PETROLYMPIC LTD.

Consolidated Financial Statements

Years Ended December 31, 2008 and 2007

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Petrolympic Ltd. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 of the consolidated financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management 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 years presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Mendel Ekstein
Chief Executive Officer

Ernest Cleave
Chief Financial Officer

Toronto, Canada
April 30, 2009

PETRIE RAYMOND
CHARTERED ACCOUNTANTS - L.L.P.

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MONTRÉAL (QUÉBEC) H2M 1M2
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Auditors' Report

To the shareholders of
Petrolympic Ltd:

We have audited the consolidated balance sheets of **Petrolympic Ltd** as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, changes in shareholdersø equity, cash flows and Petroleum and natural gas deferred exploration costs for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Companyøs as at December 31, 2008 and 2007 and its results of operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[1]

Limited Liability Partnership
Chartered Accountants

Montréal (Québec)
Canada

April 16, 2009

[1] CA auditor permit No. 7597

PETROLYMPIC LTD.
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

As at December 31,	**2008**	**2007**
		Restated
Assets		
Current assets		
Cash and cash equivalents	**$ 4,459,825**	$ 3,045,483
Tax credit receivable	**135,830**	142,663
Sales tax receivable	**185,005**	40,690
Prepaids	**21,501**	-
	4,802,161	3,228,836
Equipment (Note 6)	**2,231**	-
Petroleum and natural gas properties (Note 7)	**4,994,511**	2,125,383
	$ 9,798,903	$ 5,354,219
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 538,011**	$ 651,278
5% promissory notes	**14,949**	174,720
Loan payable (Note 8)	**515,928**	423,586
	1,068,888	1,249,584
Future income taxes (Note 14)	**336,206**	342,151
	1,405,094	1,591,735
Shareholders' equity		
Capital stock (Note 9)	**6,389,766**	2,126,261
Contributed surplus	**3,393,482**	1,196,154
Retained earnings (Deficit)	**(1,389,439)**	440,069
	8,393,809	3,762,484
	$ 9,798,903	$ 5,354,219

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

(Signed) Mendel Ekstein
Director

(Signed) Frank Ricciuti
Director

PETROLYMPIC LTD.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

Years ended December 31,	2008	2007
Expenses		
Professional fees	**$ 380,060**	$ 30,000
Management fees	**280,959**	-
Interest and bank charges	**89,040**	-
Investor relations and promotion	**74,025**	-
Reporting issuer costs	**42,704**	-
Travel expenses	**21,481**	-
Insurance	**12,030**	-
Office	**5,181**	-
Stock-based compensation (Note 11)	**2,067,679**	-
	2,973,159	30,000
Other incomes		
Interest income	**(87,706)**	-
Gain on farmout agreement (Note 7)	**(1,050,000)**	-
Net loss before income taxes	**(1,835,453)**	(30,000)
Future income tax recovery (Note 14)	**5,945**	-
Net loss and comprehensive loss for the year	**$ (1,829,508)**	$ (30,000)
Loss per share - basic and diluted (Note 12)	**$ (0.024)**	$ (0.000)
Weighted average number of shares outstanding	**76,967,150**	25,764,000

The accompanying notes are an integral part of these consolidated financial statements.

