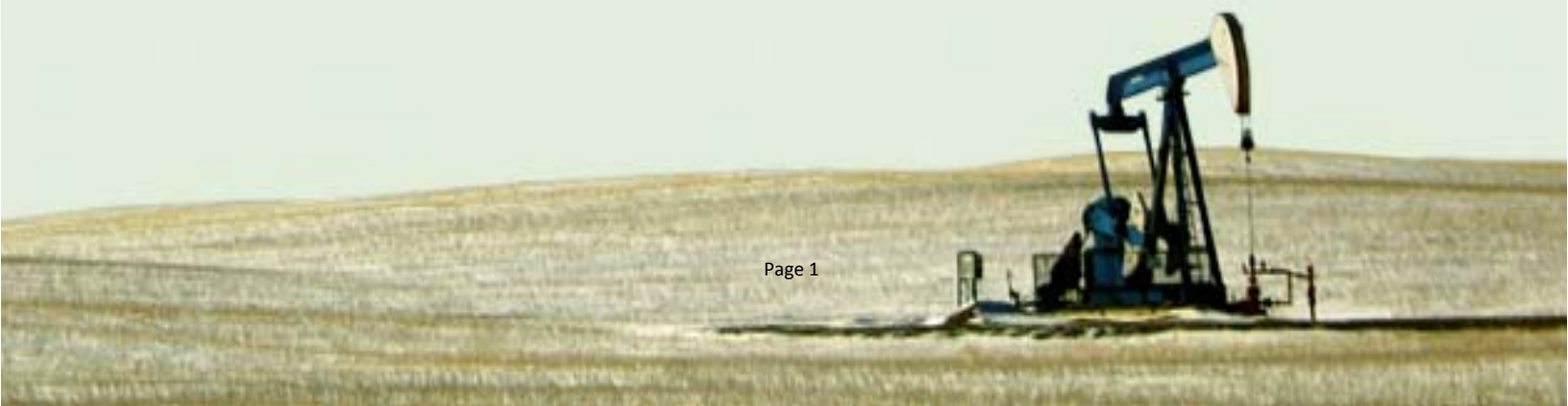




GALE FORCETM PETROLEUM

Management's Discussion and Analysis
For the Interim Period Ended March 31, 2010



Management's Discussion and Analysis

For the interim period ended March 31, 2010

Prepared as at June 3, 2010

Table of contents

BASIS OF PRESENTATION	3
FORWARD-LOOKING STATEMENTS	3
DISCLOSURE CONTROLS AND PROCEDURES.....	3
INTERNAL CONTROL OVER FINANCIAL REPORTING.....	4
NON-GAAP MEASURES	4
CRITICAL ACCOUNTING ESTIMATES.....	4
OVERVIEW OF THE CORPORATION	5
STRATEGY, OBJECTIVES AND PLANS	6
RESULTS OF OPERATIONS	7
Yearly Operating Information	10
Liquidity and Capital Resources	11
Ceiling Test.....	11
Outlook	12
CHANGES IN ACCOUNTING POLICIES AND PRACTICES	13
RISKS AND UNCERTAINTIES	14
Liquidity	14
Substantial Capital Requirements.....	14
Capital Markets.....	14
Volatility of Currency Exchange Rates, Oil and Natural Gas Prices.....	15
Global Financial Crisis	15
GFP is Dependant on its Key Personnel	15
Changes to Government Taxes and Royalties	16
Significant Factors or Uncertainties Affecting Reserves and Resource Data.....	16
Competitive Conditions	16
Business Cycle and Seasonality.....	16
Need to Replace and Grow Reserves.....	17
Environmental Protection Requirements.....	17
Operating Hazards and Other Uncertainties	17
Issuance of Debt	17
Conflicts of Interest	17
Dilution and Future Issuances of Common Shares	18
Governmental Regulation.....	18
Management of Growth	18
SHARES ISSUED & OUTSTANDING, OPTIONS & WARRANTS.....	19
ADDITIONAL INFORMATION	19



BASIS OF PRESENTATION

Throughout this document, Gale Force Petroleum Inc. is referred to as “Gale Force Petroleum”, “we” or the “Corporation”. This management’s discussion and analysis of the financial condition and results of operations (“**MD&A**”) describes our business, the business environment, our vision and strategy as well as the critical accounting policies used in our Corporation that will help you understand our financial statements, the principal factors affecting the results of operations, and liquidity and capital resources. This discussion should be read in conjunction with the Corporation’s audited annual financial statements, including the notes, for the fiscal years ending June 30, 2009, June 30, 2008 and June 30, 2007. Gale Force Petroleum’s accounting policies are in accordance with Canadian generally accepted accounting principles (“**GAAP**”). All dollar amounts are in Canadian dollars unless otherwise indicated. Except as otherwise specified, references to the interim period or quarter indicate the quarter ended March 31, 2010, and all comparisons are to quarter ended March 31, 2009.

