenced its work program on both the Ger and Ledoux permits by translating and interpreting 29 well reports and digitizing 30 well logs from the corresponding wells. The Company is formatting the resulting information to develop a unique data base that is critical in creating geological cross sections and pertinent geological maps. To date, the Company has purchased and reprocessed approximately 254 kilometers of 2D seismic. The new data will be instrumental in constructing key time structure and isochron maps that will evaluate hydrocarbon potential for both shallow Tertiary and deeper Cretaceous/Jurassic targets.

Communication has commenced with the operators of existing wellbores on the exploration permits to discuss the acquisition of the wellbores of interest.

### 3. US (Oklahoma)

On October 14, 2009 Gallic announced that it had entered into an arms length letter of intent agreement with Energy Invest Group Ltd. ("EIG") to acquire a 75% working interest in two oilfields in Creek County Oklahoma. On April 1, 2010, the Company terminated the acquisition.

### INVESTMENT REVENUE (LOSS)

During the twelve months ended December 31, 2009, the Company disposed of its remaining investments in marketable securities, received proceeds of \$19,402 and recognized a realized loss of \$3,423 (2008 gain – \$14,937) which was recorded as an expense.

### GAIN ON SALE OF ASSETS - DISCONTINUED OPERATIONS

In November 2008, the Company formally relinquished all its working interest in the Cabin well in Northeastern British Columbia for proceeds of \$83,000. The Company recorded a gain on disposition of \$91,567 in the year ended December 31, 2008. There were no transactions of this kind in 2009.

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

## EXPENDITURES

The Company's principal activities required expenditures which included both capital and general and administrative expenses. The following discussion describes the expenditures in greater detail.

### Expenses

Description	2009	2008
Audit / accounting fees	21,162	140,213
Legal & exchange fees	104,800	114,573
Administrative	246,444	227,031
Stock based compensation	194,500	145,548
Depreciation	1,930	668
Interest expense	7,700	-
Foreign exchange gain/(loss)	1,319	373
<b>Total</b>	<b>\$577,855</b>	<b>\$628,406</b>

Depreciation expense for the year ended December 31, 2009 and 2008 was \$1,930 and \$668 respectively. Depreciation expense relates to the amortization of office equipment and the increase is due to the addition of office equipment in 2009.

Stock based compensation expense of \$194,500 (2008 – 145,548) was recorded for the year ended December 31, 2009. During the third quarter of 2009, the Company issued 718,750 stock options to directors and officers that are exercisable for a period of five years. The fair value of each option was determined at the grant date using the Black-Scholes pricing model assuming a risk-free rate of 2.39% and an expected volatility rate of 83%. Stock based compensation expense is a non-cash item with the offset charged to contributed surplus.

	*Options Outstanding	Option Price Range	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance at Dec 31 2007	2,225,000	\$0.80 - \$1.16	\$0.94	2.0
Expired - stock options	(187,500)	\$0.80	\$0.80	-
Balance at 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 at 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. As a result, the stock option information has been adjusted.

## Capital Expenditures

Petroleum and natural gas properties	
Opening balance, January 1, 2009	\$ -
Additions	560,068
Disposals	-
Depreciation	-
Closing balance, December 31, 2009	\$ 560,068

Exploration expense consists of geological and geophysical costs, seismic, non-producing land lease rentals and indirect exploration expenses. These costs are capitalized as incurred under the successful efforts method of accounting. Under the successful efforts method of accounting for oil and gas activities, the costs of unsuccessful and non-commercial exploration wells are written off to dry hole expense in the year a determination on success or commerciality is made. Until such determination is made, the costs are included in non-depleted capital.

