PETROLYMPIC LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2012

Prepared by:

PETROLYMPIC LTD.

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Management's Discussion and Analysis dated August 28, 2012

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Petrolympic Ltd. ("Petrolympic" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2012. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2011 and 2010, together with the notes thereto, and the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 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"). The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS. Information contained herein is presented as of August 28, 2012, unless otherwise indicated.

As a result of ongoing review and possible amendments by interpretive guidance from the IASB and IFRIC, IFRS in effect at December 31, 2012, may differ from IFRS and interpretation statements applied in preparing the audited annual consolidated financial statements for the year ended December 31, 2011, and the unaudited condensed interim financial statements for the three and six months ended June 30, 2012 and 2011.

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 state 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. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Petrolympic's properties to contain petroleum and natural gas deposits; the Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2013; the plans, costs, timing and capital for future exploration and development of Petrolympic's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for petroleum and natural gas deposits; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Petrolympic's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, petroleum and natural gas deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to the Company's properties, the possibility that future exploration results will not be consistent with Petrolympic's expectations, 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 and other risks involved in the petroleum and natural gas industry, as well as those risk factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. 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. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Petrolympic's exploration and development activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

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", "Chittim Ranch Property Activities", and "Michigan Pinnacle Reef Properties".

Overall Performance

There were no notable events during the reporting period other than the following:

- Exploration and evaluation expenditures continued at each of the Company's properties;
- Proceeds from the flow-through shares raised in calendar 2011 are being 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
- See "Michigan Pinnacle Reef Properties", below.

At June 30, 2012, the Company had assets of $664,320 (December 31, 2011 - $1,161,658) and equity of $569,371 (December 31, 2011 - $901,559). At June 30, 2012, the Company had current liabilities of $94,949 (December 31, 2011 - $260,099) and no debt. The Company had gross exploration and evaluation expenditures of $75,229 and $176,419, respectively during the three and six months ended June 30, 2012 (three and six months ended June 30, 2011 - $1,058,982 and $1,148,828, respectively) on its petroleum and gas interests.

At June 30, 2012, the Company had working capital of $568,753 (December 31, 2011 - $900,832). The Company had cash and cash equivalents of $338,872 at June 30, 2012 (December 31, 2011 - $906,131). The decrease in cash and cash equivalents and working capital during the three and six months ended June 30, 2012, was primarily due to corporate overhead costs and exploration activities in Québec (Canada), Texas (USA) and Michigan (USA).

Summary of Land Positions

A) Province of Québec

As at June 30, 2012, 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 Resources et Energie Squatex Inc. ("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 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.

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	01/09/2012	18,705
2009RS305	01/09/2012	21,983
Subtotal		**40,688**

St. Lawrence Lowlands Permits 100% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS302	01/09/2012	21,930
2009RS303	01/09/2012	14,127
2009RS304	01/09/2012	20,095
Subtotal		**56,152**

St. Lawrence Lowlands Permits 30% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS287	01/09/2012	20,871
2009RS288	01/09/2012	17,990
2009RS289	01/09/2012	20,909
2009RS290	01/09/2012	7,248
2009RS291	01/09/2012	22,447
2009RS292	01/09/2012	18,827
2009RS293	01/09/2012	14,580
2009RS294	01/09/2012	21,664
2009RS295	01/09/2012	19,316
2009RS296 (part)	01/09/2012	20,339 *
2009RS297	01/09/2012	16,342
2009RS298 (part)	01/09/2012	24,400 *
Subtotal		**224,933**

* 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	01/09/2012	15,150
2009PG556	01/09/2012	23,666
Subtotal		**38,816**

Lower St. Lawrence 30% Ownership:

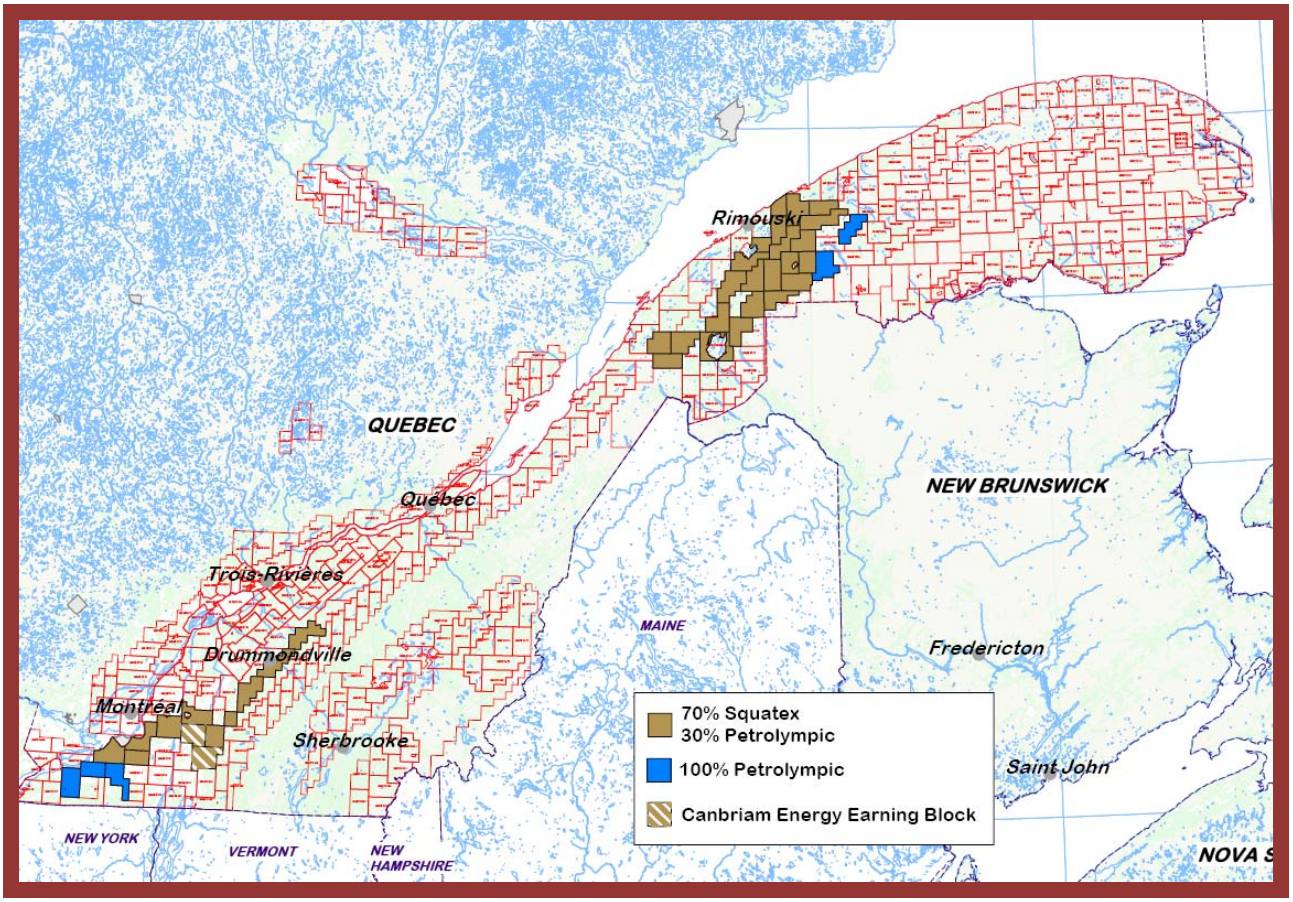
Permit Number	Renewal Date	Area (Hectares)
2009RS299	01/09/2012	18,975
2009RS300	01/09/2012	20,704
2009RS301	01/09/2012	17,136
2009PG552	01/09/2012	10,267
2009PG553	01/09/2012	23,068
2009PG555	01/09/2012	16,438
2009PG557	01/09/2012	9,894
2009PG558	01/09/2012	19,420
2009PG559	01/09/2012	18,737
2009PG560	01/09/2012	19,817
2009PG561	01/09/2012	24,435
2009PG562	01/09/2012	19,847
2009PG563	01/09/2012	22,573
2009PG564	01/09/2012	14,377
2009PG565	01/09/2012	15,370
2009PG566	01/09/2012	21,454
2009PG567	01/09/2012	20,642
2009PG568	01/09/2012	20,668
2009PG569	01/09/2012	17,244
2009PG570	01/09/2012	19,579
2009PG571	01/09/2012	20,951
2009PG572	01/09/2012	16,477
Subtotal		**408,073**

