# PETROLYMPIC LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE THREE AND NINE MONTHS ENDED

## SEPTEMBER 30, 2010

## Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Petrolympic Ltd. ("Petrolympic" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2010. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2009, as well as the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial reporting and, accordingly, do not include all of the information and notes required by Canadian GAAP for annual financial statements. 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 November 24, 2010, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Petrolympic common shares 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 September 30, 2011; 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 its 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 the 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".

## Overall Performance

Canbriam Energy Inc. ("Canbriam") has successfully completed the initial exploration program relating to the Farmout and Joint Operating Agreement (the "Agreement") that was entered into among Petrolympic, Ressources & Energie Squatex Inc. ("Squatex") and Canbriam (collectively, the "Partners") in November 2008, and subsequently amended in June 2009, and has confirmed the selection of the first 8,000 hectare block in which it has earned a 60% interest.

On March 30, 2010, Canbriam finalized the selection of two St. Lawrence Lowlands exploration permits, 2009RS296 and 2009RS298, forming part the farmout lands (the "Farmout Lands") under the Agreement.

On April 7, 2010, Canbriam selected its 60% earned interest in a contiguous 8,000-hectare block located within permits 2009RS296 and 2009RS298. This first block includes the Farnham No.1 well site spudded in July 2009 and drilled to a total vertical depth of 2,507 metres through the Utica Formation. The Partners' interests over the 8,000-hectare block are as follows: Canbriam 60%, Squatex 28% and Petrolympic 12%.

On October 12, 2010, the Company announced that it, along with Squatex, has approved a request by Canbriam to extend for one year its commitment dates for the first, second, and third option programs in the Farmout Lands. Furthermore, Canbriam has agreed to allocate excess drilling credits with an implied value of $4,000,000 earned through operational expenditures to the Company and Squatex in order to satisfy the work commitment obligations for the Company's and Squatex's existing JV lands.

Pursuant to the Agreement between Petrolympic, Squatex and Canbriam, Canbriam entered into the first of three option programs, paying $1,050,000 to Petrolympic and $2,450,000 to Squatex. Canbriam has committed to spud two additional farmout wells by September 30, 2011, and to drill and case or abandon these wells prior to making an election for the following option programs on or before December 31, 2011.

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

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 resulting profiles are expected to be ready for interpretation at the beginning of December 2010.

Two wells are planned to test the Utica play outside the Canbriam joint land and within a zone of favourable total organic content (TOC) and maturity of the rock sequences.

A third well is also contemplated to test the conventional shallow gas play in the autochthonous carbonates platform south of Montreal. Petrolympic is in discussions to increase its ownership of some of the jointly owned permits in the Lowlands.

Petrolympic is seeking a partner to drill a 1,500 metre well in the Lower St. Lawrence-Gaspé region, particularly in the Ste-Irene area. This location has been selected to test the presence of light oil in a complex fractured zone near a major fault within the Forillon Formation.

Squatex and Petrolympic are integrating all data acquired since 2001, including seismic, satellite photo mapping, aeromagnetic, gravity, radiometry, geochemistry and geological sampling/coring. The compilation of results obtained will allow the Company to delineate zones with increased potential for oil and gas accumulations. Detailed geological outcrop sampling and 1,107 metres of coring have been carried out from June 2010 to September 2010 and the samples are to be sent for analyses of the TOC and maturity of sedimentary sequences. Two deeper stratigraphic coring tests were drilled by Squatex, of which one encountered live oil bleeding from the core (light oil near 50API in the Sayabec/West Point Formation). Further analyses will be carried out to determine the age of that hydrocarbon to eventually locate its source.

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

The Company's current strategy is to continue exploring its petroleum and natural gas properties while seeking out other prospective business opportunities. In addition, the Company expects Canbriam to continue with the Agreement. The Company believes this focused strategy will enable it to create shareholder value.