PETROLYMPIC LTD.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Capital Stock	Contributed Surplus	Retained Earnings	Total
	(Notes 9, 10 and 11)	(Notes 9, 10 and 11)		
	Restated	**Restated**		**Restated**
Balance, December 31, 2006	$ 507,988	$ -	$ -	$ 507,988
Share issued in consideration for payment of purchase price	1,047,899	-	-	1,047,899
Shares issued for cash	25,000	-	-	25,000
	1,580,887	-	-	1,580,887
Petrolympic Ltd common shares as at March 31, 2007	580,738	-	-	580,738
Elimination of Petrolympic Ltd's capital stock	(580,738)	-	-	(580,738)
Petrolympic Ltd common shares at beginning of period	1,580,887	-	-	1,580,887
Shares issued for cash:				
Qualifying transaction	1,130,300	-	-	1,130,300
Flow-through shares	1,921,200	-	-	1,921,200
Qualifying transaction costs and shares issue expenses:				
Paid in cash	(997,021)	-	-	(997,021)
By issuing warrants to broker	(106,372)	106,372	-	-
Future income taxes related to flow-through shares	(342,151)	-	-	(342,151)
Stock options - reverse take-over	-	29,200	-	29,200
Net loss for the year	-	-	(30,000)	(30,000)
Reverse take-over	-	-	470,069	470,069
Balance, December 31, 2007				
Previously stated	3,186,843	135,572	440,069	3,762,484
Prior years restatement (Note 15)	(1,060,582)	1,060,582	-	-
Restated balance	2,126,261	1,196,154	440,069	3,762,484
Shares issued for cash:				
Private placement (Note 9(iii))	2,500,000	-	-	2,500,000
Exercise of warrants (Note 9(iii))	1,794,368	-	-	1,794,368
Exercise of stock options	100,818	-	-	100,818
Private placement - warrant valuation	(872,250)	872,250	-	-
Exercise of warrants - valuation	709,163	(709,163)	-	-
Exercise of stock options - valuation	33,438	(33,438)	-	-
Shares issue costs - paid in cash	(2,032)	-	-	(2,032)
Stock-based compensation	-	2,067,679	-	2,067,679
Net loss for the year	-	-	(1,829,508)	(1,829,508)
Balance, December 31, 2008	**$ 6,389,766**	**$ 3,393,482**	**$ (1,389,439)**	**$ 8,393,809**

The accompanying notes are an integral part of these consolidated financial statements.

PETROLYMPIC LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years ended December 31,	**2008**	**2007**
Cash flows provided by (used in):		
Operating Activities		
Net loss for the year	**$ (1,829,508)**	$ (30,000)
Items not affecting cash		
Stock-based compensation	**2,067,679**	-
Amortization of property and equipment	**394**	-
Future income tax recovery	**(5,945)**	-
Unrealized foreign exchange gain on loan payable	**92,342**	-
Net change in non-cash working capital		
Tax credit receivable	**6,833**	(142,663)
Sales tax receivable	**(144,315)**	(36,751)
Prepaids	**(21,501)**	-
Accounts payable and accrued liabilities	**(113,267)**	327,278
	52,712	117,864
Financing Activities		
Issuances of capital stock net of issue costs	**4,393,154**	2,228,053
Repayment of promissory notes	**(159,771)**	-
Loan payable	**-**	149,883
Cash and cash equivalents from the reverse take-over (Note 2)	**-**	454,634
	4,233,383	2,832,570
Investing Activities		
Acquisition of equipment	**(2,625)**	-
Deferred exploration costs	**(2,202,505)**	(291,440)
Costs of properties	**(666,623)**	-
	(2,871,753)	(291,440)
Net change in cash and cash equivalents	**1,414,342**	2,658,994
Cash and cash equivalents, beginning of year	**3,045,483**	386,489
Cash and cash equivalents, end of year	**$ 4,459,825**	$ 3,045,483
Cash and cash equivalents consist of:		
Cash	**$ 516,405**	$ 1,545,483
Cash equivalents	**3,943,420**	1,500,000
	$ 4,459,825	$ 3,045,483

The accompanying notes are an integral part of these consolidated financial statements.

PETROLYMPIC LTD.

Consolidated Statements of Petroleum and Natural Gas Deferred Exploration Costs

(Expressed in Canadian Dollars)

Years ended December 31,	2008	2007
Analysis	**$ 85,440**	$ 11,000
Drilling	**104,386**	-
Geology	**258,433**	48,283
Geophysical surveys	**1,694,355**	168,762
General exploration costs	**195,721**	206,061
	2,338,335	434,106
Less: refundable tax credit for resources	**(135,830)**	(142,666)
Net increase in exploration expenses for the year	**2,202,505**	291,440
Balance, beginning of year	**729,600**	438,160
Balance, end of year	**$ 2,932,105**	$ 729,600

The accompanying notes are an integral part of these consolidated financial statements.

