PETROLYMPIC

PETROLYMPIC LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED

DECEMBER 31, 2012 AND 2011

Prepared by:

PETROLYMPIC LTD.

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Management's Discussion and Analysis dated April 26, 2013

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 years ended December 31, 2012 and 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, 2012 and December 31, 2011, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of April 26, 2013, unless otherwise indicated.

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

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

Caution Regarding Forward-looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or 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 December 31, 2013; the plans, costs, timing and capital for future exploration and development of Petrolympic's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for petroleum and natural gas deposits; and general business and economic conditions.

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

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

Description of Business

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

The underlying value of the Company's interests in petroleum and natural gas properties is dependent upon the existence of such economically recoverable reserves, the Company's ability to obtain the necessary financing to develop the reserves and future profitable production.

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "PCQ".

Petrolympic's goal is to deliver superior returns to shareholders by concentrating on the acquisition of properties that have the potential to contain petroleum and natural gas. The Company plans to do this by focusing on certain properties, as set out below under "Exploration Activities in Québec", "Chittim Ranch Property Activities", and "Michigan Pinnacle Reef Properties".

Overall Performance

During the reporting period the following events occurred:

(a) Exploration and evaluation expenditures continued at each of the Company's properties;

(b) Petrolympic and its partner Squatex (defined herein) have developed a new geological coring program and have selected a number of potential sites regionally. The partners proceeded in October 2012 with the drilling of a first location (Masse No.1) in the northeast part of the Lower St. Lawrence acreage. The well reached a depth of 1,710 metres at the end of November 2012 before being stopped because of adverse winter weather. The coring went through West Point Formation-like reefs near 800 metres and a series of thrusted Sayabec reefal carbonate sequences containing porous dolomites. Both Silurian reef sequences presented gas and condensate shows while drilling. The well was suspended, allowing for further tests and the possibility of resuming drilling next spring.

(c) Proceeds from the flow-through shares issued in calendar 2011 have been used on the Company's permits in Québec (Canada) to complete compilation and interpretation studies of recently acquired data from Company target areas where conventional exploration is taking place and to drill the Masse No.1 core hole;

(d) On December 28, 2012, the Company completed a private placement of 3,285,715 flow-through units ("FT Units") at a price of $0.07 per FT Unit and 333,333 common share units ("CS Units") at $0.06 per CS Unit for gross proceeds of $250,000 (net proceeds of $248,000 following payment of $2,000 issuance costs). The proceeds from the private placement were received subsequent to December 31, 2012, and are included in amounts receivable and other assets on the statement of financial position. Each FT Unit consists of one flow-through common share of the Company and one half of one common share purchase warrant ("Warrant") and each CS Unit consists of one common share of the Company and one half of one Warrant. Each Warrant entitles the holder to purchase additional common share at a price of $0.10 for a period of 18 months from the date of closing;

(e) On February 13, 2013, Petrolympic announced that it has entered into certain financing arrangement (the "Loan") for the purposes of funding exploration on the Chittim Ranch property and increasing its working capital, whereby the Company will borrow up to $200,000 (the "Principal") from Mendel Ekstein, the Chief Executive Officer ("CEO") and the President of the Company ("Lender"), for a term of 12 months, which Principal will bear no interest (but will bear interest at a rate of 30% per annum in the case of a default). In connection with the Loan, Petrolympic has entered into a promissory note (the "Promissory Note") and other agreements and executed certain documents, including entering into a share pledge agreement (the "Share Pledge Agreement") with the Lender, providing for the pledge by the Company to the Lender of shares in the capital of Petrolympia Inc. and Petrolympic USA, Inc., upon the terms and conditions set out in the Share Pledge Agreement;

See "Michigan Pinnacle Reef Properties", below.

At December 31, 2012, the Company had assets of $425,079 (December 31, 2011 - $1,161,658) and equity of $121,004 (December 31, 2011 - $901,559). At December 31, 2012, the Company had current liabilities of $289,075 (December 31, 2011 - $260,099) and a Loan in the amount of $15,000 owed to the CEO. The Company had gross exploration and evaluation expenditures of $665,858, during the year ended December 31, 2012 (year ended December 31, 2011 - $1,398,872) on its petroleum and gas interests.

At December 31, 2012, the Company had working capital of $127,576 (December 31, 2011 - $900,832). The Company had cash and cash equivalents of $101,411 at December 31, 2012 (December 31, 2011 - $906,131). The decrease in cash and cash equivalents and working capital during the year ended December 31, 2012, was primarily due to corporate overhead costs and exploration activities in Québec (Canada), Texas (USA) and Michigan (USA).

