

**PETROLYMPIC LTD. – "MANAGEMENT'S DISCUSSION AND ANALYSIS"  
THREE MONTHS ENDED MARCH 31, 2009**

The following Management Discussion and Analysis ("**MD&A**") reviews the financial condition and results of operations of Petrolympic Ltd. ("**Petrolympic**" or the "**Company**") for the three months ended March 31, 2009 ("**first quarter 2009**") and its financial position as at March 31, 2009. The MD&A should be read in conjunction with Petrolympic's audited annual consolidated financial statements and related notes as at December 31, 2008.

Petrolympic's financial statements were prepared in accordance with accounting principles generally accepted in Canada ("**Canadian GAAP**"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Additional information relating to the Company and subsequent press releases, have been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available online at [www.sedar.com](http://www.sedar.com), or at the Company's website at [www.petrolympic.com](http://www.petrolympic.com).

The Company's shares are listed on the Toronto Stock Exchange Venture Exchange (the "**TSX-V**") under the trading symbol "PCQ".

The comparative reporting period is the three months ended March 31, 2008 ("**first quarter 2008**").

This MD&A was prepared on May 28, 2009.

### **Forward Looking Statements**

This MD&A includes certain forward-looking statements within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the near future, including future business strategy, goals, exploration programs or other such matters are forward-looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from future results expressed or implied by such forward-looking statements. Such factors include, among others, risks related to joint venture operations, actual results of current or planned exploration activities, changes in project parameters as plans continue to be refined, unavailability of financing, fluctuations in oil and natural gas prices and other such factors. Accordingly, the reader should not place undue reliance on forward-looking statements by the Company. Statements speak only as of the date on which they are made.

### **OVERALL PERFORMANCE**

#### **Economic Situation and Company Response**

The Company is taking firm measures in response to the global financial and commodity price crisis. Management is strongly committed to ensuring that the Company survives the current market turmoil and has implemented a strategy to ensure this goal. The Company has reduced expenditure to a minimum through cost reduction initiatives at the corporate level and has temporarily halted development work on its Gaspé properties.

The realization of shareholder value will continue to be the Company's key objective, and continuing advancement of the Company's projects will be fundamental to this objective. Although the current cash position of the Company is sufficient to cover corporate activities and operational activities for at least the

next two years, including the maintenance of royalty, option and other property commitments, the Company is actively seeking to joint venture and farm-in opportunities to achieve its goal of bringing its oil and gas exploration properties into commercial production and continue exploration and development activities as required.

The Company has existing commitments at March 31, 2009 of approximately \$3.7 million, up to the end of year 2013, representing minimum annual property rental and required exploration expenditures. In addition, the Company has not yet determined whether it has any economically recoverable reserves and the underlying value of the interests in petroleum and natural gas properties is dependent upon the existence of such economically recoverable reserves, obtain the necessary financing to develop the reserves and generate profitable production.

Such circumstances and the difficulty of obtaining financing during the current economic downturn substantially increases concerns regarding the ability of the Company to raise additional capital and to continue as a going concern and lend doubt as to the ability of the Company to achieve such future profitable production and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital, exploration and development requirements and eventually to generate positive cash flows, either from operations or sale of its properties.

## **Overview and Corporate History**

The Company was incorporated as Pisces Capital Corp. by Articles of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) (the "OBCA") on January 19, 2006. Its main activities consist of oil and gas exploration in the province of Québec.

The reader is reminded that effective December 21, 2007, the Company completed a Reverse Take-Over (the "**Acquisition**") and issued 48,147,111 common shares of the Company (the "**Common Shares**") to the shareholders of Petrolympia Inc. ("**Petrolympia**") and 66,845 replacement warrants (the "**Replacement Warrants**") to holders of warrants of Petrolympia. Each Replacement Warrant entitles the holder to acquire one Common Share and one-half of one Common Share purchase warrant ("**Underlying Replacement Warrant**") for a period of 18 months from completion of the Acquisition at an exercise price of \$0.18, with each Underlying Replacement Warrant being exercisable into one Common Share at an exercise price of \$0.25 for a period of 18 months from completion of the Acquisition. The Acquisition was completed by a way of a three-cornered amalgamation under the Companies Act (Québec) pursuant to the terms of the amalgamation agreement entered into on September 18, 2007 among the Company, 9186-4140 Quebec Inc. and Petrolympia. The Company continued under the name Petrolympic Ltd. For accounting purposes Petrolympia is deemed to be the acquirer of Petrolympic although Petrolympic is the legal parent company and the reporting issuer. For accounting purposes the transaction was treated in accordance with Canadian GAAP which requires that this reverse take-over be viewed as the issuance of equity by Petrolympia for the net monetary assets of Petrolympic.

