PETROLYMPIC LTD.

Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2010

(Expressed in Canadian Dollars)

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Petrolympic Ltd. (the "Company") 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, 2009 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. The Audit Committee of the Company 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, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	**$ 2,927,615**	$ 3,716,293
Tax credit receivable	**213,144**	356,055
Prepaids and other assets	**172,199**	190,253
	3,312,958	4,262,601
Equipment (Note 5)	**2,881**	2,140
Unproven petroleum and natural gas properties (Note 6)	**3,549,188**	3,267,937
	$ 6,865,027	$ 7,532,678
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 153,318**	$ 345,085
Shareholders' equity	**6,711,709**	7,187,593
	$ 6,865,027	$ 7,532,678

Commitments (Note 11)
Related parties (Note 12)
Subsequent events (Note 15)

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

PETROLYMPIC LTD.

Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Expenses				
Professional fees	**$ 48,161**	$ 85,034	**$ 148,068**	$ 173,047
Management fees	**43,667**	75,250	**189,750**	177,750
Interest and bank charges	**829**	392	**2,232**	1,354
Investor relations and promotion	**2,046**	18,984	**29,197**	48,237
Reporting issuer costs	**10,796**	5,110	**19,972**	18,093
Travel expenses	**7,062**	6,517	**7,466**	13,117
Office and general	**34,196**	886	**81,051**	37,326
Flow-through costs	**-**	-	**-**	9,606
Capital tax	**-**	2,671	**-**	2,671
Stock-based compensation (Note 9)	**-**	-	**33,000**	264,250
	146,757	194,844	**510,736**	745,451
Interest and other (income) expense	**(812)**	3,623	**(1,852)**	(34,535)
Net loss and comprehensive loss for the period	**$ (145,945)**	$ (198,467)	**$ (508,884)**	$ (710,916)
Loss per share - basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding - basic and diluted	**81,456,195**	81,440,635	**81,456,195**	81,387,449

Interim Consolidated Statements of Deficit

(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Deficit, beginning of period	**$ (3,395,466)**	$ (2,666,190)	**$ (3,032,527)**	$ (2,153,741)
Net loss for the period	**(145,945)**	(198,467)	**(508,884)**	(710,916)
Deficit, end of period	**$ (3,541,411)**	$ (2,864,657)	**$ (3,541,411)**	$ (2,864,657)

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

PETROLYMPIC LTD.

Interim Consolidated Statements of Shareholders' Equity

(Expressed in Canadian Dollars)
(Unaudited)

	Capital stock (#)	Capital stock ($)	Warrants (#)	Warrants ($)	Contributed Surplus ($)	Deficit ($)	Shareholders' equity ($)
Balance, January 1, 2009	81,355,079	6,389,766	7,408,027	1,330,041	2,063,441	(2,153,741)	7,629,507
Exercise of warrants	85,556	25,666	(85,556)	(6,766)	-	-	18,900
Stock-based compensation	-	-	-	-	264,250	-	264,250
Extension of warrants expiry date	-	-	-	149,832	-	(149,832)	-
Net loss for the period	-	-	-	-	-	(710,916)	(710,916)
Balance, September 30, 2009	**81,440,635**	**6,415,432**	**7,322,471**	**1,473,107**	**2,327,691**	**(3,014,489)**	**7,201,741**
Exercise of warrants	15,560	5,345	(15,560)	(1,455)	-	-	3,890
Warrants expired	-	-	(4,806,911)	(449,570)	449,570	-	-
Net loss for the period	-	-	-	-	-	(18,038)	(18,038)
Balance, December 31, 2009	**81,456,195**	**6,420,777**	**2,500,000**	**1,022,082**	**2,777,261**	**(3,032,527)**	**7,187,593**
Stock-based compensation	-	-	-	-	33,000	-	33,000
Net loss for the period	-	-	-	-	-	(508,884)	(508,884)
Balance, September 30, 2010	**81,456,195**	**6,420,777**	**2,500,000**	**1,022,082**	**2,810,261**	**(3,541,411)**	**6,711,709**