1. Statutes of Incorporation, Change of Name, Nature of Operations and Going Concern

Petrolympic Ltd. (the "Company") is incorporated under the Business Corporations Act (Ontario). The Company was listed as a Capital Pool Company as defined in TSX Venture Exchange Inc. policy 2.4 under the name of Pisces Capital Corp. until December 21, 2007. The Company name has been changed to Petrolympic Ltd. on December 21, 2007. On the same date, the Company acquired, on the approval of the Qualifying Transaction by regulatory authorities, 100% of Petrolympia Inc., a petroleum and natural gas exploration company, which holds approximately 114,000 hectares of exploration permits in the Appalachian Basin of Quebec that include holdings in the Gaspé Peninsula and the St.Lawrence Lowlands. The Company is an exploration stage company and it has not yet determined whether the properties contain reserves that are economically recoverable.

The Company has not determined whether it has any economically recoverable reserves. The underlying value of the interests in petroleum and natural gas properties is dependent upon the existence of such economically recoverable reserves, the Company's ability to obtain the necessary financing to develop the reserves and the future profitable production. In view of these circumstances, there is uncertainty as to whether or not the Company can continue its business as a going concern without obtaining additional capital or adequate financing. The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern and accordingly, they do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue as a going concern and be required to realize its assets and liquidate its liabilities in other than the normal course of business.

2. Reverse Take-over

On December 21, 2007, Petrolympic Ltd. acquired all outstanding shares of Petrolympia Inc. for a value of $8,666,480 by issuing 48,147,111 Petrolympic Ltd common shares to shareholders of Petrolympia Inc. The acquisition is a qualifying transaction as defined in TSX Venture Exchange policy 2.4. The control of Petrolympic Ltd. has been transferred to Petrolympia Inc.'s shareholders. Therefore, the transaction was treated in accordance with Canadian generally accepted accounting principles which require that this reverse take-over be viewed as the issuance of equity by Petrolympia Inc. for the net monetary assets of Petrolympic Ltd..

The net assets of Petrolympic Ltd. as at December 21, 2007 were as follows:

Assets	
Cash and cash equivalents	$ 454,634
Sales tax receivable	3,939
Deposit for share issue costs	25,000
Deferred share issue costs	65,555
	549,128
Liabilities	
Accounts payable and accrued liabilities	49,859
Net assets	$ 499,269

Of the net assets, an amount of $29,200 in a contributed surplus and the balance of $470,069 was credited to retained earnings.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Petrolympia Inc. Intercompany accounts have been eliminated upon consolidation.

Financial Instruments - Recognition and Measurement

The Canadian Institute of Chartered Accountants issued new accounting standards in relation with financial instruments: a) Section 1530, "Comprehensive Income", which introduces a new requirement to present certain gains and losses temporarily outside net income, b) Section 3855, "Financial Instruments - Recognition and Measurement", which prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost is used to measure the recorded amounts, and which also specifies how financial instrument gains and losses are to be presented, c) Section 3865, "Hedges", which describes how and when hedge accounting can be used. Effective January 1, 2007, the Company adopted the new recommendations. The Company has, for accounting purposes, designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Tax credit receivable and sales tax receivable are classified as loans and receivables, which are measured at amortized cost and are equal to fair market value. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities, which are measured at amortized cost and are also equal to fair market value. The adoption of these new standards had no financial effect on the Company's consolidated financial statements.

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards: Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 5(b) to these consolidated financial statements.

Capital Disclosures

On December 1, 2006, the CICA issued a new accounting standard: Capital Disclosures (Handbook Section 1535). The new standard became effective for the Company on January 1, 2008.

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 4 to these consolidated financial statements.

3. Summary of Significant Accounting Policies (continued)

General Standard of Financial Statement Presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's consolidated financial statements as at and for the year ended December 31, 2008.

Cash and Cash Equivalents

The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date with cash and cash equivalents.

Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting whereby all costs associated with the acquisition, exploration and development of petroleum and natural gas reserves are capitalized. Such costs include geological and geophysical costs, carrying charges on non-producing properties, cost of drilling and administrative overhead cost directly related to acquisition and exploration activities.

Costs capitalized are depleted on the unit-of-production method based on the estimated proved reserves.

Costs of acquiring and evaluating unproved reserves are initially excluded from depletion calculations. These unevaluated reserves are assessed periodically to ascertain whether impairment has occurred.

