



**PETROLYMPIC LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
MARCH 31, 2011**

Prepared by:

PETROLYMPIC LTD.

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Management's Discussion and Analysis dated June 22, 2011

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 months ended March 31, 2011. 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, 2010 and December 31, 2009, as well as the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2011, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at June 22, 2011, unless otherwise indicated.

On January 1, 2011, Petrolympic adopted International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2011, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and using accounting policies consistent with IFRS. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers of this MD&A should refer to "Changes in Accounting Policies" below for a discussion of IFRS and its effect on the Company's financial presentation.

The comparative financial information for 2010 in this MD&A has been restated to conform to IFRS, unless otherwise stated.

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 or (ii) a reasonable investor's decision whether or not to buy, sell or hold securities in the Company would likely be influenced or changed if the information in question was omitted or misstated. 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 March 31, 2012; 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 Quebec" and "Chittim Ranch Property Activities".

Overall Performance

Drilling of the Company's appraisal well 80-2v on the Chittim Ranch property has reached its target depth (TD) of 3,980 feet. The well penetrated 7 oil and gas bearing horizons with the initial target horizon for production being the Georgetown where oil and gas showings have also been observed. The Company is encouraged by the positive showings in the Georgetown and other formations.

Petrolympic is currently evaluating Electric logs and side wall cores from drilling. The well is scheduled for completion shortly. The rig is currently running 7" casing to 3,980 feet.

The next steps are to complete the well and monitor its production rate. Assuming the well produces a minimum of 50 barrels a day for 60 consecutive days, Petrolympic intends to make the financial commitment necessary to earn in on the 8,000+ acre Chittim Ranch property and transition from being a pure oil and gas exploration company to a producer.

Petrolympic has entered into an exploration agreement with Texas HBP and Shell Western E&P, pursuant to which Petrolympic has the right to earn a 50% working interest (yielding a 37.5% net revenue interest) in the Chittim Ranch property. Big Shell Oil and Gas, Inc. ("Big Shell"), an affiliate of Texas HBP, is the operator of the Chittim Ranch property and has engaged Arrow Drilling ("Arrow") as the drilling contractor.

The Chittim Ranch 8,000+ acre (3,235 hectare) block is well positioned within the preferred oil window of the prolific Eagleford Shale resource play and located among currently producing fields. The acreage also hosts other highly productive formations such as the Buda, Georgetown, Edwards and McKnight. The acreage is defined by 3D seismic and extensive offsetting well control. Several major oil and gas companies and large independent producers are currently active in this area. A large independent oil and gas company is sharing the lease line with the proposed acquisition and is currently developing the Georgetown formation.

Further technical information concerning the Chittim Ranch property will be provided as it becomes available.

The Quebec government has requested an independent commission to study shale gas exploration in the Quebec Lowlands. The commission provided its recommendations at the end of February 2011 and the Quebec government is now contemplating the suspension of work obligations on permits for all owners for a period of three years starting on the adoption of Bill 18 (which is expected to be adopted before the end of June 2011). The Bill also calls for a halt on new drilling and fracking operations, unless certain conditions are met. Therefore, Petrolympic and its partners do not anticipate carrying out exploration activities in the near term on its permit interests in Quebec unless circumstances change.

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Petrolympic and Energie Squatex Inc. have renewed all their exploration permits in the St. Lawrence Lowlands and the Lower St. Lawrence-Gaspésie areas retroactively as of September 1, 2009. The Ministère des Ressources naturelles et de la Faune granted the new permits under the previous regulations of the Law of Mines giving extended ownership that allows carrying on further exploration work until September 2019 (a possible extension of three more years is anticipated to be given by the Quebec government to allow environmental studies to take place).

At March 31, 2011, the Company had assets of \$2,788,947 (December 31, 2010 - \$3,014,986; and January 1, 2010 - \$4,264,741) and equity of \$2,633,999 (December 31, 2010 - \$2,918,486; and January 1, 2010 - \$3,919,656). At March 31, 2011, the Company had accounts payable and other liabilities of \$154,948 (December 31, 2010 - \$96,500; and January 1, 2010 - \$345,085) and no debt. The Company has gross exploration and evaluation expenditures of \$138,224 during the three months ended March 31, 2011 (three months ended March 31, 2010 - \$81,346), on its petroleum and gas interests.

