PETROLYMPIC

PETROLYMPIC LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2013

Prepared by:

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Management's Discussion and Analysis dated April 7, 2014

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 year ended December 31, 2013. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2013 and December 31, 2012, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of April 7, 2014, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Petrolympic common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Petrolympic's website at **www.petrolympic.com** or on SEDAR at **www.sedar.com**.

Caution Regarding Forward-looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
Potential of Petrolympic's interests to contain economic deposits of oil or gas	Financing will be available for future exploration and development of Petrolympic's properties; the actual results of Petrolympic's exploration and development activities will be favourable; operating, exploration and development costs will not exceed Petrolympic's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Petrolympic, and applicable political and economic conditions will be favourable to Petrolympic; the price of oil or gas and applicable interest and exchange rates will be favourable to Petrolympic; no title disputes exist with respect to the Company's properties	Oil or gas price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with Petrolympic's expectations; availability of financing for and actual results of Petrolympic's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
The Company will be able to carry out anticipated business plans as currently contemplated in relation to the costs and timing for future exploration on its properties, and the Company has sufficient cash resources to meet administrative overhead and maintain its property interests for the next year (see "Exploration Activities in Quebec", "Chittim Ranch Property Activities", "Trends", and "Liquidity and Capital Resources") The Company expects to incur further losses in the development of its business	The operating and exploration activities of the Company for the twelve-month period ending December 31, 2014, and the costs associated therewith, will be consistent with Petrolympic's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to Petrolympic	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; changes in the operations currently planned for 2014

The Chittim Ranch well will produce sufficient oil to allow the Company to be cash flow positive		
Management's outlook regarding future trends (see "Trends", and "Outlook")	Financing will be available for the Company's exploration and operating activities; the price of oil and/or gas will be favourable to the Company	The volatility of the price of oil and/or gas; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Petrolympic's ability to predict or control. Please refer to those risk factors included in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Petrolympic's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Petrolympic is incorporated under the *Business Corporations Act (*Ontario*)*. The Company is an exploration stage company and it has not yet determined whether its 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 Company's 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 future profitable production.

The Company's common 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 "Exploration Activities in Québec", and "Chittim Ranch Property Activities".

Overall Performance

Operations

(a) On November 15, 2013, Petrolympic announced the discovery of a conventional reservoir of natural gas on its joint venture property in the Lower St. Lawrence area (the "Property") located in the Appalachian Basin of Quebec, which was announced by the Operator, Ressources & Energie Squatex Inc., ("Squatex"). The Company holds an interest in 217,370 hectares (536,941 acres) of the Property through a joint venture with Squatex.

While carrying on a stratigraphic coring program, which Squatex started in 2010 to evaluate the oil and gas potential of its licences, significant gas flows were first encountered at 1,847 metres in the core hole Massé No.1 in the Mitis River area. The cores were collected and analyzed from surface down to the total depth of the well at 1,874 metres, revealing that the reservoir is hosted in the Silurian Sayabec Formation and consists of a 10 metre-thick interval of hydrothermally dolomitized limestone with high porosity and permeability values up to 20.8% and 1,624 mD, respectively. An effective seal is provided by the overlying fine-grained rocks of the Saint-Leon Formation.

Hydrothermal dolomitization is the generation mechanism of many world-class conventional reservoirs in North America, such as Albion-Scipio in Michigan and Lady-Fern in British Columbia. Contrary to shale gas, these types of reservoirs do not require hydraulic fracturation. The analysis of the gas charge of the reservoir indicates it is composed of 89% methane and devoid of hydrogen sulfide. The Company believes that this clean energy source can be sold to local markets, thus contributing to the economic growth of the region.

In the Lower St. Lawrence, the Sayabec Formation has been recognized as a prospective unit since the discovery of an analogue outcrop at surface, dolomitized and filled with bitumen, and the discovery of a naturally fractured interval filled with salt water in an exploratory well drilled in 1969. The Company believes that the discovery of a gas reservoir, however, represents a new and very significant step in the appraisal of the hydrocarbon potential of the region.

This discovery also echoes the new economic policy announced by the Quebec government in October 2013, which makes a priority of the demonstration of the hydrocarbon potential of the province and the long-term reduction of its dependence on foreign energy sources, through the drilling of exploratory wells in a context of rejuvenated regulations and the complete respect of the environment and the community.

Petrolympic and Squatex are currently evaluating options to finance the pursuit of the exploration efforts and determine the full potential of the identified structure. Petrolympic, with its partner Squatex, has been studying possibilities to develop further exploration steps to be undertaken in the Massé structure area, including the drilling of a confirmation well on the structure and possibly other core holes over extensions of the structure or other similar structural anomalies. During the last three months, other available seismic lines in the Massé area were sent for AVO reprocessing in order to possibly visualize and compare similar porosity zones.

Petrolympic also owns a 100% interest in two exploration permits in the same area, referred to as the Matapedia and the Mitis properties. Several conventional plays and exploration leads have been identified in these permits, where oil and gas have been encountered in mining wells in the 1990's. Based on proprietary seismic data, the prospective Sayabec Formation is also believed to be present at depth in these two permits.

(b) In 2012, Petrolympic and its partner Squatex developed a geological coring program and have selected a number of potential sites regionally. The partners proceeded in October 2012 with the drilling of a first location (Massé No.1) in the northeast part of the Lower St. Lawrence acreage. The well reached a depth of 1,710 metres at the end of November 2012 before being stopped because of adverse winter weather. The coring went through West Point Formation-like reefs near 800 metres and a series of thrusted Sayabec reefal carbonate sequences containing porous dolomites. Both Silurian reef sequences presented gas and condensate shows while drilling. The well was re-entered (Massé No.1A) in mid-June 2013 to deepen it through a seismic AVO anomaly indicating a fluid response. This objective was encountered, giving very strong gas blows in a porous and permeable Sayabec dolomite and a Val Brillant sandstone between 1,750 m and 1,874 m (measured porosity which locally reaches 20.8% with a permeability of 1,624 mD). Because of important limitations of the drill and the difficulty of containing the gas without having the proper equipment, the well was stopped and completely cemented at the total depth of 1,874 m without adequate testing being done. The rig was then moved 15 kilometres further to the east to a second location for the Sayabec No.1 well. This second site was chosen to verify the presence of dolomitization in the Sayabec limestone over a seismic amplitude anomaly above a stratigraphic wedge out near the eastern limit of the permits. A dolomitized zone was encountered near the base of the Sayabec Formation, but unfortunately, had only minor gas shows. The well reached 759 metres.

(c) Proceeds from the flow-through shares issued in calendar 2012 have been used on the Company's permits in Québec (Canada) to complete compilation and interpretation studies of recently acquired data from Company target areas where conventional exploration is taking place and to drill the Massé No.1 and Sayabec No.1 core holes.

(d) Petrolympic entered into a financing arrangement for the purposes of funding exploration on the Chittim Ranch property and increasing its working capital. The Company borrowed $200,000 (the "Principal") from Mendel Ekstein, the CEO and the President of the Company ("Lender"), for a term of 12 months, which Principal will bear no interest (but will bear interest at a rate of 30% per annum in the case of a default). In connection with the loan, Petrolympic has entered into a promissory note and other agreements and executed certain documents, including entering into a share pledge agreement (the "Share Pledge Agreement") with the Lender, providing for the pledge by the Company to the Lender of shares in the capital of Petrolympia Inc. and Petrolympic USA, Inc., upon the terms and conditions set out in the Share Pledge Agreement. The promissory note had a settlement date of February 20, 2014, and was repaid in January 2014;

(e) On June 27, 2013, the Company closed the first tranche of its non-brokered private placement ("2013 Private Placement"), pursuant to which it has issued 2,578,000 units of the Company (the "2013 Units") at a price of $0.06 per 2013 Unit for aggregate gross proceeds of $154,680. Each 2013 Unit consists of one common share of the Company and one common share purchase warrant (a "2013 Warrant"). Each 2013 Warrant entitles the holder to purchase one common share (a "2013 Warrant Share") at a price of $0.10 per 2013 Warrant Share for a period of 20 months from the date of issuance (the "Expiry Time"). In the event that the common shares of the Company trade at or above $0.20 for a period of thirty (30) consecutive trading days at any time prior to the Expiry Time, the Company may accelerate the Expiry Time by giving at least thirty (30) days' prior written notice (the "Notice") to the warrant holders, and in such a case the 2013 Warrants will expire on the 30th day after the date on which such Notice is delivered by the Company or such later expiry date set out in the Notice; and

(f) Subsequent to the year ended December 31, 2013, the Company issued 8,770,666 units of the Company (the "2014 Units") at a price of $0.15 per 2014 Unit for aggregate gross proceeds of $1,315,600. Each 2014 Unit consists of one common share of the Company and one common share purchase warrant (a "2014 Unit Warrant"). Each 2014 Unit Warrant entitles the holder to purchase one common share (a "2014 Warrant Share") at a price of $0.25 per 2014 Warrant Share for a period of 18 months from the date of issuance.

