PETROLYMPIC LTD.

Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Petrolympic Ltd. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2008 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

PETROLYMPIC LTD.
Interim Consolidated Balance Sheets
(Expressed in Canadian Dollars)
(Unaudited)

	September 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	**$ 2,136,475**	$ 4,459,825
Guaranteed investment certificate	**1,002,219**	-
Accounts receivable (Note 6(b))	**1,050,000**	-
Tax credit receivable	**135,830**	135,830
Sales tax receivable	**212,792**	185,005
Prepaids	**40,683**	21,501
	4,577,999	4,802,161
Equipment (Note 5)	**2,378**	2,231
Unproven petroleum and natural gas properties (Note 6)	**5,206,624**	4,994,511
	$ 9,787,001	$ 9,798,903
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 302,428**	$ 538,011
5% promissory notes	**-**	14,949
Loan payable (Note 11)	**132,324**	515,928
	434,752	1,068,888
Future income taxes	**336,206**	336,206
	770,958	1,405,094
Shareholders' equity		
Capital stock (Note 7)	**6,415,432**	6,389,766
Contributed surplus	**3,650,966**	3,393,482
Deficit	**(1,050,355)**	(1,389,439)
	9,016,043	8,393,809
	$ 9,787,001	$ 9,798,903

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

PETROLYMPIC LTD.

Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Expenses				
Professional fees	**$ 85,034**	$ 46,759	**$ 173,047**	$ 223,772
Management fees	**75,250**	-	**177,750**	-
Interest and bank charges	**392**	-	**1,354**	-
Investor relations and promotion	**18,984**	-	**48,237**	-
Reporting issuer costs	**5,110**	-	**18,093**	-
Travel expenses	**6,517**	-	**13,117**	-
Insurance	**7,221**	-	**23,753**	-
Office	**(6,335)**	58,414	**13,573**	194,993
Flow-through costs	**-**	-	**9,606**	**-**
Capital tax	**2,671**	**-**	**2,671**	**-**
Stock-based compensation (Note 9)	**-**	307,200	**264,250**	1,691,574
Other expenses (income)	**-**	-	**(14,949)**	-
	194,844	412,373	**730,502**	2,110,339
Other Income				
Interest income	**3,623**	(31,865)	**(19,586)**	(63,258)
Gain on farmout agreement (Note 6(b))	**-**	-	**(1,050,000)**	-
Net income (loss) and comprehensive income (loss) for the period	**$ (198,467)**	$ (380,508)	**$ 339,084**	$ (2,047,081)
Income (loss) per share - basic and diluted	**$ (0.00)**	$ (0.01)	**$ 0.00**	$ (0.03)
Weighted average number of shares outstanding - basic	**81,440,635**	74,490,952	**81,387,449**	72,622,900
Dilutive effect of stock options and warrants	**-**	-	**672,128**	-
Weighted average number of shares outstanding - dilutive	**81,440,635**	74,490,952	**82,059,577**	72,622,900

Interim Consolidated Statements of (Deficit) Retained Earnings

(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
(Deficit) retained earnings, beginning of period	**$ (851,888)**	$ (1,226,504)	**$ (1,389,439)**	$ 440,069
Net income (loss) for the period	**(198,467)**	(380,508)	**339,084**	(2,047,081)
Deficit, end of period	**$ (1,050,355)**	$ (1,607,012)	**$ (1,050,355)**	$ (1,607,012)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

PETROLYMPIC LTD.
Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Capital Stock	Contributed Surplus	Deficit	Total
Balance, December 31, 2007	$ 2,126,261	$ 1,196,154	$ 440,069	$ 3,762,484
Shares issued for cash:				
Private placement	2,500,000	-	-	2,500,000
Exercise of warrants	1,794,368	-	-	1,794,368
Exercise of stock options	100,818	-	-	100,818
Private placement - warrant valuation	(872,250)	872,250	-	-
Exercise of warrants - valuation	709,163	(709,163)	-	-
Exercise of stock options - valuation	33,438	(33,438)	-	-
Shares issue costs - paid in cash	(2,032)	-	-	(2,032)
Stock-based compensation	-	2,067,679	-	2,067,679
Net loss for the year	-	-	(1,829,508)	(1,829,508)
Balance, December 31, 2008	$ 6,389,766	$ 3,393,482	$ (1,389,439)	$ 8,393,809
Shares issued for cash:				
Exercise of warrants	18,900	-	-	18,900
Exercise of warrants - valuation	6,766	(6,766)	-	-
Stock-based compensation (Note 9)	-	264,250	-	264,250
Net income for the period	-	-	339,084	339,084
Balance, September 30, 2009	**$ 6,415,432**	**$ 3,650,966**	**$ (1,050,355)**	**$ 9,016,043**

