

# PETROLYMPIC

**PETROLYMPIC LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED DECEMBER 31, 2016**

**EXPRESSED IN CANADIAN DOLLARS**

**Prepared by:**

**PETROLYMPIC LTD.**

**The Canadian Venture Building  
82 Richmond Street East  
Toronto, Ontario  
M5C 1P1**

**Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Petrolympic Ltd. ("Petrolympic" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2016. 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, 2016 and December 31, 2015, 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 20, 2017, 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](http://www.petrolympic.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

**Caution Regarding Forward-looking Statements**

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

Forward-looking statements	Assumptions	Risk factors
Potential of Petrolympic's interests to contain economic deposits of oil or	Financing will be available for future exploration and development of Petrolympic's properties; the actual	Oil or gas price volatility; uncertainties involved in interpreting geological data and

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<p>gas</p>	<p>results of Petrolympic's exploration and development activities will be favourable; operating, exploration and development costs will not exceed Petrolympic's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Petrolympic, and applicable political and economic conditions will be favourable to Petrolympic; the price of oil or gas and applicable interest and exchange rates will be favourable to Petrolympic; no title disputes exist with respect to the Company's properties</p>	<p>confirming title to acquired properties; the possibility that future exploration results will not be consistent with Petrolympic's expectations; availability of financing for and actual results of Petrolympic's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff</p>
<p>The Company's cash balance at December 31, 2016, is not sufficient to fund its consolidated operating expenses at current levels. At the date hereof, the Company's consolidated cash balance has diminished as a result of normal business operations and management is attempting to defer payments, to the extent practical</p>	<p>The operating and exploration activities of the Company for the twelve-month period ending December 31, 2017, and the costs associated therewith, will be dependent on raising sufficient capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to Petrolympic</p>	<p>Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions</p>
<p>Management's outlook regarding future trends (see "Trends")</p>	<p>Financing will be available for the Company's exploration and operating activities; the price of oil and/or gas will be favourable to the Company</p>	<p>The volatility of the price of oil and/or gas; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions</p>

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

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

### **Description of Business**

Petrolympic is incorporated under the Business Corporations Act (Ontario). The Company is primarily engaged in petroleum and natural gas exploration and development activities. It has not yet determined whether its properties contain reserves that are economically recoverable.

The Company's common shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol PCQ and on the OTCQX International under the symbol PCQRF.

### **Overall Performance**

On February 22, 2016, the Company repaid Mendel Ekstein fully for his advance to the Company during the year ended December 31, 2015, for \$4,844. Mendel Ekstein is a major shareholder of the Company.

On March 11, 2016, the Company received the consent of the Exchange to extend the term of certain warrants. Those warrants were issued as part of a private placement of its securities. The terms of the warrants were previously extended by 8 months on July 9, 2015. The expiry dates of the warrants are now extended as follows:

#### **February 13, 2014**

Number of Warrants: 6,300,000  
Original Expiry Date of Warrants: July 13, 2015  
July 9, 2015 Revised Expiry Date of Warrants: March 13, 2016  
New Expiry Date of Warrants: March 13, 2017  
Exercise Price of Warrants: \$0.25

**March 6, 2014**

Number of Warrants: 2,470,666  
Original Expiry Date of Warrants: August 7, 2015  
July 9, 2015 Revised Expiry Date of Warrants: April 7, 2016  
New Expiry Date of Warrants: April 7, 2017  
Exercise Price of Warrants: \$0.25

All other terms of the warrants remain unchanged.

During the year ended December 31, 2016, the Company received \$10,205 (7,600USD) in advances from Mendel Ekstein who is a major shareholder of the Company. The advances do not bear any interest and are due on demand.

At December 31, 2016, the Company had assets of \$431,032 (December 31, 2015 - \$1,156,944) and equity of \$5,243 (December 31, 2015 - \$887,885). At December 31, 2016, the Company had current liabilities of \$425,789 (December 31, 2015 - \$269,059). The Company had net exploration and evaluation expenditures of \$800,211 during the year ended December 31, 2016 (year ended December 31, 2015 - \$323,814) on its petroleum and gas interests.

The Company had cash and cash equivalents of \$297,512 at December 31, 2016 (December 31, 2015 - \$1,076,553). The decrease in cash and cash equivalents during the year ended December 31, 2016 was primarily due to the cash used in operating activities, which was offset by cash received from the sale of property in Western Canada.

At December 31, 2016, the Company had working capital deficiency of \$22,902 (December 31, 2015 - working capital of \$851,931). The Company's working capital is not sufficient to maintain its general and administrative costs for the next 12 months and therefore financing needs to be raised (see "Subsequent Events"). In addition, further financings will be required beyond December 31, 2017 for exploration and evaluation expenditures of the Massé Structure and the Matapedia and Mitis properties as well as for general and administrative costs. Materially all of the Company's exploration activities and a portion of the general and administrative costs are discretionary. Therefore, there is considerable flexibility in terms of the pace and timing of exploration and how expenditures have been, or may be, adjusted, limited or deferred subject to current capital resources and potential to raise further funds.