In applying the full cost method, the Company performs an annual impairment test ("ceiling test") which recognizes an impairment loss when the capitalized costs less accumulated depletion and amortization is not recoverable and exceeds its fair value. Fair value is determined as the estimated fair market value of future net revenues from proved and probable oil and gas reserves as determined by independent engineers, based on sales prices achievable under forecast prices and posted average reference prices in effect at the end of the year and forecast costs, and after deducting estimated future production related expenses, future site restoration costs and income taxes. Recoverability is determined using the undiscounted value of cash flows of proved reserves. The cash flows of proved reserves are derived from revenues from proved oil and gas reserves, as determined by independent engineers.

The Company did not apply a ceiling test in 2008 and 2007 because it is in the pre-production stage and no proved reserves have been established.

Refundable tax credit for resources

The Company is also eligible for a refundable tax credit for resources for petroleum and natural gas industry companies in relation to eligible expenses incurred. The refundable tax credit for resources represents up to 38.75% of the amount of eligible expenses incurred. This tax credit is recognized as a credit under deferred expenditures.

3. Summary of Significant Accounting Policies (continued)

Asset Retirement Obligation

The Company recognizes the estimated fair value of legal obligations associated with the retirement of petroleum and natural gas properties in the period in which they are incurred. The obligation is recorded as a liability with a corresponding increase in the carrying amount of petroleum and natural gas properties. The incremental capitalized amount will be depleted on a unit-of-production basis over the life of the proved reserves of each interest. The obligation is increased each period, or accretes, due to the passage of time and is recorded in the statement of operations. Revisions to the estimated fair value would result in an adjustment to the obligation and carrying amount of the petroleum and natural gas properties. As at December 31, 2008 and 2007, the Company does not have any asset retirement obligations.

Share Issue Costs

Share issue costs are charged to capital stock.

Stock-based Compensation

The Company uses the fair value method of accounting for stock-based compensation granted to directors, officers, consultants and brokers. The Company records the expenses associated with such compensation payments with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to capital stock.

Flow-through Financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to petroleum and natural gas properties.

Resource expenditures deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation create future income tax liabilities that will reduce share capital.

Income Taxes

The Company records its income taxes using the balance sheet method. Future income tax assets and liabilities are recorded to take into account the impact on income taxes of variances between the accounting value of certain assets and liabilities shown on the balance sheet and their respective fiscal values. A valuation allowance is recorded as required to reflect an income tax asset that is more likely not to be realized. The impact of any changes in income tax rates is recorded in the year in which the rates change.

Foreign Exchange

The Company uses the temporal method to record its foreign currency transactions. Under this method, monetary items are translated at the rate of exchange in effect at the balance sheet date, non-monetary items are translated at the historical exchange rate, except if they are accounted for at the fair value in which case they are translated at the rate of exchange in effect at the balance sheet date, while revenue and expenses are translated at the rate of exchange in effect on the dates they occur. Gains or losses resulting form these translations are capitalized to petroleum and natural gas properties or reflected in the statements of operations.

3. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Critical estimates include estimates of the refundable tax credit for resources, future income tax assets and liabilities, petroleum and natural gas properties and deferred exploration costs, the fair value of stock options and warrants granted and certain amounts payable. Actual results could differ form these estimates.

Future Accounting Changes

International Financial Reporting Standards (“IFRS”)

In January 2006, the CICA’s Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements.

During the next periods, the Company will develop its internal implementation plan to meet the guidelines of the future reporting requirements.

Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets (“CICA 3064”), results in withdrawal of CICA 3450, Research and Developmental Costs, and amendments to Accounting Guideline 11, Enterprises in the Development Stage and CICA 1000, Financial Statement Concepts. The standard intends to reduce the differences with IFRS in the accounting for intangible assets and results. Under current Canadian standards, more items are recognized as assets than under IFRS. The objectives of CICA 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The new standard takes effect for fiscal years beginning on or after October 1, 2008, with early adoption encouraged. The Company is evaluating the effects of adopting this standard.

3. Summary of Significant Accounting Policies (continued)

Future Accounting Changes (continued)

Business Combinations. Consolidated Financial Statements and Non-Controlling Interests

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

Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

4. Capital Management

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of petroleum and natural gas interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2008. The Company is not subject to externally imposed capital requirements.