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, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash flows (used in) provided by:				
Operating Activities				
Net loss for the period	**$ (145,945)**	$ (198,467)	**$ (508,884)**	$ (710,916)
Items not affecting cash:				
Stock-based compensation (Note 9)	**-**	-	**33,000**	264,250
Amortization of property and equipment	**381**	247	**898**	672
Unrealized foreign exchange gain on loan payable	**-**	(11,406)	**-**	(57,443)
Net change in non-cash working capital:				
Accounts receivable	**-**	-	**-**	(1,050,000)
Tax credit receivable	**142,911**	-	**142,911**	-
Prepaids and other assets	**(9,471)**	(34,421)	**18,054**	(46,969)
Accounts payable and accrued liabilities	**73,329**	78,105	**(191,767)**	(235,583)
	61,205	(165,942)	**(505,788)**	(1,835,989)
Financing Activities				
Issuances of capital stock	**-**	-	**-**	18,900
Purchase of guaranteed investment certificate	**-**	(1,002,219)	**-**	(1,002,219)
Repayment of loan payable	**-**	-	**-**	(341,109)
	-	(1,002,219)	**-**	(1,324,428)
Investing Activities				
Acquisition of equipment	**(1,639)**	-	**(1,639)**	(820)
Deferred exploration costs	**(121,590)**	(52,785)	**(281,251)**	(212,113)
Deferred exploration costs recovery		-	**-**	1,050,000
	(123,229)	(52,785)	**(282,890)**	837,067
Net change in cash and cash equivalents	**(62,024)**	(1,220,946)	**(788,678)**	(2,323,350)
Cash and cash equivalents, beginning of period	**2,989,639**	3,357,421	**3,716,293**	4,459,825
Cash and cash equivalents, end of period	**$ 2,927,615**	$ 2,136,475	**$ 2,927,615**	$ 2,136,475
Cash and cash equivalents consist of:				
Cash	**$ 1,905,933**	$ 114,267	**$ 1,905,933**	$ 114,267
Cash equivalents	**1,021,682**	2,022,208	**1,021,682**	2,022,208
	$ 2,927,615	$ 2,136,475	**$ 2,927,615**	$ 2,136,475

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

1. Incorporation and Nature of Operations

Petrolympic Ltd. (the "Company" or "Petrolympic") is incorporated under the Business Corporations Act (Ontario). The Company is an exploration stage company and it has not yet determined whether the properties contain reserves that are economically recoverable. The business of exploring for petroleum and natural gas involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable petroleum and natural gas operations.

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.

2. Basis of Presentation and Accounting Policies

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian 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, 2010 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2010.

The consolidated balance sheet at December 31, 2009 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, 2009. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2009.

2. Basis of Presentation and Accounting Policies (Continued)

Future Accounting Changes

International Financial Reporting Standards (" IFRS")
In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. 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, 2011. The Company is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's financial results and financial position as disclosed in the Company's current Canadian GAAP financial statements will not be significantly different when presented in accordance with IFRS.

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 with early adoption permitted. The Company is in the process of evaluating the requirements of the new standards.

Section 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 adoption. 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 adoption. 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 adoption.

3. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient flexibility to achieve the ongoing business objectives including funding of future petroleum and natural gas exploration and investment initiatives; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be total shareholders' equity (managed capital) which at September 30, 2010 totaled $6,711,709 (December 31, 2009 - $7,187,593).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, as well as other investing and financing activities. The forecast is regularly updated based on activities related to its unproven petroleum and natural gas properties. The Board of Directors regularly reviews the Company's capital management approach. The Company's capital management objectives, policies and processes have remained unchanged during the three and nine months ended September 30, 2010.

The Company is not subject to any capital requirements imposed by a lending institution.

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 and tax credit receivable. Cash and cash equivalents are held with reputable Canadian chartered banks, from which management believes the risk of loss to be minimal.

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

Tax credit receivable is in good standing as of September 30, 2010.

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, 2010, the Company had a cash and cash equivalents balance of $2,927,615 (December 31, 2009 - $3,716,293) to settle current liabilities of $153,318 (December 31, 2009 - $345,085). 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 prices. 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, 2010, 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 are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported net loss for the nine months ended September 30, 2010.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents. Sensitivity to a plus or minus 10% change in foreign exchange rates would not have a material impact on the reported net loss for the nine months ended September 30, 2010.

(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, 2010, 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.

Fair hierarchy and liquidity risk

	Level One	Level Two	Level Three
Cash	$ 1,905,933	$ -	$ -
Cash equivalents	$ -	$ 1,021,682	$ -

5. Equipment

	September 30, 2010		
	Cost	**Accumulated Amortization**	**Net Carrying Amount**
Computer equipment	$ 5,083	$ 2,202	$ 2,881

	December 31, 2009		
	Cost	**Accumulated Amortization**	**Net Carrying Amount**
Computer equipment	$ 3,445	$ 1,305	$ 2,140

(Expressed in Canadian Dollars)