## **Summary of Land Positions**

### **A) Province of Québec**

Petrolympic holds an interest in a total of 752,933 hectares (1,860,530 acres) of oil and gas exploration permits in the Province of Quebec, Canada, that include holdings in the St. Lawrence Lowlands and Gaspé Peninsula. The Company's holdings in the St. Lawrence Lowlands consist of a 30% interest in 216,933 hectares (536,051 acres) through a joint venture with Ressources et Energie Squatex ("Squatex"), a 12% interest in 8,000 hectares (19,768 acres) through the Farmout Agreement with Canbriam Energy Inc., and a 100% interest in 56,152 hectares (138,754 acres). Petrolympic also maintains holdings in the Gaspé and Lower St. Lawrence regions, including a 30% interest in 431,160 hectares (1,065,415 acres) through a joint venture with Squatex and a 100% interest in a block of exploration permits referred to as the Mitis and the Matapedia properties and totaling 40,688 hectares (100,542 acres).

**Gaspé Permits 100% Ownership:**

Permit Number	Renewal Date	Area (Hectares)
2009PG573	September 1, 2017	18,705
2009RS305	September 1, 2017	21,983
<b>Subtotal</b>		<b>40,688</b>

**St. Lawrence Lowlands Permits 100% Ownership:**

Permit Number	Renewal Date	Area (Hectares)
2009RS302	September 1, 2017	21,930
2009RS303	September 1, 2017	14,127
2009RS304	September 1, 2017	20,095
<b>Subtotal</b>		<b>56,152</b>

**St. Lawrence Lowlands Permits 30% Ownership:**

Permit Number	Renewal Date	Area (Hectares)
2009RS287	September 1, 2017	20,871
2009RS288	September 1, 2017	17,990
2009RS289	September 1, 2017	20,909
2009RS290	September 1, 2017	7,248
2009RS291	September 1, 2017	22,447
2009RS292	September 1, 2017	18,827
2009RS293	September 1, 2017	14,580
2009RS294	September 1, 2017	21,664
2009RS295	September 1, 2017	19,316
2009RS296 (part)	September 1, 2017	20,339 *
2009RS297	September 1, 2017	16,342
2009RS298 (part)	September 1, 2017	24,400 *
<b>Subtotal</b>		<b>224,933</b>

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

**Gaspé Permits 30% Ownership:**

Permit Number	Renewal Date	Area (Hectares)
2009PG554	September 1, 2017	15,150
2009PG556	September 1, 2017	23,666
<b>Subtotal</b>		<b>38,816</b>