5. Property and Financial Risk Factors

(a) Property Risk

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

(b) Financial Risk

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

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.

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, tax credit receivable and sales tax receivable. Cash and cash equivalents are held with reputable Canadian chartered banks, from which management believes the risk of loss to be minimal.

Financial instruments included in tax credit receivable and sales tax receivable consist of sales tax receivable from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in tax credit receivable and sales tax receivable is minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash and cash equivalents balance of $4,459,825 (December 31, 2007 - $3,045,483) to settle current liabilities of $1,068,888 (December 31, 2007 - $1,249,584). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms other than the loan payable.

Market Risk

Interest Rate Risk

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

Foreign Currency Risk

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

5. Property and Financial Risk Factors (continued)

(b) Financial risk (continued)

Market Risk (continued)

Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity 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 as it relates to the petroleum and natural gas to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

As of December 31, 2008, both the carrying and fair value amounts of the Company's financial instruments are the same.

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

(i) Cash and cash equivalents are subject to floating interest rates. As at December 31, 2008, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the year ended December 31, 2008 would have varied by approximately $37,500, as a result of the variance in interest income from cash and cash equivalents. Similarly, as at December 31, 2008, shareholders' equity would have varied by $37,500 as a result of the variance in interest income from cash and cash equivalents due to a 1% variance in interest rates.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents that are denominated in U.S. dollars. Sensitivity to a plus or minus 10% change in the foreign exchange rates would affect net loss by approximately $52,100.

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of petroleum and natural gas. Petroleum and natural gas prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of petroleum and natural gas may be produced in the future, a profitable market will exist for them. A decline in the market price of petroleum and natural gas may also require the Company to reduce its resources, which could have a material and adverse effect on the Company's value.

As of December 31, 2008, the Company is not a petroleum and natural gas producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

6. Equipment

	December 31, 2008		
	Cost	**Accumulated Amortization**	**Net Carrying Amount**
Computer equipment	$ 2,625	$ 394	$ 2,231

7. Petroleum and Natural Gas Properties

			December 31, 2008
	Cost of properties	**Deferred exploration costs**	**Net carrying amount**
Quebec	$ 2,062,406	$ 2,932,105	$ 4,994,511

			December 31, 2007
	Cost of properties	**Deferred exploration costs**	**Net carrying amount**
Quebec	1,395,783	729,600	2,125,383

In 2006, pursuant to a tax-free transaction, the Company acquired a 100% interest in a petroleum and natural gas permit No. 1996PG956\2003RS092 of Bartech Lac Matapédia in Val Brillant, Québec, consisting of 18,902 hectares, in consideration of the issue of 7,999,995 common shares to a shareholder at a cost of $347,884 and a balance of purchase of $1,047,899 paid by shares issue.

In April 2006, the Company secured its 100% interests in petroleum and natural gas permits Nos. 2006PG871, 2006PG872 and 2006PG873 in the St. Lawrence Lowlands, Québec, consisting of 21,930, 14,597 and 20,095 hectares respectively. The Company also secured a 100% interest in petroleum and natural gas permit No. 2006PG905 in the Gaspé Peninsula, Québec, consisting of 21, 983 hectares.

7. Petroleum and Natural Gas Properties (continued)

On April 10, 2007, the Company secured a 100% in petroleum and natural gas permit No. 2007PG925 in the Basses-Terres Region of the St. Lawrence Lowlands of Québec, consisting of approximately 16,399 hectares.

The Company has the exclusive right to explore the properties for a period of five years, as long as the Company complies with the obligations associated with the permits (see Note 13).

On June 30, 2008, the Company announced that it has completed the acquisition of a 30% legal and beneficial interest in 36 exploration permits totaling 672,438 hectares in the St.Lawrence Lowlands, Bas St-Laurent and Gaspé Peninsula in Québec through a joint venture arrangement with Resource & Énergie Squatex inc. ("Squatex"). Under the terms of the agreement, the Company was required to pay $500,000 upon signing (paid), and additional cash payments of $2,000,000 (paid), which are recorded in the consolidated financial statements as cost of properties for $666,623 and as exploration costs for $1,833,377.