Accordingly (and in accordance with Canadian GAAP), prior period comparisons consist of those made with Petrolympia's financial position at that time.

## **Properties and Projects**

### *Gaspé Peninsula*

The Company, through its subsidiary, Petrolympia, holds a 100% interest in two (2) oil and gas ("**PG**") and underground reservoir ("**RS**") exploration permits covering 40,885 hectares (101,027 acres) in the Gaspé region between Rimouski and Matane.

### St. Lawrence Lowlands

The Company, through its subsidiary, Petrolympia, holds a 100% interest in four (4) oil and exploration permits covering 73,021 hectares (180,435 acres) in the St. Lawrence Lowlands located on the south shore of the St. Lawrence River directly south of the City of Valleyfield, less than 30km southwest of Montreal.

On June 30, 2008, the Company completed the acquisition of a 30% legal and beneficial interest in 36 exploration permits totaling 672,438 hectares (1,661,594 acres) in the St. Lawrence Lowlands, Bas St-Laurent and Gaspé Peninsula in Québec through a joint venture arrangement with Ressources et Energie Squatex Inc. ("**Squatex**"). During the first quarter 2009, Squatex began the interpretation and correlation of the acquired data required to develop the current year exploration program, which should be ready in June 2009.

On November 25, 2008 Petrolympic, together with its joint venture partner Squatex, entered into a farmout and joint operating agreement with Calgary-based Canbriam Energy Inc. ("**Canbriam**"), pursuant to which Canbriam will have the right to earn a 60% interest in up to 32,000 hectares (79,074 acres) of exploration permits in the Queenston, Lorraine and Utica formations (down to the top of the Trenton Formation) that form part of the existing joint venture between Squatex and Petrolympic (the "**Existing JV**"). In accordance with Petrolympic's joint operating and farmout agreement with Canbriam, Canbriam selected permits 2006PG864 and 2006PG866 during February 2009 as farmout lands and provided the farmors with the first two intended drilling site locations.

### Results of Operations

#### Selected Quarterly and Annual Information

	Three months ended March 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Total Revenues	\$ Nil	\$ Nil	\$ Nil
Net Loss	(69,766)	(1,829,508)	(30,000)
Loss Per Share	(0.001)	(0.024)	(0.000)
Cash	4,144,323	4,459,825	3,045,483
Total Assets	9,552,429	9,798,903	5,354,219
Total Liabilities	1,228,386	1,405,094	1,591,735
Shareholders' Equity	8,324,043	8,393,809	3,762,484
General and Administration	105,168	905,480	30,000
Exploration Expenses	62,549	2,202,505	291,440
Stock based compensation	-	2,067,679	-

The Company has no operating revenues and relies on external financings to generate capital. As a result of its activities, Petrolympic continues to incur net losses.

General and administration expenses for the first quarter 2009 were \$105,168, compared with \$16,309 for the corresponding period last year. During the first quarter 2008 the Company had not yet started incurring substantial corporate costs after its reorganization in December 2007. Stock based compensation of \$Nil for the first quarter 2009 compares with \$350,240 for the corresponding period last year, as the Company's outstanding stock options were fully expensed by the end of fiscal 2008.

Exploration expenses, capitalized in accordance with the Company's accounting policies and in accordance with Accounting Guideline AcG-16, were \$62,549 for the first quarter 2009, compared with exploration expenses of \$333,393 for the corresponding period last year. The Company has curtailed much of its exploration activities during the current economic downturn.

Cash flows used in operating activities for the first quarter 2009 was \$238,004 compared with \$294,352 for the corresponding period last year, predominantly attributable to working capital changes.

## SUMMARY OF QUARTERLY RESULTS

The following tables set out financial performance highlights for the past eight quarters.