**Lower St. Lawrence 30% Ownership:**

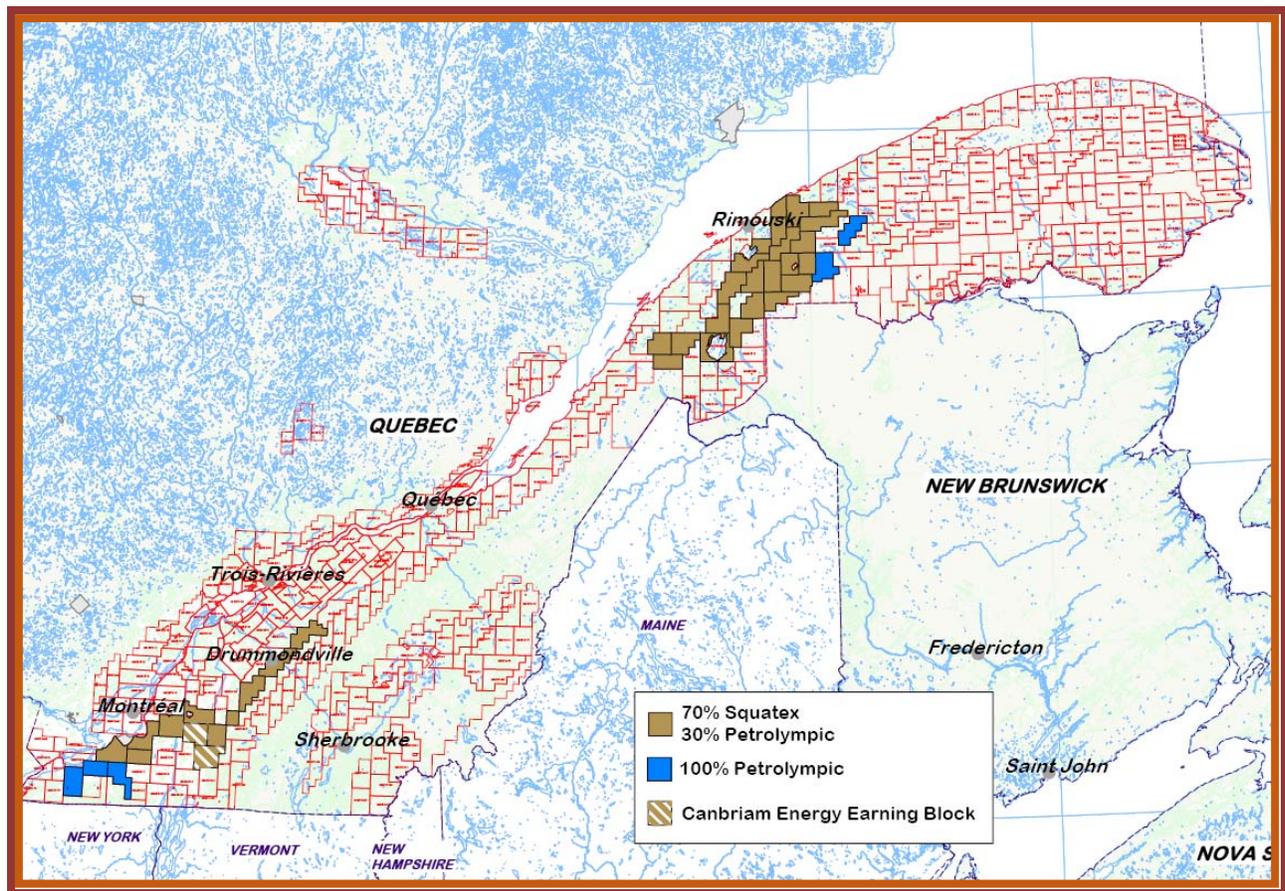
Permit Number	Renewal Date	Area (Hectares)
2009RS299	September 1, 2017	18,975
2009RS300	September 1, 2017	20,704
2009RS301	September 1, 2017	17,136
2009PG552	September 1, 2017	10,267
2009PG553	September 1, 2017	23,068
2009PG555	September 1, 2017	16,438
2009PG557	September 1, 2017	9,894
2009PG558	September 1, 2017	19,420
2009PG559	September 1, 2017	18,737
2009PG560	September 1, 2017	19,817
2009PG561	September 1, 2017	24,435
2009PG562	September 1, 2017	19,847
2009PG563	September 1, 2017	22,573
2009PG564	September 1, 2017	14,377
2009PG565	September 1, 2017	15,370
2009PG566	September 1, 2017	21,454
2009PG567	September 1, 2017	20,631
2009PG568	September 1, 2017	20,668
2009PG569	September 1, 2017	13,497
2009PG570	September 1, 2017	7,608
2009PG571	September 1, 2017	20,951
2009PG572	September 1, 2017	16,477
<b>Subtotal</b>		<b>392,344</b>

**St. Lawrence Lowlands Permits 12% Ownership:**

Permit Number	Renewal Date	Area (Hectares)
2009RS296 (part)	September 1, 2017	20,339
2009RS298 (part)	September 1, 2017	24,400
<b>Subtotal</b>		<b>44,739</b>

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**

The Company anticipates spending \$100,000 on well activities at the Chittim Ranch property, subject to positive results.

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 drilling.

**Exploration Activities in Québec**

The government of Québec made several changes in June 2011 to the legislative and regulatory framework for oil and gas exploration and 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 portions of the St. Lawrence;
- exempting holders of exploration licenses from performing the work required under the Mining Act until June 2014; and

- extending the validity of all exploration licenses in Québec for the same period as the work exemption.

In June 2014, the government of Québec modified Bill 18 to extend the duration of the exemption from performing the work required under the Mining Act. This exemption is still enforced and the validity of all exploration licenses in Québec have been extended accordingly.

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 hydraulic fracturing operations.

Some of Petrolympic's exploration activities have and will face delays due to these governmental decisions.

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).

The government also announced in the fall of 2013 further changes to come to the Mining Act governing the exploration and exploitation of hydrocarbons and initiated a series of Strategic Environmental Assessments aiming at better defining the future hydrocarbons law and regulations. Results of these assessments were published in May 2016 and, on December 10, 2016, the Quebec National Assembly voted Bill 106, an Act to implement the 2030 Energy Policy and amend various legislative provisions. Bill 106 includes the Petroleum Resources Act, the first-ever law governing the development of petroleum resources in Quebec.

Petrolympic believes that a stable framework for the development of Quebec hydrocarbon resources, previously governed by the Mining Act, is a key step for Quebec-based oil and gas production. Petrolympic management warmly welcomes the enactment of this modern law for the development of Quebec's hydrocarbon resources, after 6 years of environmental consultations, public studies, and consideration of legislation in other jurisdictions.

Management is confident that developing local hydrocarbon resources is a positive step for the Province, as it will balance Quebec's energy portfolio and strengthen its economy, while reducing the energy import deficit. Petrolympic is fully committed to securing and maintaining the social license and local support for its operations. Petrolympic seeks the orderly and responsible commercial development of its Quebec oil and gas exploration licenses, within the framework of the new Act.