Summary of Land Positions

A) Province of Québec

As at December 31, 2012, Petrolympic had an interest in a total 752,951 hectares (1,860,542 acres) of oil and gas exploration permits in the Appalachian Basin of Québec that include holdings in the St. Lawrence Lowlands and Gaspé Peninsula (See map below). The Company's holdings in the St. Lawrence Lowlands are a 30% interest in 216,933 hectares (536,041 acres) through a joint venture with Resources et Energie Squatex Inc. ("Squatex"); a 12% interest in 8,000 hectares (19,768 acres) through the Farmout and Joint Operating Agreement with Canbriam Energy Inc. ("Canbriam"); as well as a 100% interest in 56,152 hectares (138,752 acres) located over the Lowlands shallow carbonates platform on the south shore of the St. Lawrence River, less than 30 kilometres southwest of Montreal. These properties represent a major position in the Utica-Lorraine and Trenton-Black River plays. Petrolympic also maintains holdings in the Gaspé and Lower St. Lawrence regions, including a 30% interest in 431,178 hectares (1,065,441 acres) through a joint venture with Squatex and a 100% interest in a block of exploration permits totaling 40,688 hectares (100,540 acres) located between Rimouski and Matane prospective for hydrothermal dolomite hosted light oil. The following are permits in which Petrolympic holds an interest. Please also refer to the map that follows:

Gaspé Permits 100% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009PG573	01/09/2013	18,705
2009RS305	01/09/2013	21,983
Subtotal		**40,688**

St. Lawrence Lowlands Permits 100% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS302	01/09/2013	21,930
2009RS303	01/09/2013	14,127
2009RS304	01/09/2013	20,095
Subtotal		**56,152**

St. Lawrence Lowlands Permits 30% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS287	01/09/2013	20,871
2009RS288	01/09/2013	17,990
2009RS289	01/09/2013	20,909
2009RS290	01/09/2013	7,248
2009RS291	01/09/2013	22,447
2009RS292	01/09/2013	18,827
2009RS293	01/09/2013	14,580
2009RS294	01/09/2013	21,664
2009RS295	01/09/2013	19,316
2009RS296 (part)	01/09/2013	20,339 *
2009RS297	01/09/2013	16,342
2009RS298 (part)	01/09/2013	24,400 *
Subtotal		**224,933**

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

Gaspé Permits 30% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009PG554	01/09/2013	15,150
2009PG556	01/09/2013	23,666
Subtotal		**38,816**

Lower St. Lawrence 30% Ownership:

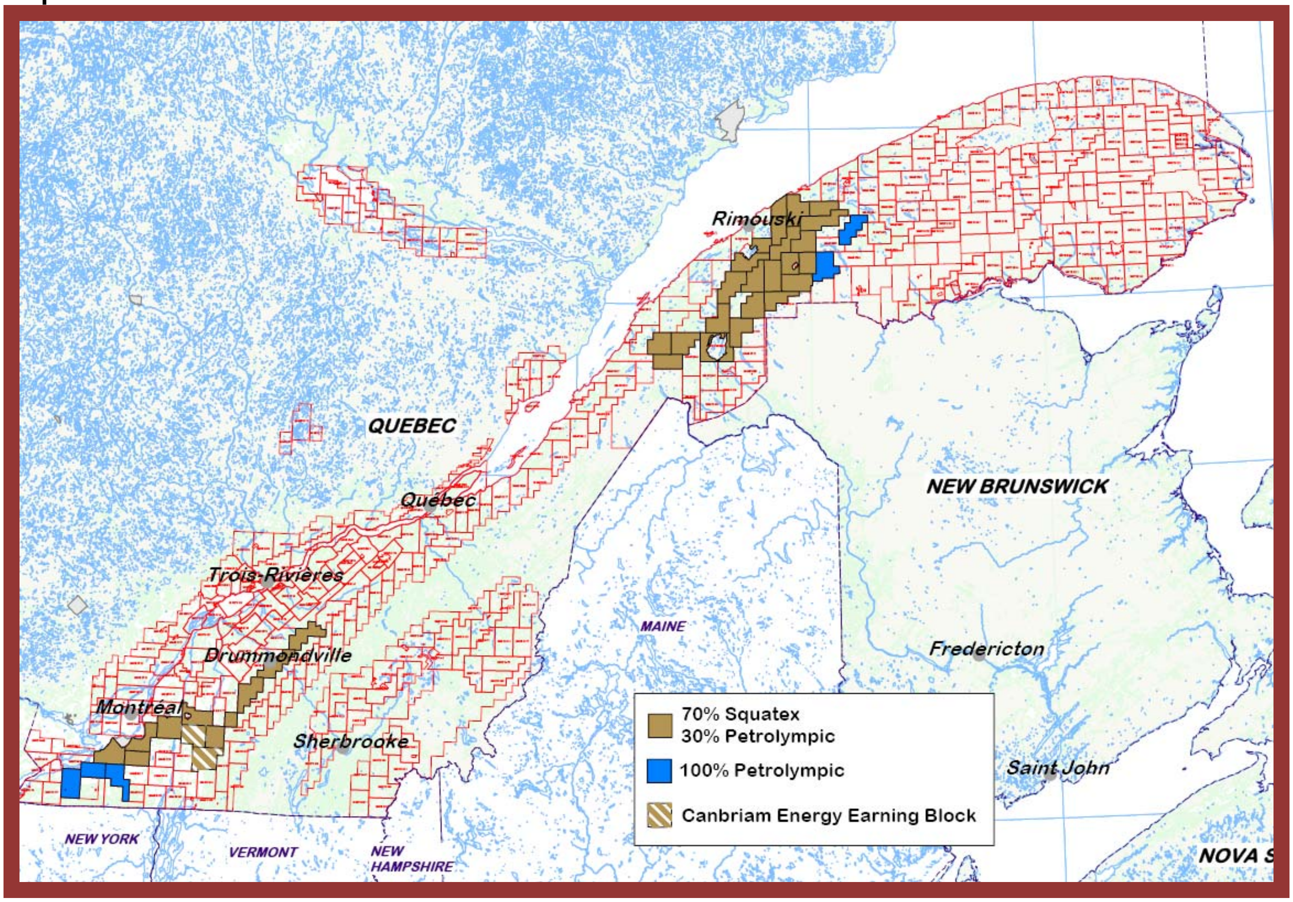
Permit Number	Renewal Date	Area (Hectares)
2009RS299	01/09/2013	18,975
2009RS300	01/09/2013	20,704
2009RS301	01/09/2013	17,136
2009PG552	01/09/2013	10,267
2009PG553	01/09/2013	23,068
2009PG555	01/09/2013	16,438
2009PG557	01/09/2013	9,894
2009PG558	01/09/2013	19,420
2009PG559	01/09/2013	18,737
2009PG560	01/09/2013	19,817
2009PG561	01/09/2013	24,435
2009PG562	01/09/2013	19,847
2009PG563	01/09/2013	22,573
2009PG564	01/09/2013	14,377
2009PG565	01/09/2013	15,370
2009PG566	01/09/2013	21,454
2009PG567	01/09/2013	20,642
2009PG568	01/09/2013	20,668
2009PG569	01/09/2013	17,244
2009PG570	01/09/2013	19,579
2009PG571	01/09/2013	20,951
2009PG572	01/09/2013	16,477
Subtotal		**408,073**

St. Lawrence Lowlands Permits 12% Ownership:

Permit Number	Renewal Date	Area (Hectares)
2009RS296 (part)	01/09/2013	20,339
2009RS298 (part)	01/09/2013	24,400

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

Map



B) Chittim Ranch, Texas, USA

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

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

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

Settlement Terms

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

Operations

On February 13, 2013, Petrolympic announced the results of the production test of the Chittim Ranch 80 #2V Well (the "Well") located in Maverick County, Texas, USA, in which the Company owns 80.25% working interest with net revenue interest of 60.1875%. Oil-Lympia Oil & Gas Inc., an indirect subsidiary of the Company, is the operator for the Well.

During the last week of January 2013, Mesa Southern Well Servicing, LP tested the Well and confirmed the production rates at 24-32 bbls per day. The oil was produced from the Lower Edwards Formation. Preparation is being made by the Company to set up a pump and battery in place to put the Well into production. The Company has also determined that salt water was mixed in, and will need to be disposed of in order to produce the oil from the Well. The Company's management is currently working to secure the appropriate equipment and conduct the necessary engineering to commence production in due course. Analogous wells in the area had cumulative production of ~22,000 bbls from the Lower Edwards Formation. Petrolympic plans to produce the oil from this reservoir for its maximum economic value and subsequently move up the pipe and test other zones encountered during the drilling.

