PetroMaroc Corporation plc
Consolidated Financial Statements
December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of PetroMaroc Corporation plc:

We have audited the accompanying consolidated financial statements of PetroMaroc Corporation plc, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PetroMaroc Corporation plc as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describe matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about PetroMaroc Corporation plc's ability to continue as a going concern.

Chartered Professional Accountants
April 26, 2017
Calgary, Canada

PetroMaroc Corporation plc
Consolidated Statements of Financial Position
In United States Dollars

	Notes	December 31, 2016	December 31, 2015
Assets			
Current			
Cash and cash equivalents		$ **2,070,714**	$ 221,914
Other current assets		**42,828**	99,369
Restricted cash	**4**	**600,019**	3,100,019
Exploration and evaluation assets held for sale	**6**	**6,583,875**	-
		9,297,436	3,421,302
Non-current			
Exploration and evaluation assets	**6**	**-**	6,800,000
Property and equipment	**7**	**-**	32,522
		-	6,832,522
Total Assets		$ **9,297,436**	$ 10,253,824
Liabilities			
Current			
Accounts payable and accrued liabilities		$ **7,406,552**	$ 4,848,490
Convertible debentures	**8**	**7,234,264**	6,867,140
Other current liabilities	**9**	**1,333,179**	1,009,260
Decommissioning obligations held for sale	**10**	**1,046,918**	-
		17,020,913	12,724,890
Decommissioning obligations	**10**	**-**	1,031,429
		17,020,913	13,756,319
Shareholders' Equity (Deficiency)			
Share capital	**11**	**53,456,688**	53,456,688
Share based payment reserve	**11(c)**	**4,989,506**	4,924,448
Deficit		**(66,169,671)**	(61,883,631)
		(7,723,477)	(3,502,495)
Total Liabilities and Shareholders' Equity		$ **9,297,436**	$ 10,253,824

On behalf of the Board:

“Signed D. Campbell Deacon”
Director – D. Campbell Deacon

“Signed Nick Brigstocke”
Director – Nick Brigstocke

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

PetroMaroc Corporation plc
Consolidated Statements of Operations and Comprehensive Loss
In United States Dollars

	Notes		December 31, 2016		December 31, 2015
Administrative		**$**	**1,735,758**	$	1,927,469
Share based compensation	**11(c)**		**65,058**		272,822
Depreciation	**7**		**4,566**		44,186
Accretion of decommissioning obligation	**10**		**15,489**		14,533
Exploration and evaluation	**6**		**-**		(16,259)
Impairment of exploration and evaluation	**6**		**-**		29,098,000
Impairment of investment	**5**		**-**		96,399
Impairment of property and equipment	**7**		**28,478**		27,049
Finance costs	**8**		**2,239,018**		1,641,342
Foreign exchange loss (gain)			**203,600**		(1,208,009)
			4,291,967		31,897,532
Other income					
Finance income			**5,927**		4,490
Derivative gain	**8**		**-**		77,650
Warrant fair value adjustment			**-**		10,575
			5,927		92,715
Net loss and comprehensive loss		**$**	**(4,286,040)**	$	(31,804,817)
Net loss per share					
- **Basic and diluted**		**$**	**(0.04)**	$	(0.31)
Weighted average shares outstanding					
- **Basic and diluted**			**105,223,923**		104,168,538

(1) The options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive.

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

PetroMaroc Corporation plc
Consolidated Statements of Changes in Shareholders' Equity
In United States Dollars

		Share Capital		Share Based Payment Reserve		Deficit		Total Equity
Balance, December 31, 2015	$	53,456,688	$	4,924,448	$	(61,883,631)	$	(3,502,495)
Net loss		-		-		(4,286,040)		(4,286,040)
Share-based payments		-		65,058		-		65,058
Balance, December 31, 2016	**$**	**53,456,688**	**$**	**4,989,506**	**$**	**(66,169,671)**	**$**	**(7,723,477)**

		Share Capital		Share Based Payment Reserve		Deficit		Total Equity
Balance, December 31, 2014	$	53,253,792	$	4,639,737	$	(30,078,814)	$	27,814,715
Net loss		-		-		(31,804,817)		(31,804,817)
Issue of shares		202,896		-		-		202,896
Share-based payments		-		284,711		-		284,711
Balance, December 31, 2015	**$**	**53,456,688**	**$**	**4,924,448**	**$**	**(61,883,631)**	**$**	**(3,502,495)**