Petrolympic 100% Owned Permits

**Gaspé Peninsula**

During the summer 2015 Petrolympic has undertaken a systematic reprocessing and reinterpretation of the proprietary and governmental seismic lines available for the two Gaspé 100% owned permits. The reprocessing has significantly improved the quality of the data and the interpretation has revealed several drilling targets in the two permits. The Company has announced, in a press release dated August 31, 2015, (which can be found on [www.sedar.com](http://www.sedar.com) under Petrolympic profile), that "Petrolympic has identified several promising conventional drilling targets on the Property after reprocessing and reinterpreting its proprietary seismic data. Three of these targets are located close to each other in a faulted anticline and are combined in one structure. Each of them corresponds to a seismic anomaly indicating the probable presence of oil and/or gas. The depths for this prospect range from about 2,130 feet deep for the shallow target down to 3,450 feet for the deepest one. At least two of the three targets can be reached by the same well using directional drilling equipment. A drilling program is being prepared and operations in the field would be announced as soon as all permitting, equipment availability and preparations will be available. Other prospective targets also identified at greater depths within the Property will be considered in the following phases of the exploration program". In a press release dated November 12, 2015, the company further confirms the progress of the drilling program and announces that "Several additional drilling targets have been also identified in the Mitis and Matapedia Properties and a complete exploration program has been prepared to reveal the full potential of these 100% owned Properties."

Throughout 2016, the Company has thus undertaken a series of geophysical, geochemical and laboratory studies to de-risk the various plays and drilling targets identified in its two 100% owned Properties. The results confirmed the validity of the exploration strategy and helped further refining the nature and location of the drilling targets. Subject to permitting, equipment availability and funding, the Company intends to initiate a seismic and drilling campaign in the field as soon as possible. In anticipation of the future Petroleum Resources Act (which was voted in December 2016), Petrolympic has also undertaken a round of meetings and consultations with the local and regional stakeholders.

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 September 1, 2017, and with Bill 18, the permits are in good standing until further notice as long as annual rents are paid by Petrolympic. The Company anticipates spending \$8.6 million in the Mitis and Matapedia properties as a Phase I exploration program, subject to positive results.

**St. Lawrence Lowlands**

No additional work was performed on these permits during the year ended December 31, 2016. 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 September 1, 2017, and with Bill 18, the permits are in good standing until further notice as long as annual rents are paid by Petrolympic.

Squatex-Petrolympic Joint Venture Lands

**Lower St. Lawrence – Gaspé Joint Permits**

In the joint venture property of the Lower St. Lawrence – Gaspé area, a re-evaluation of the resource assessment for the Masse Structure has been performed by Sproule Associates Limited ("Sproule"). The

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report has been received by the partners on May 6, 2016, and the results have been announced in a press release dated May 17, 2016 (the full version of which can be found on [www.sedar.com](http://www.sedar.com) under Petrolympic's profile). The partners provided as follows: "The potential resources evaluated by Sproule are related to porous levels in the St. Leon and Sayabec Formations encountered in the wells drilled in the eastern part of the Massé structure. The results of the study point out to a potential of 53.6 BCF of gas and 52.2 million barrels of oil over a probable average area of 5.2 km<sup>2</sup>, an oil equivalent total of 61.1 million barrels (MMBOE). Resource volumes for Massé have been increased significantly compared to the previous estimate done in 2014 with the addition of a very important oil volume. Gas resources are also improved considerably following the analysis based on the logs recorded in the Massé No.2 well."

In support to these exploration efforts, Squatex previously announced, in a press release dated August 25, 2015, (which can be found on [www.sedar.com](http://www.sedar.com) under Squatex profile), "the conclusion of an academic partnership with the INRS to conduct important geosciences studies in the Lower St. Lawrence area. These studies will provide a 3D modeling and a determination of the reservoir potential of the Sayabec Formation."

As of December 31, 2016, Petrolympic and Squatex capitalize on these technical results and are actively preparing to move forward with the pursuit of a deep stratigraphic coring program to develop the potential of the Massé structure and to validate other prospective structures with promising hydrocarbon potential across their joint venture property. The Company anticipates spending \$0.9 million on the joint venture property, subject to positive results. 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.

**St. Lawrence Lowlands Joint Permits**

No additional work was performed on these permits during the year ended December 31, 2016. The operator has enough exploration credits from its past exploration activities to cover the minimum work obligation to keep the St. Lawrence Lowlands joint permits in good standing until September 1, 2017, and with Bill 18, the permits are in good standing until further notice as long as annual rents are paid by Squatex.