6. Unproven Petroleum and Natural Gas Properties

September 30, 2010

	Cost of Properties	Deferred Exploration Costs	Net Carrying Amount
Quebec	**$ 2,062,406**	**$ 1,486,782**	**$ 3,549,188**
Allocation of expenditures			
Geology	-	85,392	85,392
Consulting	-	2,951	2,951
General exploration costs	-	73,273	73,273
Data compilation	-	65,076	65,076
Permits and licences	-	24,545	24,545
Geophysical	-	30,014	30,014
Net increase in exploration expenses for the period	-	281,251	281,251
Balance, December 31, 2009	2,062,406	1,205,531	3,267,937
Balance, September 30, 2010	**$ 2,062,406**	**$ 1,486,782**	**$ 3,549,188**

September 30, 2009

	Cost of Properties	Deferred Exploration Costs	Net Carrying Amount
Quebec	**$ 2,062,406**	**$ 2,094,218**	**$ 4,156,624**

(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	$ -	$ 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
Less: Proceeds from farmout agreement	-	(1,050,000)	(1,050,000)
Net decrease in exploration expenses for the period	-	(837,887)	(837,887)
Balance, December 31, 2008	2,062,406	2,932,105	4,994,511
Balance, September 30, 2009	**$ 2,062,406**	**$ 2,094,218**	**$ 4,156,624**

On a quarterly basis, management of the Company reviews 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 6 of the audited consolidated financial statements as at December 31, 2009. Specific changes to unproven petroleum and natural gas properties that occurred from January 1, 2010 to September 30, 2010 are as follows:

(a) On March 30, 2010, in accordance with the farmout and joint operating agreement (the "Farmout Agreement"), Canbriam Energy Inc. ("Canbriam") chose the second permit, 2006PG864 (renewed as permit 2009RS296), which formed part of the Farmout Lands.

(b) On April 7, 2010, in accordance with the Farmout Agreement, Canbriam selected the 8,000-hectare parcel (of the 32,000 hectares) of contiguous Farmout Lands for which Canbriam has earned a 60% interest. The existing joint venture (the "Existing JV") between Ressources & Energie Squatex Inc. ("Squatex") and Petrolympic holds the remaining 40% interest (Squatex - 28% and Petrolympic - 12%).

(c) Petrolympic and its joint partner Squatex had renewed all their exploration permits in the St. Lawrence Lowlands and the Lower St. Lawrence-Gaspesie areas as of September 1, 2009. The Ministère des Ressources naturelles et de la Faune granted the new permits under the previous regulations of the Law of Mines giving extended ownership that allows carrying on further exploration work until September 2019.

(d) Note 15(a)

(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, 2009 and September 30, 2010	**81,456,195**	**$ 6,420,777**

8. Warrants

The following table shows the continuity of warrants for the nine months ended September 30, 2010:

	Number of Warrants	Allocated Value
Balance December 31, 2009 and September 30, 2010	**2,500,000**	**$ 1,022,082**

The following are the warrants outstanding at September 30, 2010:

Number of Warrants	Fair Value	Exercise Price	Expiry Date
2,500,000	**$ 1,022,082**	**$ 1.40**	June 26, 2011

(Expressed in Canadian Dollars)

9. Stock Options

The following table shows the continuity of stock options for the nine months ended September 30, 2010:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2009	7,983,336	$ 0.35
Granted (a)	150,000	0.28
Expired	(100,000)	0.20
Balance, September 30, 2010	**8,033,336**	**$ 0.35**

The following are the stock options outstanding at September 30, 2010:

Number of Options	Fair Value	Exercise Price	Weighted average Remaining Contractual Life (years)	Expiry Date
4,666,669	$ 633,734	$ 0.18	2.39	February 19, 2013
666,667	572,800	0.90	2.71	June 16, 2013
800,000	562,240	0.90	2.73	June 23, 2013
800,000	288,720	0.40	2.95	September 12, 2013
950,000	249,850	0.295	3.72	June 17, 2014
150,000	33,000	0.28	4.56	April 23, 2015
8,033,336	**$ 2,340,344**	**$ 0.35**	**2.71**	

(a) On April 23, 2010, the Company granted 150,000 options of the Company at a price of $0.28 per share until April 23, 2015. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 117% volatility; risk free interest rate of 2.82% per annum; and a dividend rate of 0%. The fair value assigned to these options was $33,000 which was expensed to the statement of operations with a corresponding amount allocated to contributed surplus. These options vested immediately upon grant.

10. Basic and Diluted Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

11. Commitments

At September 30, 2010, Petrolympic holds an interest in a total 753,406 hectares (1,861,666 acres) of oil and gas exploration permits in the Appalachian Basin of Quebec that include holdings in the St. Lawrence Lowlands and Gaspé Peninsula. The Company's holdings in the St. Lawrence Lowlands are a 30% interest in 216,933 hectares (536,041 acres) through the Existing JV with Squatex; a 12% interest in 8,000 hectares (19,768 acres) through the Farmout Agreement with Canbriam; as well as a 100% interest in 56,625 hectares (139,920 acres) located over the Lowlands shallow carbonates platform on the south shore of the St. Lawrence River, less than 30 kilometers southwest of Montreal. These properties represent a major position in the Utica-Lorraine and Trenton-Black River plays. Petrolympic also maintains holdings in the Gaspé and Bas-St. Lawrence regions, including a 30% interest in 431,160 hectares (1,065,396 acres) through the Existing JV with Squatex and a 100% interest in a block of exploration permits totaling 40,688 hectares (100,540 acres) located between Rimouski and Matane prospective for hydrothermal dolomite hosted light oil.