FORWARD-LOOKING STATEMENTS

All statements in this MD&A that do not directly and exclusively relate to historical facts constitute “forward-looking statements”. These statements represent Gale Force Petroleum’s intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Corporation. These factors could cause actual results to differ materially from such forward-looking statements. These factors include and are not restricted to general economic and business conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility, the ability to access sufficient capital, the timing and size of new contracts, acquisitions and other corporate developments, the ability to attract and retain qualified employees, contractors, managers and members of the board, and other risks identified in the MD&A, as well as assumptions regarding the foregoing. The words “believe,” “estimate,” “expect,” “intend,” “anticipate,” “foresee,” “plan,” and similar expressions and variations thereof, identify certain of such forward-looking statements, which speak only as of the date on which they are made. In particular, statements relating to future performance are forward-looking statements. Gale Force Petroleum disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements. You will find more information about the risks that could cause our actual results to significantly differ from our current expectations in the Risks and Uncertainties section.

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed such disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to us by others, particularly during the interim period covered by this yearly report. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Management has evaluated the effectiveness of the Corporation’s disclosure controls and procedures as of the end of the interim period covered by the annual filings and have caused the Corporation to disclose in this MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the interim period covered by the annual filings based on such evaluation. Management has concluded that the disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the interim period, the Corporation updated its financial control policies as part of a process of continuous improvement. These changes continue to ensure the quality and integrity of records and accounting as well as improving the timeliness of financial information.

NON-GAAP MEASURES

This document contains the terms “Adjusted EBITDA”, “Gas Netback” and “Oil Netback”, which do not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Adjusted EBITDA, Gas Netback and Oil Netback are used by Gale Force Petroleum as key measures of performance. Adjusted EBITDA and Oil Netback are not intended to represent operating profits or loss nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. “Adjusted EBITDA” is the Corporation’s earnings or losses after cash operating expenses, or conversely, before non-cash operating expenses, including financial expenses, taxes, write-off of deferred development costs, stock-based compensation expense, depletion, depreciation and amortization. Adjusted EBITDA is used as management believes that this measure provides better visibility of our cash requirements and/or our ability to generate cash, exclusive of capital investments, exclusive of the costs to finance our activities and exclusive of income taxes. A reconciliation of this item to its closest GAAP measure may be found below. “Gas Netback” or “Oil Netback” is the average sales price of gas or oil less royalties, production taxes, transportation and selling expenses and production expenses. The Gas Netback or Oil Netback is used by management as a measure to provide better visibility of the efficiency our operations and their ability to generate cash, exclusive of capital investments, exclusive of the costs to finance our activities and exclusive of income taxes. A reconciliation of this item to its closest GAAP measure may be found herein. These non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. They should be considered as supplemental in nature and not a substitute for the related financial information prepared in accordance with GAAP.

CRITICAL ACCOUNTING 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 Corporation. Capitalized costs relating to the exploration and development of oil and gas reserves, along with estimated future capital expenditures required in order to develop proved and probable reserves, are depleted and depreciated on a unit-of production basis using estimated proved reserves. The carrying value of property, plant and equipment is reviewed at least annually for impairment. Impairment occurs when the carrying value of the assets is not recoverable by the future undiscounted cash-flows. The cost recovery ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Liability recognition for asset retirement obligations associated with oil and gas well sites and facilities are determined using estimated costs discounted based on the estimated life of the asset. These capitalized costs are amortized on a unit-of-production basis, consistent with depletion and depreciation. Over time, the liability is accreted up to the actual expected cash outlay to perform the abandonment and reclamation. In order to recognize stock-based compensation expense, the Corporation estimates the fair value of stock options granted using assumptions related to interest rates, expected life of the option, volatility of the underlying security and expected dividend yields. These assumptions may vary over time. The determination of the Corporation’s income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability (or asset) may differ significantly from that estimated and recorded on Gale Force Petroleum’s financial statements.