Compensation options were also issued to certain finders. The finders received 877,066 compensation options ("Compensation Options"), each Compensation Option being exercisable into one 2014 Unit within 18 months of closing, at an exercise price of $0.15 per 2014 Unit.

Financial

At December 31, 2013, the Company had assets of $448,221 (December 31, 2012 - $425,079) and a deficiency of $63,802 (December 31, 2012 – equity of $121,004). At December 31, 2013, the Company had current liabilities of $512,023 (December 31, 2012 - $289,075). The Company had gross exploration and evaluation expenditures of $439,351 during the year ended December 31, 2013 (year ended December 31, 2012 - $665,858) on its petroleum and gas interests.

The Company had cash and cash equivalents of $312,028 at December 31, 2013 (December 31, 2012 - $101,411). The increase in cash and cash equivalents during the year ended December 31, 2013, was primarily due to funds received from the CEO, the 2013 Private Placement, the receipt of funds from the financing completed on December 28, 2012, and the funds advanced to the Company for the financing completed on February 7, 2014. The cash injection from the loan, 2013 Private Placement and financing was offset by corporate overhead costs and exploration activities in Québec (Canada) and Texas (USA).

At December 31, 2013, the Company had a working capital deficiency of $123,160 (December 31, 2012 – working capital balance of $127,576). If the Company excludes the loan of $195,735 owed to the CEO, the Company's working capital deficiency would be adjusted to a working capital balance of $72,575 (December 31, 2012 - $127,576). The Company needs to secure additional financing to carry on business activities for the twelve months ending December 31, 2014. Subsequent to the year ended December 31, 2013, the loan was repaid and additional financing was secured (see "Subsequent Events" below).

Summary of Land Positions

A) Province of Québec

As at December 31, 2013, Petrolympic had an interest in a total 752,951 hectares (1,860,542 acres) of oil and gas exploration permits in the Appalachian Basin of Québec that include holdings in the St. Lawrence Lowlands and Gaspé Peninsula (see map below). The Company's holdings in the St. Lawrence Lowlands are a 30% interest in 216,933 hectares (536,041 acres) through a joint venture with Squatex; a 12% interest in 8,000 hectares (19,768 acres) through the Farmout and Joint Operating Agreement with Canbriam Energy Inc. ("Canbriam"); as well as a 100% interest in 56,152 hectares (138,752 acres) located over the Lowlands shallow carbonates platform on the south shore of the St. Lawrence River, less than 30 kilometres 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 Lower St. Lawrence regions, including a 30% interest in 431,178 hectares (1,065,441 acres) through a joint venture 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. The following are permits in which Petrolympic holds an interest. Please also refer to the map that follows:

Gaspé Permits 100% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009PG573	01/09/2014	18,705
2009RS305	01/09/2014	21,983
Subtotal		**40,688**

St. Lawrence Lowlands Permits 100% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS302	01/09/2014	21,930
2009RS303	01/09/2014	14,127
2009RS304	01/09/2014	20,095
Subtotal		**56,152**

St. Lawrence Lowlands Permits 30% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS287	01/09/2014	20,871
2009RS288	01/09/2014	17,990
2009RS289	01/09/2014	20,909
2009RS290	01/09/2014	7,248
2009RS291	01/09/2014	22,447
2009RS292	01/09/2014	18,827
2009RS293	01/09/2014	14,580
2009RS294	01/09/2014	21,664
2009RS295	01/09/2014	19,316
2009RS296 (part)	01/09/2014	20,339 *
2009RS297	01/09/2014	16,342
2009RS298 (part)	01/09/2014	24,400 *
Subtotal		**224,933**

* An 18% interest in over 8,000 hectares was transferred from Petrolympic to Canbriam from these two permits between surface and the top of the Trenton Formation only.

Gaspé Permits 30% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009PG554	01/09/2014	15,150
2009PG556	01/09/2014	23,666
Subtotal		**38,816**

Lower St. Lawrence 30% Ownership:

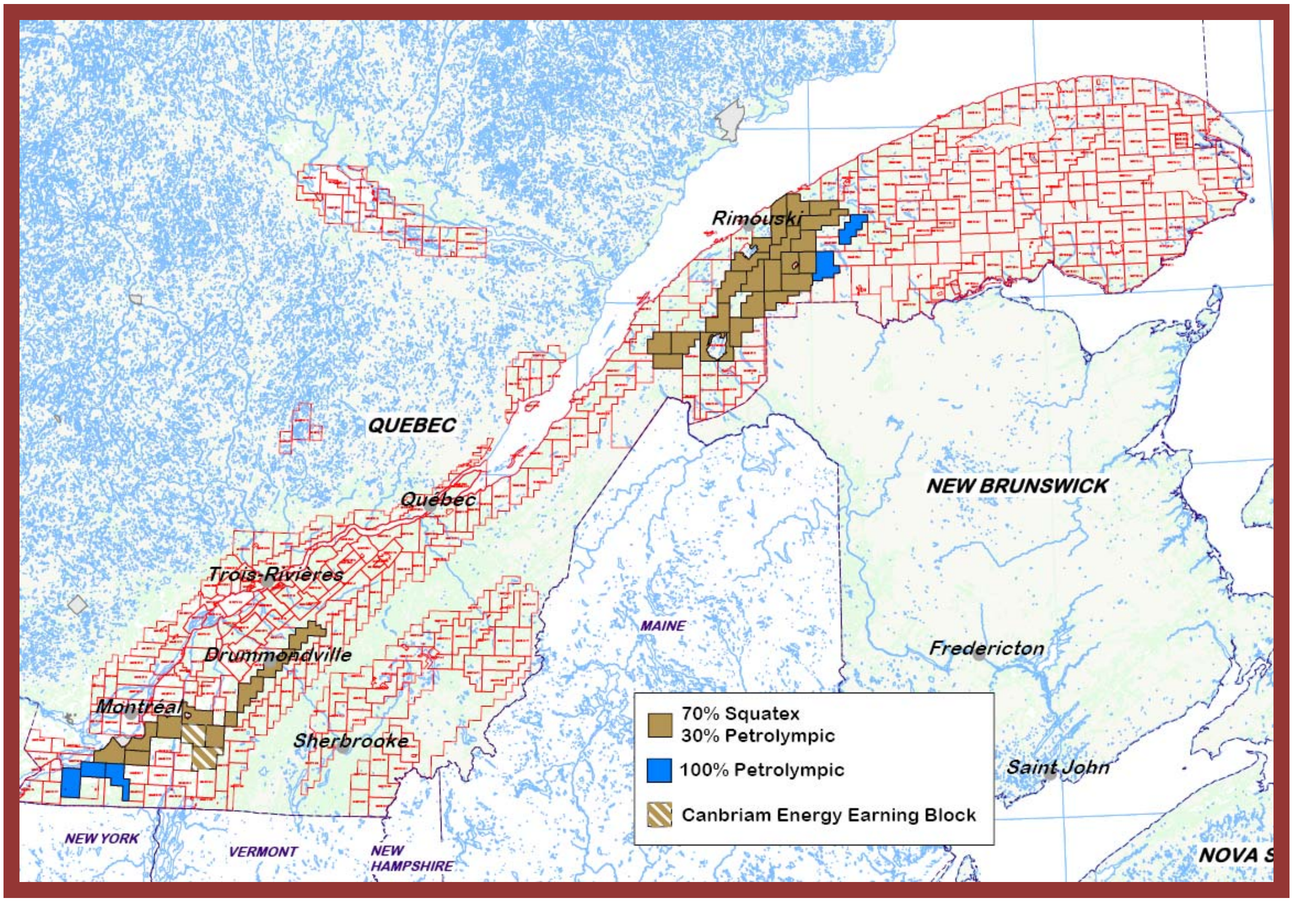
Permit Number	Renewal Date	Area (Hectares)
2009RS299	01/09/2014	18,975
2009RS300	01/09/2014	20,704
2009RS301	01/09/2014	17,136
2009PG552	01/09/2014	10,267
2009PG553	01/09/2014	23,068
2009PG555	01/09/2014	16,438
2009PG557	01/09/2014	9,894
2009PG558	01/09/2014	19,420
2009PG559	01/09/2014	18,737
2009PG560	01/09/2014	19,817
2009PG561	01/09/2014	24,435
2009PG562	01/09/2014	19,847
2009PG563	01/09/2014	22,573
2009PG564	01/09/2014	14,377
2009PG565	01/09/2014	15,370
2009PG566	01/09/2014	21,454
2009PG567	01/09/2014	20,642
2009PG568	01/09/2014	20,668
2009PG569	01/09/2014	17,244
2009PG570	01/09/2014	19,579
2009PG571	01/09/2014	20,951
2009PG572	01/09/2014	16,477
Subtotal		**408,073**

St. Lawrence Lowlands Permits 12% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS296 (part)	01/09/2014	20,339
2009RS298 (part)	01/09/2014	24,400
Subtotal		**44,739**

Canbriam has earned an interest between the surface and the top of the Trenton Formation of over 8,000 hectares to date and could increase its earning to up to 32,000 of the 44,739 hectares.