*Exploration and evaluation expenditures*

<b>Québec</b>	<b>Year Ended, December 31, 2016 \$</b>	<b>Year Ended, December 31, 2015 \$</b>
General exploration costs	302,188	118,012
Consulting	333,310	72,226
Seismic	102,831	89,617
Permits and licences	20,841	9,716
<b>Net costs incurred</b>	<b>759,170</b>	<b>289,571</b>
Tax credit receivable at 35%	(22,721)	91
<b>Net costs</b>	<b>736,449</b>	<b>289,662</b>

### Technical Disclosure

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

### Chittim Ranch Property Activities

The Company anticipates spending \$100,000 on well activities at the Chittim Ranch property, subject to positive results.

Chittim Ranch Property	Year Ended, December 31, 2016 \$	Year Ended, December 31, 2015 \$
Development costs	14,688	23,464
Depreciation	7,480	10,688
<b>Net costs incurred</b>	<b>22,168</b>	<b>34,152</b>

### Western Canada

In June 2016, Petrolympic acquired an interest in a property north of Edmonton, Alberta for \$41,594 and subsequently sold it for \$161,526 (120,000 USD) in December 2016.

### 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, 2016, 2015 and 2014 and for the years then ended.

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	<b>Year ended December 31, 2016 (\$)</b>	<b>Year ended December 31, 2015 (\$)</b>	<b>Year ended December 31, 2014 (\$)</b>
Total revenues	nil	nil	25,559
Total loss	(886,758)	(636,443)	(1,226,540)
Net loss per share – basic	(0.01)	(0.01)	(0.01)
Net loss per share – diluted	(0.01)	(0.01)	(0.01)
	<b>As at December 31, 2016 (\$)</b>	<b>As at December 31, 2015 (\$)</b>	<b>As at December 31, 2014 (\$)</b>
Total assets	431,032	1,156,944	611,091
Total non-current financial liabilities	nil	nil	nil
Distribution or cash dividends	nil	nil	nil

- The net loss for the year ended December 31, 2016, consisted primarily of: (i) general and administrative expenses of \$406,946; (ii) exploration and evaluation expenditures of \$800,211. This was offset by premium on flow-through shares of \$158,802 as well as income on sale of property of \$161,526.
- The net loss for the year ended December 31, 2015, consisted primarily of: (i) general and administrative expenses of \$355,670; and (ii) exploration and evaluation expenditures of \$323,814. This was offset by premium on flow-through shares of \$42,918 as well as interest income of \$123.
- The net loss for the year ended December 31, 2014, consisted primarily of: (i) general and administrative expenses of \$816,459; (ii) exploration and evaluation expenditures of \$431,456; and (iii) accretion of \$4,265. This was offset by the sale of oil of \$25,559 as well as interest income of \$81.
- As the Company has no significant revenue, its ability to fund its operations is dependent upon its securing financing through the sale of equity or assets. See "Risk Factors" below.

### **Trends**

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

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. During the year ended December 31, 2016, equity markets in Canada showed signs of

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improvement, with equities increasing significantly during this period. Strong equity markets are favourable conditions for completing a public merger, financing or acquisition transaction.

Apart from these and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risk Factors" below.

**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 \$ <sup>(9)</sup>
December 31, 2016	431,032	(300,340) <sup>(1)</sup>	(0.00)
September 30, 2016	547,109	(190,407) <sup>(2)</sup>	(0.00)
June 30, 2016	746,167	(258,558) <sup>(3)</sup>	(0.00)
March 31, 2016	982,756	(137,453) <sup>(4)</sup>	(0.00)
December 31, 2015	1,156,944	(172,331) <sup>(5)</sup>	(0.00)
September 30, 2015	1,382,167	(220,366) <sup>(6)</sup>	(0.00)
June 30, 2015	1,549,775	(147,775) <sup>(7)</sup>	(0.00)
March 31, 2015	1,760,111	(95,971) <sup>(8)</sup>	(0.00)

Notes:

- (1) Net loss of \$300,340 principally relates to exploration and evaluation expenditures of \$ 470,548 and operating expenses related to general working capital purposes. These expenses were offset by income on sale of property of \$ 161,526 and premium on flow-through shares of \$97,647.
- (2) Net loss of \$190,407 principally relates to exploration and evaluation expenditures of \$107,396 and operating expenses related to general working capital purposes. These expenses were offset by the premium on flow-through shares of \$25,251.