At September 30, 2010, the Company had assets of $6,865,027and a net equity position of $6,711,709. This compares with assets of $7,532,678 and a net equity position of $7,187,593 at December 31, 2009. At September 30, 2010, the Company had $153,318 of liabilities and no debt. At September 30, 2010, the Company had unproven petroleum and natural gas properties of $3,549,188, compared to $3,267,937 at December 31, 2009, an increase of about 9%. The increase in unproven petroleum and natural gas properties during the nine months ended September 30, 2010, was primarily due to geophysical costs of $30,014, geology costs of $85,392, general exploration costs of $73,273, permits and licence costs of $24,545, data compilation costs of $65,076 and consulting fees of $2,951.

At September 30, 2010, the Company had working capital of $3,159,640, compared to $3,917,516 at December 31, 2009. The Company had cash and cash equivalents of $2,927,615 at September 30, 2010, compared to $3,716,293 at December 31, 2009, a decrease of about 21%. The decrease in cash and cash equivalents during the nine months ended September 30, 2010, was primarily due to cash expenditures for the Company's exploration activities as discussed above and operating expenses incurred during the nine months ended September 30, 2010.

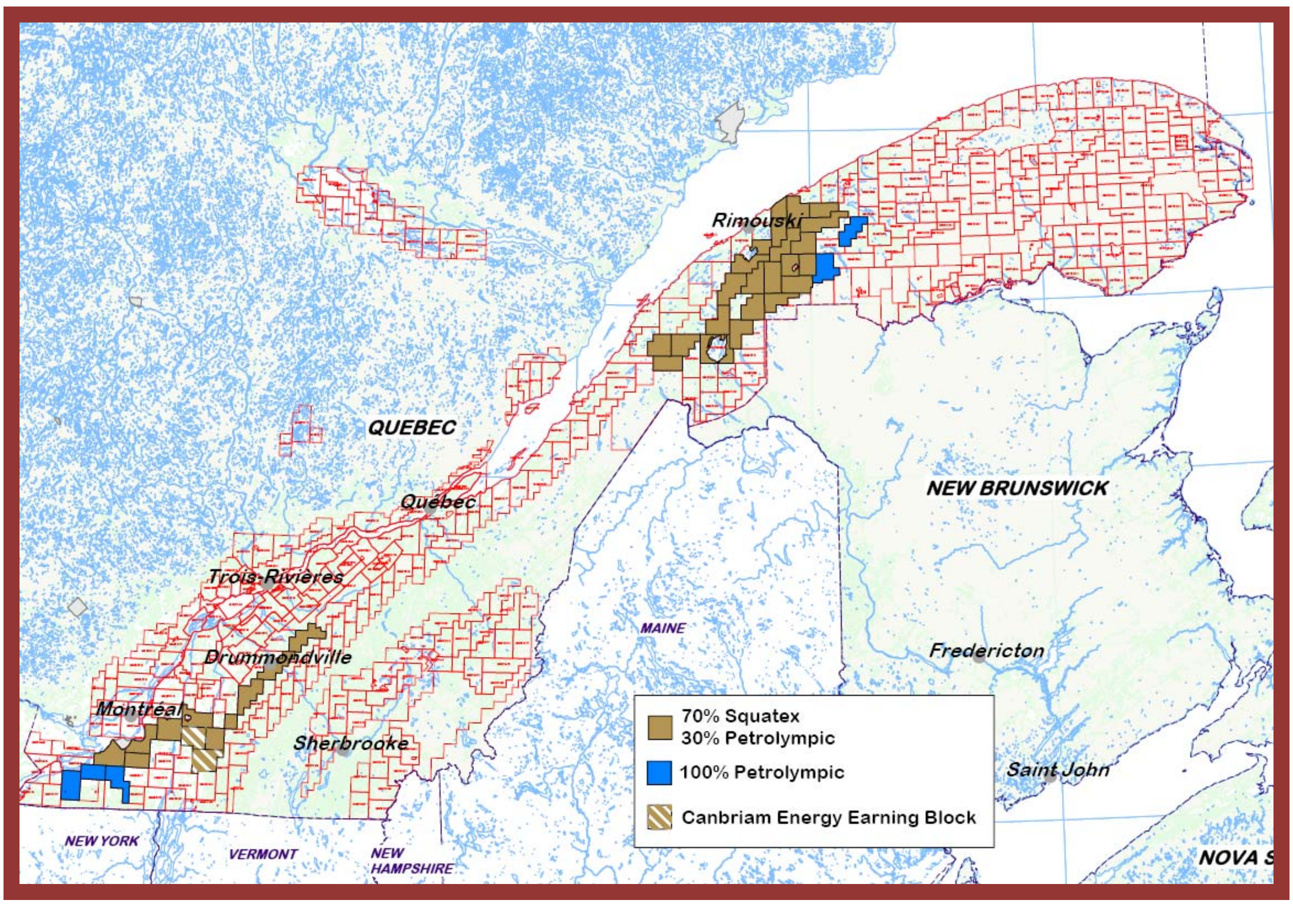
See "Exploration Activities" below.