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

PetroMaroc Corporation plc
Consolidated Statements of Cash Flows
In United States Dollars

For the year ended December 31,	Notes		2016		2015
Cash flows (used in) operating activities					
Net loss		$	(4,286,040)	$	(31,804,817)
Items not involving cash:					
Unrealised foreign exchange loss (gain)			250,060		(1,328,412)
Share based payments			65,058		272,822
Unrealised gain on warrant fair market value adjustment			-		(10,575)
Impairment of property and equipment	7		28,478		27,049
Accretion of decommissioning obligation	10		15,489		14,533
Exploration and evaluation impairment	6		-		29,098,000
Impairment of investment and advances	5		-		96,399
Non-cash finance costs	8		2,239,018		480,832
Derivative gain			-		(77,650)
Depreciation	7		4,566		44,186
Changes in non-cash working capital balances:					
Other current assets			56,541		8,840
Accounts payable and accrued liabilities			460,824		1,062,580
Cash flow used in operating activities			(1,166,006)		(2,116,213)
Cash flows from financing activities					
Loan payable	9		299,203		1,087,964
Cash flow provided by financing activities			299,203		1,087,964
Cash flows from (used in) investing activities					
Expenditures on property and equipment	7		(522)		-
Expenditures on exploration and evaluation assets	6		(83,875)		(180,090)
Proceeds on the disposal of exploration and evaluation assets	6		300,000		-
Proceeds on disposal of property and equipment			-		3,780
Restricted cash released	4		2,500,000		-
Cash flow provided by (used in) investing activities			2,715,603		(176,310)
Increase (decrease) in cash and cash equivalents			1,848,800		(1,204,559)
Cash and cash equivalents, beginning of year			221,914		1,426,473
Cash and cash equivalents, end of year		$	2,070,714	$	221,914

Supplemental information					
Interest paid		$	-	$	-
Corporate taxes paid		$	-	$	-

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

1. Corporate Information and Corporate Transaction

PetroMaroc Corporation plc ("PetroMaroc" or "the Company"), is a publicly traded corporation on the TSX Venture Exchange ("TSX-V") under the trading symbol PMA. The Company is engaged in the evaluation, acquisition, exploration and development of oil and gas properties in Morocco and at December 31, 2016 and 2015 has one remaining exploration licence that the Company was pursuing (Sidi Moktar onshore) that was subsequently sold in January 2017.

On March 8, 2016, the Company entered into a binding sale and purchase agreement with Sound Energy plc ("Sound"). The agreement, upon completion, would allow Sound to acquire the Company's Sidi Moktar licence in consideration for issuance to the Company of 21,258,008 ordinary shares of Sound and the Company retaining a 10% net profit interest in any future cash flows from the Kechoula structure within the Sidi Moktar licence, and the Company retaining a 5% net profit interest in any future cash flows from structures within the Sidi Moktar licence other than the Kechoula structure. The binding sale and purchase agreement was subject to a number of conditions precedent, including ministerial approvals in Morocco, debenture holder approval and a final approval of the TSX Venture Exchange.

In September 2016, PetroMaroc and Sound entered into an amending agreement, pursuant to which any proceeds from a sale (in whole or in part) of the 21,258,008 Sound Energy ordinary shares to be issued to PetroMaroc as consideration on completion of the acquisition will be shared between PetroMaroc and Sound Energy as follows: PetroMaroc will receive all proceeds from sale(s) up to 50 pence per consideration share and sale proceeds in excess of 50 pence per consideration share will be shared equally between PetroMaroc and Sound. The transaction closed on January 9, 2017 with the Sound shares closing at 75.75 pence as quoted on the Alternative Investment Market ("AIM").

PetroMaroc is a Jersey limited company governed by the Companies (Jersey) Law 1991 (the "CJL"). The registered office of the Company is located at Queensway House, St Helier, Jersey, Channel Islands.

The following sets out the operating subsidiaries of the Company at December 31, 2016 and 2015 and the Company's ownership interest in those subsidiaries:

Name of Subsidiary	Jurisdiction of Incorporation	Ownership
Longreach Oil and Gas Ventures Limited	Jersey, Channel Islands	100%
Longreach Oil and Gas (Canada) Limited	Canada	100%
Longreach Oil and Gas (UK) Ltd.	United Kingdom	100%

2. Basis of Presentation

Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Company's Board of Directors on April 25, 2017.