Map



B) Chittim Ranch, Texas, USA

On May 11, 2011, Petrolympic USA, Inc. ("Petrolympic USA"), a wholly-owned subsidiary of Petrolympic, announced that it had acquired a new property, the Chittim Ranch property in the Maverick Basin, Texas, as the Company shifted its near term operational focus from gas to liquids.

During 2011, Petrolympic USA entered into an exploration agreement with Texas HBP LLC ("HBP") and Shell Western E&P Inc. ("Shell") to acquire an interest in the Chittim Ranch property. HBP had an exploration agreement with the original lease owner of the property, which was subsequently acquired by Shell. Under the terms of the agreement between HBP and Shell, HBP was required to pay 100% of the costs incurred in the drilling and completion of earning wells. Once each well had been drilled to its objective depth, completed and tested, HBP was to own an 87.5% working interest in the property, with Shell retaining the remaining 12.5% interest. Thereafter, each party was to be responsible for its proportionate share of operating costs.

On April 10, 2012, Petrolympic USA received notice that the lease for its Chittim Ranch property had been breached by HBP, as operator. On July 3, 2012, the Company announced that it has resolved its dispute with HBP, Big Shell Oil & Gas Inc. and Harvey E. White (the "Big Shell Entities"), pertaining to the Chittim Ranch 80-2V Well (the "Well") located in the Chittim Ranch Properties.

Settlement Terms

- The Big Shell Entities have consented to the direct assignment to Petrolympic USA of an 80.25% working interest (net revenue interest of 60.1875%) in the well and the surrounding 320-acre (130-hectare) leasehold estate (the "Petrolympic Property"), an increase from the originally agreed upon 50% working interest (net revenue interest of 37.5%).
- Petrolympic USA is seeking consent from the landowners to a formal assignment of the Petrolympic Property and formally changed the operatorship with the Railroad Commission of Texas.
- Big Shell Entities relinquished operations over the Petrolympic Property to Oil-Lympia Oil and Gas Inc., a subsidiary company of Petrolympic.
- Petrolympic USA satisfied all outstanding invoices to third-party vendors and service providers in relation to prior operations on the well.
- Petrolympic USA has relinquished any rights under the participation agreement in the balance of the 8,000 acres (3,237 hectares).

Operations

Based on the positive results of the production test completed in January of 2013, management determined the Well warranted a completion that would allow a more comprehensive testing of the Edwards Limestone "B" Zone at 3,836'-3,846'.

Beginning on May 6, 2013, reworking of the Well was initiated to complete this well with a rod pump and the installation of surface equipment, including a pumping unit, separator, and tank battery.

Reworking of the Well and installation of surface facilities was completed on May 14, 2013, at which time the Well was turned on, pumping at six strokes per minute. During the first month of operation, the Well averaged a 10% oil cut. Early operations were somewhat hampered as well pressure and at times production volumes were in excess of the separator's capacity. The Well was shut-in from July 6, 2013, through July 9, 2013, while the separator was replaced with a larger capacity heater treater and a larger sheave was installed on the pumping unit to allow the pump speed to be increased to eight strokes per minute.

On July 17, 2013, daily oil production showed a marked decrease. On July 19, 2013, the Well was not producing any fluid, indicating either a problem with the down-hole pump or a hole in the tubing. Subsequently, the Well was shut-in until a work over rig could be contracted to pull out the pump for repair and test the tubing.

In Q4 (2013), the Well produced oil which provided the Company net revenue of $13,588.

The Company cannot quantify what the cash inflows might be from the Well. Petrolympic plans to produce the oil from this reservoir for its maximum economic value and subsequently move up the pipe and test other zones encountered during the drilling.

Exploration Activities in Québec

The government of Québec made several changes in June 2011 to the legislative and regulatory framework for oil and gas production. The adoption of Bill 18, an Act to limit oil and gas activities, introduced three changes aimed at:

- banning oil and gas activity on islands in the river and estuary portion of the St. Lawrence;
- exempting holders of exploration licences from performing the work required under the Mining Act for up to three years from the introduction of the legislation; and
- extending the validity of all exploration licences in Québec for the same period as the moratorium.

In addition, the Ministère du Développement Durable, de l'Environnement et des Parcs (the "MDDEP") amended the regulation respecting the application of the Environment Quality Act. As a result, an environmental authorization certificate is required for all shale drilling and fracking operations. The amendment also requires companies to hold a public consultation before applying for a certificate for this type of work. Lastly, concerning strategic environmental assessments, the MDDEP has adopted a regulation aimed at providing information on shale drilling and fracking operations.

The government announced in the fall of 2013 further changes to come to the Mining Act governing the exploration and exploitation of hydrocarbons and also declared a moratorium on shale gas exploration in the St. Lawrence Lowlands while new studies are taking place by the Bureau d'Audiences Publiques sur l'Environnement.

Some of Petrolympic's exploration activities will face delays due to these government decisions.

Petrolympic and Squatex can renew annually all their exploration permits until September 2019. Bill 18 is now allowing a further extension of the ownership of the permits for up to three more years while the government of Québec completes a strategic environmental assessment on shale gas development.

Specifically, the following permits are not directly affected by Bill 18, since shale gas is not the target of exploration:

- Gaspé Permits (100% ownership by Petrolympic);
- St. Lawrence Lowlands Permits (100% ownership by Petrolympic);
- Gaspé Permits (30% ownership by Petrolympic); and
- Lower St. Lawrence (30% ownership by Petrolympic).

The following permits located above the Utica Shale Fairway are directly affected by Bill 18:

- St. Lawrence Lowlands Permits (12% ownership by Petrolympic); and
- St. Lawrence Lowlands Permits (30% ownership by Petrolympic).

Petrolympic 100% Owned Permits

Gaspésie Peninsula

No additional work was performed on these permits during the year ended December 31, 2013. The Company has enough exploration credits from its past exploration activities to cover the minimum work obligation to keep the Gaspé permits in good standing until August 31, 2014, and with Bill 18, the permits are in good standing for a further period of up to three additional years as long as annual rents are paid by Petrolympic.

St. Lawrence Lowlands

No additional work was performed on these permits during the year ended December 31, 2013. The Company has enough exploration credits from its past exploration activities to cover the minimum work obligation to keep the St. Lawrence Lowlands permits in good standing until August 31, 2014, and with Bill 18, the permits are in good standing for a further period of up to three additional years as long as annual rents are paid by Petrolympic.

Squatex-Petrolympic Joint Venture Lands

Lower St. Lawrence - Gaspé Joint Permits

The Company is currently evaluating and exploring this property together with Squatex to target hydrothermal dolomite and reefs hosting conventional light oil, where oil showings have been previously observed in geological outcrops and coring programs.

Geological sampling was undertaken during the summers of 2009 and 2010 to measure the total carbon content and the maturity of the rocks in order to correct government geological maps. In 2010, a series of core holes totaling 1,107 metres was drilled to complement the field geological sampling. In the spring of 2011 two additional deep core holes totaling 1,047 metres were completed to help link previous seismic results with the geology at depth. During Q2 2012, a revised interpretation of the structural impacts of faults was completed using a new hypothesis based on recent coring and sampling results. These new results have enabled the development of further leads and prospects, and in September 2012, Petrolympic and its partner, Squatex, decided to drill the Masse No.1 coring well in the Municipality of Ste-Jeanne d'Arc, near the Mitis River, to study the local stratigraphic sequence and to test possibilities of the presence of conventional light oil in fractured Silurian rocks.