St. Lawrence Lowlands Permits 12% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS296 (part)	01/09/2012	20,339
2009RS298 (part)	01/09/2012	24,400

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 hectares of the 44,739 hectares.

Map



B) Chittim Ranch, Texas, USA

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

During 2011, Petrolympic entered into an exploration agreement with Texas HBP LLC ("HBP") and Shell Western E&P Inc. ("Shell") (the "Exploration Agreement") to acquire an interest in the Chittim Ranch property. HBP has 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 is required to pay 100% of the costs incurred in the drilling and completion of earning wells. Once each well has been drilled to its objective depth, completed and tested, HBP will own an 87.5% working interest in the property, with Shell retaining the remaining 12.5% interest. Thereafter, each party will be responsible for its proportionate share of operating costs.

Key terms of the Exploration Agreement are summarized as follows:

(1) $250,000 has been paid to HBP upon signing of the Exploration Agreement (May 10, 2011), refundable if drilling does not commence on or before May 14, 2011 (completed);

(2) Petrolympic will be responsible for 100% of all actual costs of drilling and completing the first well;

(3) Big Shell, an affiliate of HBP, will remain as operator of the Chittim Ranch property;

(4) In the event that the first well is completed as a producing well with a minimum average of 50 barrels of oil production per day for the first 60 days, Petrolympic will have the obligation to tender to HBP an additional $3,000,000 ("the Payment") within 20 days of Petrolympic's receipt of confirmation of production volume. In the event that Petrolympic fails to deliver the Payment, the agreement will terminate and Petrolympic will forfeit all of its rights under the Exploration Agreement and any sums of money previously delivered to the seller;

(5) Upon fulfillment of its drilling and the Payment, Petrolympic will earn an undivided 50% working interest, yielding a 37.5% net revenue interest, in the acreage and depth to the first well. Additionally, Petrolympic will receive the farm-in right (the "Farm-in Right") to an undivided 50% working interest in the remainder of the Chittim Ranch property, provided that Petrolympic assumes its proportionate shared cost of the carried interest. Under the Farm-in Right, Petrolympic will be allowed to choose, on a well-by-well basis, to participate in new wells drilled pursuant to the Exploration Agreement; and

(6) In the event that the first well does not produce up to the average of at least 50 barrels of oil per day, Petrolympic will retain the option to make the Payment and thereby acquire a 50% working interest and a 37.5% net revenue interest in the subject property as well as receiving the Farm-in Right. In the event that Petrolympic elects not to make the Payment under this scenario, it will receive a 50% working interest, yielding a 37.5% net revenue interest, in the first well and the 320 acres (about 130 hectares) surrounding it but will have no further right to participate in any new wells drilled pursuant to the Exploration Agreement.

C) Michigan Pinnacle Reef Properties, Michigan, USA

On May 24, 2012, Petrolympic announced that it has entered into a letter of intent to form a joint venture with Energex Petroleum Inc. ("Energex") through which Petrolympic will acquire a 50% indirect working interest in Energex's Michigan Properties ("Michigan Properties").

The Michigan Properties consist of the Addison 12-05N-11E Field ("Addison") and Bruce Fields, DeWald 2-12 and Big Hand.

Addison consists of a 222-acre (90-hectare) Silurian Pinnacle Reef with four shut-in wells, one injection well and an extensive oil battery on five acres. The wells have cumulative production of 447 MBBL and 2.5 MMCFG to date. A National Instrument 51-101 engineering report prepared by AJM Petroleum Consultants estimates 2.856 MMBBL in place with the 2P reserves of 81.2 MBBL and NPV10 of $2.8 million. The management believes that reworking four shut-in wells will establish gross production of 80-100 BBL/D and intends to investigate the secondary recovery potential, which could result in additional recovery of as much as 20% of the oil in place or 570 MBBL (commensurate with secondary recovery rates at Niagaran Reefs in the Southern Trend, according to a publication by the Society of Petroleum Engineers).

