

PETROLYMPIC LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2009**

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Petrolympic Ltd. ("Petrolympic" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2009. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the three and nine months ended September 30, 2009, as well as the audited consolidated financial statements for the year ended December 31, 2008, including the related notes, which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts referred to in this MD&A are in Canadian dollars unless otherwise specified. Information contained herein is presented as at November 27, 2009, unless otherwise indicated.

Further information about the Company and its operations can be obtained from the offices of the Company or from www.sedar.com.

Caution Regarding Forward-looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future prices of petroleum and natural gas; success of exploration activities; cost and timing of future exploration and development; requirements for additional capital; and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; future prices of petroleum and natural gas; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in petroleum and natural gas exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Description of Business

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 was 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. ("Petrolympia"), a petroleum and natural gas exploration company that holds exploration permits in the Appalachian Basin of Quebec, including 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's shares are listed on the TSX Venture Exchange under the trading symbol "PCQ".

Petrolympic's goal is to deliver superior returns to shareholders by concentrating on the acquisition of properties that have the potential to contain petroleum and natural gas. The Company plans to do this by focusing on certain properties, as set out below under "Corporate Developments".

Overall Performance

The Company is currently exploring for petroleum and natural gas. The Company has incurred losses in prior periods and losses are expected in the future. The Company's continued existence is dependent upon its raising additional financing, achieving its development plans and obtaining and maintaining profitable operations. Recently, global financial markets and economic conditions have been disrupted and volatile and the debt and equity capital markets have been distressed. These factors, together with the repricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it challenging to obtain cost effective funding. There is no assurance capital will be available and if it is not, the Company may be forced to curtail or suspend activities.

The Company is taking firm measures in response to the current financial markets and economic conditions. Management is strongly committed to ensuring that the Company survives by reducing expenditures 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 cash position of the Company is sufficient to cover corporate and operational activities at current levels, including the maintenance of royalty, option and other property commitments, the Company is actively seeking joint venture and farm-in opportunities to achieve its goal of bringing its petroleum and natural gas exploration properties into commercial production and of continuing exploration and development as required. See "Liquidity and Financial Position" below.

The Company has existing discretionary commitments at September 30, 2009, of approximately \$3.5 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. The underlying value of the interests in petroleum and natural gas properties is dependent upon the existence of such economically recoverable reserves and upon obtaining the necessary financing to develop the reserves and generate profitable production.

As at September 30, 2009, the Company had assets of \$9,787,001 and a net equity position of \$9,016,043. This compares with assets of \$9,798,903 and a net equity position of \$8,393,809 at December 31, 2008. The Company has \$434,752 of liabilities and no debt. The Company spent \$212,113 during the nine months ended September 30, 2009, on exploration activities on its unproven petroleum and natural gas properties. At September 30, 2009, the Company had unproven petroleum and natural gas properties of \$5,206,624, compared to \$4,994,511 at December 31, 2008.

At September 30, 2009, the Company had working capital of \$4,143,247, compared to \$3,733,273 at December 31, 2008. The Company had cash and cash equivalents and a guaranteed investment balance of \$3,138,694 at September 30, 2009, compared to \$4,459,825 at December 31, 2008, a decrease of approximately 30%. The decrease in cash and cash equivalents and guaranteed investment certificates during the nine months ended September 30, 2009, is primarily due to cash expenditures for the Company's exploration activities discussed above, repayment of a loan of \$341,109 and operating expense charges incurred during the period.

See "Corporate Developments" below.

Trends

- The economic crisis that started in the financial sector has continued to worsen and we are now in the midst of a global recession. Capital investment in junior exploration companies has dramatically declined with many major new projects cancelled or delayed. Some producing properties have been subject to shutdowns and reduced production. Credit markets have become increasingly difficult and many companies that, just one year ago, had large cash resources to invest in petroleum and natural gas exploration are now struggling to finance day-to-day operations;
- Securities of oil and gas exploration companies have experienced substantial volatility in the past, and especially during the fourth quarter of 2008 and early 2009, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally and market perceptions of the attractiveness of particular industries, and may affect the value of the Company's securities;
- There are significant uncertainties regarding the price of petroleum and natural gas and the availability of equity financing for the purposes of petroleum and natural gas exploration and development;
- The Company's performance is largely tied to the outcome of future drilling results and the overall financial markets; and
- Financial markets are likely to be volatile in Canada for the remainder of fiscal 2009 and potentially into 2010, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. As well, concern about global growth has led to volatility in the commodity markets. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing/raising funds. Companies worldwide have been negatively affected by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of petroleum and natural gas development, particularly without excessively diluting the interests of current shareholders.

See "Risk Factors" below.