Because of the important depth to be reached, the well was equipped with a blow-out preventer installed on a 150 metre cemented casing (10% of the expected total depth). The coring was stopped in November 2012 at a depth of 1,710 metres because of adverse winter weather. The well was suspended, allowing for further tests and the possibility of resuming drilling in 2013. The well was supervised by a team of five geologists and engineers and drilled through highly perturbated beds of the St. Leon Formation before reaching near 800 metres reefal carbonate sequences similar to the West Point Formation, followed by a series of thrusted beds from the base of Silurian, including a 15 metre thick porous dolomite from the Sayabec reef. Both reef sequences presented gas and condensate shows during drilling and were sampled.

Cores were studied in detail and further tests and analysis were conducted in the first part of 2013. Results of this preliminary work resulted in the decision in May 2013 to deepen the well and to drill a second location, the Sayabec No.1 well. In mid-June 2013, the Massé No.1A well was re-entered to drill through a seismic AVO anomaly indicating a fluid response. This zone was encountered, and gave very strong gas blows (89% methane) in a porous and permeable Sayabec dolomite and also in the Val Brillant sandstone. The porous zone extends between 1,790 m and 1,874 m. The cores collected starting at 1,847m exhibit a 10 metre-thick zone containing a measured porosity which locally reaches 20.8% with a permeability of 1,624 mD. The preliminary geophysical interpretation done by Squatex indicates that the prospective zone of AVO anomalies can extend over a surface of more than 20 km^2, which, by using the parameters measured during drilling, could result in a reservoir that could contain a volume up to 100 BCF.

Because of important depth limitations of the mining rig used to core the Massé well and the difficulty of containing the gas without having the proper equipment, the well had to be stopped and the hole was subsequently cemented at the total depth of 1,874 m without adequate testing being performed.

In July 2013, the rig was moved 15 kilometers further to the east to a second location to drill the Sayabec No.1 well. This site was chosen to verify the possible presence of dolomitization in the Sayabec limestone over a seismic amplitude anomaly above a stratigraphic wedge out near the eastern limit of the permits. Again, a dolomitized zone was encountered near the base of the Sayabec Formation, but unfortunately, encountered only minor gas shows. The well reached 759 meters, stopping in Ordovician rocks of the Quebec Group.

Further work and analysis must be performed to fully appraise and confirm the potential of the Massé structure. Petrolympic with its partner Squatex has been studying possibilities for further exploration in the Massé structure area, including the drilling of a confirmation well on the structure and possibly other core holes over extensions of the structure or other similar structural anomalies. During the last three months, other available seismic lines in the Massé area were sent for AVO reprocessing in order to possibly visualize and compare similar porosity zones.

St. Lawrence Lowlands Joint Permits

The last exploration work performed in the St. Lawrence Lowlands by Petrolympic, Squatex and Canbriam was the drilling of the Farnham No. 1 well and the recording and interpretation of a 40-kilometre 2D seismic survey in 2010 to further refine target areas and locate the best sites to be drilled. The resulting data and profiles have been integrated into a database with all other data acquired to plan future work over the area while waiting for the strategic environmental study to be completed by the Québec government. Petrolympic remains confident that shale gas exploration will be allowed soon and will be developed safely in the Québec Lowlands in the near future.

Exploration and evaluation expenditures

Québec	Year Ended, December 31, 2013 $	Year Ended, December 31, 2012 $
General exploration costs	242,326	277,017
Geophysical	500	2,500
Permits and licences	29,367	29,367
Gross costs incurred	**272,193**	**308,884**
Tax credit receivable at 35%	(20,357)	(11,660)
Net costs incurred	**251,836**	**297,224**

For the year ended December 31, 2013, the Company spent $272,193 (comparative period - $308,844) on its permit interests for interpretation studies of acquired data and the drilling of the Massé No.1 and Sayabec No.1 core holes. The Company anticipates spending about $800,000 (net of Squatex's share) for fiscal 2014 on further exploration work over Company target areas where conventional exploration is taking place, subject to the Company completing an equity financing. Specifically, the Company will focus on areas not directly affected by Bill 18. Due to sufficient aggregate historical expenditures, the Company is allowed but not required to incur further costs on its permits in fiscal 2014. Bill 18, voted in June 2011 by the government of Québec, is extending the life of the Company's permits and exempting work obligations for up to an additional three years. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly.

Technical Disclosure

The above technical disclosure under the heading "Exploration Activities in Québec" has been prepared under the supervision of Paul Laroche, P. Eng., P. Geo., and a "qualified person" within the meaning of National Instrument 51-101.

Chittim Ranch Property Activities

The Company anticipates spending $100,000 on well activities at the Chittim Ranch property, subject to positive results and the completion of an equity financing.

Chittim Ranch Property	Year Ended, December 31, 2013 $	Year Ended, December 31, 2012 $
Development costs	181,461	303,634
Depreciation	6,054	nil
Net costs incurred	**187,515**	**303,634**

Other	Year Ended, December 31, 2013 $	Year Ended, December 31, 2012 $
Other costs	nil	65,000
Net costs incurred	**nil**	**65,000**

Selected Annual Financial Information

The following is selected financial data derived from the audited annual consolidated financial statements of the Company as at December 31, 2013, 2012 and 2011 and for the years then ended.

	Year ended December 31, 2013 ($)	Year ended December 31, 2012 ($)	Year ended December 31, 2011 ($)
Total revenues	13,588	nil	nil
Total loss	(1,157,469)	(1,107,812)	(2,195,302)
Net loss per share – basic	(0.01)	(0.01)	(0.03)
Net loss per share – diluted	(0.01)	(0.01)	(0.03)
	As at December 31, 2013 ($)	**As at December 31, 2012 ($)**	**As at December 31, 2011 ($)**
Total assets	448,221	425,079	1,161,658
Total non-current financial liabilities	nil	15,000	nil
Distribution or cash dividends	nil	nil	nil

- The net loss for the year ended December 31, 2013, consisted primarily of: (i) general and administrative expenses of $724,731; (ii) exploration and evaluation expenditures of $439,351; (iii) accretion of $26,173; and (iv) depreciation of $509. This was offset by a deferred tax recovery of $33,192, the sale of oil of $13,588, premium on flow-through shares of $13,143 as well as interest income of $104.

- The net loss for the year ended December 31, 2012, consisted primarily of: (i) general and administrative expenses of $517,813; (ii) exploration and evaluation expenditures of $665,858; and (iii) depreciation of $218. This was offset by premium on flow-through shares of $81,050 as well as interest income of $563.

- The net loss for the year ended December 31, 2011, consisted primarily of: (i) general and administrative expenses of $821,521; (ii) exploration and evaluation expenditures of $1,398,872; and (iii) depreciation of $1,773. This was offset by a deferred tax recovery of $135,426 and interest income of $6,342.

- As the Company has no significant revenue, its ability to fund its operations is dependent upon its securing financing through the sale of equity or assets. See "Risk Factors" below.

Trends

The general concern over the exploitation of shale gas in the Province of Québec could delay some of the expected or proposed exploration work. Management, in conjunction with the Board of Directors, will continue to monitor these developments and their effect on the Company's business.

In addition to the risks outlined in this MD&A, the Company has identified the extreme volatility occurring in the financial markets recently as a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like Petrolympic are considered risk assets and are highly speculative. The volatility in the markets and investor sentiment may make it difficult for Petrolympic to access the capital markets in order to raise the capital it will need to fund its current level of expenditures.

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 consistent with governing environmental legislation.

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.

Summary of Quarterly Results

Three Months Ended	Total Assets $	Profit or Loss Total $	Per Share $
December 31, 2013	448,221	(465,078) (1)	(0.00)
September 30, 2013	278,175	(225,566) (2)	(0.00)
June 30, 2013	412,960	(151,052) (3)	(0.00)
March 31, 2013	416,327	(289,041) (4)	(0.00)
December 31, 2012	425,079	(307,219) (5)	(0.00)
September 30, 2012	405,846	(370,319) (6)	(0.00)
June 30, 2012	664,320	(285,330) (7)	(0.00)
March 31, 2012	945,910	(139,408) (8)	(0.00)

Notes:

(1) Net loss of $465,078 principally relates to share-based payment of $219,850, exploration and evaluation expenditures of $190,563, professional fees of $41,589, accretion expense of 26,173, management fees of $12,000, administrative and general of $5,171, salaries and benefits of $8,494 and operating expenses related to general working capital purposes. These were offset by a deferred tax recovery of $33,192, sale of oil of $13,588 and interest income of $104.