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

PETROLYMPIC LTD.
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Cash flows (used in) provided by:				
Operating Activities				
Net income (loss) for the period	**$ (198,467)**	$ (380,508)	**$ 339,084**	$ (2,047,081)
Items not affecting cash:				
Stock-based compensation (Note 9)	**-**	307,200	**264,250**	1,691,574
Amortization of property and equipment	**247**	99	**672**	296
Unrealized foreign exchange gain on on loan payable	**(11,406)**	-	**(57,443)**	-
Net change in non-cash working capital:				
Accounts receivable	**-**	-	**(1,050,000)**	-
Tax credit receivable	**-**	(8,484)	**-**	71,648
Sales tax receivable	**(9,616)**	(3,421)	**(27,787)**	(130,363)
Prepaids	**(24,805)**	(29,940)	**(19,182)**	(29,940)
Accounts payable and accrued liabilities	**78,105**	(118,058)	**(235,583)**	(336,904)
	(165,942)	(233,112)	**(785,989)**	(780,770)
Financing Activities				
Issuances of capital stock net of issue costs	**-**	55,497	**18,900**	4,105,472
Purchase of guaranteed investment certificate	**(1,002,219)**	-	**(1,002,219)**	(20,000)
Repayment of loan payable	**-**	(49,314)	**(341,109)**	(49,314)
	(1,002,219)	6,183	**(1,324,428)**	4,036,158
Investing Activities				
Acquisition of equipment	**-**	-	**(820)**	(2,625)
Deferred exploration costs	**(52,785)**	(75,688)	**(212,113)**	(2,732,512)
	(52,785)	(75,688)	**(212,933)**	(2,735,137)
Net change in cash and cash equivalents	**(1,220,946)**	(302,617)	**(2,323,350)**	520,251
Cash and cash equivalents, beginning of period	**3,357,421**	3,868,351	**4,459,825**	3,045,483
Cash and cash equivalents, end of period	**$ 2,136,475**	$ 3,565,734	**$ 2,136,475**	$ 3,565,734
Cash and cash equivalents consist of:				
Cash	**$ 114,267**	$ 546,654	**$ 114,267**	$ 546,654
Cash equivalents	**2,022,208**	3,019,080	**2,022,208**	3,019,080
	$ 2,136,475	$ 3,565,734	**$ 2,136,475**	$ 3,565,734

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

1. Statutes of Incorporation, Change of Name, Nature of Operations and Going Concern

Petrolympic Ltd. (the "Company" or "Petrolympic") is incorporated under the Business Corporations Act (Ontario). The Company was listed as a Capital Pool Company as defined in TSX Venture Exchange Inc. policy 2.4 under the name of Pisces Capital Corp. until December 21, 2007. The Company name has been changed to Petrolympic Ltd. on December 21, 2007. On the same date, the Company acquired, on the approval of the Qualifying Transaction by regulatory authorities, 100% of Petrolympia Inc., a petroleum and natural gas exploration company, which holds exploration permits in the Appalachian Basin of Quebec that include holdings in the Gaspé Peninsula and the St.Lawrence Lowlands. The Company is an exploration stage company and it has not yet determined whether the properties contain reserves that are economically recoverable.

The Company has not determined whether it has any economically recoverable reserves. The underlying value of the interests in petroleum and natural gas properties is dependent upon the existence of such economically recoverable reserves, the Company's ability to obtain the necessary financing to develop the reserves and the future profitable production. In view of these circumstances, there is uncertainty as to whether or not the Company can continue its business as a going concern without obtaining additional capital or adequate financing. The accompanying unaudited interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern and accordingly, they do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue as a going concern and be required to realize its assets and liquidate its liabilities in other than the normal course of business.

2. Basis of Presentation and Accounting Policies

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2009 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2009.

The consolidated balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2008, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2008.

2. Basis of Presentation and Accounting Policies (Continued)

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Section 3064, “Goodwill and Intangible Assets”, which replaces CICA Sections 3062, “Goodwill and Other Intangible Assets” and 3450 “Research and Development Costs”, as well as EIC-27, "Revenues and Expenditures During the Pre-operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". Under previous Canadian standards, a greater number of items were recognized as assets than are recognized under International Financial Reporting Standards ("IFRS"). The provisions relating to the definition and initial recognition of intangible assets reduce the differences with IFRS in the accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle-based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets items that do not meet the recognition criteria is eliminated. The 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 portions in the standard relating to goodwill remain unchanged.