The Bruce Field holdings consist of two shut-in wells. Historical technical reports indicate this field as a prime gas storage reservoir with capacity of approximately 10 BCFG. This field is linked to the Addison Field via an underground pipeline.

The Big Hand holdings are currently made up of one shut-in well and a second well with a 12.5% gross overriding royalty. There are several operators on the reef. The historical technical reports indicate a potential for secondary recovery.

The DeWald 2-12 Field has one shut-in well. It is adjacent to the Big Hand Field and adds further gas storage potential.

Joint Development Program

Upon completion of the comprehensive review of the joint venture project and entering into a formal joint operating agreement, Petrolympic and Energex will jointly determine the use of funds advanced by Petrolympic. The Joint Development Program is expected to include:

- preparation of unitization application for the Addison;
- reworking four shut-in wells at the Addison;
- study of secondary recovery at Addison;
- preparation of natural gas storage feasibility study; and
- evaluation of the potential for further production at Big Hand, DeWald 2-12 and Bruce Fields.

Deal Terms

To earn 50% of the working interest in the Michigan Properties, Petrolympic will make the following payments to Energex:

- $50,000 on or before June 18, 2012 (completed);
- On or prior to September 28, 2012 ("Closing Date"), an aggregate of $350,000, of which $100,000 is payable to Energex with the balance being used to fund the environmental bonding obligations, closing costs and for general working capital purposes. As well, Petrolympic will issue to Energex one million common shares in the capital of Petrolympic ("Petrolympic Shares");
- $300,000 to fund the joint development program ("Joint Development Program") and 500,000 Petrolympic Shares within 60 days of the Closing Date;
- $300,000 to fund the Joint Development Program and 500,000 Petrolympic Shares within 120 days of the Closing Date;
- $250,000 to fund the Joint Development Program and 500,000 Petrolympic Shares within 240 days of the Closing Date; and
- $250,000 to fund the Joint Development Program and 500,000 Petrolympic Shares within 365 days of the Closing Date.

All issuances of Petrolympic Shares are subject to obtaining regulatory approval. Subsequently, Petrolympic and Energex each will be responsible for their pro-rata share of the development costs, based on the working interest held by each party (expected to be maintained at 50-50).

Petrolympic will also have a right of first refusal for a period of one year to earn a working interest in the additional properties owned by Energex in Ontario.

Foundation Opportunities Inc. ("FOI"), a merchant bank, has acted as an adviser to Energex in the transaction. Adam Szweras, Corporate Secretary of Petrolympic, is a director and Chairman of FOI, and has an indirect economic interest in FOI.

Exploration Activities in Québec

Bill 18

The government of Québec has made several changes 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.

Petrolympic's exploration activities will face some delay due to Bill 18.

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 three and six months ended June 30, 2012. 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 2012 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 three and six months ended June 30, 2012. 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 2012 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 and unconventional 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. Samples were analyzed by the Geological Survey of Canada in Calgary, Corelab in Calgary and INRS-ETE in Québec. 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 will enable the development of further leads and prospects. The Company is currently discussing with its partner Squatex the possibility of further coring on leads during late fall.

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.

Exploration and evaluation expenditures

Québec	Six Months Ended, June 30, 2012 $	Six Months Ended, June 30, 2011 $
General exploration costs	72,617	84,401
Geology	nil	56,646
Geophysical	2,500	34,703
Permits & licences	9,841	nil
Data compilation	nil	13,625
Claims costs	nil	1,460
Gross costs incurred	**84,958**	**190,835**
Tax credit receivable at 35%	nil	(66,792)
Net costs incurred	**84,958**	**124,043**

Petrolympic remains confident that shale will be developed safely in the Québec Lowlands in the near future. The Company has also been exploring its properties in the Lower St. Lawrence/ Gaspé Region of Québec together with Squatex to target hydrothermal dolomite and reefs hosting conventional and unconventional light oil.