At March 31, 2011, the Company had working capital of \$2,631,880 (December 31, 2010 - \$2,915,986; and January 1, 2010 - \$3,917,516). The Company had cash of \$2,314,988 at March 31, 2011 (December 31, 2010 - \$2,587,826; and January 1, 2010 - \$3,716,293). The decrease in cash during the three months ended March 31, 2011, was primarily due to corporate overhead costs and exploration activities.

Summary of Land Positions in Quebec

Petrolympic holds an interest in a total 753,424 hectares (1,861,711 acres) of oil and gas exploration permits in the Appalachian Basin of Quebec 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 Energie Squatex Inc. ("Squatex"); a 12% interest in 8,000 hectares (19,768 acres) through the Farmout and Joint Operating Agreement (the "Agreement") with Canbriam Energy Inc. ("Canbriam"); as well as a 100% interest in 56,625 hectares (139,920 acres) located over the Lowlands shallow carbonates platform on the south shore of the St. Lawrence River, less than 30 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	01/09/2011	18,705
2009RS305	01/09/2011	21,983
Subtotal		40,688

St. Lawrence Lowlands Permits 100% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS302	01/09/2011	21,930
2009RS303	01/09/2011	14,600
2009RS304	01/09/2011	20,095
Subtotal		56,625

St. Lawrence Lowlands Permits 30% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS287	01/09/2011	20,871
2009RS288	01/09/2011	17,990
2009RS289	01/09/2011	20,909
2009RS290	01/09/2011	7,248
2009RS291	01/09/2011	22,447
2009RS292	01/09/2011	18,827
2009RS293	01/09/2011	14,580
2009RS294	01/09/2011	21,664
2009RS295	01/09/2011	19,316
2009RS296 (part)	01/09/2011	20,339 *
2009RS297	01/09/2011	16,342
2009RS298 (part)	01/09/2011	24,400 *
Subtotal		224,933

* 18% interest over 8,000 Ha was transferred from Petrolympic to Canbriam from these two permits

Gaspé Permits 30% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009PG554	01/09/2011	15,150
2009PG556	01/09/2011	23,666
Subtotal		38,816

Lower St. Lawrence 30% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS299	01/09/2011	18,975
2009RS300	01/09/2011	20,704
2009RS301	01/09/2011	17,136
2009PG552	01/09/2011	10,267
2009PG553	01/09/2011	23,068
2009PG555	01/09/2011	16,438
2009PG557	01/09/2011	9,894
2009PG558	01/09/2011	19,420
2009PG559	01/09/2011	18,737