The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at September 30, 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 September 30, 2009.

Mining Exploration Costs

In March 2009, the Emerging Issues Committee issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties and the impairment review of such capitalized exploration costs. The adoption of this abstract had no impact on the Company’s presentation of its financial position or results of operations as at September 30, 2009.

Future Accounting Changes

<u>IFRS</u>

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 2011 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 follow its internal implementation plan to meet the guidelines of the future reporting requirements.

2. Basis of Presentation and Accounting Policies (Continued)

Future Accounting Changes (Continued)

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.

3. Capital Management

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of petroleum and natural gas interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As at September 30, 2009 total shareholder's equity (managed capital) was $9,016,043 (December 31, 2008 - $8,393,809).

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) reducing or eliminating exploration expenditures that are of limited strategic value; and
(iii) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 2009. The Company is not subject to externally imposed capital requirements.

4. Property and Financial Risk Factors

(a) Property Risk

Unless the Company acquires or develops additional significant properties, it will be solely dependent upon its existing projects. If the Company acquires no additional petroleum and natural gas properties, any adverse development affecting its existing projects would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate, and commodity and equity price risk).

The Company's management team carries out risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, guaranteed investment certificate, accounts receivable, tax credit receivable and sales tax receivable. Cash and cash equivalents and guaranteed investment certificate are held with reputable Canadian chartered banks, from which management believes the risk of loss to be minimal.

Accounts receivable include a receivable from Canbriam Energy Inc. ("Canbriam"), the Company's earn-in partner on certain exploration permits in only the Queenston, Lorraine and Utica Formations that form part of the Joint Venture between Ressources et Energie Squatex Inc. ("Squatex") and Petrolympic. The receivable relates to Canbriam exercising its first option early according to the amendment to the Joint Operating Agreement which requires the Company to receive $1,050,000 prior to November 30, 2009. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is minimal.

Financial instruments included in tax credit receivable and sales tax receivable consist of sales tax receivable from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in tax credit receivable and sales tax receivable is minimal.

Accounts receivable, tax credit receivable and sales tax receivable are in good standing as of September 30, 2009.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or of matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2009, the Company had a cash and cash equivalents balance of $2,136,475 (December 31, 2008 - $4,459,825) to settle current liabilities of $434,752 (December 31, 2008 - $1,068,888). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

4. Property and Financial Risk Factors (Continued)

(b) Financial Risk (Continued)

Market Risk

Interest Rate Risk

The Company has significant cash balances. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors its cash management policy.

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars and U.S. dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to petroleum and natural gas to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

As of September 30, 2009, both the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a nine month period:

(i) Cash and cash equivalents and guaranteed investment certificates are subject to floating interest rates. As at September 30, 2009, if interest rates had varied by 1% with all other variables held constant, income for the nine months ended September 30, 2009, would have varied by approximately $28,500. Similarly, as at September 30, 2009, shareholders' equity would have varied by $28,500 as a result of the variance in interest income from cash and cash equivalents and guaranteed investment certificates due to a 1% variance in interest rates.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents and loan payable that are denominated in U.S. dollars. Sensitivity to a plus or minus 10% change in foreign exchange rates would affect net income by approximately $800.

(Expressed in Canadian Dollars)

4. Property and Financial Risk Factors (Continued)

(b) Financial Risk (Continued)

Sensitivity Analysis (Continued)

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of developments depend upon the world market price of petroleum and natural gas. Petroleum and natural gas prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of petroleum and natural gas are produced in the future, a profitable market will exist for them. A decline in the market price of petroleum and natural gas may also require the Company to reduce its resources, which could have a material and adverse effect on the Company's value. As of September 30, 2009, the Company is not a petroleum and natural gas producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

5. Equipment

	September 30, 2009		
	Cost	**Accumulated Amortization**	**Net Carrying Amount**
Computer equipment	$ 3,445	$ 1,067	$ 2,378

	December 31, 2008		
	Cost	**Accumulated Amortization**	**Net Carrying Amount**
Computer equipment	$ 2,625	$ 394	$ 2,231

(Expressed in Canadian Dollars)

6. Unproven Petroleum and Natural Gas Properties

September 30, 2009

	Cost of Properties	Deferred Exploration Costs	Net Carrying Amount
Quebec	**$ 2,062,406**	**$ 3,144,218**	**$ 5,206,624**