On November 25, 2008, the Company announced that it has together with its joint venture partner Squatex, entered into a farmout and joint operating agreement (the "Joint Operating Agreement") with Calgary-based Canbriam Energy Inc. ("Canbriam") pursuant to which Canbriam will have the right to earn a 60% interest in up to 32,000 hectares of exploration permits in only the Queenston, Lorraine and Utica Formations that form part of the joint venture between Squatex and the Company (the "Existing JV").

The key terms of the Joint Operating Agreement are as follows:

- In accordance with the Joint Operating Agreement, Canbriam paid $3.5 million to the joint venture of which $1.05 million was paid to the Company and recorded as a gain on farmout agreement.
- Within 3 months from entering into the Joint Operating Agreement, Canbriam will determine which of the 2 permits would be designated as forming part of the farmout lands (the "Farmout Lands").
- Canbriam shall drill one vertical well to the base of the Utica Formation and/or 30 metres into the top of the Trenton Formation prior to October 31, 2009 (the "Initial Exploration Program"). Within 90 days of completing the Initial Exploration Program, Canbriam shall select and notify the Existing JV of an 8,000 hectare parcel of contiguous Farmout Lands for which Canbriam shall have earned a 60% interest. The remaining 40% interest shall be held by Squatex and the Company based on the terms of the Existing JV.
- Canbriam shall have the option to earn a 60% interest on up to an additional 24,000 hectares comprising part of the Farmout Lands by drilling up to 6 vertical/horizontal wells and making cash payments of up to $13.5 million of which $4.05 million would be paid to the Company prior to November 30, 2011. If Canbriam earns the interest on such Farmout Lands, the remaining 40% interest shall be held by Squatex and the Company based on the terms of the Existing JV.
- Canbriam shall be responsible for all drilling costs, completion costs or abandonment costs incurred with respect to the earning wells described above.

The petroleum and natural gas reserves are unproved and therefore are not depreciated or depleted during the years 2008 and 2007.

8. Loan Payable

The loan payable, denominated in US $, consists of funds advanced by a director of the Company. The loan is non-interest bearing and has no specific terms of repayment. The loan is not a demand loan and may be repaid at the Company's discretion.

9. Capital Stock

The Company is authorized to issue an unlimited number of voting common shares without par value.

	Number of Shares	Amount
		Restated
Issued and fully paid		
Balance, December 31, 2006	8,376,005	$ 507,988
Share issued in consideration for payment of purchase price	11,999,995	1,047,899
Shares issued for services provided	1,215,000	-
Shares issued for cash	75,200	25,000
	21,666,200	1,580,887
Petrolympia Inc. common shares in exchange for shares of Petrolympic Ltd common shares	(21,666,200)	-
Petrolympic Ltd common shares as at March 31, 2007	5,883,000	580,738
Elimination of Petrolympic Ltd's capital stock	-	(580,738)
Shares issued in exchange for Petrolympia Inc. common shares (Note 2)	48,147,111	-
Petrolympic Ltd common shares at beginning of period	54,030,111	1,580,887
Shares issued for cash		
Qualifying transaction	6,281,468	1,130,300
Flow-through shares	9,606,000	1,921,200
Shares issued for services provided on the qualifying transaction	837,270	-
Qualifying transaction costs and shares issue expenses:		
Paid in cash	-	(997,021)
By issuing warrants to broker	-	(106,372)
Future income taxes related to flow-through shares	-	(342,151)
Balance, December 31, 2007		
Previously stated	70,754,849	3,186,843
Prior years restatement (Note 15)	-	(1,060,582)
Restated balance	70,754,849	2,126,261
Private placement (iii)	2,500,000	2,500,000
Private placement - warrant valuation (iii)	-	(872,250)
Issued on exercise of warrants	7,443,113	1,794,368
Exercise of warrants - valuation	-	709,163
Issued on exercise of options	657,117	100,818
Exercise of options - valuation	-	33,438
Share issue expenses	-	(2,032)
Balance, December 31, 2008	**81,355,079**	**$ 6,389,766**

9. Capital Stock (continued)

(i) On December 21, 2007, 2,000,000 common shares were issued for cash and are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed shares will be released from escrow on the issuance of the Final Exchange Bulletin in respect of a Qualifying transaction (the Initial Release) and an additional 15% will be released on the dates 6, 12, 18, 24, 30 and 36 months following the Initial Release.