OVERVIEW OF THE CORPORATION

Gale Force Petroleum is a public oil and gas corporation with a focus on the exploration, development and production of conventional and unconventional gas resources in mature basins, building shareholder wealth by making accretive acquisitions and developing its properties. It owns producing natural gas properties in Kentucky (USA).

The Corporation has recently concluded its restructuring, having closed several transactions to complete the restructuring on May 14, 2010, with an effective date of March 1, 2010 (the “**Transactions**”). Therefore the Transactions were accounted for during the quarter. Upon closing of the Transactions, the Corporation also hired new management personnel, including Joseph F. “Chip” Langston Jr. as the Corporation’s new President and CEO, and Steve Hood and John Trosclair, P.Eng, as new directors.

The Transactions included the following:

- The acquisition of the Buccaneer Assets, the Wells Ranch working interest and the Pine Mills working interests, which are oil and gas properties and assets located in Texas, Oklahoma and Tennessee.
- The forgiveness of \$980,281 of secured debt by the Corporation former secured lender, and the conversion of the balance of \$850,000 into 1,600,000 common shares of the Corporation and 1,800,000 preferred shares of the Corporation.
- A private placement financing, with gross proceeds of CA\$1,741,500 through the issuance of 6,966,000 Units at \$0.25 per Unit, each Unit being comprised of one common share and one half of a warrant with an exercise price of \$0.375 expiring on May 14, 2011. In connection with the private placement, the Corporation also issued 114,500 Units and paid \$112,500 in finder’s fees to finders who are at arm’s-length to the Corporation.

The result of these Transactions was to restructure the Corporation’s balance sheet, bring in a critical mass of proved reserves, establish a solid base of production, provide the Corporation with working capital needed to exploit its new properties, and put in place an experienced management team.



STRATEGY, OBJECTIVES AND PLANS

The Corporation's next milestone is to execute the first phase of development of its new properties in Central Oklahoma and East Texas, increasing its production and revenues, and converting some of its reserves into stable cash-flows. The Corporation will also continue to attempt to expand via new accretive acquisitions.

Growth Strategies and Objectives

The Corporation will pursue two key drivers of shareholder wealth creation:

1. 'Monetizing' its Assets: Converting Proved and Probable Reserves into Cash-Flows and Contingent Resources to Proved and Probable Reserves: The Corporation will develop its new properties in Central Oklahoma and East Texas, converting as much as possible of its reserves into stable cash-flows. The Corporation will also continue exploration on its shale gas property located in Morgan County, Kentucky (the "**Kentucky Shale Gas Property**"). Development of the property will seek to increase gas production and revenues, and seek to prove that the Kentucky Shale Gas Property's contingent resource can be extracted economically, which would provide the Corporation with reserves estimates from an independent qualified evaluator.
2. Mergers and Acquisitions: Gale Force Petroleum will try to grow via acquisitions in the USA, and try to take advantage of niche opportunities that have arisen due to higher energy resource prices and general financial distress. The Corporation has already begun executing this strategy with the purchase of the Kentucky Shale Gas Property, the Buccaneer Asset, including the Central Oklahoma and Tennessee properties, and the Pine Mills and Wells Ranch properties in East Texas.

Current Acquisition Plans

The Corporation has entered into two letters of intent to purchase two additional properties in East Texas. The Corporation is also prospecting for other potential acquisitions.

The first of the two current contemplated purchases in East Texas is of mainly 100% working interests in oil properties in Gregg and Rusk Counties, in Texas (the "**Kilgore Property**") for US\$500,000. The Kilgore Property is 25 miles from the Corporation's existing properties in East Texas. The Kilgore Property includes 34 wells, 3 of which are currently on production, producing approximately 10 barrels of oil per day.

The second contemplated purchase in East Texas is of mainly 100% working interests in Wood County, adjacent to the Corporation's existing properties ("**Wood County Property**"), for US\$190,000. The Wood County Property includes 15 wells, of which 4 are currently on production, currently producing approximately 15 barrels of oil per day.

The purchase of the working interests in the Kilgore Property and/or Wood County Property are subject to due diligence, and subject to new financing, and would be expected to close around the mid to end of June, 2010.



RESULTS OF OPERATIONS

The Corporation concluded the purchase of the Buccaneer Assets, including its Central Oklahoma properties and Tennessee properties, and the purchase of interests in the Wells Ranch and Pine Mills properties, effective March 1, 2010. Therefore, there were revenues and operating expenses from the month of March, 2010 from the Central Oklahoma properties, Tennessee property and Pine Mills property in East Texas.