Unproven Petroleum and Natural Gas Properties

The Company's exploration activities are at an early stage, and it has not yet been determined whether its properties contain economic reserves. There are no proven reserves on any of the unproven petroleum and natural gas properties of the Company and any activities of the Company thereon will constitute exploratory searches for petroleum and natural gas. See "Risk Factors" below.

Corporate Developments

Farmout agreement with Canbriam Energy Inc.

On November 25, 2008, Petrolympic, together with its joint venture partner Ressources et Energie Squatex Inc. ("Squatex"), entered into a farmout agreement with Calgary-based Canbriam Energy Inc. ("Canbriam"), pursuant to which Canbriam has the right to earn a 60% interest in up to 32,000 hectares (79,074 acres) of exploration permits within the Lowland shale gas area, which form part of the existing joint venture between Squatex and Petrolympic, specifically in the Queenston, Lorraine and Utica formations (Trenton Black River Formation and below are not included).

The key terms of the original Canbriam agreement are as follows:

- Canbriam made cash payments of \$3.5 million (\$2.45 million to Squatex and \$1.05 million to Petrolympic) upon entering into the agreement.
- Within three months of entering into the agreement, Canbriam agreed to select two permits, which it would designate as forming part of the farmout lands under the agreement. (This was subsequently extended to March 31, 2010).
- Canbriam agreed to drill one vertical well to the base of the Utica Formation and/or 30 metres into the top of the Trenton Formation prior to October 31, 2009 (the "initial exploration program"); At writing, Canbriam has drilled the Farnham No.1 well as later indicated.
- Within 90 days of completing the initial exploration program, Canbriam was to select the initial 8,000-hectare parcel (of the 32,000 hectares) of contiguous farmout lands for which Canbriam will have earned a 60% interest. Squatex and Petrolympic, based on the terms of their existing joint venture agreement, will hold the remaining 40% interest.
- Under the agreement, Canbriam was to drill its first well, and has until March 31, 2010, to determine whether to proceed with the first option.
- Canbriam has the option to earn a 60% interest in up to an additional 24,000 hectares in the farmout lands, by drilling up to six additional vertical/horizontal wells, and by making cash payments of up to \$13.5 million (\$9.45 million to Squatex and \$4.05 million to Petrolympic) prior to November 30, 2011.
- In the event that Canbriam exercises all of its options with respect to the farmout lands, the remaining 40% interest on these 32,000 hectares will be held by Squatex and Petrolympic (based on the terms of their existing joint venture). Canbriam is responsible for all drilling, completion or abandonment costs incurred with respect to the wells described above.

In February 2009, Canbriam selected permits 2006PG864 and 2006PG866 as farmout lands (from which the specific potential 32,000 hectares were to be selected).

In June 2009, Canbriam, Squatex and Petrolympic amended the joint operating agreement pursuant to which:

- Canbriam agreed to accelerate the decision to exercise the first option under the agreement by committing to making an early payment of \$3.5 million (\$2.45 million to Squatex and \$1.05 million to Petrolympic) by November 30, 2009, and;
- Canbriam has the right, until March 31, 2010, to replace permit 2006PG864 with permit 2006PG865.
- Canbriam has agreed to drill and case or abandon two vertical wells down to the Utica Formation and/or 30 metres into the Top of the Trenton Formation before December 31, 2010.
- Petrolympic and Squatex have agreed to provide Canbriam with an exclusive option to negotiate on additional land until December 31, 2009.

Joint venture agreement between Petrolympic and Squatex

During the summer and fall of 2008, Squatex awarded a major contract to GPR International Inc. and Kinetex Inc. to acquire 200 kilometres of two-dimensional (2-D) Seismic Reflection Profiles:

- 125 kilometres of 2-D seismic data were recorded in the St. Lawrence Lowlands permits, imaging two zones in the Utica play near Chambly and near Ste-Hélène, and
- 75 kilometres of 2-D seismic data were recorded in the Lower St. Lawrence area, to better understand the structural complexity of the Lower Silurian age section and to determine its relation to the Ordovician age shale source rocks.

In addition, Squatex awarded a contract to INRS-ETE to acquire a 1,650-kilometre radiometric land survey, and to collect 350 geochemical soil samples over the St. Lawrence Lowland permits. A geological field study was also performed, collecting approximately 100 rock samples for maturity and total organic content analysis.

In 2009, Squatex began the interpretation and correlation of the field data, and developed this year's exploration program:

LOWER ST. LAWRENCE PERMITS:

- Additional geological sampling was undertaken during the summer of 2009 to measure the hydrocarbon content and the maturity of the rocks.
- GPR International Inc. was awarded a contract in September 2009 to acquire a 17,000- kilometre survey of high-resolution airborne magnetometry covering the entire block of permits.
- In early October 2009, Quantec Geosciences was hired to record an 803-station gravity survey to complement local government stations over the entire joint venture landholdings.