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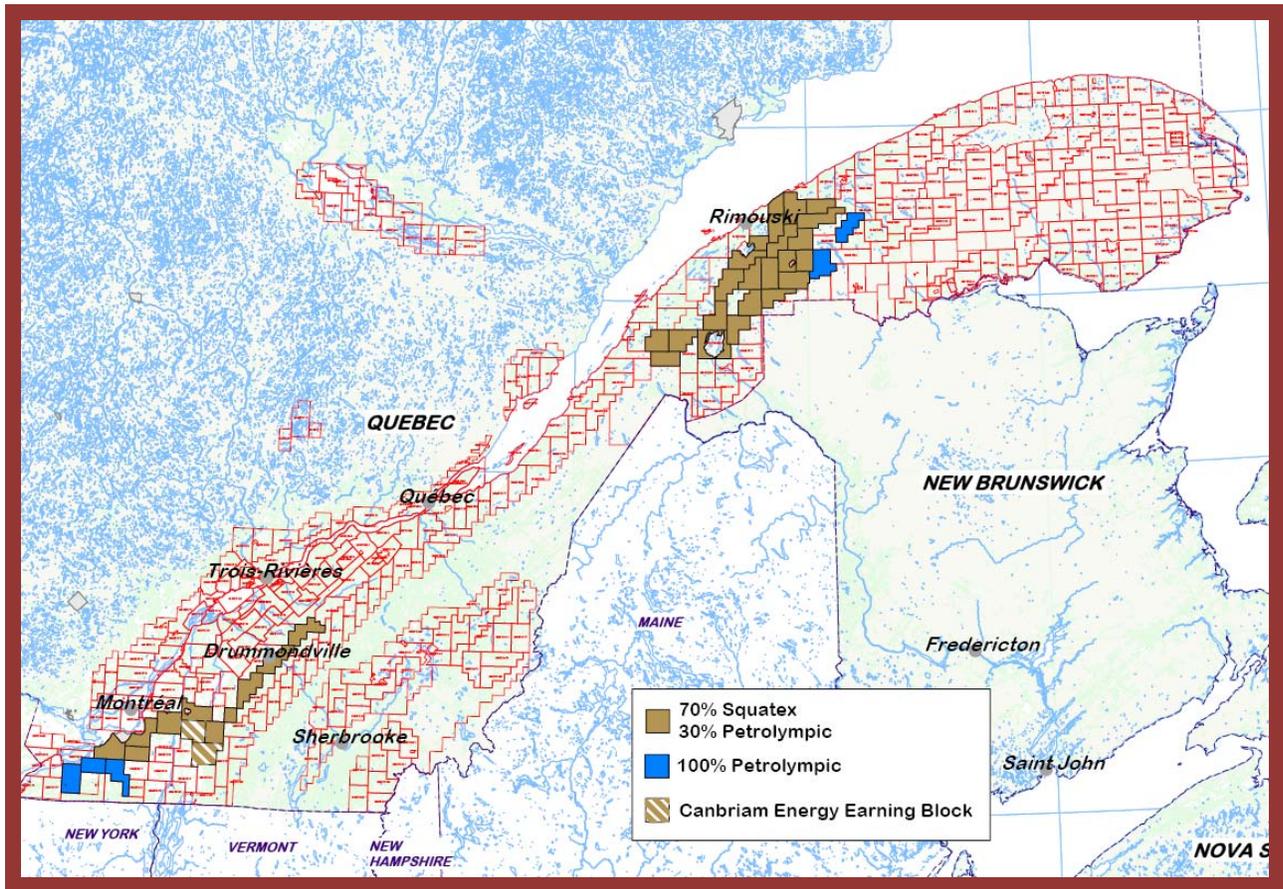
2009PG560	01/09/2011	19,817
2009PG561	01/09/2011	24,435
2009PG562	01/09/2011	19,847
2009PG563	01/09/2011	22,573
2009PG564	01/09/2011	14,377
2009PG565	01/09/2011	15,370
2009PG566	01/09/2011	21,454
2009PG567	01/09/2011	20,642
2009PG568	01/09/2011	20,668
2009PG569	01/09/2011	17,244
2009PG570	01/09/2011	19,579
2009PG571	01/09/2011	20,951
2009PG572	01/09/2011	16,477
Subtotal		408,073

St. Lawrence Lowlands Permits 12% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS296 (part)	01/09/2011	20 339
2009RS298 (part)	01/09/2011	24 400

Canbriam has earned 8,000 Ha to date and could increase up to 32,000 Ha of 44,739 Ha.

Map



Exploration Activities in Quebec

(a) *Petrolympic 100% Owned Permits*

Gaspésie Peninsula

Exploration activity

No work was performed over these permits during 2010 and the first three months of 2011.

St. Lawrence Lowlands

No work was performed over these permits during 2010 and the first three months of 2011.

(b) *Squatex-Petrolympic Joint Venture Lands*

LOWER ST. LAWRENCE - GASPÉ JOINT PERMITS:

Additional geological sampling was undertaken during the summers of 2009 and 2010 to correct government geological maps and to measure the hydrocarbon content and the maturity of the rocks. Samples were sent for analysis to the Geological Survey of Canada in Calgary, Corelab in Calgary and INR in Québec. In September 2010, a series of core holes totaling 1,107 metres, were drilled to complement the geological sampling. Two additional deep core holes were completed in April 2011 and results are pending.

ST. LAWRENCE LOWLANDS JOINT PERMITS:

In the Lowlands, Petrolympic and Squatex recorded 40 kilometres of 2D seismic in July-August 2010 to further refine target areas and locate the best sites to be drilled. The field data was sent to Earthsignal of Calgary for processing and the resulting profiles have been interpreted and integrated into a database.