Revenues

Interim periods ended March 31	2010	2009
	\$	\$
Sales	61,152	92,814
Royalties	(2,756)	(17,497)
Total Revenues	58,396	75,314

Oil and natural gas revenues decreased to zero, reflecting that the Corporation sold its unprofitable Manitoba oil properties and disposed of its unprofitable Alberta conventional gas properties as part of its restructuring, and its Kentucky property was only on test production during the quarter.

Selected Balance Sheet Information

As at	31-Mar-09	30-June-09
	\$	\$
Assets	6,602,177	1,682,827
Current liabilities	2,086,408	5,010,590
Bank Loan (current)	927,358	-
Long-term liabilities	-	-
Asset-retirement obligations	325,761	46,295
Shareholders' equity	3,262,649	(3,374,058)

Total assets have increased greatly as a result of the completion of the purchase of the Buccaneer Assets and the interests in the Wells Ranch and Pine Mills properties, which were acquired effective March 1, 2010. Current liabilities have also decreased greatly from \$5,010,590 at June 30, 2009, to \$3,013,766 (including bank debt), the result of two major aspects of the restructuring: (1) the conversion of unsecured debts into equity as part of the Proposal to Creditors filed by the Corporation on February 4, 2010, and (2) the debt forgiveness and conversion of the Corporation's former secured debts into equity. In fact, the Corporation discharged or was forgiven nearly all of the current liabilities held by the Corporation at June 30, 2009, but has incurred or assumed new current liabilities as part of the acquisitions of the Buccaneer Assets and Pine Mills interests.

Adjusted EBITDA

Interim periods ended March 31	2010	2009
	\$	\$
Gross margin	58,396	75,314
Production expenses	8,403	20,439
General and administrative	138,677	(19,223)
Adjusted EBITDA	(88,684)	74,098

The Adjusted EBITDA was a negative \$88,684, reflecting a net outflow of cash from operations during the quarter. This is partly due to having only one month of production from the Corporation's new assets, which were acquired on March 1, 2010, and which generated gross margin of \$58,396 during the month of March, 2010.

EBITDA is a measure of performance used by analysts to evaluate a Corporation's cash operating activities, while separating out the cost and impact of capital investments and of the Corporation's capital structure. In a similar vein, the Corporation uses "Adjusted EBITDA", which is defined as earnings before financial expenses, taxes, write-off capital assets, stock-based compensation expense, depletion, depreciation and amortization, because we believe that this measure provides better visibility of our cash requirements and/or our ability to generate cash, exclusive of non-cash operating expenses, exclusive of the costs to finance our activities and exclusive of income taxes.

Operating loss before financial expenses

Interim periods ended March 31	2010	2009
	\$	\$
Adjusted EBITDA	(88,684)	74,098
Other (income) and expenses	(847,277)	541,531
Depletion, depreciation and amortization – Oil and gas division	12,043	83,962
Stock-based compensation expenses	10,286	-
Operating profit (loss) before financial expenses	736,264	(551,395)

The operating loss before financial expenses and income taxes (EBIT) is calculated by deducting non-cash operating expenses from Adjusted EBITDA. There was significant other income during the quarter, which was mainly the result of the forgiveness of \$980,281 of secured debt.

Stock-based Compensation Expense

Interim periods ended March 31	2010	2009
	\$	\$
Stock-based compensation expenses	10,286	-
Weight average assumptions for stock options granted:		
Risk-free interest rate	2.5%	n/a
Expected life in years	1.0	n/a
Expected volatility	58%	n/a
Expected dividend yield	n/a	n/a



Profit and Loss Information

Interim periods ended March 31	2010	2009
	\$	\$
Revenues	61,152	92,814
Royalties and production taxes	2,756	(17,497)
Gross margin	58,396	75,314
All operating and administrative expenses	169,410	85,178
EBIT	(111,069)	(9,864)
Financial expenses	6,700	350
Sale of Manitoba Assets	-	-
Other expenses (income)	(847,277)	541,531
Net profit (loss)	729,564	(551,745)

The Corporation earned net income of \$729,564 during the quarter, compared with a loss of \$551,745 the previous year. The earnings of this quarter reflect the establishment of revenue generating operations, but mainly were the result of the other income resulting from the forgiveness of \$980,281 of the Corporation's former secure loan.