For the six months ended June 30, 2012, the Company spent $84,958 (comparative period - $190,835) on its permit interests. The Company anticipates spending about $195,500 (net of Squatex's share) for fiscal 2012 on compilation and interpretation studies of recently acquired data from Company target areas where conventional exploration is taking place. Specifically, the Company will focus on areas not directly affected by Bill 18. This work will satisfy the Company's 2012 flow-through commitment. Due to sufficient aggregate historical expenditures, the Company is not required to incur further costs on its permits in fiscal 2012. The new regulations put in place by the government of Québec are extending the life of the Company's permits and exempting work obligations starting on the adoption of Bill 18 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

On April 10, 2012, Petrolympic USA received notice that the lease for its Chittim Ranch property had been breached by the operator (not by Petrolympic USA). On July 3, 2012, the Company announced that it has resolved its dispute with Texas HBP LLC, 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 Inc. 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") increased from the originally agreed upon 50% working interest (net revenue interest of 37.5%).
- Upon implementation of settlement with the Big Shell Entities, Petrolympic USA will seek consent from the landowners of a formal assignment of the Petrolympic Property and seek to formally change the operatorship with the Railroad Commission of Texas.
- Big Shell is relinquishing operations over the Petrolympic Property to Oil-Lympia Oil and Gas Inc., a subsidiary company of Petrolympic.
- Petrolympic USA has agreed to satisfy 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).
- Once the settlement is complete, Petrolympic USA expects to commence long-term testing of the Well as operator with the objective of testing potential production rates. After testing, Petrolympic USA will consider additional operations on the Petrolympic Property. During drilling of Well, seven potential oil and gas bearing horizons were penetrated, and the settlement agreement will permit additional drilling on the Petrolympic Property. Management believes that the Petrolympic Property allows drilling additional wells on the 40-acre (16-hectare) spacing.

The Company anticipates spending $500,000 on well activities at the Chittim Ranch property, subject to positive results and the completion of an equity financing.

Chittim Ranch Property	**Six Months Ended, June 30, 2012 $**	**Six Months Ended, June 30, 2011 $**
Drilling	41,461	783,660
Acquisition Costs	nil	241,125
Net costs incurred	**41,461**	**1,024,785**

Michigan Pinnacle Reef Properties, Michigan, USA

Michigan Pinnacle Reef Properties	**Six Months Ended, June 30, 2012 $**	**Six Months Ended, June 30, 2011 $**
Acquisition Costs	50,000	nil
Net costs incurred	**50,000**	**nil**

Trends

While general economic conditions continue to improve and stability appears to be returning to financial and commodity markets, significant uncertainty concerning the short and medium term global economic outlook persists. Furthermore, 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 $
June 30, 2012	664,320	(285,330) (1)	(0.00)
March 31, 2012	945,910	(139,408) (2)	(0.00)
December 31, 2011	1,161,658	(310,007) (3)	(0.00)
September 30, 2011	1,107,708	(410,715) (4)	(0.01)
June 30, 2011	1,437,566	(1,277,239) (5)	(0.02)
March 31, 2011	2,788,947	(287,738) (6)	(0.00)
December 31, 2010	3,014,986	(249,500) (7)	(0.00)
September 30, 2010	3,315,839	(267,535) (8)	(0.01)

Notes:

(1) Net loss of $285,330 principally relates to salaries and benefits of $103,662, 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.

(2) 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.
(3) Net loss of $310,007 principally relates to professional fees of $80,668, investor relations and promotion of $61,679, management fees of $44,862 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $1,240.
(4) Net loss of $410,715 principally relates to exploration and evaluation expenditures of $245,104, professional fees of $42,275, management fees of $42,000 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $264.
(5) Net loss of $1,277,239 principally relates to exploration and evaluation expenditures of $1,058,982, professional fees of $92,042, management fees of $49,045 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $2,133.
(6) Net loss of $287,738 principally relates to exploration and evaluation expenditures of $89,846, management fees of $54,500, professional fees of $52,419, investor relations expenses of $19,659 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $2,705.
(7) Net loss of $249,500 principally relates to exploration expenditures of $167,148, professional fees of $89,548, investor relations expenses of $27,639 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $4,783.
(8) Net loss of $267,535 principally relates to exploration expenditures of $121,590, management fees of $43,667, professional fees of $48,161, investor relations expenses of $2,046 and operating expenses related to general working capital purposes.