## 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. Management, in conjunction with the Board of Directors, will continue to monitor these developments and their effect on the Company's business.

## Summary of Land Positions

Petrolympic holds an interest in a total 753,406 hectares (1,861,666 acres) of oil and gas exploration permits in the Appalachian Basin of Quebec that include holdings in the St. Lawrence Lowlands and Gaspé Peninsula (See map below). The Company's holdings in the St. Lawrence Lowlands are a 30% interest in 216,933 hectares (536,041 acres) through a joint venture with Squatex; a 12% interest in 8,000 hectares (19,768 acres) through an 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 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 431,160 hectares (1,065,396 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.



# Exploration Activities

*(a) Petrolympic 100% Owned Permits*

**Gaspésie Peninsula**

*Exploration activity*

During the three and nine months ended September 30, 2010, no exploration work was conducted on the Gaspésie Peninsula.

The Company has enough exploration credits from past exploration to cover the obligation to keep the two permits in good standing in 2010.

**St. Lawrence Lowlands**

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

Near the end of fiscal 2009, Petrolympic ran a second phase of geochemical sampling, infilling the coverage over its permits in the St. Lawrence Lowlands. ChemTerra took an additional 580 geochemical samples on the permits during the survey. Results of analyzed samples were received at the end of March 2010. The results show similar gas values as the previous survey and extend the number and size of the anomalous gas seeping zones.

*(b) Squatex-Petrolympic Joint Venture Lands*

In 2009, Squatex proceeded with the interpretation and correlation of field data, and enacted the following exploration program:

<u>LOWER ST. LAWRENCE JOINT PERMITS:</u>

- Additional geological sampling was undertaken during the summer of 2009 to measure the hydrocarbon content and the maturity of the rocks. Samples were sent to the Geological Survey of Canada in Calgary for analysis.
- GPR International Inc. was awarded a contract in September 2009 to do a 17,000-kilometre survey of high-resolution airborne magnetometry covering the entire block of permits. Results and interpretation of the survey are being integrated into the database.
- In early October 2009, Quantec Geosciences was hired to do an 803-station gravity survey to complement local government stations over the entire joint venture land holdings. Results of the survey have been integrated into the database to refine geological interpretation of faults and structures.

ST. LAWRENCE LOWLANDS JOINT PERMITS:

- Canbriam drilled the Farnham No. 1 well to the top of the Trenton Formation at 2,509 metres total depth. The well encountered gas shows in the Lorraine shale section and was cased. The well is suspended pending future testing.
- An AVO (Amplitude versus Offset) study has been performed by CGG Veritas of Calgary over an east-west seismic line acquired in 2008, over the Utica Fairway, to better understand lateral facies variations within geological formations.
- Near the end of fiscal 2009, Squatex awarded a contract to Calgary-based ChemTerra to perform a 600 sample geochemical survey over three permits situated on the shallow carbonate platform, southwest of the St. Lawrence Lowlands. Results of analyzed samples were received at the end of March 2010 and show large anomalous gas seeping zones, one of which coinciding with an anticlinal fold near a major basement fault.