Yearly Operating Information

The following tables summarize key financial and operating information by year:

Quarters Ended	Jun. 2009	Sep. 2009	Dec. 2009	Mar. 2010
	\$	\$	\$	\$
Oil and gas revenues	48,942	-	-	61,152
Royalties and production taxes	13,958	-	-	2,756
Gross margin	34,984	-	-	58,396
Cash operating expenses	604,653	103,856	182,844	147,080
Adjusted EBITDA	(569,669)	(103,856)	(182,844)	(88,684)
Non-cash operating expenses	118,372	-	-	22,329
Gain (loss) before financial expenses and income taxes	(688,041)	(103,856)	(182,844)	(111,013)
Financial expenses	288,101	244	937	6,700
Other (income) expenses	560,415	67,242	40,106	847,277
Net profit (loss)	(1,536,557)	(171,342)	(223,487)	729,564

Quarters Ended	Jun. 2008	Sep. 2008	Dec. 2008	Mar. 2009
	\$	\$	\$	\$
Oil and gas revenues	486,233	455,759	52,802	598,070
Royalties and production taxes	87,177	85,444	5,352	17,497
Gross margin	618,916	370,315	47,450	580,573
Cash operating expenses	1,095,987	294,363	294,998	1,216
Adjusted EBITDA	(477,071)	75,952	(247,548)	579,357
Non-cash operating expenses	464,559	53,415	21,517	83,962
Loss before financial expenses and income taxes	(941,630)	22,537	(269,065)	495,395
Financial expenses	398,425	170,731	278,244	(117,568)
Other (income) expenses	876,749	207,093	(34,328)	659,449
Future income taxes	561,682	-	-	-
Net loss	(2,778,486)	(355,287)	(512,981)	(46,486)



Liquidity and Capital Resources

Source of Funds

The Corporation has recently concluded its restructuring, having closed several transactions to complete the restructuring on May 14, 2010, with an effective date of March 1, 2010 (the “**Transactions**”), and therefore the Transactions were accounted for during the quarter. As a result, the Corporation is showing a much healthier balance sheet, with greater liquidity and capital resources.

The Transactions included the following:

- The acquisition of the Buccaneer Assets, the Wells Ranch working interest and the Pine Mills working interests, which are oil and gas properties and assets located in Texas, Oklahoma and.
- The forgiveness of \$980,281 of secured debt by the Corporation former secured lender, and the conversion of the balance of \$850,000 into 1,600,000 common shares of the Corporation and 1,800,000 preferred shares of the Corporation.
- A private placement financing, with gross proceeds of CA\$1,741,500 through the issuance of 6,966,000 Units at \$0.25 per Unit, each Unit being comprised of one common share and one half of a warrant with an exercise price of \$0.375 expiring on May 14, 2011. In connection with the private placement, the Corporation also issued 114,500 Units and paid \$112,500 in finder’s fees to finders who are at arm’s-length to the Corporation.

Working Capital

As at March 31, 2010, the Corporation’s current ratio was 0.75, which is composed of \$2,264,083 of current assets divided by \$3,013,766 of current liabilities. If you remove the bank line of credit from the denominator because there is a strong likelihood of renewal, then the ratio improves to 1.09.

The Corporation has negative working capital of \$749,683 (= \$3,430,522 less 2,680,839).

Ceiling Test

The Corporation performs a ceiling test calculation at June 30 each year in accordance with the CICA full-cost accounting guidelines.



Outlook

For this section in particular, please read the advisory regarding forward-looking statements above.

The Corporation's next milestone is to execute the first phase of development of its new properties in Central Oklahoma and East Texas, increasing its production and revenues, and converting some of its reserves into stable cash-flows. The Corporation will also continue to attempt to expand via new accretive acquisitions.

We mentioned two main growth strategies in the section "Growth Strategies" above. These were:

1. 'Monetizing' its Assets: Converting Proved and Probable Reserves into Cash-Flows and Contingent Resources to Proved and Probable Reserves:
2. Mergers and Acquisitions:

The Corporation's success in the near and long-term will depend on its ability to execute these two key drivers of shareholders of wealth. If the Corporation can demonstrate its ability to 'monetize' its assets, and proves itself as an Operator, it will have done what is necessary to create value and wealth for its shareholders from its existing assets.

If the Corporation can continue to make accretive acquisitions, and build greater scale and economies into its operations, it will have succeeded in adding to any value created from its existing properties. In this vein, the Corporation has entered into two letters of intent to purchase two additional properties in East Texas, subject to due diligence and financing, and the Corporation is also prospecting for other potential acquisitions.