Allocation of expenditures			
Analysis	$ -	$ 12,250	$ 12,250
Drilling	-	14,472	14,472
Geology	-	82,741	82,741
Consulting	-	9,860	9,860
Reports	-	3,100	3,100
General exploration costs	-	500	500
Claim costs	-	8,470	8,470
Permits and licences	-	19,899	19,899
Geophysical	-	60,821	60,821
Net increase in exploration expenses for the period	-	212,113	212,113
Balance, December 31, 2008	2,062,406	2,932,105	4,994,511
Balance, September 30, 2009	**$ 2,062,406**	**$ 3,144,218**	**$ 5,206,624**

December 31, 2008

	Cost of Properties	Deferred Exploration Costs	Net Carrying Amount
Quebec	**$ 2,062,406**	**$ 2,932,105**	**$ 4,994,511**

(Expressed in Canadian Dollars)

6. Unproven Petroleum and Natural Gas Properties (Continued)

Allocation of expenditures

	Cost of Properties	Deferred Exploration Costs	Net Carrying Amount
Analysis	$ -	$ 85,440	$ 85,440
Acquisition costs	666,623	-	666,623
Drilling	-	104,386	104,386
Geology	-	258,433	258,433
Geophysical surveys	-	1,694,355	1,694,355
General exploration costs	-	195,721	195,721
	666,623	2,338,335	3,004,958
Less: refundable tax credit for resources	-	(135,830)	(135,830)
Net increase in exploration expenses for the year	666,623	2,202,505	2,869,128
Balance, December 31, 2007	1,395,783	729,600	2,125,383
Balance, December 31, 2008	**$ 2,062,406**	**$ 2,932,105**	**$ 4,994,511**

On a quarterly basis, management of the Company review exploration costs to ensure unproven petroleum and natural gas properties include only costs and projects that are eligible for capitalization. For a description of the petroleum and natural gas properties owned by the Company, refer to Note 7 of the audited consolidated financial statements as at December 31, 2008. Specific changes to unproven petroleum and natural gas properties that occurred from January 1, 2009 to September 30, 2009 are as follows:

(a) On April 10, 2009, the Company abandoned Permit # 2007PG-925 in the St. Lawrence LowLands. Nominal costs were assigned to this permit.

(b) By request of the operator Canbriam, Squatex and Petrolympic have entered into an amendment to the Joint Operating Agreement pursuant to which Canbriam has agreed to accelerate its exercise of the first option under the Joint Operating Agreement, and to advance the drilling program to drill 2 wells in the JV lands.

Under the Joint Operating Agreement, Canbriam had to drill 1 well, and had until March 31, 2010 to make a determination as to whether to proceed with the first option. On July 9, 2009, Canbriam spud the Canbriam Farnham No 1 well in the St. Lawrence Lowlands. Canbriam also exercised its first option. As a result, Canbriam shall: (i) drill and case or abandon two (2) vertical wells down to the base of the Utica Formation and/or 30 meters into the top of the Trenton Formation before September 30, 2010 (these two wells being in addition to the 1 vertical well Canbriam drilled); and (ii) make payments of $1.05 million to Petrolympic and $2.45 million to Squatex by November 30, 2009. As consideration for Canbriam exercising the first option early, Petrolympic and Squatex have agreed to provide Canbriam with an exclusive option to negotiate on addition land until December 31, 2009. The Company has included $1.05 million in accounts receivable as of September 30, 2009.

(Expressed in Canadian Dollars)

7. Capital Stock

The Company is authorized to issue an unlimited number of voting common shares without par value.

	Number of Shares	Amount
Balance, December 31, 2008	81,355,079	$ 6,389,766
Exercise of warrants	85,556	18,900
Exercise of warrants - valuation	-	6,766
Balance, September 30, 2009	**81,440,635**	**$ 6,415,432**

8. Warrants

The following table shows the continuity of warrants for the nine months ended September 30, 2009:

	Number of Warrants	Allocated Value
Balance, December 31, 2008	7,439,317	$ 1,330,041
Exercised	(85,556)	(6,766)
Expired	(15,645)	-
Balance, September 30, 2009	**7,338,116**	**$ 1,323,275**

The following are the warrants outstanding at September 30, 2009:

Number of Warrants	Fair Value	Exercise Price	Expiry Date
2,224	$ 244	$ 0.18	December 21, 2009
8,000	836	0.20	December 21, 2009
4,827,892	449,945	0.25	December 21, 2009
2,500,000	872,250	1.40	June 26, 2011 (a)
7,338,116	**$ 1,323,275**		

(a) On June 10, 2009, the TSX Venture Exchange consented to the extension of the expiry date of 2,500,000 warrants exercisable at $1.40 per share with an original expiry date of December 26, 2009 to June 26, 2011. The fair value of the extended warrants was $nil.