C) Michigan Pinnacle Reef Properties, Michigan, USA

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

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

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

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

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

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

Joint Development Program

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

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

Deal Terms

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

- $50,000 on or before June 18, 2012 (completed);
- On or prior to September 28, 2012 ("Closing Date"), an aggregate of $350,000, of which $100,000 is payable to Energex with the balance being used to fund the environmental bonding obligations, closing costs and for general working capital purposes. As well, Petrolympic will issue to Energex one million common shares in the capital of Petrolympic ("Petrolympic Shares"); (1)
- $300,000 to fund the joint development program ("Joint Development Program") and 500,000 Petrolympic Shares within 60 days of the Closing Date; (1)
- $300,000 to fund the Joint Development Program and 500,000 Petrolympic Shares within 120 days of the Closing Date; (1)
- $250,000 to fund the Joint Development Program and 500,000 Petrolympic Shares within 240 days of the Closing Date; (1) and
- $250,000 to fund the Joint Development Program and 500,000 Petrolympic Shares within 365 days of the Closing Date. (1)

(1) As of the date of this MD&A, the Company is in discussion with Energex to renegotiate the terms of the agreement. Obligations under the agreement have been suspended.

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

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

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

Exploration Activities in Québec

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

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

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

The newly elected government announced in the fall further changes to come to the Mining Act ruling the exploration and exploitation of hydrocarbons and also declared a moratorium on shale gas exploration while new studies are taking place by the Bureau d'audiences publiques sur l'environnement (BAPE).

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

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

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

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

- Lower St. Lawrence (30% Ownership by Petrolympic).

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

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

Petrolympic 100% Owned Permits

Gaspésie Peninsula

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

St. Lawrence Lowlands

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

Squatex-Petrolympic Joint Venture Lands

Lower St. Lawrence - Gaspé Joint Permits

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

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

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

St. Lawrence Lowlands Joint Permits

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

Exploration and evaluation expenditures

Québec	Year Ended, December 31, 2012 $	Year Ended, December 31, 2011 $
General exploration costs	277,017	157,820
Geology	nil	56,646
Geophysical	2,500	34,702
Permits & licences	29,367	16,235
Data compilation	nil	13,625
Claims costs	nil	1,460
Gross costs incurred	**308,884**	**280,488**
Tax credit receivable at 35%	(11,660)	(98,171)
Net costs incurred	**297,224**	**182,317**

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

For the year ended December 31, 2012, the Company spent $308,884 (comparative period - $280,488) on its permit interests for interpretation studies of acquired data and the drilling of the Masse No.1 deep coring. The Company anticipates spending about $230,000 (net of Squatex's share) for fiscal 2013 on further exploration work over Company target areas where conventional exploration is taking place. Specifically, the Company will focus on areas not directly affected by Bill 18. This work will satisfy the Company's 2013 flow-through commitment. Due to sufficient aggregate historical expenditures, the Company is allowed but not required to incur further costs on its permits in fiscal 2013. Bill 18, voted in June 2011 by the government of Québec, is extending the life of the Company's permits and exempting work obligations for up to an additional three years. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly.

Technical Disclosure

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

Chittim Ranch Property Activities

The Company anticipates spending $500,000 on well activities at the Chittim Ranch property, subject to positive results and the completion of an equity financing. The Company has obtained a Loan from its CEO which will fund a portion of the 2013 Chittim Ranch activities in the amount of $75,000.

Chittim Ranch Property	Year Ended, December 31, 2012 $	Year Ended, December 31, 2011 $
Drilling	65,142	964,080
Acquisition Costs	132,332	247,267
General exploration	106,160	nil
Consulting	nil	5,208
Net costs incurred	**303,634**	**1,216,555**

Michigan Pinnacle Reef Properties, Michigan, USA

Michigan Pinnacle Reef Properties	Year Ended, December 31, 2012 $	Year Ended, December 31, 2011 $
Acquisition Costs	65,000	nil
Net costs incurred	**65,000**	**nil**

Selected Annual Financial Information

The following is selected financial data derived from the audited annual consolidated financial statements of the Company as at December 31, 2012, 2011 and 2010 and for the years then ended.

	Year ended December 31, 2012 ($)	Year ended December 31, 2011 ($)	Year ended December 31, 2010 ($)
Total revenues	nil	nil	nil
Total loss	(1,107,812)	(2,195,302)	(1,039,635)
Net loss per share – basic	(0.01)	(0.03)	(0.01)
Net loss per share – diluted	(0.01)	(0.03)	(0.01)
	As at December 31, 2012 ($)	**As at December 31, 2011 ($)**	**As at December 31, 2010 ($)**
Total assets	$425,079	1,161,658	3,014,986
Total non-current financial liabilities	$15,000	nil	nil
Distribution or cash dividends	nil	nil	nil

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

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

- The net loss for the year ended December 31, 2010, consisted primarily of: (i) general and administrative expenses of $596,592; (ii) exploration and evaluation expenditures of $448,399; and (iii) depreciation of $1,279. This was offset by interest income of $6,635.