Other assets	
Opening balance, January 1, 2009	\$ 833
Additions	7,092
Disposals	-
Depreciation	(1,930)
Closing balance, December 31, 2009	\$ 5,995

Other assets include computer and office equipment. Depreciation expense of \$1,930 (2008 - \$668) was recognized in income during 2009.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2009, the Company had a working capital deficit of \$832,498 (December 31, 2008 - \$280,091). The Company closed a non-brokered private placement on January 28, 2010 in which it raised \$1.5 million. A portion of the funds raised were used to retire outstanding liabilities. The remaining funds will be used during 2010 to finance ongoing evaluation and exploration of assets in France and Australia and to pursue other acquisition opportunities as they become available. The Company has C\$150,000 of spending commitments related to France and C\$425,800 of spending commitments related to Australia in 2010. The Company intends to continue to meet these and other commitments from treasury by accessing the capital markets through the issuance of securities, as required and as available.

## ISSUED AND OUTSTANDING SHARE INFORMATION

On July 29, 2009, the Company proceeded with the consolidation of its common shares. The consolidation was approved at the annual and general 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 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. As of April 23, 2010, the Company has 39,067,498 Class A Common Shares and a total of 2,131,250 stock options issued and outstanding.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company is not party to any off balance sheet arrangements or transactions.

## **ACCOUNTING POLICIES AND ESTIMATES**

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. Details outlining Gallic's accounting policies are contained in the notes to the audited consolidated financial statements for the year ended December 31, 2008.

## **BUSINESS RISKS**

Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to, and must be read in conjunction with the additional information on these and other factors that could affect Gallic's operations and financial results that are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

The Company is presently pursuing direct investments in international oil and gas projects. There is no assurance that exploration blocks will be granted in foreign jurisdictions where the Company is making application, nor is there assurance the exploration efforts will be successful. If the Company is successful in obtaining exploration permits in foreign jurisdictions, additional capital will be required to execute the exploration programs.

Natural gas and crude oil exploration, development, production and marketing operations inherently have a number of business risks and uncertainties including the uncertainty of finding new reserves, the volatility of commodity prices, operational risks, the cost of capital available to fund exploration and development programs, regulatory issues and taxation, and the requirements of new environmental laws and regulations.

The Company manages these risks by contracting competent professional staff, following sound operating practices and the prudent issuance of equity to fund capital expenditures so that debt does not become a burden. Extensive geological, geophysical, engineering and environmental analyses are performed before committing to the drilling of new prospects. These analyses are used to ensure a suitable balance between risk and reward. The Company conducts its operations in a manner consistent with environmental regulations as stipulated applicable local legislation. Gallic is committed to meeting its responsibilities to protect the environment wherever it may operate and anticipates making increased capital and operating expenditures as a result of the increasingly stringent laws relating to the protection of the environment. Gallic's operations are subject to the risks normally associated with the oil and gas industry. The Company is committed to respect the safety of its personnel, the environment and the communities where it has operations.

The oil and gas industry has been subject to considerable price volatility, over which companies have little control, and a material decline in the price of oil and/or natural gas could result in a significant decrease in the Company's future anticipated revenues. The oil and gas industry has inherent business risks and there is no assurance that products can continue to be produced at economical rates or that produced reserves will be replaced. Fluctuations in currency and exchange rates and changes in production volumes are daily risks in the oil and gas industry.

## **IFRS CONVERSION**

In 2008, the CICA Accounting Standards Board confirmed that IFRS will replace Canadian 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.

Management will evaluate the effects of all current and pending pronouncements of the International Accounting Standards Board on the financial statements of the Company and will develop a plan for implementation. The Company's implementation is anticipated to have three components:

1. Scoping and diagnostic phase – This phase includes an analysis, on a high level, of the areas of the Company’s financial statements and systems that will be impacted by the conversion to IFRS;
2. Impact analysis and evaluation phase – This phase includes a detailed analysis of each item identified in scoping and diagnostic phase to determine the impacts on the financial statements, accounting policies and procedures, internal control procedures and external agreements;
3. Implementation phase – This phase involves the implementation of all changes in the information systems and business processes approved in the impact analysis and evaluation phase. It also includes training of staff, management and the audit committee.