(Expressed in Canadian Dollars)

9. Stock Options

The following table shows the continuity of stock options for the nine months ended September 30, 2009:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2008	6,939,519	$	0.36
Cancelled	(6,183)		0.15
Granted (a)(b)	1,050,000		0.29
Balance, September 30, 2009	**7,983,336**	**$**	**0.35**

The following are the stock options outstanding at September 30, 2009:

Number of Options		Fair Value		Exercise Price	Weighted average Remaining Contractual Life (years)	Expiry Date
100,000		14,400		0.20	2.75	June 1, 2012
4,666,669	$	633,734	$	0.18	3.39	February 19, 2013
666,667		572,800		0.90	3.71	June 16, 2013
800,000		562,240		0.90	3.73	June 23, 2013
800,000		288,720		0.40	3.95	September 12, 2013
950,000		249,850		0.295	4.72	June 17, 2014
7,983,336	**$**	**2,321,744**	**$**	**0.35**	**3.66**	

(a) On June 8, 2009, the Company announced that it has agreed to an extension of the investor relations and capital markets consulting agreements entered into with Advent Management Inc. ("Advent") and Evolution Group Inc. Pursuant to the terms thereof, the Company has granted to Advent incentive stock options for the purchase of a total of 100,000 common shares of the Company at a price of $0.20 per common share, exercisable until June 1, 2012 in accordance with the Company's stock option plan. For the purposes of the 100,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumption: expected dividend yield of 0%; expected volatility of 124%; risk-free interest rate of 1.01% and an expected average life of 3 years. The estimated fair value was determined to be $14,400 and these options vest immediately. For the three and nine months ended September 30, 2009, the impact on expenses was $nil and $14,400.

(b) On June 17, 2009, the Company granted to certain directors and officers incentive stock options for the purchase of a total of 950,000 common shares of the Company at a price of $0.295 per common share, exercisable until June 17, 2014. The options are being granted pursuant to the terms of the Company's stock option plan. For the purposes of the 950,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 124%; risk-free interest rate of 2.45% and an expected average life of 5 years. The estimated fair value was determined to be $249,850 and these options vest immediately. For the three and nine months ended September 30, 2009, the impact on expenses was $nil and $249,850.

(c) The weighted average grant date fair value of the options granted was $0.29 per option.

10. Commitments

In order to maintain the Company's petroleum and natural gas permits in good standing, the Company must pay an annual rent of $0.10 per hectare and incur minimum exploration expenditures equivalent to $0.50 per hectare, increasing by $0.50 per hectare every subsequent year until a maximum of $2.50. The commitments decrease after 2010 because the first five-year rental period will reach an end. The Company has the option to renew the permits for another five-year period with the obligation of incurring minimum annual exploration expenditures of $2.50 per hectare.

Minimum annual rentals and exploration expenditures are approximately as follows:

2009	$	293,134
2010		645,415
2011		785,584
2012		897,718
2013		897,718
	$	3,519,569

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

11. Loan payable

The loan payable, denominated in US $, consists of funds advanced by a director of the Company. The loan is non-interest bearing and has no specific terms of repayment. The loan is not a demand loan and may be repaid at the Company's discretion. During the period, $326,160 ($300,000 US) was repaid to the director of the Company.

12. Related parties

For the three and nine months ended September 30, 2009, the Company paid $4,500 and $9,000, respectively to Marrelli CFO Outsource Syndicate Inc. ("Marrelli") for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company (three and nine months ended September 30, 2008 - $nil). Carmelo Marrelli beneficially owns Marrelli. The Chief Financial Officer is also the president of a firm providing accounting services to the Company. During the three and nine months ended September 30, 2009, the Company expensed $6,063 and $26,978, respectively (three and nine months ended September 30, 2008 - $6,720) for services rendered by this firm. In addition, as at September 30, 2009, this firm was owed $2,700 (December 31, 2008 - $13,066) and this amount was included in accounts payable and accrued liabilities.

For the three and nine months ended September 30, 2009, the Company paid $65,395 and $93,337, respectively to a law firm in which the corporate secretary of the Company is a partner. In addition, as at September 30, 2009, this firm was owed $88,386 (December 31, 2008 - $nil) which is included in accounts payable and accrued liabilities. The corporate secretary is also a director and co-chairman of the board of a company that exercised 35,556 warrants with an exercise price of $0.18 for gross proceeds of $6,400.

These transactions are in the normal course of operations and are measured at the exchange value (the amount established and agreed to by the related parties).