The main external factors that will play a role in determining the outlook for the Corporation, but which are outside of the Corporation's control, are the price of crude oil and the state of capital markets in general. If crude oil prices decline, the Corporation's operations would become less profitable, and it would eventually become difficult to discharge its obligations. To hedge against this risk, the Corporation has begun a hedging program, where it has purchased 35% to 50% of its current and forecast production at profitable oil prices for 15 to 18 months.

The state of general capital markets will greatly influence both the Corporation's ability to raise new financing, and the cost of capital associated with any new financing. New debt and equity financing will be necessary for the Corporation to make any new acquisitions and would also be required to fully develop its existing properties in due consideration of cost-efficient development and time-value of money.

Overall, the Corporation's prospects are good since completing the restructuring this quarter, but there remains numerous challenges to solidify the gains, and continue building a successful organization.



CHANGES IN ACCOUNTING POLICIES AND PRACTICES

Effective July 1, 2008, the Company adopted new accounting standards set out by the Canadian Institute of Chartered Accountants (CICA) Handbook section 1530 "Comprehensive income", 1535 "Capital Disclosures", section 3863 "Financial Instruments - Presentation" and section 3862 "Financial Instruments - Disclosures".

Later this year, the Corporation will apply the new recommendation of the *Canadian Institute of Chartered Accountants* regarding the recognition, measurement and presentation of financial instruments following the release of Sections 3855 'Inventories', 3862 'Financial instruments - recognition and measurement', 3863 'Financial Instruments - disclosure', and 3865 'Financial Instruments - presentation'. Management is unable to assess the impact these new standards will have on its financial statements.

International Financial Reporting Standards ("IFRS")

On February 13, 2008 the CICA Accounting Standards Board (AcSB) announced that accounting standards in Canada are to converge with IFRS for Canadian public companies. The AcSB has indicated that Canadian entities will need to begin reporting under IFRS for fiscal years beginning on or after January 1, 2011 with appropriate comparative data from the prior year. The transition date of July 1, 2011 will require restatement for comparative purpose of amounts reported by the Corporation for the year ended June 30, 2011. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed.

In February 2008, the Accounting Standards Board confirmed that all Canadian publicly accountable enterprises will be required to adopt IFRS for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Gale Force Petroleum is continually assessing the impact of the convergence of Canadian GAAP with IFRS on the Corporation's results of operations, financial position and disclosures. Under the direction and oversight of the Board of Directors and audit Committee, the Corporation has assembled a project team to manage the transition and to ensure successful implementation within the required time frame.

The Corporation recognizes that the changeover to IFRS has complex implications on a combination of accounting, financial reporting, IT and business systems. The Corporation has not engaged any external consultants at this point to conduct a Business Impact Study, or to assist in the development of a project plan, or to provide assistance in considering various accounting policy decisions which will be required throughout the transition period. Not all of the company personnel involved with the transition project have received all the appropriate training and education.

The overall IFRS transition project will consist of 5 phases: (i) Scope; (ii) Plan; (iii) Design and Build; (iv) Implement; (v) Review. The Scope phase consists of identifying the significant differences between Canadian GAAP and IFRS. The Corporation will conclude that the following key issues are expected to have the most significant impact on Gale Force Petroleum results of operations, financial position and disclosures:

- IFRS 1 - First-time adoption of International Financial Reporting Standards;
- IFRS 6 - Exploration and evaluation of mineral recourses;
- IFRS 16 – Property, Plant and Equipment;
- IAS 36 – Impairment of assets;

The Corporation will soon be commencing the Scope and Planning phase. During this phase the Corporation will be gathering information and financial data to assess the potential impacts of the differences that will be identified during the



Scoping phase. The Corporation will also be developing recommendation for IFRS policy decisions which are based on appropriately documented consideration of the following factors:

- Impact of financial and key performance indicators;
- Impact on information technology systems;
- Impact on the internal control and disclosure control frameworks;
- Transition and maintenance costs;
- Impact on communications with key stakeholders;
- Other general business impacts.

The Corporation anticipated completion of the Planning phase by mid-2010 and will provide additional disclosures of the key elements of its plan and progress of the project as the information becomes available.