ST. LAWRENCE LOWLANDS PERMITS:

- As noted above, Cambrian drilled Farnham No.1, to the top of the Trenton Formation at 2,509 metres total depth. The well encountered gas shows in the shale section, and was cased. The well is suspended pending future testing.
- An AVO (Amplitude versus Offset) study is being performed by CGGVeritas of Calgary over an east-west seismic line acquired in 2008, over the Utica Fairway, to better understand lateral facies variations within geological formations.
- Near the end of the quarter, Squatex awarded a contract to Calgary-based ChemTerra International Consultants Ltd. to perform a 600 sample geochemical survey over three permits situated on the shallow carbonate platform, southwest of the St. Lawrence Lowlands.

Petrolympic 100% Owned Permits

Gaspé Peninsula

The Company, through its subsidiary, Petrolympia, holds a 100% interest in two 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. The Matapedia permit 2003 RS 092 was granted by the Québec government in September 2003 to Prospection 2000 Inc., which transferred ownership in 2004 to Petrolympia. In the spring of 2006, the Mitis permit 2006 PG 905 was granted by the Québec government to Petrolympia. Both permits are located southwest of Highway 132, several kilometres south of Val-Brillant. The existence of main roads, secondary roads, as well as private or forestry roads, allows excellent access to the properties for the acquisition of seismic surveys.

Obligations are already fulfilled on the current permits.

In January 2008, Petrolympic acquired a second seismic program on the Mitis permit to image possible extensions of large anticline structures, which were interpreted from the previous 2006 seismic survey.

In 2008, Petrolympic reviewed the available geological and geophysical data relating to its Gaspé permit area. Petrolympic's revised interpretation resulted in the development of a targeted exploration program, and the selection of the best drilling location for hydrocarbon accumulations within the Devonian-Silurian age rocks of the area. Surface rights were secured, and a drilling site was constructed. However, Petrolympic postponed the drilling of the well due to delays in obtaining a drilling rig, coupled with the economic turmoil that occurred later in the year.

Work obligations on the permits are largely fulfilled.

In parallel with its in-house technical work, Petrolympic engaged Calgary-based Sproule Associates Ltd. to conduct an independent seismic interpretation and assessment of the potential of the Mitis and the Matapedia permits. Sproule incorporated previous government seismic lines into its study, together with Petrolympic's 2006 and 2008 profiles. Sixteen 2-D seismic profiles were interpreted, resulting in the identification and mapping of at least 10 prospective structural leads (seven in the Matapedia area and three in the Mitis area). In the immediate region, Sproule identified three prospective, southwest-northeast trending fairways separated by right lateral strike-slip motions. These structural trends align with the major Shickshock-Sud fault, which placed older Cambrian-Ordovician age rocks to the north, in lateral contact with younger Silurian-Devonian age rocks on the downthrown side. The identified exploration leads include multiple target zones within the Indian Cove, the Forillon, the West Point, the Sayabec and the Val-Brillant formations; closures range in a real extent from approximately 120 to 3,000 acres. In total, 31 structural closures were mapped. Sproule's interpretation and ranking of the various leads found that the ones previously selected by Petrolympic were the most valid drill locations.

Sproule concluded that additional 2-D seismic data should be acquired to further delineate structural leads and to increase the success of drilling for hydrocarbons.

When the economic situation improves and suitable drilling equipment becomes available, Petrolympic intends to drill the largest multiple structural closure mapped to a depth of 1,500 metres. This proposed drilling location is situated near a major fault where many fractures are likely to be present, creating secondary porosity for hydrocarbon accumulations. Two of the seven exploration wells drilled in the area, the C-119 and C-125 wells that are located immediately to the northeast boundary of the Matapedia permit, reported shows of light crude oil in fractured vuggy porosity within early Devonian/late Silurian age rocks.

Planned expenditures for calendar 2009 for the Gaspé Peninsula are:

| Project/PropertyName | Plans for Project | Planned Expenditures for calendar 2009 | Remaining Commitment | Timing for Completion of Planned Activities |
|-----------------------------|---|---|-----------------------------|--|
| Gaspé Peninsula | Halted at the present time ⁽¹⁾⁽²⁾⁽³⁾ | \$nil | \$nil | n/a |

- (1) Halted until management decides to resume work on the project. The Company will maintain its holding costs of \$4,089 to keep the permits in good standing.
- (2) Expenditures from September 10, 2006, to March 31, 2009, amounted to \$1,173,723.
- (3) The Company has enough exploration credits from past exploration to cover the obligation to keep the two permits in good standing in 2009.

St. Lawrence Lowlands

The Company, through its subsidiary, Petrolympia, holds a 100% interest in three oil and exploration permits covering 56,622 hectares (139,856 acres) in the St. Lawrence Lowlands. The permits are located on the south shore of the St. Lawrence River, directly south of the City of Valleyfield, approximately 30 kilometres southwest of Montreal.