Petrolympic and Squatex have renewed all their permits (i.e., the 100% interest and the 30% interest) of both companies until September 2019. The renewal is effective as of September 1, 2009.

Planned field exploration programs were nearly completed by September 2010. Data collection, processing and gathering plus laboratory analyses are anticipated to be carried out until March 2011. Interpretation and integration of new data acquired in 2010 started during September 2010 and is planned to be completed by the spring of 2011.

*(c) Expenditures*

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

| Quebec – Deferred Exploration Costs | September 30, 2010 | September 30, 2009 |
|---|---|---|
| | | |
| **Beginning balance** | **1,205,531** | **2,932,105** |
| Analysis | nil | 12,250 |
| Drilling | nil | 14,472 |
| Geology | 85,392 | 82,741 |
| Consulting | 2,951 | 9,860 |
| Reports | nil | 3,100 |
| General exploration costs | 73,273 | 500 |
| Claim costs | nil | 8,470 |
| Permits and licences | 24,545 | 19,899 |
| Data compilation | 65,076 | |
| Geophysical | 30,014 | 60,821 |
| **Total costs incurred** | **281,251** | **212,113** |
| | | |
| **Proceeds from farmout agreement** | **nil** | **(1,050,000)** |
| | | |
| **Ending balance** | **$1,486,782** | **$2,094,218** |

| Quebec – Acquisition Costs | September 30, 2010 | September 30, 2009 |
|---|---|---|
| | | |
| **Beginning balance** | **$2,062,406** | **$2,062,406** |
| | | |
| Activity during the period | nil | nil |
| | | |
| **Total costs incurred** | **nil** | **nil** |
| | | |
| **Ending balance** | **$2,062,406** | **$2,062,406** |

The Company relies on the expertise of its geological team to direct and monitor its exploration programs. Management assesses its exploration programs and approves funding as deemed prudent to move the projects forward. For the nine months ended September 30, 2010, the Company has spent $281,251 on its unproven petroleum and natural gas properties. It is anticipated that the Company will spend about $230,000 on its exploration programs in Q4 2010.

## Technical Disclosure

The above technical disclosure under the heading "Exploration Activities" has been prepared under the supervision of Paul Laroche, ing, geo, and a "qualified person" within the meaning of NI 51-101.

## Environmental Liabilities

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

## Off-Balance-Sheet Arrangements

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

## Proposed Transactions

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

## Selected Quarterly Information

| Three Months Ended | Net Revenues $ | Net Income (Loss) Income Total $ | Net Income (Loss) Income Per Share $ |
|---|---|---|---|
| September 30, 2010 | - | (145,945) [1] | (0.00) |
| June 30, 2010 | - | (233,951) [2] | (0.01) |
| March 31, 2010 | - | (128,988) [3] | (0.00) |
| December 31, 2009 | - | 18,038 [4] | 0.00 |
| September 30, 2009 | - | (198,467) [5] | (0.00) |
| June 30, 2009 | - | (442,683) [6] | (0.01) |
| March 31, 2009 | - | (69,766) [7] | (0.00) |
| December 31, 2008 | - | (546,729) [8] | (0.01) |

Notes:

(1) Net loss of $145,945 principally relates to 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.
(2) Net loss of $233,951 principally relates to 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.
(3) Net loss of $128,988 principally relates to 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.
(4) 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.
(5) 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.
(6) 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.
(7) Net loss of $69,766 principally relates to management fees of $49,000, professional fees of $15,291 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $35,402.
(8) Net loss of $546,729 principally relates to stock-based compensation of $376,105, management fees of $188,030, professional fees of $156,288 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $24,448 and a future income tax recovery of $291,643.