(ii) On December 21, 2007, 44,444,445 common shares were issued for cash and are subject to a QT Escrow Agreement. Under the QT Escrow Agreement, 10% of the QT Escrowed Shares will be released from escrow on the issuance of the Final Exchange Bulletin in respect of the Qualifying transaction (the "Initial QT Release") and an additional 15% will be released on the dates 6, 12, 18, 24, 30 and 36 months following the Initial QT Release.

(iii) On June 26, 2008, the Company completed a private placement of 2,500,000 units at a price of $1.00 per unit for gross proceeds of $2,500,000. Each unit consists of one common share and one common share purchase warrant exercisable for 18 months at $1.40.

The value assigned to the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 2.45%; volatility 97% and an expected life of 18 months. Accordingly, a fair value of $872,250 was assigned.

10. Warrants

The following table shows the continuity of warrants for the years ended December 31, 2008 and 2007:

	Number of Warrants	Allocated Value
		Restated
Balance, December 31, 2006	-	$ -
Granted	12,351,140	106,372
Balance, December 31, 2007		
Previously stated	12,351,140	106,372
Prior years restatement (Note 15)	-	1,060,582
Restated balance	12,351,140	1,166,954
Granted (Note 9(iii))	2,500,000	872,250
Exercised	(7,443,113)	(709,163)
Balance, December 31, 2008	**7,408,027**	**$ 1,330,041**

(i) On December 31, 2007, the Company issued 11,151,313 warrants. The exercise price is $0.25 per share until December 21, 2009 for 11,084,468 warrants, and $0.18 per share until June 21, 2009 for 66,845 replacement warrants issued to holders of warrants of Petrolympia Inc.

10. Warrants (continued)

(ii) During the fiscal year ended December 31, 2007, the Company granted 1,199,827 warrants as compensation to brokers, acting as agents in the public offering. Of these warrants, 239,227 warrants shall entitle their holder to purchase one common share at the price of $0.18 until December 31, 2009 and 960,600 warrants shall entitle their holder to purchase one common share at the price of $0.20 until December 21, 2009.

The value assigned to the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%; risk-free interest rate 3.25%; volatility 78% and an expected life of 2 years. Accordingly, a fair value of $106,372 was assigned.

The following are the warrants outstanding at December 31, 2008:

Number of Warrants	Fair Value	Exercise Price	Expiry Date
35,556	$ 2,091	$ 0.18	June 21, 2009
2,224	244	$ 0.18	December 21, 2009
8,000	836	$ 0.20	December 21, 2009
4,862,247	454,620	$ 0.25	December 21, 2009
2,500,000	872,250	$ 1.40	December 26, 2009
7,408,027	**$ 1,330,041**		

11. Stock Options

The Company has adopted an incentive stock option plan for its officers, directors, employees and consultants. The maximum number of common shares issuable to a participant under the plan may not exceed 10% of the issued and outstanding shares of the capital stock for a period of up to five years. A total of 588,300 common shares were reversed to grant these options. In addition, the maximum number of common shares issuable to all consultants under the plan may not exceed 2% of the issued and outstanding shares of the capital stock.

The following table shows the continuity of stock options for the years ended December 31, 2008 and 2007:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2006	976,600	$ 0.15
Cancelled	(388,300)	0.15
Balance, December 31, 2007	588,300	0.15
Exercised	(657,117)	0.15
Granted (i)(ii)(iii)(iv)	7,008,336	0.36
Balance, December 31, 2008	**6,939,519**	**$ 0.36**

11. Stock Options (continued)

(i) On February 28, 2008, the Company granted 4,741,669 options to acquire 4,741,669 shares of the Company at a price of $0.18 per share. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 151% volatility; risk-free interest rate of 2.50% per annum; and a dividend rate of 0%. The fair value assigned to these options of $643,919 was expensed to the statement of operations with a corresponding amount allocated to contributed surplus. These options vested immediately upon grant.