Until recently, management’s focus has been on the development of international assets. Management will now be working to complete the scoping and diagnostic phase which it expects will be accomplished in Q2 2010. The Company will also be meeting with its IT consultants to determine what changes, if any, need to be made to its information systems and will also be working internally and with its external auditors to identify the impacts on all other matters. The audit committee will also continue to receive regular progress reports on the IFRS conversion going forward.

## **FINANCIAL INVESTMENTS AND RISK MANAGEMENT**

All financial instruments are initially recognized at fair value on the balance sheet. The Company has classified each financial instrument into one of the following categories: “held-for-trading” (assets and liabilities), “loans and receivables”, financial assets “available-for-sale”, financial assets “held-to maturity”, and “other financial liabilities”. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities "held-for-trading" are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

Financial assets "held-to-maturity", “loans and receivables”, and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. Cash and marketable securities are classified as "held-for-trading". Accounts receivable is classified as "loans and receivables". Accounts payable and accrued liabilities and note payable are designated as "other financial liabilities". The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

The Company is exposed to financial risk in a range of financial instruments including accounts receivable, accounts payable and marketable securities. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

### Fair values

The Company’s cash and cash equivalents and accounts receivable and current liabilities are approximated by their carrying values due to the short-term nature of the items. Marketable securities are recorded at their fair value which is determined by the market.

### 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 may exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed upon demand and bear minimal risk.

### Credit risk

The Company has negligible accounts receivable.

### Commodity price risk

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

### Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing.

### Capital Risk

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. 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.

## **COMMITMENTS**

During the fourth quarter of 2009, the Company entered into an arm's length letter of intent agreement with Energy Invest Group Ltd. ("EIG"), a private company based in the United Kingdom, to acquire a 75% working interest in the East Cushing and Cottonwood oilfields in Creek County near Tulsa, Oklahoma, currently producing approximately 30 barrels of oil per day.

The acquisition was expected to close on or before April 9, 2010 but was terminated when the Company was unable to satisfactorily complete the due diligence process.

Gallic was committed to spending up to €1.35 million on the Ger Permit over a five year period 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.

The Company is also committed to spending €1.7 million on the Ledieux Permit over a five year period beginning August 8, 2008. At December 31, 2009 the Company had incurred \$330,649 of qualifying expenses for the Ledieux permit.

Gallic is committed to spend AUD\$6.1 million over a period of six years beginning January 15, 2009 on the Western Australia permit, EP 464. At December 31, 2009 the Company had incurred \$230,411 toward the commitment.

As in previous periods the Company will continue to meet its financial commitments from treasury by accessing the capital markets through the issuance of securities, as required and as available.

## **RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2009 and 2008, the Company paid \$252,463 and \$88,400 respectively in legal fees to a law firm of which one of the Company's officers, formerly a director, is a partner.

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 parties.

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. The loan was subsequently repaid during the first quarter of 2010.

## **SUBSEQUENT EVENTS**

On January 28, 2010, the Company closed a non-brokered private placement of 18,750,000 Class A common shares 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 finder's warrants and \$24,830 cash for finder's 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, dated January 30, 2009, was repaid.

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 approval, as well as applicable Gallic disinterested shareholder approval in accordance with TSX Venture Exchange requirements.

On April 1, 2010, the Company has terminated its previously announced letter of intent for the acquisition of interests in oil properties in Creek County, Oklahoma, following the completion of its due diligence.

As of the first quarter in 2010, the Company is no longer paying rent to a company controlled by a director.

## **DIRECTORS AND OFFICERS AS AT DECEMBER 31, 2009**

Richard Wadsworth, Director, Chairman  
Colin Wagner, Director, Audit Committee Chairman  
John Garden, Director, Chief Executive Officer  
Mark Woods, President, Chief Operating Officer  
David Little, Chief Financial Officer  
Felicia Bortolussi, Corporate Secretary  
Peter Haverson, Director  
Gordon McIntosh, Director

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