(2) Net loss of $225,566 principally relates to exploration and evaluation expenditures of $169,025, professional fees of $20,181, management fees of $15,000, administrative and general of $9,197, salaries and benefits of $8,273 and operating expenses related to general working capital purposes.

(3) Net loss of $15,626 principally relates to exploration and evaluation expenditures of $25,223, share-based payment of $77,734, management fees of $16,500, professional fees of $8,852, reporting issuer costs of $227, administrative and general of $12,303 and operating expenses related to general working capital purposes.

(4) Net loss of $289,041 principally relates to exploration and evaluation expenditures of $54,540, share-based payment of $183,333, management fees of $16,500, professional fees of $8,524, reporting issuer costs of $8,223, administrative and general of $15,026 and operating expenses related to general working capital purposes.

(5) Net loss of $307,219 principally relates to exploration and evaluation expenditures of $236,883, professional fees of $32,492, investor relations and promotion of $3,923, management fees of $16,501, administrative and general of $1,311 and operating expenses related to general working capital purposes.

(6) Net loss of $370,319 principally relates to exploration and evaluation expenditures of $252,556, professional fees of $63,332, investor relations and promotion of $15,498, management fees of $20,499, administrative and general of $9,981 and operating expenses related to general working capital purposes.

(7) Net loss of $285,330 principally relates to salaries and benefits of $11,262, exploration and evaluation expenditures of $75,229, professional fees of $58,516, management fees of $17,000, administrative and general of $12,541, investor relations and promotion of $11,825 and operating expenses related to general working capital purposes.

(8) Net loss of $139,408 principally relates to professional fees of $64,359, investor relations and promotion of $7,689, management fees of $19,083 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $205.

The Company's results have fluctuated from period to period due to the timing of exploration expenditures in each period. In addition, administrative expenses have fluctuated from period to period depending on higher or lower support costs for the Company's exploration program in Québec (Canada) and Texas (USA).

Discussion of Operations

Year ended December 31, 2013, compared with year ended December 31, 2012

Petrolympic's net loss totaled $1,130,737 for the year December 31, 2013, with basic and diluted loss per share of $0.01. This compares with a net loss of $1,102,276 with basic and diluted loss per share of $0.01 for the year December 31, 2012. The increase in the net loss of $28,461 was principally because:

- Exploration and evaluation expenditures for the year ended December 31, 2013, were $439,351 (year ended December 31, 2012 - $665,858), a decrease of $226,507 compared to the same period in 2012. The Company's exploration programs in Québec (Canada) and Texas (USA) are ongoing.

  Exploration and evaluation expenditures have fluctuated from period to period due to the timing and funding of the Company's exploration programs in Québec (Canada) and Texas (USA).

- During the year ended December 31, 2013, the Company recognized income of $13,143 (year ended December 31, 2012 - $81,050) due to the retirement of the liability for the deferred premium on flow-through shares.

- During the year ended December 31, 2013, the Company recognized revenue from the sale of oil of $13,588 (year ended December 31, 2012 - $nil).

- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion, reporting issuer costs and salaries and benefits excluding share-based payment totaled $243,814 for the year ended December 31, 2013 (year ended December 31, 2012 - $425,413). The decrease of $210,510 is due mainly to cost saving initiatives implemented by the Company.

- The Company recognized a deferred tax recovery of $33,192 (year ended December 31, 2012 - $nil), an increase of $33,192.

- On March 25, 2013, the Company granted 3,333,335 options at a price of $0.10 per share, expiring March 25, 2018. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.07; 119% volatility; risk-free interest rate of 1.32%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $183,333, which was expensed in the unaudited condensed interim consolidated statement of loss and comprehensive loss with a corresponding amount allocated to equity settled share-based payment reserve. These options have fully vested.

On June 26, 2013, the Company granted a total of 1,466,667 options to purchase common shares of the Company to directors and an officer at an exercise price of $0.10 per share, expiring on June 26, 2018. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.07; 110% volatility; risk-free interest rate of 1.69%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $77,734, which was expensed in the unaudited condensed interim consolidated statement of loss and comprehensive loss with a corresponding amount allocated to equity settled share-based payment reserve. These options have fully vested.

On November 21, 2013, the Company granted a total of 800,000 options to purchase common shares of the Company to directors and an officer at an exercise price of $0.175 per share, expiring on November 21, 2018. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.17; 123% volatility; risk-free interest rate of 1.78%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $113,600, which was expensed in the consolidated statement of loss and comprehensive loss with a corresponding amount allocated to equity settled share-based payment reserve. These options have fully vested.

On December 9, 2013, the Company granted a total of 850,000 options to purchase common shares of the Company to directors and an officer at an exercise price of $0.15 per share, expiring on December 9, 2018. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.15; 122% volatility; risk-free interest rate of 1.81%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $106,250, which was expensed in the consolidated statement of loss and comprehensive loss with a corresponding amount allocated to equity settled share-based payment reserve. These options have fully vested.

On April 24, 2012, the Company granted 1,200,000 options of the Company at a price of $0.12 per share, expiring April 24, 2017. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.10; 111% volatility; risk-free interest rate of 1.68%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $92,400, which was expensed to the unaudited condensed interim consolidated statement of loss and comprehensive loss with a corresponding amount allocated to equity settled share-based payment reserve. These options have fully vested.

Several variables were used when determining the value of stock options using the Black-Scholes option pricing model:

Expected term: the Company used the expected term of five years for the options granted, which is the maximum term ascribed to the stock options issued. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.

Volatility: the Company used historical information on the market price of its common shares to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options are granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.

Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term at the date of the grant of the stock options. The risk-free interest rate will vary depending on the date of grant of the stock options and their expected term.

Dividend yield: the Company has not paid dividends in the past because it is in the exploration stage and has not yet earned any income from operations. Also, the Company does not expect to pay dividends in the foreseeable future. Therefore, a dividend rate of 0% was used to value the stock options.

<u>Three months ended December 31, 2013, compared with three months ended December 31, 2012</u>

Petrolympic's net loss totaled $465,078 for the three months December 31, 2013, with basic and diluted loss per share of $0.00. This compares with a net loss of $307,219 with basic and diluted loss per share of $0.00 for the three months December 31, 2012. The increase in the net loss of $157,859 was principally because:

- Share-based payments for the three months ended December 31, 2013, were $219,850 (three months ended December 31, 2012 - $nil), an increase of $219,850.

- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion, reporting issuer costs and salaries and benefits excluding share-based payment totaled $75,376 for the three months ended December 31, 2013 (three months ended December 31, 2012 - $70,616). The increase of $4,760 was not significant.

- Exploration and evaluation expenditures for the three months ended December 31, 2013, were $190,563 (three months ended December 31, 2012 - $236,883), a decrease of $46,320 compared to the same period in 2012. The Company's exploration programs in Québec (Canada) and Texas (USA) are ongoing.

  Exploration and evaluation expenditures have fluctuated from period to period due to the timing and funding of the Company's exploration programs in Québec (Canada) and Texas (USA).

- The Company recognized a deferred tax recovery of $33,192 (three months ended December 31, 2012 - $nil), an increase of $33,192.

- The Company recognized sale of oil of $13,588 (three months ended December 31, 2012 - $nil), an increase of $13,588.

Liquidity and Capital Resources

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 year ended December 31, 2013, the Company completed a private placement raising gross proceeds of $154,680. In addition, the Company received a loan of $200,000 from Mendel Ekstein, the CEO and the President of the Company, for a term of 12 months, which principal will bear no interest (but will bear interest at a rate of 30% per annum in the case of a default), which was repaid in January 2014. There is no assurance that future equity capital or debt will be available to the Company in the amounts or at the times desired or on terms that are acceptable, if at all. See "Risk Factors" below.

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 December 31, 2013, the Company had 89,274,243 common shares issued and outstanding, 8,400,002 options and 4,387,524 warrants outstanding, which would raise $1,567,503 if exercised in full. This is not anticipated until the market price of the Company's traded common shares increases.

Cash used in operating activities was $636,280 for the year ended December 31, 2013. Operating activities were affected by the net decrease in non-cash working capital balances of $28,215 because of a decrease in amounts receivable and other assets of $8,488 and an increase in accounts payable and accrued liabilities of $40,356. The Company also recorded depreciation of equipment of $6,563, premium on flow-through shares of $13,143, accretion expense of $26,173, deferred income tax recovery of $33,192 and share-based payment of $480,917.