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), Texas (USA) and Michigan (USA).

Discussion of Operations

Six months ended June 30, 2012, compared with six months ended June 30, 2011

Petrolympic's net loss totaled $424,738 for the six months ended June 30, 2012, with basic and diluted loss per share of $0.01. This compares with a net loss of $1,564,977 with basic and diluted loss per share of $0.02 for the six months ended June 30, 2011. The decrease in the net loss of $1,140,239 was principally because:

- Exploration and evaluation expenditures for the six months ended June 30, 2012, were $176,419 (six months ended June 30, 2011 - $1,148,828), a decrease of $972,409 compared to the same period in 2011. Petrolympic has raised concerns with the operator regarding a number of issues including drilling costs, communications with lessors, and other operational issues at the Chittim Ranch property in Texas (USA). On July 3, 2012, Petrolympic announced that it has resolved all issues with the operator and other stakeholders. Exploration activity was limited at the Chittim Ranch property while the issues were being resolved, but will now return to normal levels, subject to an equity financing. In addition, proceeds from the flow-through shares raised in calendar 2011 are being 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. The Company also paid $50,000 to Energex to acquire the Michigan Properties.

- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion, reporting issuer costs and salaries and benefits totaled $329,465 for the six months ended June 30, 2012 (six months ended June 30, 2011 - $419,970). The decrease of $90,525 is due mainly to cost saving initiatives implemented by the Company.

- Interest and other income for the six months ended June 30, 2012, was $205 (six months ended June 30, 2011 - $4,838) due to a decrease in the Company's cash position.

- The Company recognized income of $81,050 (six months ended June 30, 2011 - $nil) due to the retirement of the liability for the deferred premium on flow-through shares.

- On April 24, 2012, the Company granted 1,200,000 options 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; 110.81% 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 statement of operations with a corresponding amount allocated to contributed surplus. These options have fully vested.

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

  Expected term: the Company used the expected term of five years for the 1,200,000 options, 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 because it does not expect to bring its mineral properties into production and earn significant revenue any time soon. Therefore, a dividend rate of 0% was used to value the stock options.

Three months ended June 30, 2012, compared with three months ended June 30, 2011

Petrolympic's net loss totaled $285,330 for the three months ended June 30, 2012, with basic and diluted loss per share of $0.00. This compares with a net loss of $1,277,239 with basic and diluted loss per share of $0.02 for the three months ended June 30, 2011. The decrease in the net loss of $991,909 was principally because:

- Exploration and evaluation expenditures for the three months ended June 30, 2012, were $75,229 (three months ended June 30, 2011 - $1,058,982), a decrease of $983,753 compared to the same period in 2011. Petrolympic has raised concerns with the operator regarding a number of issues including drilling costs, communications with lessors, and other operational issues at the Chittim Ranch property in Texas (USA). On July 3, 2012, Petrolympic announced that it has resolved all issues with the operator and other stakeholders. Exploration activity was limited at the Chittim Ranch property while the issues were being resolved, but will now return to normal levels, subject to an equity financing. In addition, proceeds from the flow-through shares raised in calendar 2011 are being 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. The Company also paid $50,000 to Energex to acquire the Michigan Properties.

- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion, reporting issuer costs and salaries and benefits totaled $210,047 for the three months ended June 30, 2012 (three months ended June 30, 2011 - $219,754). The decrease of $9,707 is minimal.

- Interest and other income for the three months ended June 30, 2012, was $nil (three months ended June 30, 2011 - $2,133) due to a decrease in the Company's cash position.