The three permits lie in the southwestern portion of the St. Lawrence Lowlands Sedimentary Basin, in the shallow part of a more or less undisturbed Ordovician age carbonate platform. The three permits were granted in April 2006 by the Québec government. In April 2007, Petrolympia increased the size of its land holdings by acquiring a fourth permit. Further exploration studies conducted in the field in 2008 indicated that one of these new permits didn't exhibit the requisite geological parameters for hydrocarbon accumulations, lowering its commercial potential. In April 2009, Petrolympic therefore decided not to renew permit 2007 PG 925.

As of September 1, 2009, Petrolympia renewed its permits in order to secure the land until 2019.

Numerous paved and gravel roads exist throughout the permitted areas. A secondary gas pipeline - connected to the main Gaz Metro line to the north of the St. Lawrence River -- runs across the property. Based upon the results of previous drilling by other operators, the area is believed to have potential for shallow gas production. The permits are located within a short distance of important normal faults that

place the Utica Formation source rocks in contact with potential reservoir rocks in the Beekmantown and Potsdam formations. Possible trapping mechanisms for gas accumulation in the eastern part of the property are inferred from surface geology.

In June 2009, Petrolympic conducted a geochemistry program over these permits to assist in the evaluation of a drilling location. Calgary-based ChemTerra was selected to acquire the field program, and evaluated results over some 476 samples collected at either 100-metre or 200-metre spacing. Isotopic analyses - run on selected high reading samples of gas - indicate that the seeping gas is thermogenic in origin with some biogenic contribution.

Near the end of the quarter, Petrolympic decided to acquire a second phase of geochemical sampling, infilling the coverage over its permits in the St. Lawrence Lowlands. ChemTerra will acquire an additional 580 geochemical samples on the permits.

Joint Venture Agreement

Since June 30, 2008, through a joint venture agreement with Squatex, the Company has 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, the Lower St. Lawrence and the Gaspé Peninsula in Québec. In consideration for the acquisition of this interest, and in addition to advancing an initial payment of \$500,000 to Squatex upon entering into a binding agreement on May 15, 2008, the Company made additional cash payment of \$2.0 million, thereby completing all payments ahead of schedule. Of the advanced \$2.0 million, \$1.8 million was used for exploration activities on the properties, and \$200,000 remained available to Squatex for its working capital.

Squatex, as the operator of the new lands, developed an exploration work program for the summer and fall of 2008, consisting of the following:

- (1) acquiring a 200-kilometre, 2-D seismic survey (125 km in the St. Lawrence Lowlands and 75 km in the Lower St. Lawrence-Gaspé regions);
- (2) collecting some 350 geochemical samples along 52 kilometres of selected transects in the Lower St. Lawrence-Gaspé region;
- (3) acquiring more than 1,650 kilometres of radiometric survey along public roads;
- (4) Selecting various geological samples to study the maturity and total organic content (TOC) of specific rock units.

On November 25, 2008, Petrolympic and Squatex entered into a farmout and joint operating agreement with Canbriam pursuant to which Canbriam has 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) which form part of the existing joint venture agreement between Squatex and Petrolympic. Refer to "Corporate Developments" above for more discussion on this agreement. In early June 2009, the joint venture partners agreed to proceed with the second phase of the program in drilling two wells before December 31, 2010 instead of waiting for that decision until March 31, 2010.

On the joint venture lands with Squatex, no additional work was contemplated over the Lowlands area, with the exception of the work committed by Canbriam (as Operator) before December 31, 2010. Squatex

is currently acquiring a geochemical survey over three of its permits in the shallow carbonate platform to the southwest of the St. Lawrence Lowlands, to better understand the geology and structures in this area.

Samples from a geological program undertaken last summer to measure the hydrocarbon content and the maturity of the rocks are currently being analyzed in Calgary.

Additionally, GPR International was awarded a contract to acquire a 17,000-kilometre survey of high-resolution airborne magnetometry. In October 2009, Quantec Geosciences finished recording an 803-station gravity survey to complement Québec government data over the entire joint landholding. Results of these two surveys are expected to be available in December 2009.

Squatex (Lowlands and Lower St. Lawrence) requested new permits in order to secure these exploration areas until 2019.

Current obligations over the permits are fulfilled.

Planned expenditures for calendar 2009 for the St. Lawrence Lowlands are:

| Project/PropertyName | Plans for Project | Planned Expenditures for calendar 2009 (000's) | Remaining Commitment (000's) | Timing for Completion of Planned Activities |
|---|---|---|-------------------------------------|--|
| St. Lawrence Lowlands (Canbriam) | Subject to the farmout agreement ⁽¹⁾ | \$nil | \$nil | n/a |
| St. Lawrence Lowlands (Squatex) | Looking for partners ⁽²⁾ | \$nil | \$nil | n/a |
| | Geochemical sampling | \$100,000 ⁽³⁾ | \$100,000 | December 2009 |
| St. Lawrence Lowlands (100%) | Geochemical sampling | \$100,000 | \$40,000 | December 2009 |

⁽¹⁾ Canbriam is the operator.