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

Trends

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

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

Environmental Liabilities

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

Off-Balance-Sheet Arrangements

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

Summary of Quarterly Results

Three Months Ended	Total Assets $	Profit or Loss	
		Total $	Per Share $
December 31, 2012	425,079	(307,219) (1)	(0.00)
September 30, 2012	405,846	(370,319) (2)	(0.00)
June 30, 2012	664,320	(285,330) (3)	(0.00)
March 31, 2012	945,910	(139,408) (4)	(0.00)
December 31, 2011	1,161,658	(240,132) (5)	(0.00)
September 30, 2011	1,107,708	(410,715) (6)	(0.01)
June 30, 2011	1,437,566	(1,277,239) (7)	(0.02)
March 31, 2011	2,788,947	(287,738) (8)	(0.00)

Notes:

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

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

(3) Net loss of $285,330 principally relates to salaries and benefits of $103,662, exploration and evaluation expenditures of $75,229, professional fees of $58,516, management fees of $17,000, administrative and general of $12,541, investor relations and promotion of $11,825 and operating expenses related to general working capital purposes.
(4) Net loss of $139,408 principally relates to professional fees of $64,359, investor relations and promotion of $7,689, management fees of $19,083 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $205.
(5) Net loss of $240,132 principally relates to professional fees of $80,668, investor relations and promotion of $61,679, management fees of $44,862 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $1,240.
(6) Net loss of $410,715 principally relates to exploration and evaluation expenditures of $245,104, professional fees of $42,275, management fees of $42,000 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $264.
(7) Net loss of $1,277,239 principally relates to exploration and evaluation expenditures of $1,058,982, professional fees of $92,042, management fees of $49,045 and operating expenses related to general working capital purposes. These expenses were offset by interest and other income of $2,133.
(8) 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.

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

Discussion of Operations

Year ended December 31, 2012, compared with year ended December 31, 2011

Petrolympic's net loss totaled $1,102,276 for the year ended December 31, 2012, with basic and diluted loss per share of $0.01. This compares with a net loss of $2,215,824 with basic and diluted loss per share of $0.03 for the year ended December 31, 2011. The decrease in the net loss of $1,113,548 was principally because:

- Exploration and evaluation expenditures for the year ended December 31, 2012, were $665,858 (year ended December 31, 2011 - $1,398,872), a decrease of $733,014 compared to the same period in 2011. Petrolympic has raised concerns with the operator regarding a number of issues including drilling costs, communications with lessors, and other operational issues at the Chittim Ranch property in Texas (USA). On July 3, 2012, Petrolympic announced that it has resolved all issues with the operator and other stakeholders. Exploration activity was limited at the Chittim Ranch property while the issues were being resolved, but will now return to normal levels, subject to an equity financing. In addition, proceeds from the flow-through shares issued in calendar 2011 are being used on the Company's permits in Québec (Canada) to complete compilation and interpretation studies of recently acquired data from Company target areas and to drill one deep core hole where conventional exploration is taking place. The Company also paid $65,000 to Energex to acquire the Michigan Properties.

- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion, reporting issuer costs and salaries and benefits totaled $517,813 for the year ended December 31, 2012 (year ended December 31, 2011 - $821,521). The decrease of $303,708 is due mainly to cost saving initiatives implemented by the Company.

- Interest and other income for the year ended December 31, 2012, was $563 (year ended December 31, 2011 - $6,342) due to a decrease in the Company's cash position.

- The Company recognized income of $81,050 (year ended December 31, 2011 - $nil) due to the retirement of the liability for the deferred premium on flow-through shares.

- On April 24, 2012, the Company granted 1,200,000 options at a price of $0.12 per share, expiring April 24, 2017. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five-year expected average life; share price of $0.10; 110.81% volatility; risk-free interest rate of 1.68%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was $92,400, which was expensed to the statement of operations with a corresponding amount allocated to contributed surplus. These options have fully vested.

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

  Expected term: the Company used the expected term of five years for the 1,200,000 options, which is the maximum term ascribed to the stock options issued. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.

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

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

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

Three months ended December 31, 2012, compared with three months ended December 31, 2011

Petrolympic's net loss totaled $307,219 for the three months ended December 31, 2012, with basic and diluted loss per share of $0.00. This compares with a net loss of $240,132 with basic and diluted loss per share of $0.00 for the three months ended December 31, 2011. The decrease in the net loss of $67,087 was principally because:

- Exploration and evaluation expenditures for the three months ended December 31, 2012, were $236,883 (three months ended December 31, 2011 - $4,940), an increase of $231,943 compared to the same period in 2011.

- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion, reporting issuer costs and salaries and benefits totaled $70,616 for the three months ended December 31, 2012 (three months ended December 31, 2011 - $236,121). The decrease of $165,505 is due mainly to cost saving initiatives implemented by the Company.

Liquidity and Capital Resources

The activities of the Company, principally the acquisition and exploration of properties prospective for petroleum and natural gas, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. For the year ended December 31, 2012, there was no new activity, other than the following:

On December 28, 2012, the Company completed a private placement of 3,285,715 FT Units at a price of $0.07 per FT Unit and 333,333 CS Units at $0.06 per CS Unit for gross proceeds of $250,000 (net proceeds of $248,000 following payment of $2,000 issuance costs). The proceeds from the private placement were received subsequent to December 31, 2012, and are included in amounts receivable and other assets on the statement of financial position. Each FT Unit consists of one flow-through common share of the Company and one half of one common share purchase warrant ("Warrant") and each CS Unit consists of one common share of the Company and one half of one Warrant. Each Warrant entitles the holder to purchase additional common share at a price of $0.10 for a period of 18 months from the date of closing.

The fair value of the common shares was determined to be $199,047 using the closing trading price on December 28, 2012, of $0.055. The fair value assigned to the warrants was $37,810, estimated using the Black-Scholes option pricing model with the following assumptions: an 18 month expected average life; share price of $0.10; 121.40% volatility; risk free interest rate of 1.13%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The issuance costs of $2,000 were allocated between common shares and warrants as follows: common shares - $1,681; warrants - $319. The remaining $13,143 is determined to be the fair value of the premium on flow through shares and has been recognized as a liability on the consolidated statement of financial position.

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 December 31, 2012, the Company had 86,696,243 common shares issued and outstanding and 7,800,002 options outstanding, which would raise $2,667,251 if exercised in full. This is not anticipated until the market price of the Company's traded common shares increases.

Current liabilities increased to $289,075 at December 31, 2012, from $260,099 at December 31, 2011, primarily due to the retirement of the liability for the deferred premium on flow-through shares. The Company's cash and cash equivalents as at December 31, 2012, were not sufficient to satisfy current liabilities. To satisfy the cash shortage within the Company, the CEO loaned $200,000 to Petrolympic. See "Overall Performance", subparagraph e, above.

Cash used in operating activities was $819,720 for the year ended December 31, 2012. Operating activities were affected by the net increase in non-cash working capital balances of $276,524 because of a decrease in tax credit receivable of $86,511, a decrease in accounts receivable and other assets of $101,049, an increase in accounts payable and accrued liabilities of $96,883, as well as the acquisition of a reclamation bond of $7,919. The Company also recorded amortization of property and equipment of $218 and share based payments of $92,400.

To date, the cash resources of the Company are held with two major Canadian chartered banks. The Company has no debt other than an outstanding loan to an officer of the Company which bears zero interest, except in the case of default. Its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest-bearing.

The Company's liquidity risk from financial instruments is minimal as surplus cash is invested in investment grade term deposit certificates. As of December 31, 2012, surplus cash was invested in bank-backed guaranteed investment certificates worth $10,000, and this amount was included in cash and cash equivalents.

The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities. Investing activities include the cash components of the cost of acquisition and exploration of its petroleum and natural gas interests. Currently, the Company's operating expenses are averaging approximately $40,000 per month for management fees, month-to-month professional fees and other working capital related expenses. The Company anticipates spending about $230,000 (net of Squatex's share) for fiscal 2013 on further exploration work over Company target areas where conventional exploration is taking place. Specifically, the Company will focus on areas not directly affected by Bill 18. This work will satisfy the Company's 2013 flow-through commitment. In addition, the Company anticipates spending $500,000 on well activities at the Chittim Ranch property for fiscal 2013, subject to positive results and an equity financing. The Company is also required to make certain payments to acquire the Michigan Pinnacle Reef Properties (obligations under the agreement to acquire the Michigan Pinnacle Reef Properties have been suspended) (See "Michigan Pinnacle Reef Properties, Michigan, USA" under the subheading "Summary of Land Positions" above). Based on the rate of expenditure, the Company will have to raise equity capital in calendar 2013 in amounts sufficient to fund both exploration work and working capital requirements. The major variables are expected to be the size, timing and results of the Company's exploration program and its ability to continue to access capital to fund its ongoing operations. Any further exploration programs on the Chittim Ranch property and Michigan Pinnacle Reef Properties are subject to the Company raising capital. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company.

To satisfy the cash shortage within the Company, the CEO loaned $200,000 to Petrolympic for the purposes of funding exploration on the Chittim Ranch property in the amount of $75,000 and increasing its working capital. See "Overall Performance", subparagraph e, above. The borrowed funds will be returned to the CEO once a financing is completed.