- On April 24, 2012, the Company granted 1,200,000 options 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; 110.81% 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 statement of operations with a corresponding amount allocated to contributed surplus. These options have fully vested. The variables used in the Black-Scholes valuation model are similar to those described on page 16.

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 three and six months ended June 30, 2012, there was no new activity. There is no assurance that future equity capital 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 June 30, 2012, the Company had 83,077,195 common shares issued and outstanding and 7,800,002 options outstanding, which would raise $2,667,251 if exercised in full. This is not anticipated until the market price of the Company's traded common shares increases.

Current liabilities decreased to $94,949 at June 30, 2012, from $260,099 at December 31, 2011, primarily due to the retirement of the liability for the deferred premium on flow-through shares. The Company's cash and cash equivalents as at June 30, 2012, were more than sufficient to satisfy current liabilities.

Cash used in operating activities was $567,259 for the six months ended June 30, 2012. Operating activities were affected by the net decrease in non-cash working capital balances of $154,130 because of a decrease in accounts payable and accrued liabilities of $84,100, as well as an increase in accounts receivable and other assets of $70,030. The Company also recorded amortization of property and equipment of $109 and share based payments of $92,400.

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

The Company's liquidity risk from financial instruments is minimal as surplus cash is invested in investment grade term deposit certificates. As of June 30, 2012, surplus cash was invested in bank-backed guaranteed investment certificates worth $10,000, and this amount was included in cash and cash equivalents.

The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities. Investing activities include the cash components of the cost of acquisition and exploration of its petroleum and natural gas interests. Currently, the Company's operating expenses are averaging approximately $40,000 per month for management fees, month-to-month professional fees and other working capital related expenses. The Company anticipates spending $195,500 (net of Squatex's share) for fiscal 2012 on compilation and interpretation studies of recently acquired data from Company target areas where conventional exploration is taking place. Specifically, the Company will focus on areas not directly affected by Bill 18. This work will satisfy the Company's 2012 flow-through commitment. In addition, the Company anticipates spending $500,000 on well activities at the Chittim Ranch property for fiscal 2012, subject to positive results and an equity financing. The Company is also required to make certain payments to acquire the Michigan Pinnacle Reef Properties (See "Michigan Pinnacle Reef Properties, Michigan, USA" under the subheading "Summary of Land Positions" above). Based on the rate of expenditure, the Company will have to raise equity capital in calendar 2012 in amounts sufficient to fund both exploration work and working capital requirements. 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. Any further exploration programs on the Chittim Ranch property and Michigan Pinnacle Reef Properties are subject to the Company raising capital. 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 believes it has sufficient cash resources to meet its 2012 flow-through commitment of $195,500 and administrative overhead for the twelve months ending June 30, 2013. 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.

Change in Accounting Policies

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the section entitled "Change in Accounting Policies" in the Company's MD&A for the fiscal year ended December 31, 2011, available on SEDAR at **www.sedar.com**.

Financial Instruments

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 under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash and cash equivalents are held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal. Financial instruments included in accounts receivable consist of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of June 30, 2012. Management believes that the credit risk with respect to financial instruments included in amounts receivable is minimal.

(ii) 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 June 30, 2012, the Company had cash and cash equivalents of $338,872 (December 31, 2011 - $906,131) to settle current liabilities of $94,949 (December 31, 2011 - $260,099). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(iii) 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 surplus cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to 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. As a result, the Company's exposure to foreign currency risk is minimal.

(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 volatility. 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 six month period:

(i) The Company has no debt and receives low interest rates on its cash balances. 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.

(ii) The Company does not hold significant balances in foreign currencies to give rise to foreign exchange risk.

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 June 30, 2012, totaled $569,371 (December 31, 2011 - $901,559).

This is achieved by the Board of Directors' review and acceptance of exploration budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other financings.

The Company is not subject to any material externally imposed capital requirements or covenants.

Management reviews its 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 three and six months ended June 30, 2012.