⁽²⁾ Squatex is the operator.

⁽³⁾ Petrolympic is liable for 30% of the total Squatex budget, which amounts to \$30,000.

Planned expenditures for calendar 2009 for the Lower St. Lawrence are:

| Project/PropertyName | Plans for Project | Planned Expenditures for calendar 2009 (000's) | Remaining Commitment (000's) | Timing for Completion of Planned Activities |
|------------------------------|--|--|------------------------------|---|
| Lower St. Lawrence (Squatex) | Gravity survey, airborne magnetic survey and geological sampling | \$325,000 ⁽¹⁾ | \$325,000 | December 2009 |

⁽¹⁾ Petrolympic is liable for 30% of the total Squatex budget, which amounts to \$97,500.

Technical Disclosure

The above technical disclosure under the heading "Corporate Developments" has been prepared under the supervision of Paul Laroche, ing,géo, a "qualified person" within the meaning of NI 51-101.

Environmental Liabilities

The Company is not aware of any environmental liabilities or obligations associated with its petroleum and natural gas interests. The Company is conducting its operations in a manner that is consistent with governing environmental legislation.

Overall Objective

The Company's business objective is to discover a viable petroleum and natural gas reserve in Quebec, Canada, on a permit in which it holds an interest. The Company is in the process of exploring its petroleum and natural gas properties and has not yet determined whether these properties contain an economic reserve. The recoverability of the amounts shown for unproven petroleum and natural gas properties is dependent upon: the selling price of petroleum and natural gas at the time the Company intends to extract them from its property interests; the existence of economically recoverable reserves; the ability of the Company to obtain the necessary financing to complete exploration and development; government policies and regulations; and future profitable production or proceeds from disposition of such properties.

To date, the Company has not discovered an economic deposit. While discovery of petroleum and natural gas reserves may result in substantial rewards, it should be noted that few properties that are explored are ultimately developed into producing wells.

The Company notes that although the exploration of its existing projects is positive, petroleum and natural gas exploration in general is uncertain. As a result, the Company believes that by acquiring additional properties, it is able to better minimize overall exploration risk. In conducting its search for additional properties, the Company may consider acquiring properties that it considers prospective based on criteria such as the exploration history of the properties, their location, or a combination of these and other

factors. Risk factors to be considered in connection with the Company's search for and acquisition of additional properties include the significant expenses required to locate and establish reserves; the fact that expenditures made by the Company may not result in discoveries of commercial petroleum and natural gas reserves; environmental risks; risks associated with land title; the competition faced by the Company; and the potential failure of the Company to generate adequate funding for any such acquisitions. See "Risk Factors" below.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company. However, the Company continues to evaluate properties and corporate entities that it may acquire in the future. See "Overall Objective" above.

Selected Quarterly Information

| Three Months Ended | Net Revenues \$ | Net Income (Loss) | |
|--------------------|--------------------|----------------------------|-----------------|
| | | Total \$ | Per Share \$ |
| September 30, 2009 | - | (198,467) ⁽¹⁾ | (0.00) |
| June 30, 2009 | - | 607,317 ⁽²⁾ | 0.01 |
| March 31, 2009 | - | (69,766) ⁽³⁾ | (0.00) |
| December 31, 2008 | - | 217,573 ⁽⁴⁾ | 0.00 |
| September 30, 2008 | - | (380,508) ⁽⁵⁾ | (0.01) |
| June 30, 2008 | - | (1,300,024) ⁽⁶⁾ | (0.02) |
| March 31, 2008 | - | (366,549) ⁽⁷⁾ | (0.00) |
| December 31, 2007 | - | (30,000) ⁽⁸⁾ | (0.00) |

Notes:

- (1) Net loss of \$198,467 principally relates to management fees of \$75,250, professional fees of \$85,034 and operating expenses related to general working capital purposes.
- (2) Net income of \$607,317 was mainly because of a receivable from Canbriam outlined under the heading Corporate Developments above. Results for the quarter include stock-based compensation of \$264,250, professional fees of \$72,722, management fees of \$53,500 and operating expenses related to general working capital purposes. These expenses were offset by interest income of \$2,756 and a gain on the farmout agreement with Canbriam of \$1,050,000 as a result of its exercise of the first option under the joint operating agreement, and to the advancement of the drilling program to two wells in the joint venture lands.