Cash provided by financing activities was $903,844 for the year ended December 31, 2013. As mentioned previously, the CEO provided $200,000 to the Company. $185,000 was provided in Q1 2013 and $15,000 was provided in Q4 2012. During the year ended December 31, 2013, the Company received $250,000 from the Private Placement that closed on December 28, 2012. The Company also received $152,680 from the Private Placement that closed on June 27, 2013. In addition, the Company received $316,164 in advances from a private placement that closed subsequent to the year ended December 31, 2013. See "Subsequent Events" below.

To date, the cash resources of the Company are held with two major Canadian chartered banks. The Company has no debt other than an outstanding loan to an officer and director of the Company which bears zero interest, except in the case of default. 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 surplus cash is invested in investment grade term deposit certificates. As of December 31, 2013, surplus cash was invested in bank-backed guaranteed investment certificates worth $10,000, and this amount was included in cash and cash equivalents.

Current liabilities increased to $512,023 at December 31, 2013, from $289,075 at December 31, 2012, primarily due to a loan of $185,000 received from the CEO. The total loan balance at December 31, 2013, amounted to $200,000 (December 31, 2012 - $15,000). This loan was paid in January 2014.

Currently, the Company's operating expenses are averaging approximately $15,000 to $50,000 per month for management fees, month-to-month professional fees and other working capital related expenses. The Company's cash and cash equivalents as at December 31, 2013, in addition to the financing competed after December 31, 2013, for gross proceeds of $1,315,600 (see "Subsequent Events" below) is sufficient to satisfy current liabilities and operating expenditures for fiscal 2014. The Company is also expected to receive net revenue from its Chittim Ranch activities in the range of $3,000 to $5,000 per month. It must be noted that the Company is seeking financing to continue its exploration activities for $900,000, in aggregate. The major variables are expected to be the size, timing and results of the Company's exploration program and its ability to continue to access capital to fund its ongoing operations. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company.

The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of expenditure, and expenditures may be adjusted accordingly. However, to meet long-term business plans, discovery of a petroleum and natural gas reserve is an important component of the Company's financial success.

Re-statement of opening balances

During the year ended December 31, 2013 certain opening balances were re-classified to reflect the expiry of warrants during the year ended December 31, 2011 and the related income tax recovery. In addition, certain opening balances were re-classified to reflect the expiry of options during the year ended December 31, 2012, and in previous years.

Impact on Consolidated Statements of Financial Position

	As at January 1, 2012	Adjustment	As at January 1, 2012 as restated
Share capital	6,595,297	-	6,595,297
Reserves	3,862,185	(1,491,999)	2,370,186
Deficit	(9,555,923)	1,491,999	(8,063,924)
Total equity	901,559	-	901,559

	As at January 1, 2012	Adjustment	As at January 1, 2012 as restated
Share capital	6,792,663	-	6,792,663
Reserves	3,986,540	(1,725,666)	2,260,874
Deficit	(10,658,199)	1,725,666	(8,932,533)
Total equity	121,004	-	121,004

Change in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods starting on or after January 1, 2013. The following new standards have been adopted:

(i) IFRS 10 – Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control consists of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on its consolidated financial statements.

(ii) IFRS 11 - Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on its consolidated financial statements.

(iii) IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off-balance-sheet vehicles. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on its consolidated financial statements.

(iv) IFRS 13 – Fair Value Measurement ("IFRS 13") provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. At January 1, 2013, the Company adopted this pronouncement. There was no material impact on the Company's consolidated financial statements given the existing asset and liability mix to which fair value accounting applies.

(v) Amendments to IAS 1 - Presentation of Financial ("IAS 1") were issued by the IASB in June 2011. The amendments require items presented in the statement of other comprehensive income to be categorized according to whether the items will or will not be reclassified to income at a future date. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on its consolidated financial statements.

Recent Accounting Pronouncements

(i) IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

(ii) IAS 32 - Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

Financial Instruments

(i) Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee. The Board of Directors also provides regular guidance for overall risk management.

(ii) 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. Cash and cash equivalents are held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

(iii) 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 matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2013, the Company had cash and cash equivalents of $312,028 (December 31, 2012 - $101,411) to settle current liabilities of $512,023 (December 31, 2012 - $289,075). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms except for the loan payable, which is due February 20, 2014 (repaid subsequent to year-end). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company is currently looking for an equity or debt financing transaction to advance its business activities.

(iv) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance with its cash management policy.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign currency risk with respect to the expenditures incurred by its US subsidiaries.

(c) Price risk

The Company is exposed to price risk with respect to equity and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices (oil and natural gas), individual equity movements and the stock market in general to determine what course of action it should take.

Sensitivity analysis

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) The Company has no debt other than an outstanding loan with a face value of $200,000 to an officer of the Company which bears zero interest, except in the case of default. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss and comprehensive loss. The loan was repaid subsequent to year-end (see "Subsequent Events" below).

(ii) The Company has subsidiaries with balances denominated in US dollars. Sensitivity to a plus or minus 5% change in exchange rates would lead to approximately a $88,565 gain/loss in the reported net loss and comprehensive loss for the year ended December 31, 2013.

Share Capital

As at the date of this MD&A, the Company had 98,044,909 issued and outstanding common shares.

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options	Expiry Date	Exercise Price
750,000	June 17, 2014	$0.295
100,000	April 23, 2015	$0.28
1,100,000	April 24, 2017	$0.12
3,333,335	March 25, 2018	$0.10
1,466,667	June 26, 2018	$0.10
800,000	November 21, 2018	$0.175
850,000	December 9, 2018	$0.15
8,400,002		

Warrants outstanding for the Company at the date of this MD&A were as follows:

Warrants	Expiry Date	Exercise Price
1,809,524	June 28, 2014	$0.10
2,578,000	February 27, 2015	$0.10
6,300,000	July 13, 2015	$0.25
2,470,666	August 7, 2015	$0.25
877,006	August 7, 2015	$0.15
14,035,196		

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 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 consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance 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"), the Venture Issuer Basic Certificate filed by the Company 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 such 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 financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company'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 such 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 Party Transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at December 31, 2013, Mendel Ekstein, an officer and director of the Company, controls or indirectly controls 26,030,936 common shares of the Company, or approximately 29% of the total common shares outstanding. As at December 31, 2013, Andreas Jacob, a director of the Company, controls or indirectly controls 11,967,625 common shares of the Company, or approximately 13% of the total common shares outstanding. As at December 31, 2013, the remaining directors and/or officers of the Company collectively control 292,510 common shares of the Company or less than 1% of the total common shares outstanding. To the knowledge of directors and officers of Petrolympic, the remainder of the Company's outstanding common shares are widely held. These holdings can change at any time at the discretion of the owner.

(a) Petrolympic entered into the following transactions with related parties:

Names	Year Ended December 31, 2013 $	Year Ended December 31, 2012 $
Marrelli Support Services Inc. ("Marrelli Support") (i)	45,891	60,416
DSA Corporate Services Inc. ("DSA") (ii)	17,459	25,495
Fogler Rubinoff LLP ("Fogler") (iii)	35,048	22,707
Loan payable - Mendel Ekstein (iv)	185,000	15,000
Total	**283,398**	**123,618**

(i) For the year December 31, 2013, the Company expensed $45,891 (year December 31, 2012 - $60,416) to Marrelli Support for the services of Carmelo Marrelli to act as Chief Financial Officer ("CFO") of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. Carmelo Marrelli is the president of Marrelli Support. The amounts charged by Marrelli Support are based on what Marrelli Support usually charges its regular clients. The Company expects to continue to use Marrelli Support for an indefinite period of time. As at December 31, 2013, Marrelli Support was owed $15,633 (December 31, 2012 - $42,936) and this amount was included in accounts payable and accrued liabilities.

(ii) For the year December 31, 2013, the Company expensed $17,459 (year December 31, 2012 - $25,495) to DSA for corporate secretarial services. DSA is a private company controlled by Carmelo

Marrelli, the CFO of the Company. Carmelo Marrelli is also the corporate secretary and sole director of DSA. The amounts charged by DSA are based on what DSA usually charges its regular clients. The Company expects to continue to use DSA for an indefinite period of time. As at December 31, 2013, DSA was owed $7,960 (December 31, 2012 - $21,155) and this amount was included in accounts payable and accrued liabilities.