The Company believes it has sufficient cash resources to meet its 2013 flow-through commitment of about $230,000 and administrative overhead for the twelve months ending December 31, 2013, as well as Chittim Ranch activities in the amount of $75,000. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of expenditure, and expenditures may be adjusted accordingly. However, to meet long-term business plans, discovery of a petroleum and natural gas reserve is an important component of the Company's financial success.

Change in Accounting Policies

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods after January 1, 2013. Many are not applicable or do not have a significant impact on the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) 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, 2015.

(ii) 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.

(iii) 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 periods beginning on or after January 1, 2013.

(iv) 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.

(v) IFRS 13 – Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosure regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs; and

- information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

(vi) IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Financial Instruments

Financial risk

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

(i) Credit risk

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

Financial instruments included in accounts receivable consist of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of December 31, 2012. Management believes that the credit risk with respect to financial instruments included in amounts receivable is minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2012, the Company had cash and cash equivalents of $101,411 (December 31, 2011 - $906,131) to settle current liabilities of $289,075 (December 31, 2011 - $260,099). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(iii) Market risk

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

(c) Price risk

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

(i) The Company has no debt other than an outstanding loan to an officer of the Company which bears zero interest, except in the case of default. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss and comprehensive loss.

(ii) The Company has subsidiaries with balances denominated in US dollars. Sensitivity to a plus or minus five percentage point change in exchange rates would lead to a $510 gain/loss in the reported net loss and comprehensive loss for the year ended December 31, 2012.

Share Capital

As at the date of this MD&A, the Company had 86,696,243 issued and outstanding common shares. As at the date of this MD&A, the Company had 1,809,524 warrants outstanding with an exercise price of $0.10 and expiry date of June 28, 2014.

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

Options	Expiry Date	Exercise Price
666,667	June 16, 2013	$0.90
800,000	June 23, 2013	$0.90
800,000	September 12, 2013	$0.40
750,000	June 17, 2014	$0.295
150,000	April 23, 2015	$0.28
100,000	November 22, 2015	$0.20
1,200,000	April 24, 2017	$0.12
3,333,335	March 25, 2018	$0.10
7,800,002		

Disclosure of Internal Controls

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

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

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

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

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

Related Party Transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

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

Names	Year Ended December 31, 2012 $	Year Ended December 31, 2011 $
Marrelli Support Services Inc. ("Marrelli Support") (i)	60,416	59,552
DSA Corporate Services Inc. ("DSA") (ii)	25,495	19,228
Fogler Rubinoff LLP ("Fogler") (iii)	22,707	54,552
Total	**108,618**	**133,332**

(i) For the year ended December 31, 2012, the Company expensed $60,416 (year ended December 31, 2011 - $59,552) to Marrelli Support for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. Carmelo Marrelli is the president of Marrelli Support. As at December 31, 2012, Marrelli Support was owed $42,936 (December 31, 2011 - $2,968) and this amount was included in accounts payable and accrued liabilities.

(ii) For the year ended December 31, 2012, the Company expensed $25,495 (year ended December 31, 2011 - $19,228) to DSA for corporate secretarial services. DSA is a private company controlled by Carmelo Marrelli, the CFO of the Company. Carmelo Marrelli is also the corporate secretary and sole director of DSA. As at December 31, 2012, DSA was owed $21,155 (December 31, 2011 - $1,635) and this amount was included in accounts payable and accrued liabilities.

(iii) For the year ended December 31, 2012, the Company expensed $22,707 (year ended December 31, 2011 - $54,552) to Fogler for professional services. The Corporate Secretary of Petrolympic is a partner at Fogler. As at December 31, 2012, Fogler was owed $9,036 (December 31, 2011 - $13,256).

(iv) During the year ended December 31, 2012, the Company received $15,000 from Mendel Ekstein, the President and CEO of the Company, as an advance on a loan agreement which the Company and CEO entered into subsequent to the year ended December 31, 2012 (See "Subsequent Events" below).

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

Salaries and benefits	Year Ended December 31, 2012 $	Year Ended December 31, 2011 $
Mendel Ekstein (CEO)	55,083	162,500
Andreas Jacob (Vice-President)	38,758	86,760
Total	**93,841**	**249,260**

Share based payments	Year Ended December 31, 2012 $	Year Ended December 31, 2011 $
Mendel Ekstein (CEO)	15,400	nil
Andreas Jacob (Vice-President)	11,550	nil
Roger Creamer (Director)	26,950	nil
Alain Fleury (Director)	7,700	nil
Miles Pittman (Director)	7,700	nil
Frank Ricciuti (Director)	7,700	nil
Adam Sweras (Officer)	7,700	nil
Robert Kinsey (Consultant)	7,700	nil
Total	**92,400**	**nil**

Payments to directors and key management personnel of the Company include (a) related party transactions with, and (b) remuneration to, directors and key management personnel of the Company.
As at December 31, 2012, directors and key management personnel of the Company were owed $20,248 (December 31, 2011 - $nil) for remuneration.