- (3) Net loss of \$69,766 principally relates to management fees of \$49,000, professional fees of \$15,291 and operating expenses related to general working capital purposes. These expenses were offset by interest income of \$20,453.
- (4) Net income of \$217,573 was mainly because of a cash payment from Canbriam. Results for the quarter include stock-based compensation of \$376,105, management fees of \$188,030, professional fees of \$156,288 and operating expenses related to general working capital purposes. These expenses were offset by interest income of \$24,448 and a gain on the farmout agreement with Canbriam of \$1,050,000 in accordance with the joint operating agreement.
- (5) Net loss of \$380,508 principally relates to stock-based compensation of \$307,200, professional fees of \$46,759, management fees of \$31,429 and operating expenses related to general working capital purposes. These expenses were offset by interest income of \$31,865.
- (6) Net loss of \$1,300,024 principally relates to stock-based compensation of \$1,034,134, professional fees of \$160,704, management fees of \$46,000 and operating expenses related to general working capital purposes. These expenses were offset by interest income of \$31,393.
- (7) Net loss of \$366,549 principally relates to stock-based compensation of \$350,240 and professional fees of \$16,309.
- (8) Net loss of \$30,000 principally relates to professional fees of \$30,000.

Results of Operations

Nine months ended September 30, 2009, compared with nine months ended September 30, 2008

Petrolympic's net income totaled \$339,084 for the nine months ended September 30, 2009, with basic and diluted income per share of \$0.00. This compares with a net loss of \$2,047,081 with basic and diluted loss per share of \$0.03 for the nine months ended September 30, 2008. The increase in net income of \$2,386,165 was principally because:

- Gain on the farmout agreement totaled \$1,050,000 for the nine months ended September 30, 2009 (nine months ended September 30, 2008 - \$nil). This amount relates to an amendment to the joint operating agreement pursuant to which Canbriam agreed to accelerate its exercise of the first option under the agreement, and to advance the drilling program to drill two wells in the joint venture lands. Under the agreement, Canbriam drilled one well, and has until March 31, 2010, to make a determination as to whether to proceed with the first option. As a result of exercising this first option, Canbriam has agreed to: (i) drill and case or abandon two vertical wells down to the base of the Utica Formation and/or 30 metres into the top of the Trenton Formation before September 30, 2010 (these two wells being in addition to the one vertical well 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's exercising the first option early, Petrolympic and Squatex have agreed to provide Canbriam with an exclusive option to negotiate on additional land until December 31, 2009. The Company has included \$1.05 million in accounts receivable as of September 30, 2009.
- Stock based compensation for the nine months ended September 30, 2009, was \$264,250 (nine months ended September 30, 2008 - \$1,691,574). During the nine months ended September 30, 2009, the Company issued 1,050,000 options, while 7,008,336 options were issued in the comparative period. The decrease in stock based compensation of \$1,427,324 is attributable to the date of issue of the options and their vesting terms. The options issued vested in accordance with the stock option plan. Users of the consolidated financial statements should be cautious of the valuation of stock based compensation since its calculation is subjective and can impact net income (loss) significantly.

- Working capital items of professional fees, management fees, interest and bank charges, investor relations and promotion, reporting issuer costs, travel expenses, insurance, office expenses, flow-through costs and capital tax totaled \$481,201 for the nine months ended September 30, 2009 (nine months ended September 30, 2008 - \$418,765). The cost increase of \$62,436 is attributable to greater corporate activity.
- For the nine months ended September 30, 2009, the above cost increases/decreases were offset by a decrease in interest income of \$43,672 resulting from the Company's redemption of cash equivalents used for operating activities.

Three months ended September 30, 2009, compared with three months ended September 30, 2008

Petrolympic's net loss totaled \$198,467 for the three months ended September 30, 2009, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$380,508 with basic and diluted loss per share of \$0.01 for the three months ended September 30, 2008. The decrease in the net loss of \$182,041 was principally because:

- Stock based compensation for the three months ended September 30, 2009, was \$nil (three months ended September 30, 2008 - \$307,200). During the three months ended September 30, 2009, the Company issued nil options, while 800,000 options were issued in the comparative period. The decrease in stock based compensation of \$307,200 is attributable to the date of issue of the options and their vesting terms. The options issued vested in accordance with the stock option plan. Users of the consolidated financial statements should be cautious of the valuation of stock based compensation since its calculation is subjective and can impact the net loss significantly.
- Working capital items of professional fees, management fees, interest and bank charges, investor relations and promotion, reporting issuer costs, travel expenses, insurance, office expenses, flow-through costs and capital tax totaled \$194,844 for the three months ended September 30, 2009 (three months ended September 30, 2008 - \$105,173). The cost increase of \$89,671 is attributable to greater corporate activity.
- For the three months ended September 30, 2009, the above cost increases/decreases were offset by a decrease in interest income of \$35,488 resulting from the Company's redemption of cash equivalents used for operating activities.