	<b>First Quarter</b> March 31, 2009	<b>Fourth Quarter</b> Dec. 31, 2008	<b>Third Quarter</b> Sep. 30, 2008	<b>Second Quarter</b> June 30, 2008
Revenue / income	\$ 0	\$ 1,050,000	\$ 0	\$ 0
Expenses	90,219	862,820	412,373	1,331,417
Net income (loss)	(69,766)	217,573	(380,508)	(1,300,024)
Net income (loss) per share	(0.00)	0.00	(0.01)	(0.02)
Cash flows provided by (used in) operating activities	(238,004)	883,482	(233,112)	(253,306)
Cash and cash equivalents, end of period	4,144,323	4,459,825	3,565,734	3,868,351
Assets	9,552,429	9,798,903	8,717,966	8,903,149

	<b>First Quarter</b> March 31, 2008	<b>Fourth Quarter</b> Dec. 31, 2007	<b>Third Quarter</b> Sep. 30, 2007	<b>Second Quarter</b> June 30, 2007
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Expenses	366,549	30,000	0	0
Net loss	(366,549)	(30,000)	0	0
Net loss per share	(0.00)	(0.00)	0.00	0.00
Cash flows used provided by operating activities	(294,352)	117,864	0	0
Cash and cash equivalents, end of period	2,417,738	3,045,483	0	0
Assets	5,098,493	5,354,219	0	0

## Liquidity and Capital Resources

Petrolympic's working capital on March 31, 2009 was \$3,601,155, compared with \$3,733,273 on December 31, 2008. The cash balance and cash equivalents balance on March 31, 2008 was \$4,144,323, compared with \$4,459,825 on December 31, 2008. The reduction in cash and working capital is due to operational and exploration expenditures of \$315,502. The Company does not earn any revenue from its exploration and development activities and there was accordingly a reduction in its overall asset base.

The Company earned interest income of \$20,453 for the first quarter 2009 (first quarter 2008: \$Nil). Interest earned was not substantial due to the low interest rate environment for cash and cash equivalent deposits.

While Petrolympic is dependant on the success of financing initiatives, management intends to strictly control all expenses and focus on creating value for shareholders by exploring and developing its most promising oil and gas properties. The Company will also actively pursue acquiring additional oil and gas properties and will seek out joint venture opportunities, especially in the Gaspé Peninsula and the St. Lawrence Lowlands.

Current liabilities as at March 31, 2009 consisted of accounts payable and loan payable to a director, totaling \$892,180. The outstanding amount owing on the Company's 5% promissory notes at December 31, 2008 of \$14,949 was repaid during the first quarter 2009. This compares with total current liabilities of \$1,068,888 as at December 31, 2008. The reason for the variance is predominantly attributable to a reduction in accounts payable and accrued liabilities during the first quarter 2009 of \$180,100.

There were no changes to the Company's issued and outstanding shares or warrants outstanding during the first quarter 2009.

The Company cancelled 6,183 stock options during the first quarter 2009.

While Petrolympic is dependant on the success of joint venture, farm-in and financing initiatives, management intends to strictly control all expenses and focus on creating value for shareholders by exploring and developing high-potential oil and gas properties which it believes are to be the most promising.

#### **Disclosure of Outstanding Share Data**

As at March 31, 2009 and May 28, 2009, the Company had 81,355,079 shares outstanding. In addition, the Company had 6,933,336 stock options and a total of 7,408,027 warrants outstanding.

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional options and warrants or additional common shares from time to time in the future. If it does so the ownership interest of the Company's then current shareholders could also be diluted.

#### **RELATED PARTY TRANSACTIONS**

Not applicable.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

None.

#### **SUBSEQUENT EVENTS**

None.

#### **PROPOSED TRANSACTIONS**

There are no proposed transactions at this time, although the Company does evaluate potential merger, acquisition, investment and joint venture opportunities.

#### **CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amount of certain revenue and expenses during the period. Actual results could differ significantly from those estimates.

## **Critical Accounting Estimates and Assumptions**

### *Assessment of Recoverability of Petroleum and Natural Gas Property Costs*

The Company's recorded value of its exploration properties is based on historical costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for petroleum and natural gas, underlying petroleum and natural gas resources associated with the properties and future costs that may be required for ultimate realization through extraction operations or by sale.

### *Assessment of Recoverability of Future Income Tax Assets*

In preparing the consolidated financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated income statement.