Going concern assumption

These consolidated financial statements have been prepared on a going concern basis, under which the Company is assumed to be able to realise its assets and discharge its liabilities in the normal course of operations, which is subjective. At December 31, 2016, the Company had a working capital deficit of $13.3 million exclusive of the exploration and evaluation assets and decommissioning obligations that have been classified as held for sale. At December 31, 2016, the Company had insufficient cash to fund its operations and repay current obligations for the next twelve months and as a result there are material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the twelve month period following December 31, 2016. The ability of the Company to meet its commitments and costs is dependent upon closing the Transaction (Note 1) and being able to liquidate the Sound shares for sufficient proceeds to settle the current obligations of the Company, in conjunction with restructuring alternatives of the Company's debt and share capital. In February 2017, 25% of the Sound Shares were disposed, for net proceeds of $4,008,640 of which were used to repay the outstanding accrued interest and fees owing under the Debentures as at December 31, 2016 (Note 16(b) and (c)).

If the remaining Sound shares cannot be disposed at a sufficient price to satisfy the remaining obligations of the Company, the Company will be required to consider alternative financing sources including raising additional capital by issuing equity securities (which may include a rights offering or private placement), debt financing and assessing restructuring alternatives for the Company's debt and share capital. There can be no assurance, however, that these initiatives will lead to additional capital being secured, nor the timing of any transaction taking place, or at all. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

Functional and presentation currency

These consolidated financial statements are presented in United States ("US") Dollars, which is also the Company's and its subsidiaries' functional currency. The following are the US Dollar foreign exchange rates at the respective years:

Currency	December 31, 2016	December 31, 2015
Average rate for the year:		
Pounds Sterling	0.7405	0.6542
Canadian Dollar	1.3248	1.2783
Euro	0.9038	0.9012
Moroccan Dirhams	9.8053	9.6839
Year end rates:		
Pounds Sterling	0.8106	0.6755
Canadian Dollar	1.3427	1.3869
Euro	0.9476	0.9168
Moroccan Dirhams	10.1566	9.8165

2. Basis of Presentation – Continued

Use of estimates and judgments

The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by the Company in the preparation of these consolidated financial statements are as follows:

i. The consolidated financial statements include accruals and provisions based on management's interpretation of the terms of existing licence terms and commitments. Best available information is used to determine the accruals at each period end. The Company is at varying stages of negotiations with certain partners to settle differences in opinion of the obligations of each party under existing agreements. The accruals made by management in this regard may be significantly different from those determined by the Company's partners or amounts agreed to as a result of negotiations. The effect on the consolidated financial statements resulting from such adjustments, if any, may be material and will be reflected prospectively.

ii. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. Therefore, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realised from future taxable earnings. The Company has yet to record any deferred tax assets or liabilities.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases or the subsidiaries become dormant.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in the statement of operations and comprehensive income (loss).

(ii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing these consolidated financial statements.

3. Summary of Significant Accounting Policies – continued

Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash and cash equivalents, other current assets, restricted cash, investment and advances, accounts payable and accrued liabilities and other liabilities. Non-derivative financial instruments are recognised initially at fair value net of any directly attributable transaction costs, except for non-derivative instrument classified as fair value through profit and loss ("FVPL"). Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Financial assets at fair value through earnings:

An instrument is classified at fair value through earnings if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, directly attributable transaction costs are recognised in earnings when incurred. Financial instruments at fair value through earnings are measured at fair value, and changes therein are recognised in earnings.

Other:

Other non-derivative financial instruments, such as accounts receivable, accounts payable and accrued liabilities, and related party loan and other liabilities are measured at amortised cost using the effective interest method. The Company's investments in Azian Technologies Inc. was classified as available for sale.

(ii) Derivative financial instruments:

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity or currency prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. All financial derivative contracts when entered into will be classified as fair value through earnings and are recorded on the statement of financial position at fair value. Transaction costs are recognised in earnings when incurred.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through earnings.

Changes in the fair value of separable embedded derivatives are recognised immediately in earnings. Certain warrants issued by the Company are considered a derivative liability as further discussed below.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognised as a deduction from share capital, net of any tax effects.

(iv) Warrants:

The non-compensation based warrants entitle the holder to acquire a fixed number of common shares for a fixed Canadian Dollar price per share. An obligation to issue shares for a price that is not fixed in the Company's functional currency of United States Dollars, and that does not qualify as a share based payment, must be classified as a derivative liability and measured at fair value with changes recognised in the statements of operations and comprehensive income (loss) as they arise. The Company has recorded these changes as finance income and expenses. The transaction costs associated with the issuance of the warrants are expensed when incurred.