(c) *Exploration and evaluation expenditures*

Quebec	March 31, 2011 \$	March 31, 2010 \$
Geology	17,697	16,858
Consulting	36,558	8,840
General exploration costs	48,932	nil
Permits and licences	nil	4,544
Data compilation	16,923	nil
Geophysical	18,114	51,104
Gross costs incurred	138,224	81,346
Tax credit receivable at 35%	48,378	21,090
Net costs incurred	89,846	60,256

Petrolympic remains confident that shale oil and gas will be developed safely in Quebec. The Company is currently evaluating and exploring its property in the Lower St. Lawrence/Gaspe Region of Quebec together with Squatex to target hydrothermal dolomite hosted conventional and unconventional light oil where oil showings have been previously observed in geological outcrop sampling and coring programs. For the three months ended March 31, 2011, the Company has spent \$138,224 (2010 - \$81,346) on its permit interests. The Company anticipates spending \$250,000 (net of Squatex's share) for fiscal 2011 on its 30% Lower St. Lawrence permits for geological analysis. Due to sufficient aggregate historical expenditures, the Company is not required to incur further costs on the permits in fiscal 2011. 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 Quebec" has been prepared under the supervision of Paul Laroche, ing, geo, and a "qualified person" within the meaning of National Instrument 51-101.

Chittim Ranch Property Activities

On May 11, 2011, Petrolympic USA Inc., (incorporated subsequent to Q1 2011) 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.

Petrolympic has entered into an Exploration Agreement (May 10, 2011) with Texas HBP LLC ("HBP") to acquire a portion of its interest in the Chittim Ranch property. HBP has an exploration agreement with the original lease owner of the property, Blue Star Oil & Gas ("Blue Star"), which was subsequently acquired by Shell Western E&P ("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 (commenced);
- (2) Petrolympic will be responsible for 100% of all actual costs of drilling and completing the first well;
- (3) Big Shell Oil & Gas, an affiliate of HBP, will remain as Operator of the 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;
- (5) Upon fulfillment of its drilling and payment obligations, 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 to an undivided 50% working interest in the remainder of the

subject property, provided that Petrolympic assumed its proportionate shared cost of the carried interest; 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. 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, on the first well and the 320 acres surrounding it but will have no further rights under the Exploration Agreement.

The Company anticipates spending \$1.2 million on drilling activities at the Chittim Ranch property for fiscal 2011.

As at June 22, 2011, \$480,000 is in escrow for drilling exploration and evaluation expenditures.

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 Quebec 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.

Environmental Liabilities

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

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.

Critical Accounting Estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable that are included in the unaudited condensed consolidated interim statements of financial position;
- the inputs used in accounting for share based payment transactions in statement of loss and comprehensive loss;
- the determination of useful lives of equipment;

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- Management's assumption of no material restoration, rehabilitation and environmental provision, based on the facts and circumstances that existed during the period; and
- Management's position that there are no income tax considerations required within these unaudited condensed consolidated interim financial statements

Critical Accounting Judgments

How financial assets and liabilities are categorized is an accounting policy that requires management to make judgments or assessments.

Selected Quarterly Information

For quarters ending after January 1, 2010, the quarterly results have been restated to reflect accounting policies consistent with IFRS. Quarterly results for quarters ended before January 1, 2010, have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Three Months Ended	Accounting Policies	Net Income (Loss) Income	
		Total \$	Per Share \$
March 31, 2011	IFRS	(287,738) ⁽¹⁾	(0.00)
December 31, 2010	IFRS	(249,500) ⁽²⁾	(0.00)
September 30, 2010	IFRS	(267,535) ⁽³⁾	(0.01)
June 30, 2010	IFRS	(333,356) ⁽⁴⁾	(0.00)
March 31, 2010	IFRS	(189,244) ⁽⁵⁾	(0.00)
December 31, 2009	Canadian GAAP	18,038 ⁽⁶⁾	0.00
September 30, 2009	Canadian GAAP	(198,467) ⁽⁷⁾	(0.00)
June 30, 2009	Canadian GAAP	(442,683) ⁽⁸⁾	(0.01)

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) Net loss of \$333,356 principally relates to exploration expenditures of \$99,405, management fees of \$82,833, professional fees of \$62,537, investor relations expenses of \$12,101 and operating expenses related to general working capital purposes.