In order to maintain its 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 in the first year, increasing by $0.50 per hectare every subsequent year to a maximum of $2.50. After the first five year period, the Company has the option to renew the permits each year for a maximum of another five years, with the obligation of incurring aggregate minimum annual exploration and rental expenditures of $3.00 per hectare.

Minimum annual rentals and exploration expenditures are reduced by past expenditures exceeding the minimum amounts due.

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.

12. Related parties

For the three and nine months ended September 30, 2010, the Company paid $4,500 and $13,500, 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, 2009 - $4,500 and $9,000, respectively). 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, 2010, the Company expensed $6,731 and $20,295, respectively (three and nine months ended September 30, 2009 - $6,063 and $26,978, respectively) for services rendered by this firm. In addition, as at September 30, 2010, this firm was owed $2,549 (December 31, 2009 - $8,237) and this amount was included in accounts payable and accrued liabilities.

For the three and nine months ended September 30, 2010, the Company paid $15,684 and $58,594, respectively (three and nine months ended September 30, 2009 - $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, 2010, this firm was owed $nil (December 31, 2009 - $8,466) which is included in accounts payable and accrued liabilities.

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).

13. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's basis of presentation.

14. Litigation

On January 6, 2010, a statement of claim was filed, and served on the Company on June 3, 2010, claiming $5,000,000 each for general and special damages for breach of contract or quantum meruit, and special damages, alternative damages, exemplary and punitive damages and damages for interference in contractual relations. The Company brought a motion to strike the statement of claim, and the Motion to strike the Statement of Claim has been settled, with the Plaintiff agreeing to have the action dismissed without costs. The Court Order dismissing the action is anticipated to be issued on November 26, 2010.

15. Subsequent events

(a) Subsequent to the quarter ended September 30, 2010, the Company announced that it, along with Squatex have approved a request by Canbriam to extend for one year its commitment dates for the first, second, and third options programs in the farmout lands. Furthermore, Canbriam has agreed to allocate excess drilling credits with an implied value of $4,000,000 earned through operational expenditures, to the Company and Squatex in order to satisfy the work commitment obligations for the Company's and Squatex Existing JV lands.

Pursuant to the Farmout Agreement between Petrolympic, Squatex and Canbriam, Canbriam has drilled and suspended the Farham No.1 well earning a 60% interest from the surface down to the Top of the Trenton over 8,000 Hectares of its choice. Canbriam subsequently entered into the first of three option programs, paying $1,050,000 to Petrolympic and $2,450,000 to Squatex. Canbriam has committed to spud two additional farmout wells by September 30, 2011, and to drill and case or abandon these wells prior to making an election for the following option programs on or before December 31, 2011.

Canbriam maintains through a series of rolling options, the right to earn a 60% interest in up to an additional 24,000 Hectares, for a total of 32,000 Hectares within the farmout lands, by drilling up to six additional vertical/horizontal wells, and by making cash payments of up to $13.5 million ($4.05 million to Petrolympic and $9.45 million to Squatex) prior to November 30, 2012. When Canbriam earns the interest on such farmout lands, the remaining 40% interest shall be held by Petrolympic and Squatex based on the terms of the existing joint venture (28% interest for Squatex and 12% interest for Petrolympic). Petrolympic and Squatex retain a 100% interest in the deeper formations. Canbriam shall be responsible for all drilling, completion or abandonment costs incurred with respect to the earning wells described above. The Farmout Agreement also contains provisions to account for rig unavailability and delays due to one or more events of Force Majeure.

(b) Subsequent to the quarter ended September 30, 2010, Petrolympic retained the services of Cutler Consulting ("Cutler Consulting") to strengthen the Company's investor relations and communications to its shareholders and investors. In consideration of the provision of the services, Cutler Consulting will receive a fee of CDN$5,000 per month for a period of 12 months. In addition, Petrolympic will grant 100,000 stock options to purchase common shares in the capital of the Company exercisable over a five year period following the grant date, at an exercise price of $0.20 per common share. The stock options will vest in stages over the 12 month period following the grant date. The agreement between the Company and Cutler Consulting may be cancelled given 15 days written notice by either party.