- (3) Net loss of \$258,558 principally relates to exploration and evaluation expenditures of \$187,847 and operating expenses related to general working capital purposes. These expenses were offset by the premium on flow-through shares of \$30,048.
- (4) Net loss of \$137,453 principally relates to exploration and evaluation expenditures of \$34,420 and operating expenses related to general working capital purposes. These expenses were offset by the premium on flow-through shares of \$5,856.
- (5) Net loss of \$172,331 principally relates to exploration and evaluation expenditures of \$119,050, and operating expenses related to general working capital purposes.
- (6) Net loss of \$220,366 principally relates to exploration and evaluation expenditures of \$140,355, and operating expenses related to general working capital purposes.
- (7) Net loss of \$147,775 principally relates to exploration and evaluation expenditures of \$39,446, and operating expenses related to general working capital purposes.
- (8) Net loss of \$95,971 principally relates to exploration and evaluation expenditures of \$24,963, and operating expenses related to general working capital purposes.
- (9) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

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

### **Discussion of Operations**

Year ended December 31, 2016, compared with the year ended December 31, 2015

Petrolympic's net loss totaled \$886,758 for the year ended December 31, 2016, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$636,443 with basic and diluted loss per share of \$0.01 for the year ended December 31, 2015. The increase in the net loss of \$250,315 was principally because:

- Income of \$ 161,526 was recorded as a result of the sale of the property in Western Canada (See "Western Canada" above)
- Exploration and evaluation expenditures for the year ended December 31, 2016 were \$800,211 (year ended December 31, 2015 - \$323,814). The increase in exploration and evaluation expenditures was correspondingly offset by the premium on flow-through shares of \$158,802 (year ended December 31, 2015 - \$42,918). See "Exploration Activities in Québec" and "Chittim Ranch Property Activities" above.
- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion and reporting issuer costs totaled \$406,946 for the year ended December 31, 2016 (year ended December 31, 2015 - \$355,670). The increase is primarily due to an increase of \$54,365 in administrative and general, \$11,685 in reporting issuer costs and \$17,399 in management fees. The increase is offset by a decrease of \$26,859 in investor relations and promotion.

Three months ended December 31, 2016, compared with the three months ended December 31, 2015

Petrolympic's net loss totaled \$300,340 for the three months ended December 31, 2016, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$172,331 with basic and diluted loss per share of \$0.00 for the three months ended December 31, 2015. The increase in the net loss of \$128,009 was principally because:

- Income of \$ 161,526 was recorded as a result of the sale of the property in Western Canada (See "Western Canada" above)
- Exploration and evaluation expenditures for the three months ended December 31, 2016 were \$470,548 (three months ended December 31, 2015 - \$119,050). The increase in exploration and evaluation expenditures was correspondingly offset by the premium on flow-through shares of \$97,647 (three months ended December 31, 2015 - \$36,600). See subheading "Exploration update" under the heading "Operational Highlights" above for details.
- Operating expenses such as management fees, administrative and general, professional fees, investor relations and promotion and reporting issuer costs totaled \$89,015 for the three months ended December 31, 2016 (three months ended December 31, 2015 - \$59,722 ). The increase is primarily due to an increase of \$10,269 in administrative and general, \$8,079 in reporting issuer costs and \$5,995 in management fees.

At December 31, 2016, the Company had assets of \$431,032 (December 31, 2015 - \$1,156,944) and equity of \$5,243 (December 31, 2015 - \$887,885). At December 31, 2016, the Company had current liabilities of \$425,789 (December 31, 2015 - \$269,059).

### **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.

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, 2016, the Company had 105,505,199 common shares issued and outstanding, 9,730,002 options that would raise \$1,654,100 and 8,770,666 warrants outstanding that would raise \$2,192,667, if exercised in full. This is not anticipated until the market price of the Company's traded common shares increases.

The Company had cash and cash equivalents of \$297,512 at December 31, 2016 (December 31, 2015 - \$1,076,553). The decrease in cash and cash equivalents during the year ended December 31, 2016 was primarily due to the cash used in operating activities, which was offset by cash received from the sale of property in Western Canada.

Cash and cash equivalents used in operating activities was \$772,158 for the year ended December 31, 2016. Operating activities were affected by the net increase in non-cash working capital balances of \$253,591 because of an increase in amounts receivable and other assets of \$60,938, an increase in accounts payable and accrued liabilities of \$314,200 and a decrease of \$329 in reclamation bond. The

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Company also recorded depreciation of equipment of \$7,480, income from premium of flow-through shares of \$158,802 and a change in unrealized foreign exchange loss of \$12,331.

Cash and cash equivalents provided by financing activities was \$1,332 for the year ended December 31, 2016 because of the proceeds received from the related party.

Additional measures have been undertaken or are under consideration to further reduce cash expenditures.

At December 31, 2016, the Company had working capital deficiency of \$22,902 (December 31, 2015 – working capital of \$851,931). Based on the rate of expenditure, the Company does not have sufficient cash on hand and will have to raise equity capital in the near term in amounts sufficient to fund both exploration work and working capital requirements (see "Subsequent Events").

There is no assurance that future equity capital or debt will be available to the Company in the amounts or at the times desired or on terms that are acceptable, if at all. See "Risk Factors" below.

The Company has no debt. 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, 2016, surplus cash was invested in bank-backed guaranteed investment certificates worth \$10,000, and this amount was included in cash and cash equivalents.

Current liabilities increased to \$425,789 at December 31, 2016, from \$269,059 at December 31, 2015, primarily due to the increase of \$314,200 in accounts payable and accrued liabilities and offset by the premium on flow through shares of \$158,802.