## Results of Operations

<u>Nine months ended September 30, 2010, compared with nine months ended September 30, 2009</u>

Petrolympic's net loss totaled $508,884 for the nine months ended September 30, 2010, with basic and diluted loss per share of $0.01. This compares with a net loss of $710,916 with basic and diluted loss per share of $0.01 for the nine months ended September 30, 2009. The decrease in the net loss of $202,032 was principally because:

- Professional fees for the nine months ended September 30, 2010, were $148,068 (nine months ended September 30, 2009 - $173,043), a decrease of $24,979 compared to the same period in 2009. The decrease can be attributed to decreased corporate activity requiring legal assistance in the current period compared to 2009.

- Management fees for the nine months ended September 30, 2010, were $189,750 (nine months ended September 30, 2009 - $177,750), an increase of $12,000 compared to the same period in 2009. Management fees consisted of: Mendel Ekstein (Chief Executive Officer) - $112,500; Andreas Jacob (Vice President) - $63,750; and Marrelli CFO Outsource Syndicate Inc. ("Marrelli") (Carmelo Marrelli - Chief Financial Officer) - $13,500. Management fees in 2009 comprised: Mendel Ekstein (Chief Executive Officer) - $87,500; Andreas Jacob (Vice President) - $51,250; Ambrose Partners Inc. (Ernest Cleave, former Chief Financial Officer) - $30,000; and Marrelli (Carmelo Marrelli – Chief Financial Officer) - $9,000.

- Investor relations and promotion expenses for the nine months ended September 30, 2010, were $29,197 (nine months ended June 30, 2009 – $48,237), a decrease of $19,040 compared to the same period in 2009. The costs related to fees paid to investor relations firms and costs for attending conferences. The decrease can be attributed to management attending fewer conferences in the current period compared to 2009 and lower investor relations activities in 2010 compared to 2009.

- Reporting issuer costs for the nine months ended September 30, 2010, were $19,972 (nine months ended June 30, 2009 – $18,093), an increase of $1,879 compared to the same period in 2009. These costs related to being a public company. The increase can be related to higher issuer costs incurred in the current period compared to 2009.

- Office and general costs for the nine months ended September 30, 2010, were $81,051 (nine months ended September 30, 2009 – $37,326), an increase of $43,725 compared to the same period in 2009. The increase resulted from higher support costs needed in the current period compared to 2009 to advance the Company's projects. In particular, for the nine months ended September 30, 2010, the Company incurred membership fees with the Quebec Oil & Gas Association in the amount of $34,839 (nine months ended September 30, 2009 - $15,000).

- Interest and other income for the nine months ended September 30, 2010, was $1,852 (nine months ended September 30, 2009 - $34,535), a decrease of $32,683 compared to the same period in 2009. The decrease is attributable to the Company's utilizing cash reserves for working capital requirements instead of investing funds in cash equivalents that generate interest income. This was compounded by a reduction in interest rates on cash equivalents.

- The Company incurred a decrease in stock based compensation of $231,250 for the nine months ended September 30, 2010, compared to the nine months ended September 30, 2009. The decrease can be attributed to the grant of 150,000 options in the current period compared to 1,050,000 options issued in 2009.

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

  On June 8, 2009, the Company announced that it had agreed to an extension of the investor relations and capital markets consulting agreements entered into with Advent Management Inc. ("Advent") and Evolution Group Inc. Pursuant to the terms thereof, the Company has granted to Advent incentive stock options for the purchase of a total of 100,000 common shares of the Company at a price of $0.20 per common share, exercisable until June 1, 2012, in accordance with the Company's stock option plan. For the purposes of the 100,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumption: expected dividend yield of 0%; expected volatility of 124%; risk-free interest rate of 1.01% and an expected average life of three years. The estimated fair value was determined to be $14,400. The options vest immediately.

  On June 17, 2009, the Company granted to certain directors and officers incentive stock options for the purchase of a total of 950,000 common shares of the Company at a price of $0.295 per common share, exercisable until June 17, 2014. The options were granted pursuant to the terms of the Company's stock option plan. For the purposes of the 950,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 124%; risk-free interest rate of 2.45% and an expected average life of five years. The estimated fair value was determined to be $249,850. The options vest immediately.