RISKS AND UNCERTAINTIES

The Corporation's exploration and production activities are concentrated in areas where activity is highly competitive and includes a variety of different sized companies ranging from smaller junior producers, intermediate and senior producers and royalty trust organizations, to the much larger integrated petroleum companies. The Corporation is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include the possibility of not being able to find and/or to develop oil and gas reserves economically, mis-estimating amounts of recoverable reserves, being unable to produce oil and gas in commercial quantities, being unable to market oil and gas produced, being subject to fluctuations in commodity prices, not being able to secure adequate financing and/or obtain the liquidities to discharge near-term liabilities, incurring environmental or health and safety liabilities.

Liquidity

There is some uncertainty regarding GFP's ability to continue as a going concern, which is dependent upon achieving on-going cash flow from operating activities and receiving additional financing. In the event that oil and natural gas prices decrease, the future operations of GFP may be dependent on its ability to successfully raise capital. The outcome of these matters cannot be predicted at this time.

Substantial Capital Requirements

GFP anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As GFP may not be able to finance all such capital expenditures, GFP may be required to reduce capital expenditures. In addition, the recent global credit crisis exposes GFP to additional access to capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to GFP. The inability of GFP to access sufficient capital for its operations could have a material adverse effect on GFP's business, financial condition, results of operations and prospects.

Capital Markets

As a result of the weakened global economic situation, GFP has restricted access to capital and may face increased borrowing costs. The lending capacity of all financial institutions has diminished and risk premiums have increased independent of GFP's business and asset base. As future capital expenditures will be financed out of cash generated from operations and possible future equity sales or borrowings, GFP's ability to do so is dependent on, among other factors, the overall state of capital markets and investor demand for investments in the energy industry and in GFP's securities in particular. To the extent that external sources of capital become limited or unavailable or available on onerous terms, GFP's



ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Volatility of Currency Exchange Rates, Oil and Natural Gas Prices

GFP's results of operations and financial condition will be dependent on the prices received for GFP's oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond GFP's control. These factors include, but are not limited to, worldwide political instability, foreign supply of oil and natural gas, the level of consumer product demand, government regulations and taxes, the price and availability of alternative fuels and the overall economic environment. Any decline in oil or natural gas prices could have a material adverse effect on GFP's operations, financial condition, proved reserves and the level of expenditures for the development of its oil and natural gas reserves. No assurance can be given that oil and natural gas prices will be at levels which will generate profits for GFP. The economics of producing from some of GFP's wells may change as a result of lower oil and natural gas prices, which could result in reduced production of oil or gas and a reduction in the volumes of GFP's reserves. See *"Risk Factors – Significant Factors or Uncertainties Affecting Reserves or Resource Data"*. GFP might also elect not to produce from certain wells at lower oil and natural gas prices. All of these factors could result in a material decrease in GFP's future net production revenue, causing a reduction in its oil and gas acquisition and development activities.

GFP is exposed to market risk to the extent that the demand for oil and natural gas produced by the Corporation exists within Canada and the United States. External factors beyond GFP's control may affect the marketability of oil and natural gas produced. These factors include commodity prices and variations in the Canada-United States currency exchange rate, which in turn respond to economic and political circumstances throughout the world. Oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals.

Oil and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008, continued in 2009, and are continuing in 2010, causing a loss of confidence in the broader Canada, U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward. These factors may impact the ability of the GFP to obtain equity or debt financing in the future and, if obtained, on terms favourable to GFP. If these increased levels of volatility and market turmoil continue, GFP's operations could be adversely impacted and the trading price of Common Shares could continue to be adversely affected.

GFP is Dependant on its Key Personnel

GFP is dependent upon its President and CEO, its Executive Chairman, its CFO and its contracted personnel responsible for exploration and development of GFP's properties. The loss of services of any member of the management team could have a material adverse impact on GFP. GFP faces significant competition for qualified personnel and there can be no assurance that it will be able to attract and retain such personnel. GFP does not currently have a formal succession program or management training program in place for succession or training of management.



Changes to Government Taxes and Royalties

In addition to USA and Canadian federal regulations, each state and province has legislation and regulations which govern corporate taxation, land tenure, royalties, production rates, environmental protection and other matters. The corporate taxes, severance taxes, production taxes and government royalties payable are significant factors in the profitability of producing crude oil, natural gas liquids and natural gas production. With or without notice, any of these bodies may make changes to corporate taxation, land tenure, royalties, production rates, environmental protection and other matters, which could have a material impact on the business of GFP.