Currently, the Company's operating expenses are approximately \$15,000 to \$50,000 per month for management fees, month-to-month professional fees and other working capital related expenses. The Company's cash and cash equivalents as at December 31, 2016 is not sufficient to satisfy current liabilities and general and administrative costs up to December 31, 2017 (see financing raised in "Subsequent Events") The Company is also expected to receive net revenue from its Chittim Ranch activities in the range of \$3,000 to \$10,000 per quarter although the Company had no oil proceeds in fiscal 2016 and 2015. Meanwhile on its 100% owned Mitis and Matapedia properties, the Company intends to unfold a seismic and drilling campaign to validate the exploration targets recently identified within both properties. The cost for the Phase I program is estimated to amount to about \$8.6 million. Petrolympic and Squatex are also actively preparing to move forward with the pursuit of a deep stratigraphic coring program to validate several other prospective structures with promising hydrocarbon potential across its joint Property. The cost of the deep stratigraphic coring program, including drilling is approximately \$3 million (Petrolympic's share is \$900,000). In addition, the Company anticipates spending \$100,000 on well activities at the Chittim Ranch property, subject to positive results. Subject to these activities, the Company needs to secure additional financing to carry on business activities. The major variables are expected to be the size, timing and results of the Company's exploration program and its ability to continue to access capital to fund its ongoing operations. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company.

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

### **Change in Accounting Policies**

IAS 1 - Presentation of Financial Statements was amended in December 2014 in order to clarify among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard required a specific disclosure, materiality considerations do apply. At January 1, 2016, the Company adopted this amendment and there was no material impact on the Company's consolidated financial statements.

### **Future Accounting Changes**

Certain new standards, amendments and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in these financial statements. None of these are expected to have a significant impact on the Company's financial statements.

### **IFRS 9 Financial Instruments:**

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. Final amendments released in July 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

### **IAS 7 Amendment Statement of Cash Flows:**

IAS 7 requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the "direct" or "indirect" method), investing activities and financing activities, with the latter two categories generally presented on a gross basis. The amendments require additional disclosures with respect to changes in liabilities arising from financing activities. It is effective for annual periods beginning on or after January 1, 2017.

### **Financial Instruments**

#### **(i) Financial risk**

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

**(ii) Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents are held with select major Canadian chartered banks. Management believes that the credit risk concentration with respect to financial instruments is minimal.

**(iii) Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2016, the Company had cash and cash equivalents of \$297,512 (December 31, 2015 - \$1,076,553) to settle current liabilities of \$425,789 (December 31, 2015 - \$269,059). 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 and the Company's ability to continue as a going concern (see note 1). The Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

**(iv) Market risk**

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

**(v) 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:

(a) The Company has no interest bearing debt at December 31, 2016. 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.

(b) 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 \$8,500 gain/loss in the reported net loss and comprehensive loss for the year ended December 31, 2016.

### Share Capital

As at the date of this MD&A, the Company had 106,805,199 issued and outstanding common shares.

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

Options	Expiry Date	Exercise Price
1,100,000	April 24, 2017	\$0.12
3,333,335	March 25, 2018	\$0.10
1,466,667	June 26, 2018	\$0.10
800,000	November 21, 2018	\$0.175
850,000	December 9, 2018	\$0.15
1,330,000	May 20, 2019	\$0.36
750,000	June 20, 2019	\$0.37
100,000	August 21, 2020	\$0.10
<b>9,730,002</b>		

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

Warrants	Expiry Date	Exercise Price
1,300,000	March 24, 2020	\$0.25

### Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure 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

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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 the consolidated 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 Balances and Transactions**

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

As at December 31, 2016, Mendel Ekstein, an officer and director of the Company, controls or indirectly controls 26,528,736 common shares of the Company, or approximately 25% of the total common shares outstanding. As at December 31, 2016, Andreas Jacob, a director of the Company, controls or indirectly controls 11,967,625 common shares of the Company, or approximately 11% of the total common shares outstanding. As at December 31, 2016, the remaining directors and/or officers of the Company collectively control 276,874 common shares of the Company or less than 1% of the total common shares outstanding. To the knowledge of directors and officers of Petrolympic, the remainder of the Company's outstanding common shares are widely held. These holdings can change at any time at the discretion of the owner.