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

  - The expected term: the Company used the expected term of the stock options, which is the maximum term ascribed to these stock options, for the purposes of calculating their value. 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 were 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 as at the date of the grant of the stock options. The risk-free interest rate will vary depending on the date of the grant of the stock options and their expected term.

- o Dividend yield: the Company has not paid dividends in the past because it is in the exploration stage and has not yet earned any significant income. 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 in the immediate future. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.

- All other expenses related to general working capital purposes.

Three months ended September 30, 2010, compared with three months ended September 30, 2009

Petrolympic's net loss totaled $145,945 for the three months ended September 30, 2010, with basic and diluted loss per share of $0.00. This compares with a net loss of $198,467 with basic and diluted loss per share of $0.00 for the three months ended September 30, 2009. The decrease in the net loss of $52,522 was principally because:

- Professional fees for the three months ended September 30, 2010, were $48,161 (three months ended September 30, 2009 - $85,034), a decrease of $36,873 compared to the same period in 2009. The decrease can be attributed to decreased corporate activity requiring legal assistance in the current period compared to 2009.

- Management fees for the three months ended September 30, 2010, were $43,667 (three months ended September 30, 2009 - $75,250), a decrease of $31,583 compared to the same period in 2009. Management fees in Q3 2010 comprised: Mendel Ekstein (Chief Executive Officer) - $25,000; Andreas Jacob (Vice President) - $14,167; and Marrelli (Carmelo Marrelli - Chief Financial Officer) - $4,500. Management fees in Q3 2009 comprised: Mendel Ekstein (Chief Executive Officer) - $37,500; Andreas Jacob (Vice President) - $21,250; Ambrose Partners Inc. (Ernest Cleave, former Chief Financial Officer) - $12,000; and Marrelli (Carmelo Marrelli - Chief Financial Officer) - $4,500.

- Investor relations and promotion expenses for the three months ended September 30, 2010, were $2,046 (three months ended September 30, 2009 – $18,984), a decrease of $16,938 compared to the same period in 2009. The costs related to fees paid to investor relations firms and costs for attending conferences. The decrease can be attributed to management attending fewer conferences in the current period compared to 2009 and the Company's investor relations activities being lower in 2010 compared to 2009.

- Reporting issuer costs for the three months ended September 30, 2010, were $10,796 (three months ended September 30, 2009 – $5,110), an increase of $5,686 compared to the same period in 2009. These costs related to being a public company. The increase can be related to higher issuer costs incurred in the current period compared to 2009.

- Office and general costs for the three months ended June 30, 2010, were $34,196 (three months ended September 30, 2009 – $886), an increase of $33,310 compared to the same period in 2009. The increase resulted from higher support costs needed in the current period compared to 2009 to advance the Company's projects.

- All other expenses related to general working capital purposes.

## Liquidity and Financial Position

The activities of the Company, principally the acquisition and exploration of properties prospective for petroleum and natural gas, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. For the nine months ended September 30, 2010, 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 September 30, 2010, 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 8,033,336 options outstanding, which would raise $2,802,251 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 decreased to $153,318 at September 30, 2010, compared to $345,085 at December 31, 2009, primarily due to less accounts payable in the most recent period. The Company's cash and cash equivalents as at September 30, 2010, were more than sufficient to satisfy these liabilities.

Cash used in operating activities was $505,788 for the nine months ended September 30, 2010. Operating activities were affected by the net decrease in non-cash working capital balances of $30,802 because of a decrease in prepaid expenses of $18,054, a decrease in accounts payable and accrued liabilities of $191,767 and a decrease in tax credit receivable of $142,911. The Company also recorded amortization of property and equipment of $898 and stock-based compensation expense of $33,000.

Cash used in investing activities was $282,890 for the nine months ended September 30, 2010, which relates to additions to deferred exploration costs in the amount of $281,251 and the acquisition of equipment in the amount of $1,639.