3. Summary of Significant Accounting Policies – continued

Foreign Currency Translation:
The consolidated financial statements are presented in United States dollars which is the presentation and functional currency. Transactions denominated in a currency other than the functional currency are translated at the prevailing rates on the date of the transaction. Any monetary items held in a currency which is not the functional currency are translated to the functional currency at the prevailing rate as at the date of the statement of financial position. All exchange differences arising as a result of the translation to the functional currency are recorded in net income (loss) from operations.

Property, plant and equipment and exploration and evaluation assets:
Exploration and evaluation expenditures:
Pre-licence costs are recognised in the statement of operations when incurred. Exploration and evaluation costs, including the costs of acquiring undeveloped land and drilling costs are initially capitalised until the drilling of the well is complete and the results have been evaluated. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved reserves are determined to exist. If proved reserves are found, the drilling costs and associated undeveloped land are assessed for impairment when transferred to property, plant and equipment. The cost of licences on undeveloped land that expire or any impairment recognised during a period, is charged as an impairment expense and if not material charged to depletion and depreciation expense.

For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units ("CGU's"). The Company had grouped its exploration and evaluation assets into one CGU, Sidi Moktar onshore.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment:
(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the statement of operations and comprehensive income (loss).

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statements of operations and comprehensive income (loss).

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are transferred to property, plant and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

3. Summary of Significant Accounting Policies – continued

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets may be determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

Value in use may be determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter takes into account assessments of field reservoir performance and includes expectations about proved and unproved volumes, which are risk-weighted utilising geological, production, recovery and economic projections.

Any goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination. Exploration and evaluation assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances, as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment).

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date, if facts and circumstances indicate that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognised.

Share based payment:
The Company has established a share based payment plan (the "Plan") comprised of a Stock Option Plan (refer to Note 12 for further details of the Plan). The Company uses the fair value method for valuing share based payments. Under this method, the compensation cost attributed to stock options granted are measured at the fair value at the grant date and expensed over the vesting period with a corresponding increase to share based payment reserve. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options or units that vest. Upon the settlement of the stock options, the previously recognised value in share based payment reserve is recorded as an increase to shareholders' equity.

Provisions:
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax "risk-free" rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognised for future operating losses.

3. Summary of Significant Accounting Policies – continued

Decommissioning obligations:
The Company's activities may give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of abandonment and site restoration and capitalised in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognised as accretion expense whereas increases/decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalised. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Non-current Assets and Disposal Groups Held-for-Sale and Discontinued Operations:
Non-current assets and disposal groups are classified as assets held-for-sale ("HFS") if it is highly probable that the value of these assets will be recovered primarily through sale rather than through continuing use. They are recorded at the lower of carrying amount and fair value less cost of disposal. Impairment losses on initial classification as HFS and subsequent gains and losses on re-measurement are recognized in the income statement. Once classified as HFS, property, plant and equipment are no longer amortized. The assets and liabilities are presented as HFS in the consolidated balance sheet when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification.

A discontinued operation is a component of the Company that can be clearly distinguished from the rest of the Company and represents a major line of business or geographic area, and the value of this component is expected to be recovered primarily through sale rather than continuing use.

Results of operations and any gain or loss from disposal are excluded from income before finance items and income taxes and are reported separately as income/loss from discontinued operations.

Income (loss) per share:
Basic income (loss) per share is calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on the exercise of the in the money stock options and warrants would be used to purchase common shares at the average market price for the period.

Future Accounting Changes:

IFRS 16 – Leases
In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16, which will supersede International Accounting Standards 17 (IAS 17), Leases. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 effectively removes the classification of leases as either finance or operating and treats all leases as finance leases for lessees with exemptions for short-term leases where the lease term is twelve months or less and for leases of low value items. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

3. Summary of Significant Accounting Policies – continued

The Company is required to retrospectively apply IFRS 16 to all existing leases as of the date of transition and has the option to either: a) apply IFRS 16 with full retrospective effect; or b) recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening equity at the date of initial application. The standard will be effective on January 1, 2019 for the Company. As the Company currently has no leases in place, the standard is not expected to have a material impact on the consolidated financial statements.

IFRS 9 – Financial Instruments
In July 2014, the IASB has amended IFRS 9 which amends its classification and measurement of financial assets and introduces a new expected loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and shall be applied retrospectively. The Company is currently assessing the impact the adoption of this standard will have on the consolidated financial statements.