Share Capital

As at the date of this MD&A, the Company had 83,077,195 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
3,333,335	February 19, 2013	$0.18
666,667	June 16, 2013	$0.90
800,000	June 23, 2013	$0.90
800,000	September 12, 2013	$0.40
750,000	June 17, 2014	$0.295
150,000	April 23, 2015	$0.28
100,000	November 22, 2015	$0.20
1,200,000	April 24, 2017	$0.12
7,800,002		

Disclosure of Internal Controls

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

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

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

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

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

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

Names	Three Months Ended June 30, 2012 $	Three Months Ended June 30, 2011 $	Six Months Ended June 30, 2012 $	Six Months Ended June 30, 2012 $
Marrelli Support Services ("Marrelli Support") (1)	18,825	7,141	30,719	29,273
DSA Corporate Services Inc. ("DSA") (2)	8,936	3,023	12,186	6,063
Fogler Rubinoff LLP ("Fogler") (3)	7,574	4,742	14,632	23,009
Total	**35,335**	**14,906**	**57,537**	**58,345**

(1) For the three and six months ended June 30, 2012, the Company expensed $18,825 and $30,719, respectively (three and six months ended June 30, 2012 - $7,141 and $29,273, respectively) to Marrelli Support for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. Carmelo Marrelli is the president of Marrelli Support. As at June 30, 2012, Marrelli Support was owed $9,468 (December 31, 2011 - $2,968) and this amount was included in accounts payable and accrued liabilities.

(2) The Chief Financial Officer of Petrolympic is an officer of DSA. Fees related to corporate secretarial and filing services provided by DSA. As at June 30, 2012, DSA was owed $5,689 (December 31, 2011 - $1,635) and this amount was included in accounts payable and accrued liabilities.

(3) The Corporate Secretary of Petrolympic is a partner at Fogler. Fees related to professional services provided by Fogler. As at June 30, 2012, Fogler was owed $8,435 (December 31, 2011 - $13,256).

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

Salaries and benefits	Three Months Ended June 30, 2012 $	Three Months Ended June 30, 2011 $	Six Months Ended June 30, 2012 $	Six Months Ended June 30, 2011 $
Mendel Ekstein (CEO)	25,000	37,500	39,583	87,500
Andreas Jacob (Vice-President)	6,078	24,490	19,512	40,676
Total	**31,078**	**61,990**	**59,095**	**128,176**

Share based payments	Three Months Ended June 30, 2012 $	Three Months Ended June 30, 2011 $	Six Months Ended June 30, 2012 $	Six Months Ended June 30, 2011 $
Mendel Ekstein (CEO)	15,400	nil	15,400	nil
Andreas Jacob (Vice-President)	11,550	nil	11,550	nil
Roger Creamer (Director)	26,950	nil	26,950	nil
Alain Fleury (Director)	7,700	nil	7,700	nil
Miles Pittman (Director)	7,700	nil	7,700	nil
Frank Ricciuti (Director)	7,700	nil	7,700	nil
Adam Sweras (Officer)	7,700	nil	7,700	nil
Robert Kinsey (Consultant)	7,700	nil	7,700	nil
Total	**92,400**	**nil**	**92,400**	**nil**

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.

Risks Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. It 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. Please refer to the section entitled "Risk Factors" in the Company's management's discussion and analysis for the fiscal year ended December 31, 2011, available on SEDAR at **www.sedar.com**. There have been no significant changes to such risk factors since the date thereof.

Commitments

(a) Québec, Canada

As at June 30, 2012, Petrolympic is holding 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 on page 7). 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 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.

Minimum annual rentals and 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.

Minimum annual rental and exploration expenditures to keep all permits (100% interest permits plus 30% of Squatex's permits) are as follows:

2012	$29,415
2013	29,415
2014	134,198
2015	358,685
2016	494,348
Thereafter	4,030,640
Total	**$5,076,701**

These expenditures are now partly postponed for up to three years to allow the government's strategic environmental assessment to take place. Only the annual rights are to be paid during that period, which will reduce considerably Petrolympic's commitments.

(b) Flow-through shares

On December 22, 2011, the Company completed a private placement of 1,621,000 flow-through common shares. In connection with this placement, the Company is obligated to incur $275,570 (approximately $190,600 remains to be spent) in exploration expenses by December 31, 2012.