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

The Company's liquidity risk from financial instruments is minimal as excess cash is invested in investment grade term deposit certificates. As of September 30, 2010, excess cash was invested in bank-backed guaranteed investment certificates that amounted to $1,021,682, 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 $55,000 per month for management fees, month-to-month professional fees and other working capital related expenses. The Company also plans to incur about $230,000 on its exploration programs in Q4 2010.

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

Regardless of whether or not the Company discovers petroleum and natural gas reserves, its working capital of $3,159,640 at September 30, 2010, is anticipated to be adequate for the twelve-month period ending September 30, 2011, 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.

## Critical Accounting Estimates

The preparation of the Company's unaudited interim consolidated financial statements requires management to make certain estimates that affect the amounts reported in the consolidated financial statements. The accounting estimates considered to be significant are the valuation of the Company's unproven petroleum and natural gas properties, warrants and stock-based compensation.

The policy of capitalizing exploration costs to date does not necessarily relate to the future economic value of the exploration properties. The valuation of unproven petroleum and natural gas properties is dependent entirely upon the discovery of economic petroleum and natural gas reserves.

The Company uses the Black-Scholes option model to estimate the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation and warrants is the stock price volatility used. The Company uses historical price data and comparables in the estimate of the stock price volatility.

Other items requiring estimates for the nine months ended September 30, 2010, are accounts payable and accrued liabilities and future income taxes. Changes in the accounting estimates in these items may have a material impact on the financial position of Petrolympic.

## Future Accounting Changes

### International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

***IFRS Transition Plan***

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

| | |
|---|---|
| Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS. | Complete. |
| Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards. | Complete. |
| Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives. | In progress, completion expected during Q4 2010 |
| Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements. | In progress, completion expected during Q4 2010 |
| Quantification of the financial statement impact of changes in accounting policies. | Throughout 2010 |
| Management and employee education and training. | Throughout the transition process |

***Impact of Adopting IFRS on the Company's Business***

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of the consolidated financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

***First-time adoption of IFRS***

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, 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 identified the following optional exemptions that it expects to apply in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "transition date":

- To apply IFRS 2 *Share-based Payments* only to equity instruments issued after November 7, 2002, and that had not vested by the 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 the transition provisions of IFRIC 4 *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the transition date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 *Borrowing Costs* prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ending March 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

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 will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

***Impact of Adopting IFRS on the Company's Financial Statements***

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

*1) Exploration and Evaluation Expenditures*

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of petroleum and natural gas properties.

The Company expects to establish an accounting policy to expense, as incurred, all costs relating to exploration and evaluation until such time as it has been determined that a property has economically recoverable reserves.

The application of this policy on the adoption of IFRS will have a significant impact on the Company's consolidated financial statements. On adoption of IFRS, the carrying value of the unproven petroleum and natural gas properties will be reduced to zero (at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and evaluation costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

2) *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 will be changed to reflect these differences. However, the Company does not expect that this change will have an immediate impact on the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the transition date.

3) *Share-based Payments*

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its consolidated financial statements.

4) *Asset Retirement Obligations (Decommissioning Liabilities)*

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 will be changed to reflect these differences. However, the Company does not expect this change will have an immediate impact on the carrying value of its assets.

5) *Property and Equipment*

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its consolidated financial statements.

6) *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its consolidated financial statements.

***Subsequent Disclosures***

Further disclosures of the IFRS transition process are expected as follows:

- The Company's MD&A for the 2010 interim periods and the year ended December 31, 2010, will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual consolidated financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim consolidated financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include 2010 consolidated financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at January 1, 2010).

## Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on adoption. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on adoption. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on adoption.

## Financial Instruments

(a) Property Risk

Unless the Company acquires or develops additional significant properties, it will be solely dependent upon its existing projects. If the Company acquires no additional petroleum and natural gas properties, any adverse development affecting its existing projects would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate, and commodity and equity price risk).

The Company's management team carries out risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

**Credit Risk**
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and tax credit receivable. Cash and cash equivalents are held with reputable Canadian chartered banks, from which management believes the risk of loss to be minimal.