- (5) Net loss of \$189,244 principally relates to exploration expenditures of \$60,256, management fees of \$63,250, professional fees of \$37,370, investor relations expenses of \$15,050 and operating expenses related to general working capital purposes.
- (6) Net income of \$18,038 principally relates to professional fees of \$62,282, investor relations expenses of \$18,287 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of \$499 and a future income tax recovery of \$50,508.
- (7) Net loss of \$198,467 principally relates to management fees of \$75,250, professional fees of \$85,034 and operating expenses related to general working capital purposes.
- (8) Net loss of \$442,683 principally relates to management fees of \$53,500, professional fees of \$72,722, investor relations expenses of \$14,665 and operating expenses related to general working capital purposes.

Results of Operations

Three months ended March 31, 2011, compared with three months ended March 31, 2010

Petrolympic's net loss totaled \$287,738 for the three months ended March 31, 2011, with basic and diluted loss per share of \$(0.00). This compares with a net loss of \$189,244 with basic and diluted loss per share of \$(0.00) for the three months ended March 31, 2010. The increase in the net loss of \$98,494 was principally because:

- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion, reporting issuer costs and salaries and benefits totaled \$200,216 for the three months ended March 31, 2011 (three months ended March 31, 2010 - \$129,254). The cost increase of \$70,962 is attributable to higher professional fees requiring legal and accounting assistance for the Company's IFRS transition in Q1 2011. In addition, administrative and general costs increased due to payments to the Association Petroliere et Gaziere du Quebec, a lobbying group for the petroleum and gas industry in Quebec. The Company also incurred increased travel costs due to the acquisition of the Chittim Ranch property in Texas. Travel costs also increased due to management's attempt to raise the Company's investor profile with potential investors.
- Exploration and evaluation expenditures for the three months ended March 31, 2011 was \$89,846 (three months ended March 31, 2010 - \$60,256), an increase of \$29,590 compared to the same period in 2010. The increase is due to increased exploration activity. These exploration and evaluation expenditures are shown net of related tax credits receivable of \$48,378 (2010 - \$21,090).
- Interest and other income for the three months ended March 31, 2011, was \$2,705 (three months ended March 31, 2010 - \$524), a decrease of \$2,181 compared to the same period in 2010. The change is attributable to the Company utilizing cash reserves to invest funds in cash equivalents that generate interest income instead of working capital requirements.
- Share based payment expense for the three months ended March 31, 2011, was \$3,251 (three months ended March 31, 2010 - \$nil), an increase of \$3,251, compared to the same period in 2010. The increase is attributable to the vesting of previously issued stock options in fiscal 2010.

Liquidity and Financial Position

The activities of the Company, principally the acquisition and exploration of properties prospective for petroleum and natural gas, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. For the three months ended March 31, 2011, the Company did not have any equity transactions. 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 March 31, 2011, the Company had 81,456,195 common shares issued and outstanding, 2,500,000 warrants outstanding, which would raise \$3,500,000 if exercised in full, and 8,133,336 options outstanding, which would raise \$2,822,251 if exercised in full. This is not anticipated until the market price of the Company's traded common shares increases.

Accounts payable and accrued liabilities increased to \$154,948 at March 31, 2011, compared to \$96,500 at December 31, 2010, primarily due to more accounts payable in the most recent period. The Company's cash and cash equivalents as at March 31, 2011, were more than sufficient to satisfy these liabilities.

Cash used in operating activities was \$272,838 for the three months ended March 31, 2011. Operating activities were affected by the net increase in non-cash working capital balances because of a decrease in accounts receivable and prepaid expenses of \$47,180 and an increase in accounts payable and accrued liabilities of \$58,448. The Company also recorded amortization of property and equipment of \$381 and share based payments expense of \$3,251.