Liquidity and Financial Position

The activities of the Company, principally the acquisition and exploration of properties prospective for petroleum and natural gas, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. For the nine months ended September 30, 2009, 85,556 warrants were exercised for cash consideration of \$18,900. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable, if at all. See "Risk Factors" below.

At September 30, 2009, the Company had working capital of \$4,143,247, compared to \$3,733,273 at December 31, 2008. The Company had cash and cash equivalents and a guaranteed investment certificate balance of \$3,138,694 at September 30, 2009, compared to \$4,459,825 at December 31, 2008, a decrease of approximately 30%. The decrease in cash and cash equivalents and guaranteed investment certificates during the nine months ended September 30, 2009, is primarily due to cash expenditures for

the Company's exploration activities, outlined under "Overall Performance", repayment of a loan of \$341,109 and operating expense charges incurred during the period.

The Company has no operating revenues and therefore must utilize its current cash reserves, funds obtained from the exercise of warrants and stock options and other financing transactions to maintain its capacity to meet ongoing operating activities. As of September 30, 2009, the Company had 81,440,635 common shares issued and outstanding, 7,338,116 warrants outstanding which would raise \$4,708,973, and 7,983,336 options outstanding which would raise \$2,780,250 if exercised in full. This is not anticipated until the financial markets recover. See "Trends" above.

Accounts payable and accrued liabilities decreased to \$302,428 at September 30, 2009, compared to \$538,011 at December 31, 2008, primarily due to payments for exploration expenditures. In addition, loan payable decreased to \$132,324 at September 30, 2009, compared to \$515,928 at December 31, 2008, primarily due to a payment of \$341,109 to a director of the Company. The Company's cash and cash equivalents at September 30, 2009, are sufficient to pay these material liabilities.

Cash used in operating activities was \$785,989 for the nine months ended September 30, 2009. Operating activities were affected by the net decrease in non-cash working capital balances of \$1,332,552 because of an increase in accounts receivable of \$1,050,000, an increase in sales tax receivable of \$27,787, an increase in prepaids of \$19,182 and a decrease in accounts payable of \$235,583. The Company also recorded a stock-based compensation expense of \$264,250, amortization of property and equipment of \$672 and an unrealized foreign exchange gain on loan payable of \$57,443.

Cash used by investing activities was \$212,933 for the nine months ended September 30, 2009, which relates to additions to deferred exploration costs of \$212,113 and additions to equipment of \$820.

Cash used by financing activities was \$1,324,428 for the nine months ended September 30, 2009, which relates to the issuance of capital stock net of issue costs of \$18,900, a loan repayment of \$341,109 and the purchase of a guaranteed investment certificate of \$1,002,219.

To date, the cash resources of the Company are held with one major Canadian chartered bank. The Company has no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

The Company's liquidity risk from financial instruments is minimal as excess cash is invested in investment grade term deposit certificates. As of September 30, 2009, excess cash was invested in bank-backed guaranteed investment certificates that amounted to \$3,024,427, of which \$2,022,208 was included in cash and cash equivalents, and \$1,002,219 was included in guaranteed investment certificates.

Due to the current market conditions, the Company has decided to conserve cash; in particular, the Company intends to reduce monthly discretionary expenditures in a prudent manner. The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities. Investing activities include the cash components of the cost of acquisition and exploration of its petroleum and natural gas interests. Currently, the Company's operating expenses are averaging less than \$53,500 per month for management fees, month-to-month professional fees and other working capital related expenses. The Company also plans to incur its 30% share of about \$30,000 on the St. Lawrence Lowlands (Squatex) area, about \$40,000 for its geochemical sampling in the Lowlands 100% permits, and its 30% share of about \$97,500 on the Lower St. Lawrence (Squatex) area. The Company has existing discretionary

commitments at September 30, 2009, of approximately \$3.5 million up to the end of year 2013, representing minimum annual property rental and required exploration expenditures.

Assuming that management is successful in discovering petroleum and natural gas reserves on one of the Company's exploration permits in the Appalachian Basin of Quebec, including holdings in the Gaspé Peninsula, the St. Lawrence Lowlands and the Lower St. Lawrence, future work plans to develop the petroleum and natural gas reserve will depend upon the Company's assessment of prior results, the condition of the Company financially and the then prevailing economic climate in general.

Regardless of whether or not the Company discovers a petroleum and natural gas reserve, its working capital of \$4,143,247 as at September 30, 2009, is anticipated to be adequate for it to continue operations at the current level for the present time. However, to meet long-term business plans, discovery of a petroleum and natural gas reserve on one of its exploration permits is an important component of the Company's financial success.