Significant Factors or Uncertainties Affecting Reserves and Resource Data

There are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of GFP. The reserve and resource data included herein represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. Accordingly, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of GFP with respect to these reserves will vary from such estimates, and such variances could be material. Estimates with respect to proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves. Consistent with the securities disclosure legislation and policies of Canada, as interpreted by the securities regulatory authorities in Canada, GFP has used forecast prices and costs in calculating reserve quantities included herein. Actual future net cash flows also will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. The reserve value may be affected by changes in corporate, production or severance taxes or government royalties. GFP is required to perform a ceiling test annually to determine any impairment concerns on its oil and natural gas assets.

Competitive Conditions

GFP actively competes for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and natural gas companies, many of which have significantly greater financial resources and personnel than GFP. GFP's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators. The oil and gas industry is highly competitive. Certain of GFP's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect GFP's ability to sell or supply oil or gas to these customers in the future. GFP's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Business Cycle and Seasonality

GFP's revenue from the sale of natural gas is highly seasonal, with demand for natural gas rising during cold winter months and hot summer months.



Need to Replace and Grow Reserves

GFP's future oil and natural gas reserves and production, and therefore its cash flows, are highly dependent upon success in exploring and/or exploiting its current reserve base and acquiring or discovering additional reserves. Without reserve additions through exploration, acquisition or development activities, GFP's reserves and production will decline over time as reserves are exploited. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient and external sources of capital become limited or unavailable, GFP's ability to make the necessary capital investments to maintain and expand its oil and natural gas reserves will be impaired. In addition, there can be no assurance that GFP will be able to find and develop or acquire additional reserves to replace production at acceptable costs.

Environmental Protection Requirements

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, state, provincial, county, and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require GFP to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect GFP's financial condition, results of operations or prospects.

Operating Hazards and Other Uncertainties

Acquiring, developing and exploring for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, other environmental risks, fires and spills. Although GFP intends to maintain insurance in accordance with customary industry practice, GFP is not fully insured against all of these risks. Losses resulting from the occurrence of these risks could have a material adverse impact on GFP. Like other oil and natural gas companies, GFP attempts to conduct its business and financial affairs so as to protect against political and economic risks applicable to operations in the jurisdictions where GFP operates but there can be no assurance that GFP will be successful in so protecting itself. GFP is also subject to deliverability uncertainties related to the proximity of its reserves to pipeline and processing facilities and the possible inability to secure space on pipelines, which deliver oil and natural gas to commercial markets.

Issuance of Debt

From time to time, GFP may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase GFP's debt levels above industry standards. Neither GFP's articles nor its by-laws limit the amount of indebtedness that GFP may incur. The level of GFP's indebtedness from time to time could impair GFP's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Conflicts of Interest

Certain of the directors of GFP are also directors and officers of other companies, and conflicts of interest may arise between their duties as directors of GFP and as officers and directors of such other companies.



Dilution and Future Issuances of Common Shares

GFP may issue additional common or preferred shares in the future, which may dilute a shareholder's holdings in GFP. GFP's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of Preferred Shares, which are issuable in series, and GFP shareholders will have no pre-emptive rights in connection with such further issuances. GFP's Board has the discretion to determine the provisions attaching to any series of Preferred Shares and the price and the terms of issue of further issuances of such shares.

Governmental Regulation

The oil and natural gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to prices, taxes, royalties and the exportation of oil and natural gas. Such regulation may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas, increase GFP's costs and have a material adverse impact on GFP.

Management of Growth

The business plan of GFP includes the acquisition of additional oil and natural gas properties. This will place additional strains on GFP's financial and human resources. The future success of GFP is dependent upon its ability to successfully manage the integration of such new properties and the required expansion of its management and financial resources that will result.

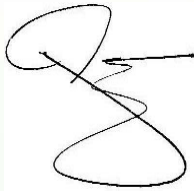


SHARES ISSUED & OUTSTANDING, OPTIONS & WARRANTS

Effective March 31, 2010, for the purpose of this management's discussion and analysis and the associated financial statements, there were 15,347,728 common shares issued and outstanding, 1,200,000 common shares owing as a balance of sale, 2,644,706 Series I Preferred Shares, and 3,985,639 warrants and 1,500,000 options.

ADDITIONAL INFORMATION

The Corporation is an issuer in accordance with the securities legislations of all the Canadian provinces; therefore it has the obligation to deliver financial statements, proxy circulars and annual notices to the various regulating authorities. You can obtain a copy of such documents free of charge by sending your requests to the Corporation or by visiting www.sedar.com.



Chip Langston
President & CEO



Antoinette Lizzi
Vice-President of Finance & CFO