Financial instruments included in tax credit receivable consist of tax receivable from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in tax credit receivable is minimal. Tax credit receivable is in good standing as of September 30, 2010.

**Liquidity Risk**
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or of matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2010, the Company had a cash and cash equivalents balance of $2,927,615 (December 31, 2009 - $3,716,293) to settle current liabilities of $153,318 (December 31, 2009 - $345,085). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

**Market Risk**

*Interest Rate Risk*
The Company has significant cash balances. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors its cash management policy.

*Foreign Currency Risk*
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars and U.S. dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Commodity Price Risk
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices as they relate to petroleum and natural gas to determine the appropriate course of action to be taken by the Company.

**Sensitivity Analysis**

As of September 30, 2010, both the carrying and fair value amounts of the Company's financial instruments are the same.

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

(i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the nine months ended September 30, 2010.

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

*Fair value hierarchy and liquidity risk disclosure*

Cash of $1,905,933 is considered as Level 1 and cash equivalents of $1,021,682 are considered as Level 2 within the fair value hierarchy as at September 30, 2010.

## Capital Management

The Company manages its capital with the following objectives:

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

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

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

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

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

## 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 8, 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. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such 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, 2009, available on SEDAR at **www.sedar.com**. There have been no significant changes to such risk factors since the date thereof.

## Related Parties

For the three and nine months ended September 30, 2010, the Company paid $4,500 and $13,500, respectively, to Marrelli for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company (three and nine months ended September 30, 2009 - $4,500 and $9,000, respectively). Carmelo Marrelli beneficially owns Marrelli. The Chief Financial Officer is also the president of Marrelli Support Services Inc., a firm providing accounting services to the Company. During the three and nine months ended September 30, 2010, the Company expensed $6,731 and $20,295, respectively (three and nine months ended September 30, 2009 - $6,063 and $26,978, respectively) for services rendered by this firm. In addition, as at September 30, 2010, this firm was owed $2,549 (December 31, 2009 - $8,237) and this amount was included in accounts payable and accrued liabilities.

For the three and nine months ended September 30, 2010, the Company paid $15,684 and $58,594, respectively (three and nine months ended September 30, 2009 - $65,395 and $93,337, respectively) to a law firm in which the corporate secretary of the Company is a partner. As at September 30, 2010, this firm was owed $nil (December 31, 2009 - $8,466), which is included in accounts payable and accrued liabilities.

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

## Disclosure of Internal Controls

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

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

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

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

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

## Commitments

In order to maintain its petroleum and natural gas permits in good standing, the Company must pay an annual rent of $0.10 per hectare and incur minimum exploration expenditures equivalent to $0.50 per hectare in the first year, increasing by $0.50 per hectare every subsequent year to a maximum of $2.50. After the first five-year period, the Company has the option to renew the permits each year for a maximum of another five years, with the obligation of incurring aggregate minimum annual exploration and rental expenditures of $3.00 per hectare.

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

The Company's operations are subject to 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.

## Litigation

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

## Subsequent events

(a) On October 12, 2010, the Company announced that it, along with Squatex, has approved a request by Canbriam to extend for one year its commitment dates for the first, second, and third options programs in the Farmout Lands. Furthermore, Canbriam has agreed to allocate excess drilling credits with an implied value of $4,000,000 earned through operational expenditures, to the Company and Squatex in order to satisfy the work commitment obligations for the Company's and Squatex's existing JV lands.

Pursuant to the Agreement between Petrolympic, Squatex and Canbriam, Canbriam entered into the first of three option programs, paying $1,050,000 to Petrolympic and $2,450,000 to Squatex. Canbriam has committed to spud two additional farmout wells by September 30, 2011, and to drill and case or abandon these wells prior to making an election for the following option programs on or before December 31, 2011.

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

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

## Additional information

Additional information relating to the Company is available on its website at **www.petrolympic.com** or on SEDAR at **www.sedar.com**.