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

The Company's liquidity risk from financial instruments is minimal as excess cash is invested in investment grade term deposit certificates. As of March 31, 2011, excess cash was invested in bank-backed guaranteed investment certificates that amounted to \$1,036,986, 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 less than \$65,000 per month for management fees, month-to-month professional fees and other working capital related expenses. The Company anticipates spending \$250,000 (net of Squatex's share) for fiscal 2011 on its 30% Lower St. Lawrence permits for geological analysis. In addition, the Company anticipates spending \$1.2 million on exploration activities at the Chittim Ranch property for fiscal 2011. The Company is also required to pay \$250,000 to HBP on signing of the Exploration Agreement (paid). The Company's cash and expected funds to be received from government authorities in Quebec at March 31, 2011, are sufficient to fund its operating and exploration activities for the twelve-month period ending March 31, 2012. 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.

Regardless of whether or not the Company discovers petroleum and natural gas reserves, its working capital of \$2,631,880 at March 31, 2011, is anticipated to be adequate for the twelve-month period ending March 31, 2012, even if its plans discussed above do not materialize and new plans are developed. However, to meet long-term business plans, discovery of a petroleum and natural gas reserve on one of its exploration permits is an important component of the Company's financial success.

Change in Accounting Policies

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date".

- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply IFRS 2, Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited condensed interim statements of financial position in these financial statements.

Impact of Adopting IFRS on the Company's Accounting Policies

Effective the first quarter of 2011, the Company prepares its financial statements in accordance with IFRS. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note 18 "Conversion to IFRS" of the unaudited condensed interim consolidated financial statements. This note also includes reconciliations of equity and comprehensive loss for comparative periods reported under Canadian GAAP to those reported for those periods under IFRS.

The Company has changed certain accounting policies to be consistent with IFRS as it is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. The changes to the Company's accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Exploration and evaluation

On transition to IFRS, the Company elected to expense acquisition, exploration and evaluation expenditures as incurred. Previously, the Company's Canadian GAAP policy was to capitalize acquisition costs and exploration and evaluation expenditures as incurred. None of the Company's properties have reached the stage where a bankable feasibility study supporting the recoverability of such costs has been received. Therefore there are no deferred exploration and evaluation costs recognized on the interim statement of financial position.

(b) Impairment of (non-financial) assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the unaudited condensed consolidated interim financial statements.

(c) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed consolidated interim financial statements.

(d) Share-based payments

The Company, in adopting IFRS 2, required no restatement of its share-based payments as there are no material adjustments or impact of share-based payments that do not vest immediately.

(e) Flow-through shares

On transition to IFRS, the Company elected to follow generally accepted method under US GAAP whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A deferred tax liability will be recognized for the premium paid by the investors and will then be recognized as a deferred income tax recovery in the period of renunciation. If flow-through shares are sold at a discount, this policy does not apply and the flow-through shares issued follow applicable IFRS guidance. The Company reviewed its previously issued flow-through shares and did not identify any material adjustments upon transition to IFRS.

Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has resulted in some changes to Petrolympic's accounting systems and business processes. However, the impact has been minimal. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and Audit Committee have been regularly updated throughout the Company's IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

Auditor involvement

The Company's unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2011, and March 31, 2010, have not been reviewed by the Company's auditors in accordance with securities legislation and Section 7050, auditor review of interim financial statements of the Canadian Institute of Chartered Accountants Handbook. It must be noted that the auditor has been retained to review only certain components of Petrolympic's interim financial report, which would not constitute a "review".

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(a) IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB 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. 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, 2013.

(b) IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

(c) IFRS 11 Joint arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 Interests in Joint ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual period beginning on or after January 1, 2013.

(d) IFRS 12 'Disclosure of Interests in Other Entities' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, a company's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

(e) IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

Financial Instruments

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate 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 accounts 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. Accounts receivable are in good standing as of March 31, 2011. Management believes that the credit risk with respect to financial instruments included in accounts 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 March 31, 2011, the Company had cash and cash equivalents of \$2,314,988 (December 31, 2010 - \$2,587,826 and January 1, 2010 - \$3,716,293) to settle current liabilities of \$154,948 (December 31, 2010 - \$96,500 and January 1, 2010 - \$345,085). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as 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 excess cash in guaranteed investment certificates or interest-bearing accounts at 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 volatilities. The Company closely monitors commodity prices (oil and natural gas), individual equity movements and the stock market in general to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

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

(i) The Company has no debt and receives low interest rates on its cash balances. Cash and cash equivalents are subject to floating interest rates. As at March 31, 2011, if interest rates had varied by one percentage point with all other variables held constant, income for the three months ended March 31, 2011, would have varied by approximately \$10,000.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure 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, which comprises share capital, reserves and deficit, which at March 31, 2011, totaled \$2,633,999 (December 31, 2010 - \$2,918,486 and January 1, 2010 - \$3,919,656).