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

<b>Names</b>	<b>Year Ended December 31, 2016 \$</b>	<b>Year Ended December 31, 2015 \$</b>
Marrelli Support Services Inc. ("Marrelli Support") (i)	<b>26,946</b>	<b>26,844</b>
DSA Corporate Services Inc. ("DSA") (ii)	<b>8,077</b>	<b>12,768</b>
Fogler Rubinoff LLP ("Fogler") (iii)	<b>10,251</b>	<b>30,851</b>
Mendel Ekstein (iv)	<b>6,176</b>	<b>4,844</b>
<b>Total</b>	<b>51,450</b>	<b>75,307</b>

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

	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>
<b>Salaries and Benefits</b>	<b>\$</b>	<b>\$</b>
Mendel Ekstein (CEO)	93,041	65,117
Andreas Jacob (Vice-President and Director)	79,675	61,920
<b>Total</b>	<b>172,716</b>	<b>127,037</b>

	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>
<b>Share-based Payment</b>	<b>\$</b>	<b>\$</b>
Carmelo Marrelli (CFO)	nil	6,920

Payments to directors and key management personnel of the Company include certain transactions with related parties in (a) above, and (b) remuneration to directors and key management personnel of the Company. As at December 31, 2016, directors and key management personnel of the Company were owed \$6,714 (December 31, 2015 - \$6,920) for remuneration and reimbursable expenses, excluding amounts disclosed in (a) above.

### **Capital Management**

The Company manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company's defined exploration programs and to meet its ongoing administrative costs. The Company considers its capital to be equity, which comprises share capital, units to be issued, reserves and deficit, which at December 31, 2016, totaled \$5,243 (December 31, 2015 - \$887,885).

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

The Company is not subject to any material externally imposed capital requirements or covenants other than Policy 2.5 of the TSXV Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company is not compliant with Policy 2.5.

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2016.

### Proposed Transactions

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

### Risk Factors

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

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

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

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

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

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

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

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

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

**Recent financial conditions have been characterized by increased volatility and access to public financing, particularly for junior petroleum and natural gas companies, has been negatively impacted.** These conditions may affect the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company or at all. If such conditions continue, the Company's operations could be negatively impacted.

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

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

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

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

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

**The Company's drilling and exploration plans will be subject to factors beyond its control.** A prospect is a property that has been identified based on available geological and geophysical information that indicates the potential for hydrocarbons. Whether the Company ultimately drills on a property may

depend on a number of factors including funding; the receipt of additional seismic data or reprocessing of existing data; material changes in oil or gas prices; the costs and availability of drilling equipment; the success or failure of wells drilled in similar formations or which would use the same production facilities; changes in estimates of costs to drill or complete wells; the Company's ability to attract industry partners to acquire a portion of its working interest to reduce exposure to drilling and completion costs; decisions of its joint working interest owners; and restrictions under provincial regulators.

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

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

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

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

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

**The Company's business is subject to operating hazards and uninsured risks.** The oil and gas business involves a variety of operating risks, including fire, explosion, pipe failure, casing collapse, abnormally pressured formations, adverse weather conditions, governmental and political actions, premature reservoir declines, and environmental hazards such as oil spills, gas leaks and discharges of

toxic gases. The occurrence of any of these events on any property operated or owned (in whole or in part) by the Company could have a material adverse impact on it. Insurance coverage is not always economically feasible and is not obtained to cover all types of operational risks. The occurrence of a significant event that is not insured or not insured fully could have a material adverse effect on the Company's financial condition.

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

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

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

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

particular, in Québec, delays in shale gas development are expected to continue as the province completes a strategic environmental assessment.

### **Commitments**

#### (a) Québec, Canada

Effective January 1, 2017, in order to maintain its petroleum and natural gas permits in good standing, the Company must pay an annual fee of \$10.30 per square km. The Quebec Government has decided to maintain the annual rent obligations until further notice while preparing new Quebec oil and gas regulations. Until then, permits owners must only pay the annual rental and have no work obligations to keep their permits. Present exploration expenditures (without hydraulic fracturation) are allowed and will be cumulated and credited to future permits work obligations.

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.

#### (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.

The Company was committed to incurring \$932,955 in Canadian Exploration Expenditures by December 31, 2016, arising from the flow-through offerings. The entire \$932,955 has been spent as of December 31, 2016.

### **Subsequent Events**

On March 13, 2017, 6,300,000 warrants with an exercise price of \$0.25 expired.

On April 7, 2017, 2,470,666 warrants with an exercise price of \$0.25 expired.

On March 24, 2017, the Company closed a non-brokered private placement (the "Offering"), consisting of 1,300,000 units ("Units") at a price of \$0.135 per Unit to raise aggregate gross proceeds of \$175,500. Each Unit consists of one common share ("Common Share") of the Company and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to purchase a Common Share at \$0.25 per share for a period of 36 months from closing, subject to acceleration in the event that the Common Shares trade at or above \$0.40 for 30 consecutive trading days.

**Additional Disclosure for Venture Issuers**

**General and administrative expenses**

<b>Detail</b>	<b>Year Ended December 31, 2016 \$</b>	<b>Year Ended December 31, 2015 \$</b>
Share-based payment	nil	6,920
Professional fees	94,237	92,631
Management fees	178,644	161,245
Administrative and general	74,284	19,919
Investor relations and promotion	23,791	50,650
Reporting issuer costs	35,990	24,305
<b>Total cost incurred</b>	<b>406,946</b>	<b>355,670</b>