(iii) For the year December 31, 2013, the Company expensed $35,048, respectively (year December 31, 2012 - $22,707) to Fogler for professional services. The amounts charged by Fogler are based on what Fogler usually charges its regular clients. The Company expects to continue to use Fogler for an indefinite period of time. Adam Szweras, the Corporate Secretary of Petrolympic, is a partner at Fogler. As at December 31, 2013, Fogler was owed $25,270 (December 31, 2012 - $9,036).

(iv) During the year December 31, 2013, the Company received $185,000 (year December 31, 2012 - $15,000) from Mendel Ekstein, the President and CEO of the Company, pursuant to a loan which the Company and CEO entered into. The total loan balance as of December 31, 2013, amounted to $200,000 (December 31, 2012 - $15,000). In the fourth quarter of fiscal 2012, $15,000 was advanced to the Company. Subsequent to the year ended December 31, 2013, the loan was repaid in full. See "Subsequent Events" below.

(b) Remuneration of directors and key management personnel of the Company was as follows:

Salaries and Benefits	**Year Ended December 31, 2013 $**	**Year Ended December 31, 2012 $**
Mendel Ekstein (CEO)	48,000	55,083
Andreas Jacob (Vice-President)	33,054	38,758
Total	**81,054**	**93,841**

Share-based Payment	**Year Ended December 31, 2013 $**	**Year Ended December 31, 2012 $**
Mendel Ekstein (CEO)	114,667	15,400
Andreas Jacob (Vice-President)	220,917	11,550
Alain Fleury (Director)	36,667	7,700
Miles Pittman (Director)	36,667	7,700
Robert Kinsey (Consultant)	nil	7,700
Adam Szweras (Officer)	35,333	7,700
Roger Creamer (Director)	nil	26,950
Frank Ricciuti (Director)	36,666	7,700
Total	**480,917**	**92,400**

Payments to directors and key management personnel of the Company include (a) related party transactions with, and (b) remuneration to, directors and key management personnel of the Company. As at December 31, 2013, directors and key management personnel of the Company were owed $95,742 (December 31, 2012 - $20,248) for remuneration, excluding amounts in (a) above.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Capital Management

Petrolympic manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company's defined exploration programs and to meet its ongoing administrative costs. The Company considers its capital to be equity, comprising share capital, reserves and deficit, which at December 31, 2013, totaled a deficiency of $63,802 (December 31, 2012 – equity of $121,004).

This is accomplished by the Board of Directors' review and acceptance of exploration budgets that are achievable with existing resources and the timely matching and release of the next stage of expenditures with financial resources from private placements or other fund raisings.

The Company is not subject to any material externally imposed capital requirements or covenants other than the obligation to incur eligible expenditures with respect to the flow-through shares issued. Management reviews the Company's capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the year ended December 31, 2013.

Proposed Transactions

The Company routinely evaluates various business development opportunities which could entail farm-ins, farm-outs, acquisitions and/or divestitures. In this regard, the Company is currently in discussions with various parties, but no definitive agreements respecting any proposed transactions have been entered into as of the date of this MD&A. There can be no assurances that any such transactions will be concluded in the future.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

The Company requires additional capital, which may not be available to it on acceptable terms, or at all. Both the exploration for and development of oil and gas reserves can be capital-intensive businesses. The Company intends to satisfy any additional working capital requirements from cash flow and by raising capital through public or private sales of equity securities, debt financing or short-term loans, or a combination of the foregoing. The Company has no current arrangements for obtaining additional capital, and may not be able to secure additional capital on terms that will not be objectionable to it or its shareholders. Under such circumstances, the Company's failure or inability to obtain additional capital on acceptable terms or at all could have a material adverse effect on the Company.

The Company has a history of losses and a limited operating history as an oil and gas exploration and development company, which make it more difficult to evaluate its future prospects. To date, the Company has incurred significant losses. The Company has a limited operating history upon which any evaluation of it and its long-term prospects might be based. The Company is subject to the risks inherent in the oil and gas industry, as well as the more general risks inherent in the operation of an established business. The Company and its prospects must be considered in light of the risks, expenses and difficulties encountered by all companies engaged in the extremely volatile and competitive oil and gas markets. Any future success the Company might achieve will depend upon many factors, including factors that may be beyond its control. These factors may include changes in technologies, price and product competition, developments and changes in the international oil and gas market, changes in the Company's strategy, changes in expenses, fluctuations in foreign currency exchange rates, general economic conditions, and economic and regulatory conditions specific to the areas in which the Company competes. To address these risks, the Company must, among other things, comply with environmental regulations, discover and develop petroleum and gas properties and negotiate with prospective partners.

Future operating results are subject to fluctuation based upon factors outside of the Company's control. The Company's operating results may in the future fluctuate significantly depending upon a number of factors including industry conditions, petroleum and gas prices, rate of drilling success, rates of production from completed wells and the timing of capital expenditures. Such variability could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, any failure or delay in the realization of expected cash flows from operating activities could limit the Company's future ability to participate in exploration or to participate in economically attractive oil and gas projects.

Inability to manage the Company's expected growth could have a material adverse effect on its business operations and prospects. The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability to manage growth effectively will require the Company to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability to deal with this growth could have a material adverse impact on the Company's business, operations and prospects.

To compete, the Company must attract and retain qualified personnel. The Company's ability to continue its business and to develop a competitive edge in the marketplace depends, in large part, on its ability to attract and retain qualified management and personnel. Competition for such personnel is intense, and the Company may not be able to attract and retain them, which may negatively impact its share price. The Company does not have key-man insurance on any of its employees, directors or senior officers and it does not have written employment agreements with any of its employees, directors or senior officers.

The Company must continue to institute procedures designed to avoid potential conflicts involving its officers and directors. Some of the Company's directors and officers are or may serve on the board of directors of other companies from time to time. Pursuant to the provisions of the *Business Corporations Act (*Ontario*)*, the Company's directors and senior officers must disclose material interests in any contract or transaction (or proposed contract or transaction) material to the Company. To avoid the possibility of conflicts of interest that may arise out of their fiduciary responsibilities to each of the boards, all such directors have agreed to abstain from voting with respect to a conflict of interest between the applicable companies. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or members of management, may have a conflict.

The Company relies on the expertise of certain persons and must insure that these relationships are developed and maintained. The Company is dependent on the advice and project management skills of various consultants and joint venture partners that it contracts from time to time. The Company's failure to develop and maintain relationships with qualified consultants and joint venture partners may have a material adverse effect on its business and operating results.

The Company must indemnify its officers and directors against certain actions. The Company's articles contain provisions that state, subject to applicable law, that it must indemnify every director or officer, subject to the limitations of the *Business Corporations Act* (Ontario), against all costs, charges and expenses that its directors or officers may sustain or incur in the execution of their duties, if they acted honestly and in good faith with a view to the Company's best interests. Such limitations on liability may reduce the likelihood of litigation against the Company's officers and directors and may discourage or deter its shareholders from suing its officers and directors based upon breaches of their duties to the Company, though such an action, if successful, might otherwise benefit the Company and its shareholders.

The global financial crisis is expected to cause petroleum and natural gas prices to remain volatile for the near future. Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility in commodity prices. These conditions worsened in 2008 and are continuing into 2014, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward. Petroleum and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Possible volatility of stock price. The market price for the Company's common stock may be volatile and is subject to significant fluctuations in response to a variety of factors, including the liquidity of the market for the common stock, variations in the Company's quarterly operating results, regulatory or other changes in the oil and gas industry generally, announcements of business developments by the Company or its competitors, litigation, changes in operating costs and variations in general market conditions. Because the Company has a limited operating history, the market price for its common stock may be more volatile than that of a seasoned issuer. Changes in the market price of the Company's securities may have no connection with its operating results. No predictions or projections can be made as to what the prevailing market price for the Company's common stock will be at any time.

The Company does not anticipate paying dividends on its common stock. The Company plans to retain all available funds for use in its business, and therefore does not plan to pay any cash dividends on its securities in the foreseeable future. Hence, investors in the Company's common stock should not expect to receive any distribution of cash dividends for the foreseeable future.

The Company's shareholders may experience dilution of their ownership interests because of its future issuance of additional shares of common stock. The Company's articles authorize the issuance of an unlimited number of shares of common stock, without par value. In the event that the Company is required to issue additional shares of common stock or securities exercisable for or convertible into additional shares of common stock, enter into private placements to raise financing through the sale of equity securities or acquire additional oil and gas property interests in the future through the issuance of shares of its common stock to acquire such interests, the interests of the Company's existing shareholders will be diluted and existing shareholders may suffer dilution in their net book value per share depending on the price at which such securities are sold. If the Company does issue additional shares, it will cause a reduction in the proportionate ownership and voting power of all existing shareholders.