4. Restricted Cash

The Company has a restricted cash balance, which represents the following bank deposits securing licences as follows:

	In favor of		**December 31, 2016**		December 31, 2015
Sidi Moktar farm-in arrangement	MPE	**$**	**-**	$	2,500,000
Zag exploration licence (Note 12)	San Leon		**600,000**		600,000
Other	Barclays		**19**		19
		$	**600,019**	$	3,100,019

In March 2017, the Office National des Hydrocarbures et des Mines ("ONHYM") issued a demand notice and claimed the $0.6 million of restricted cash.

5. Investments and Advances

PetroMaroc held an 11.28% common equity interest in Aizan Technologies Inc. ("Aizan"), a private company. Aizan is a private technology company providing cloud based voice solutions focused on intelligent call routing and intelligent call management. PetroMaroc also held $51,155 (Cdn) of subordinated series D convertible debentures of Aizan bearing interest at 10% per annum which matured on March 31, 2014. Aizan requested various extensions with respect to the repayment of the debentures.

PetroMaroc was actively endeavoring to dispose of the equity interest and convertible debentures. Due to the prevailing market conditions, the Company impaired the equity interest and convertible debentures at December 31, 2015. In March 2016, PetroMaroc disposed of the equity interest and convertible debentures for $5,000 (Cdn).

6. Exploration and Evaluation Assets

Balance, December 31, 2014	$	35,633,245
Additions		264,755
Impairment		(29,098,000)
Balance, December 31, 2015		6,800,000
Additions		83,875
Dispositions		(300,000)
Balance, December 31, 2016		6,583,875
Exploration and evaluation assets held for sale		(6,583,875)
Exploration and evaluation assets	$	-

Exploration and evaluation assets consist entirely of costs pertaining to licences in Morocco, the carrying value at December 31, 2015 and 2016 relating to the Sidi Moktar licence. The evaluation of the technical feasibility and commercial viability of the Sidi Moktar licence has not been performed.

As disclosed in Note 1, on March 8, 2016, the Company entered into a binding Sale and Purchase agreement with Sound Energy plc ("Sound") with an amending agreement on September 16, 2016. The agreement upon completion would allow Sound to acquire the Company's Sidi Moktar licence in consideration for issuance to the Company 21,258,008 shares of and the Company retaining a 10% net profit interest in any future cash flows from the Kechoula structure within the Sidi Moktar licence, and the Company retaining a 5% net profit interest in any future cash flows from structures within the Sidi Moktar licence other than the Kechoula structure. As a result, the Company reclassified the Sidi Moktar exploration and evaluation assets as held for sale. The transaction closed on January 9, 2017.

Following careful consideration, PetroMaroc impaired the Sidi Moktar licence to the estimated recoverable amount of the asset on December 31, 2015. Included in the net carrying value of $6.5 million was the estimated fair value of the Sound shares valued at $5.5 million (£3.65 million), and the associated decommissioning obligation (Note 10) to be assumed by Sound. No value has been allocated to the net profit interest(s) to be acquired in the transaction with Sound as no economic value has been assigned by an independent third party engineer. In addition, $0.3 million was included for the salvage value of the surplus inventory on hand (such surplus inventory was subsequently disposed of in February 2016).

During the year, the Company capitalised $NIL (2015 - $79,166) of administrative salaries and costs and $NIL (2015 - $11,889) related to share based payments directly related to exploration and evaluation activities on the Sidi Moktar licence.

7. Property and Equipment

Cost		
Balance, December 31, 2014	$	179,772
Sale of equipment		(3,780)
Balance, December 31, 2015		175,992
Additions		522
Balance, December 31, 2016	$	176,514
Accumulated Depreciation		
Balance, December 31, 2014	$	(95,637)
Write off of equipment		23,402
Impairment		(27,049)
Depreciation charge		(44,186)
Balance, December 31, 2015		(143,470)
Impairment		(28,478)
Depreciation charge		(4,566)
Balance, December 31, 2016	$	(176,514)

7. Property and Equipment - continued

Net book value		
Net book value, December 31, 2015	$	32,522
Net book value, December 31, 2016	$	-

All of the property and equipment consists of office equipment and furniture and is located in the United Kingdom. As a result of closing the Moroccan office in 2016, and the closing of the London office (to become a virtual office) in 2016, the Company impaired the remaining office equipment. The 2015 impairment charge was due to the closure of the Canadian office.