### *Estimate of Stock Based Compensation and Associated Assumptions*

The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

### *Assessment of Recoverability of Receivables Including VAT*

The carrying amount of accounts receivables and Value Added Tax are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded.

### *Estimate of Fair Value of Financial Instruments*

Where the fair value of a financial instrument is different than its carrying value disclosure of the estimated fair value is required. The fair value disclosed is based on management estimates using assumptions such as market interest rates.

### *Going Concern Assumption*

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of properties. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

### *Asset Retirement Obligations*

Future costs to retire an asset including dismantling, remediation and ongoing treatment, and monitoring of the site are recognized and recorded as a liability at fair value. The liability is accreted, over time

through periodic charges to earnings. In addition, asset retirement costs are capitalized as part of the asset's carrying value and amortized over the asset's useful life.

The Company has determined that it has no obligations relating to the retirement of its assets and no liability has been recognized as at March 31, 2009.

## **Changes in Accounting Policies including Initial Adoption**

### *Goodwill and Intangible Assets*

Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 3064, Goodwill and Intangible Assets ("CICA 3064"), results in withdrawal of CICA 3450, Research and Developmental Costs, and amendments to Accounting Guideline 11, Enterprises in the Development Stage and CICA 1000, Financial Statement Concepts. The standard intends to reduce the differences with International Financial Reporting Standards ("IFRS") in the accounting for intangible assets and results. Under current Canadian standards, more items are recognized as assets than under IFRS. The objectives of CICA 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The new standard takes effect for fiscal years beginning on or after October 1, 2008, with early adoption encouraged. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2009.

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

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2009.

### *Mining Exploration Costs*

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2009.

## **Future Accounting Changes**

### *International Financial Reporting Standards ("IFRS")*

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. During the next periods, the Company will develop its internal implementation plan to meet the guidelines of the future reporting requirements.

### *Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Tax credit receivable and sales tax receivable are classified as loans and receivables, which are measured at amortized cost and are equal to fair market value. Accounts payable and accrued liabilities, loan payable to director and 5% promissory notes are classified as other financial liabilities, which are measured at amortized cost and are also equal to fair market value.

As of March 31, 2009, the Company estimates that the fair values of all its financial instruments approximate their carrying values. Petrolympic does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair values of all its financial instruments approximate their carrying values.

### **OUTLOOK**

Petrolympic met all its financial and operational obligations during 2008, including its flow-through allocations. The company has very low operational costs with adequate cash to fund continuing operations.

As discussed under "Economic Situation and Company Response", the Company decided during late fall of 2008 to postpone its exploration work over its 100% interest Gaspé properties until the economic crisis resolves itself and new activities on these properties are not likely to take place before the end of 2009.

Where the joint venture with Squatex and farm-out with Canbriam is concerned, the Company has engaged in interpretation and integration of the data acquired during fiscal 2008 and complementary geological and geochemical samplings are foreseen in the expected exploration program that will take place during summer in the Bas-St-Laurent area.

The Company will be more active on its Lowlands properties and Petrolympic has contracted a geochemical sampling program across the Havelock Fault and other geological features in the area and will likely complete a radiometric survey along more than 400 kilometers of roads in the area, to better position the Company's first drilling site.

Regarding the joint venture and farm-out property, the elected operator for the consortium, Canbriam, is planning to pursue its exploration program as scheduled and shall start to drill its first well as early as July 2009 to test the potential of the Utica and Lorraine for gas production.

## **RISKS AND UNCERTAINTIES**

At the present time, Petrolympic does not hold any interest in an oil and gas property in production. Therefore, the Company's viability and potential success lies in its ability to develop, exploit and generate revenues from potential oil and gas deposits discoveries, resulting from planned exploration programs on its properties or its option agreements. Revenues, profitability and cash flow from any future extraction operations involving the Company will be influenced by crude oil prices and by the relationship of such prices to the production costs. Such prices have fluctuated widely in the past, affected by numerous factors beyond the Company's control.

Petrolympic has limited financial resources and there are no assurances that additional funding will be available for further exploration and development of its projects or to fulfill its obligations under applicable option agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there is no assurance that it will be able to obtain such additional financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such property interest.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on the Internet at the SEDAR website located at [www.sedar.com](http://www.sedar.com) and at [www.petrolympic.com](http://www.petrolympic.com).