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 fund raisings.

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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 months ended March 31, 2011.

Share Capital

As at the date of this MD&A, the Company had 81,456,195 issued and outstanding common shares.

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

Warrants	Expiry Date	Exercise Price
2,500,000	June 26, 2011	\$1.40
2,500,000		

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

Options	Expiry Date	Exercise Price
4,666,669	February 19, 2013	\$0.18
666,667	June 16, 2013	\$0.90
800,000	June 23, 2013	\$0.90
800,000	September 12, 2013	\$0.40
950,000	June 17, 2014	\$0.295
150,000	April 23, 2015	\$0.28
100,000	November 22, 2015	\$0.20
8,133,336		

Risks 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. Please refer to the section entitled "Risk Factors" in the Company's management's discussion and analysis for the fiscal year ended December 31, 2010, available on SEDAR at www.sedar.com. There have been no significant changes to such risk factors since the date thereof.

Related Parties

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

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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 March 31, 2011 \$	Three months ended March 31, 2010 \$
Marrelli CFO Outsource Syndicate Inc. ("Marrelli") ⁽¹⁾	4,500	4,500
Marrelli Support Services ("MSSI") ⁽²⁾⁽⁵⁾	17,632	6,948
DSA Corporate Services Inc. ("DSA") ⁽³⁾⁽⁵⁾	3,040	nil
Fogler Rubinoff LLP ("Fogler") ⁽⁴⁾⁽⁵⁾	18,267	20,095
Mendel Ekstein ⁽⁶⁾	50,000	37,500
Andreas Jacob ⁽⁷⁾	nil	21,250
Total	93,439	90,293

- (1) The Chief Financial Officer ("CFO") of Petrolympic is the president of Marrelli. Fees related to the CFO function performed.
- (2) The CFO of Petrolympic is the president of MSSI. Fees related to accounting services provided by MSSI.
- (3) The CFO of Petrolympic is an officer of DSA. Fees related to corporate secretarial service provided by DSA.
- (4) The corporate secretary of Petrolympic is a partner at Fogler. Fees related to professional fees provided by Fogler.
- (5) As at March 31, 2011, MSSI was owed \$13,577 (December 31, 2010 - \$2,414), DSA was owed \$1,130 (December 31, 2010 - \$1,130) and Fogler was owed \$10,275 (December 31, 2010 - \$17,528).
- (6) Chief Executive Officer fees for the period.
- (7) Vice President fees for the period.

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

Salaries and benefits	Three months ended March 31, 2011 \$	Three months ended March 31, 2010 \$
Andreas Jacob (Vice-President)	16,186	nil

Commitments

At March 31, 2011, Petrolympic holds an interest in a total 753,424 hectares (1,861,711 acres) of oil and gas exploration permits in the Appalachian Basin of Quebec that include holdings in the St. Lawrence Lowlands and Gaspé Peninsula. The Company's holdings in the St. Lawrence Lowlands are a 30% interest in 216,933 hectares (536,041 acres) through the Existing joint venture with Squatex; a 12% interest in 8,000 hectares (19,768 acres) through the Farmout Agreement with Canbriam; as well as a 100% interest in 56,625 hectares (139,920 acres) located over the Lowlands shallow carbonates platform on the south shore of the St. Lawrence River, less than 30 kilometers southwest of Montreal. These properties represent a major position in the Utica-Lorraine and Trenton-Black River plays. Petrolympic also maintains holdings in the Gaspé and Bas-St. Lawrence regions, including a 30% interest in 431,178 hectares (1,065,441 acres) through the Existing 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 governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

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

2011	\$29,415
2012	134,198
2013	358,685
2014	494,348
2015	624,420
Thereafter	3,465,050
Total	\$5,106,116

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.