(ii) On June 16, 2008, the Company granted 666,667 options to acquire 666,667 shares of the Company at a price of $0.90 per share. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 187% volatility; risk-free interest rate of 2.45% per annum; and a dividend rate of 0%. The fair value assigned to these options was $572,800 which was expensed to the statement of operations with a corresponding amount allocated to contributed surplus. These options vested immediately upon grant.

(iii) On June 23, 2008, the Company granted 800,000 options of the Company at a price of $0.90 per share. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 188% volatility; risk-free interest rate of 2.45% per annum; and a dividend rate of 0%. The fair value assigned to these options was $562,240 which was expensed to the statement of operations with a corresponding amount allocated to contributed surplus. These options vested immediately upon grant.

(iv) On September 12, 2008, the Company granted 800,000 options of the Company at a price of $0.40 per share. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 200% volatility; risk-free interest rate of 2.45% per annum; and a dividend rate of 0%. The fair value assigned to these options was $288,720 which was expensed to the statement of operations with a corresponding amount allocated to contributed surplus. These options vested immediately upon grant.

The following are the stock options outstanding at December 31, 2008:

Number of Options	Fair Value	Exercise Price	Weighted average Remaining Contractual Life (years)	Expiry Date
6,183	$ 247	$ 0.15	2.69	September 8, 2011
4,666,669	633,734	0.18	4.14	February 19, 2013
666,667	572,800	0.90	4.46	June 16, 2013
800,000	562,240	0.90	4.48	June 23, 2013
800,000	288,720	0.40	4.70	September 12, 2013
6,939,519	**$ 2,057,741**	**$ 0.36**	**4.27**	

12. Basic and Diluted Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the year ended. The conversion of warrants and stock options to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

13. Commitments

In order to maintain the Company's 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, increasing by $0.50 per hectare every subsequent year until a maximum of $2.50. The commitments decrease after 2010 because the first five-year rental period will reach an end. The Company has the option to renew the permits for another five-year period with the obligation of incurring minimum annual exploration expenditures of $2.50 per hectare.

Minimum annual rentals and exploration expenditures are approximately as follows:

2009	$	505,247
2010		645,415
2011		785,584
2012		897,718
2013		897,718
	$	3,731,682

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

14. Income Taxes

The income tax allowance differs from the amount resulting from the application of the combined Canadian statutory income tax rate as follows:

		2008		2007
Loss before income taxes	**$**	**(1,835,453)**	$	(30,000)
Combined statutory income tax rate		***33.5%***		*36.12%*
Income tax benefit at the combined Canadian statutory income tax rate	**$**	**(614,877)**	$	(10,836)
Share issue expenses		**(64,918)**		(2,276)
Administrative overhead charges capitalized		**-**		(40,662)
Expenses before reverse take-over		**-**		(18,060)
Non-deductible expenses		**662,465**		-
Change in valuation allowance		**(80,264)**		71,834
Change in future tax rate and other		**91,649**		-
Net future income tax recovery	**$**	**(5,945)**	$	-

14. Income Taxes (continued)

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

	2008	2007
Future income tax assets		
Amounts related to tax loss carry-forwards	**$ 367,541**	$ 124,496
Share issue costs deductible	**220,647**	327,492
	588,188	451,988
Future income tax liabilities		
Petroleum and natural gas properties	**(924,394)**	(713,875)
Less: valuation allowance	**-**	(80,264)
Net future income tax liabilities	**$ 336,206**	$ 342,151

The Company has non-capital losses of approximately $1,286,000 ($328,000 in 2007) available to apply against the future taxable income. If not utilized, the non-capital losses will expire as follows:

	Federal	Ontario	Quebec
2026	$ 185,000	$ 145,000	$ 40,000
2027	$ 166,000	$ 31,000	$ 135,000
2028	$ 935,000	$ 859,000	$ 76,000

15. Prior Years Restatement

During the year ended December 31, 2008, the Company discovered that certain warrants issued during fiscal 2007 had not been valued and accordingly it has restated its consolidated financial statements and increased its warrants value as at January 1, 2008 by $1,060,582. Shareholders' equity balance has been decreased and contributed surplus has been increased accordingly.

16. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.