Critical Accounting Estimates

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 Unproven Petroleum and Natural Gas Property Costs

The Company's recorded value of its exploration properties is based on historical costs that it hopes to recover 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 unaudited interim 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 taxes 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 in 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 rates, 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 receivable 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 unaudited interim 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 September 30, 2009.

Change in Accounting Policies

During the nine months ended September 30, 2009, the Company adopted the following new accounting policies:

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 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

IFRS

The Canadian Accounting Standards Board ("AcSB") has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including Petrolympic, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual consolidated financial statements (with comparatives) in keeping with IFRS beginning with the quarter ended March 31, 2011.

The Company has developed an IFRS implementation plan to prepare for this transition. To date, the Company has engaged third party advisers to assist with the transition and has completed an assessment of the key areas where changes to current accounting policies may be required. Analysis will be required for all current accounting policies; however, the initial key areas of assessment include:

- Exploration and development expenditures for petroleum and natural gas,
- Stock-based compensation,
- Accounting for income taxes, and
- First-time adoption of International Financial Reporting Standards (IFRS 1)

As the analysis of the each of the key areas progresses, other elements of the IFRS implementation plan will also be addressed including: the implication of changes to accounting policies, processes for financial statement note disclosures on information technology, internal controls, contractual arrangements and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

| | |
|---|--------------------------|
| Initial analysis of key areas for which changes to accounting policies may be required. | Completed during Q1 2009 |
| Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives. | Throughout 2009 |
| Assessment of first-time adoption (IFRS 1) requirements and alternatives. | Throughout 2009 |

| | |
|---|-----------------------------------|
| Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives | Q4 2009 – Q1 2010 |
| Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements | Q4 2009 – Q2 2010 |
| Management and employee education and training | Throughout the transition process |
| Quantification of the financial statement impact of changes in accounting policies | Throughout 2010 |

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.

Management of Capital

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 it 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.

Financial Instruments

(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, 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 Squatex and Petrolympic. The receivable relates to Canbriam's 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.

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 volatility. The Company closely monitors commodity prices as they relate 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.

(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 the value of its resources, which could have a material and adverse effect on the Company's value. As of September 30, 2009, the Company was 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.

Share Capital

As at November 27, 2009, the Company had 81,440,635 issued and outstanding common shares.

Warrants outstanding for the Company at November 27, 2009, were as follows:

| Warrants | Expiry Date | Exercise Price |
|------------------|-------------------|----------------|
| 2,224 | December 21, 2009 | \$0.18 |
| 8,000 | December 21, 2009 | \$0.20 |
| 4,827,247 | December 21, 2009 | \$0.25 |
| 2,500,000 | June 26, 2011 | \$1.40 |
| 7,338,116 | | |

Stock options outstanding for the Company at November 27, 2009, were as follows:

| Options | Expiry Date | Exercise Price |
|------------------|--------------------|----------------|
| 100,000 | June 1, 2012 | \$0.20 |
| 4,666,669 | February 19, 2013 | \$0.18 |
| 666,667 | June 16, 2013 | \$0.90 |
| 800,000 | June 23, 2013 | \$0.90 |
| 800,000 | September 12, 2013 | \$0.40 |
| 950,000 | June 17, 2014 | \$0.295 |
| 7,983,336 | | |

Risks Factors

At the present time, Petrolympic does not hold any interest in a producing oil and gas property. Therefore, the Company's viability and potential success lie in its ability to develop, exploit and generate revenues from potential oil and gas deposit 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 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 Company's property interests, with the possible dilution or loss of such property interest.

Additional Disclosure for Venture Issuers Without Significant Revenue

The following table sets forth a breakdown of material components of unproven petroleum and natural gas properties:

| Quebec – Deferred Exploration Costs | September 30, 2009 | December 31, 2008 |
|--|--------------------|--------------------|
| Beginning balance | \$2,932,105 | \$729,600 |
| Analysis | 12,250 | 85,440 |
| Drilling | 14,472 | 104,386 |
| Geology | 82,741 | 258,433 |
| Consulting | 9,860 | - |
| Geophysical surveys | - | 1,694,355 |
| Reports | 3,100 | - |
| General exploration costs | 500 | 195,721 |
| Claim costs | 8,470 | - |
| Permits and licences | 19,899 | - |
| Geophysical | 60,821 | - |
| Total costs incurred | 212,113 | 2,338,335 |
| Refundable tax credit for resources | - | (135,830) |
| Ending balance | \$3,144,218 | \$2,932,105 |

| Quebec – Acquisition Costs | September 30, 2009 | December 31, 2008 |
|----------------------------|--------------------|-------------------|
| Beginning balance | \$2,062,406 | \$1,395,783 |
| Activity during the period | - | 666,623 |
| Total costs incurred | - | 666,623 |
| Ending balance | \$2,062,406 | \$2,062,406 |

Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support 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.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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. 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. 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 Petrolympic 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).