Capital Management

Petrolympic manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company's defined exploration programs and to meet its ongoing administrative costs. The Company considers its capital to be equity, comprising share capital, reserves and deficit, which at December 31, 2012, totalled $121,004 (December 31, 2011 - $901,559).

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

The Company is not subject to any material externally imposed capital requirements or covenants other than the obligation to incur eligible expenditures with respect to the flow-through shares issued.

Management reviews the Company's capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the year ended December 31, 2012.

Proposed Transactions

None

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.

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

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

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

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

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

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

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

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

The global financial crisis is expected to cause petroleum and natural gas prices to remain volatile for the near future. Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility in commodity prices. These conditions worsened in 2008 and are continuing into 2013, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward. Petroleum and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Commitments

(a) Québec, Canada

As at December 31, 2012, Petrolympic holds an interest in 752,951 hectares (1,860,542 acres) of oil and gas exploration permits in the Appalachian Basin of Québec that include holdings in the St. Lawrence Lowlands and Gaspé Peninsula (See map on page 8). The Company's holdings in the St. Lawrence Lowlands are a 30% interest in 216,933 hectares (536,041 acres) through a joint venture with Squatex; a 12% interest in 8,000 hectares (19,768 acres) through the Farmout and Joint Operating Agreement with Canbriam; as well as a 100% interest in 56,152 hectares (138,752 acres) located over the Lowlands shallow carbonates platform on the south shore of the St. Lawrence River, less than 30 kilometres southwest of Montreal. These properties represent a major position in the Utica-Lorraine and Trenton-Black River plays. Petrolympic also maintains holdings in the Gaspé and Bas-St. Lawrence regions, including a 30% interest in 431,178 hectares (1,065,441 acres) through a joint venture with Squatex and a 100% interest in a block of exploration permits totaling 40,688 hectares (100,540 acres) located between Rimouski and Matane prospective for hydrothermal dolomite hosted light oil.

In order to maintain its petroleum and natural gas permits in good standing, the Company must pay an annual rent of $0.10 per hectare and incur minimum exploration expenditures equivalent to $0.50 per hectare in the first year, increasing by $0.50 per hectare every subsequent year to a maximum of $2.50. After the first five-year period, which will end in September 2014, the Company has the option to renew the permits each year for a maximum of another five years, with the obligation of incurring aggregate minimum annual exploration and rental expenditures of $3.00 per hectare.

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

The Company's operations are subject to government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact.

At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

Annual rental and minimum exploration expenditures to keep all permits (100% interest permits plus 30% of Squatex's permits) are unknown. The Company expects its annual rental and minimum exploration expenditures to be $29,415 for fiscal 2013 and possibly for fiscal 2014, if the moratorium is maintained from Bill 18. These expected amounts could change completely if and when the Quebec government puts into force a new oil and gas law with different regulations. No date is known for a change at this time.

(b) Flow-through shares

Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As at December 31, 2012, the Company is committed to incurring approximately $230,000 in Canadian Exploration Expenditures by December 31, 2013, arising from the flow-through offerings.

Subsequent Events

Subsequent to the year ended December 31, 2012, the Company entered into a Loan for the purposes of funding exploration on the Chittim Ranch property and increasing its working capital, whereby the Company borrowed $200,000 or the Principle from Mendel Ekstein, the CEO and the President of the Company or the Lender, for a term of 12 months, which Principal will bear no interest (but will bear interest at a rate of 30% per annum in the case of a default). In connection with the Loan, Petrolympic has entered into a Promissory Note and other agreements and executed certain documents, including entering into a Share Pledge Agreement with the Lender, providing for the pledge by the Company to the Lender of shares in the capital of Petrolympia Inc. and Petrolympic USA, Inc., upon the terms and conditions set out in the Share Pledge Agreement.

Subsequent to the year ended December 31, 2012, 3,333,335 stock options with a price of $0.18 and an expiry date of February 19, 2013, expired unexercised.

Subsequent to the year ended December 31, 2012, the Company granted 3,333,335 stock options to certain officers and directors of the Company at a price of $0.10 per share, expiring on March 25, 2018.