The Company's future success is dependent upon its ability to locate, obtain and develop commercially viable oil and gas deposits. The Company may not be able to consistently identify viable prospects, and such prospects, if identified, may not be commercially exploitable. The Company's inability to consistently identify and exploit commercially viable hydrocarbon deposits would have a material and adverse effect on its business and financial position.

Exploratory drilling activities are subject to substantial risks. The Company's expected revenues and cash flows will be principally dependent upon the success of any drilling and production from prospects in which it participates. The success of such prospects will be determined by the economical location, development and production of commercial quantities of hydrocarbons. Exploratory drilling is subject to numerous risks, including the risk that no commercially productive oil and gas reservoirs will be encountered. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected formation and drilling conditions, pressure or other irregularities in formations, blowouts, equipment failures or accidents, as well as weather conditions, compliance with governmental requirements or shortages or delays in the delivery of equipment. The Company's inability to successfully locate and drill wells that will economically produce commercial quantities of oil and gas could have a material adverse effect on its business and financial position.

The Company's drilling and exploration plans will be subject to factors beyond its control. A prospect is a property that has been identified based on available geological and geophysical information that indicates the potential for hydrocarbons. Whether the Company ultimately drills on a property may depend on a number of factors including funding; the receipt of additional seismic data or reprocessing of existing data; material changes in oil or gas prices; the costs and availability of drilling equipment; the success or failure of wells drilled in similar formations or which would use the same production facilities; changes in estimates of costs to drill or complete wells; the Company's ability to attract industry partners to acquire a portion of its working interest to reduce exposure to drilling and completion costs; decisions of its joint working interest owners; and restrictions under provincial regulators.

Unforeseen title defects may result in a loss of entitlement to production and reserves. Although the Company conducts title reviews in accordance with industry practice prior to any purchase of resource assets, such reviews do not guarantee that an unforeseen defect in the chain on title will not arise and defeat its title to the purchased assets. If such a defect were to occur, the Company's entitlement to the production from such purchased assets could be jeopardized.

The Company's future success depends upon its ability to find, develop and acquire oil and gas reserves that are economically recoverable. As a result, the Company must locate, acquire and develop new oil and gas reserves. Without successful funding for acquisitions and exploration and development activities, the Company's cash resources may be depleted. The Company may not be able to find and develop reserves at an acceptable cost.

Most of the Company's competitors have substantially greater financial, technical, sales, marketing and other resources than it does. The Company engages in the exploration for and production of oil and gas, industries that are highly competitive. The Company competes directly and indirectly with oil and gas companies in its exploration for and development of desirable oil and gas properties. Many companies and individuals are engaged in the business of acquiring interests in and developing oil and gas properties in Québec, Canada, and the industry is not dominated by any single competitor or a small number of competitors. Many such competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater historical market acceptance than Petrolympic does. The Company will compete with numerous industry participants for the acquisition of land and rights to prospects, and for the equipment and labour required to operate and develop such prospects. Competition could materially and adversely affect the Company's business, operating results and financial condition. Such competitive disadvantages could adversely affect the Company's ability to participate in projects with favourable rates of return.

Shortages of supplies and equipment could delay the Company's operations and result in higher operating and capital costs. The Company's ability to conduct operations in a timely and cost effective manner is subject to the availability of natural gas and crude oil field supplies, rigs, equipment and service crews. Although none is expected currently, any shortage of certain types of supplies and equipment could result in delays in the Company's operations as well as in higher operating and capital costs.

The Company's business is subject to interruption from severe weather. The Company's operations are conducted principally in Québec, Canada. The weather in this area and other areas in which the Company may operate in the future can be extreme and can cause interruption or delays in its drilling and construction operations.

The Company's business is subject to operating hazards and uninsured risks. The oil and gas business involves a variety of operating risks, including fire, explosion, pipe failure, casing collapse, abnormally pressured formations, adverse weather conditions, governmental and political actions, premature reservoir declines, and environmental hazards such as oil spills, gas leaks and discharges of toxic gases. The occurrence of any of these events on any property operated or owned (in whole or in part) by the Company could have a material adverse impact on it. Insurance coverage is not always economically feasible and is not obtained to cover all types of operational risks. The occurrence of a significant event that is not insured or not insured fully could have a material adverse effect on the Company's financial condition.

The Company's business is subject to restoration, safety and environmental risk. The Company's present operations are primarily in Québec, and certain laws and regulations exist that require companies engaged in petroleum activities to obtain necessary safety and environmental permits to operate. Such legislation may restrict or delay the Company from conducting operations in certain geographical areas. Further, such laws and regulations may impose liabilities on the Company for remedial and clean-up costs, or for personal injuries related to safety and environmental damages, such liabilities collectively referred to as "asset retirement obligations". While the Company has been careful in managing such risks, it may not always be successful in protecting itself from the impact of all such risks.

The termination or expiration of any of the Company's permits may have a material adverse effect on its results of operations. The Company's properties are held in the form of permits. If the Company, or the holder of the permit, fails to meet the specific requirement of a permit, the permit may terminate or expire. The Company may not meet the obligations required to maintain each permit. The termination or expiration of the Company's permits may have a material adverse effect on its results of operations and business.

Compliance with new or modified environmental laws or regulations could have a material adverse impact on the Company. The Company is subject to various Canadian federal and provincial laws and regulations relating to the environment. The Company believes that it is currently in compliance with such laws and regulations. However, such laws and regulations may change in the future in a manner that would increase the burden and cost of compliance. The Company could incur significant liability under such laws for damages, clean-up costs and penalties in the event of certain discharges into the environment. In addition, environmental laws and regulations may impose liability on the Company for personal injuries, clean-up costs, environmental damage and property damage as well as administrative, civil and criminal penalties. The Company maintains limited insurance coverage for accidental environmental damages, but does not maintain insurance for the full potential liability that could be caused by such environmental damage. Accordingly, the Company may be subject to significant liability, or may be required to cease production in the event of the noted liabilities.

The oil and natural gas industry (exploration, production, pricing, marketing and transportation) is subject to extensive controls and regulations imposed by various levels of government. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's intended business, financial condition and results of operations. The Company's operations require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on its properties. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted. In particular, in Québec, delays in shale gas development are expected to continue as the province completes a strategic environmental assessment.

Commitments

(a) Québec, Canada

As at December 31, 2013, Petrolympic holds an interest in 752,951 hectares (1,860,542 acres) of oil and gas exploration permits in the Appalachian Basin of Québec that include holdings in the St. Lawrence

Lowlands and Gaspé Peninsula (See map on page 10). The Company's holdings in the St. Lawrence Lowlands are a 30% interest in 216,933 hectares (536,041 acres) through a joint venture with Squatex; a 12% interest in 8,000 hectares (19,768 acres) through the Farmout and Joint Operating Agreement with Canbriam; as well as a 100% interest in 56,152 hectares (138,752 acres) located over the Lowlands shallow carbonates platform on the south shore of the St. Lawrence River, less than 30 kilometres 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 431,178 hectares (1,065,441 acres) through a joint venture 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 (changing to $0.50 per hectare starting in 2014) 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, which will end in September 2014, 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 (changing to $5.00 per hectare starting in 2014)[1].

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

The Company's operations are subject to government environmental 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.

Annual rental and minimum exploration expenditures to keep all permits (100% interest permits plus 30% of Squatex's permits) are unknown.

Subsequent Events

Subsequent to the year ended December 31, 2013, the Company repaid the $200,000 loan outstanding to the CEO of the Company.

Subsequent to the year ended December 31, 2013, the Company issued 8,770,666 Securities at a price of $0.15 per 2014 Unit for aggregate gross proceeds of $1,315,600. Each 2014 Unit consists of one common share and a 2014 Warrant. Each 2014 Warrant entitles the holder to purchase one common share at a price of $0.25 per share for a period of 18 months from the date of issuance.

Compensation options were also issued to certain finders. The finders received 877,066 Compensation Options, each Compensation Option being exercisable into one 2014 Unit within 18 months of closing, at an exercise price of $0.15.

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[1] Extract from "Budget 2012-2013 – Quebec and Its Natural Resources", 20 March 2014, http://sigpeg.mrn.gouv.qc.ca/gpg/classes/Budget.

As at December 31, 2013, $316,164 had been advanced to the Company on this private placement as included in Units to be issued on the consolidated statements of financial position as well as the consolidated statements of changes in equity.