8. Convertible Debenture

On April 10, 2014, PetroMaroc issued $9.7 million (Cdn) of convertible secured debentures (the “Debentures”) with an annual coupon rate of 10% maturing on April 10, 2016. The Debentures have a face value of $1,000 (Cdn) per debentures, following the first anniversary the Debentures are convertible into common shares at the option of the holder at the greater of $0.30 (Cdn) and the market price at the time of conversion based on a 20 day volume weighted average price. The Debenture subscribers were also issued 9,700,000 warrants exercisable at $0.30 (Cdn) until April 10, 2016. These warrants expired unexercised.

In June 2015, PetroMaroc entered into a waiver and amending agreement with the debenture holders to defer payment of the quarterly interest payments under the debentures until April 10, 2016, including the March 31, 2015, interest payment. Pursuant to the terms of the waiver agreement, the aggregate amount of all deferred interest payments shall accrue interest at the amended annual interest rate of 15% per annum, and shall be due and owing on the maturity date. In consideration for entering into the waiver agreement, the Company has agreed to pay to the debenture holders a fee equal to 15% of the deferred interest payments, which shall be payable on the maturity date (the Waiver Fee).

In October 2015, PetroMaroc entered into a waiver and amending agreement with the debenture holders, where in order to consent to the Cdn $1.0 million debenture financing, a fee equal to 15% of the aggregate amount of their respective deferred interest payments shall be payable on the maturity date (the Consideration Fee), being in addition to the Waiver Fee.

On April 11, 2016, the Company entered into a waiver and amending agreement with the Cdn $9.7 million, Cdn $1.0 million (Note 9(b)), and Cdn $0.39 million (Note 9 (a)) debenture holders to extend the maturity date from April 10, 2016 to September 30, 2016 and to December 31, 2016, under which payment of the quarterly interest payments (June 30, 2016, September 30, 2016, December 31, 2016) shall accrue to the December 31, 2016 maturity date. Pursuant to the terms of the waiver agreement, the aggregate amount of all Deferred Interest Payments shall accrue interest at the previously amended annual interest rate of 15% and shall be due and owing on the maturity date. In consideration for entering into the Waiver Agreement, the Company has agreed to pay to the Debenture holders a fee equal to 15% of the aggregate amount of their respective deferred interest payments (the Consideration Fee), which shall be payable on the maturity date, in cash.

The Convertible Debentures were converted into Series 1 Debentures (Cdn $4.7 million) and into Series 2 Debentures (Cdn $5.0 million) in February 2017 (Note 16).

8. Convertible Debenture - continued

The following table summarizes the accounting for the debentures:

	Liability	Derivative Financial Liability	Total
Balance at December 31, 2014	$ 7,673,445	$ 77,650	$ 7,751,095
Accretion and amortization of debt issuance costs	480,832	-	480,832
Derivative gain (loss)	-	(77,650)	(77,650)
Foreign exchange gain	(1,287,137)	-	(1,287,137)
Balance at December 31, 2015	$ 6,867,140	$ -	$ 6,867,140
Accretion and amortization of debt issuance costs	141,780	-	141,780
Foreign exchange loss	225,344	-	225,344
Balance at December 31, 2016	$ 7,234,264	$ -	$ 7,234,264

The liability portion is measured at amortized cost and will accrete up to the principal balance at maturity using the effective interest rate method. The accretion, interest paid and amortization of debt issuance costs are charged to finance expense in the consolidated statement of comprehensive income/loss. The derivative financial liability is measured at fair value through profit or loss, with changes to the fair value being recorded in finance expense.

Finance costs of 2016 - $2,239,018 (2015 - $1,609,601) include the accretion and amortization of debt issuance costs of 2016 - $141,780 (2015 - $480,832) and 2016 - $1,722,961 (2015 - $1,128,769) of debenture interest.

9. Other Current Liabilities

(a) On June 9, 2016, the Company closed a secured, non-convertible debenture financing of Cdn$0.39 million. The debenture matures on December 31, 2016 and bears interest at a rate of 15% per annum, calculated and payable in arrears, in cash, on the maturity date. This secured loan ranks equally to the Cdn $9.7 million Convertible debentures (Note 8) and the Cdn $1.0 million non-convertible debenture (Note 9(c)), and ranks in priority to unsecured Loan (Note 9(b)). As at December 31, 2016, $26,373 interest has been accrued for the unsecured loan. The Loan was converted into a Series 1 Debenture (Cdn $0.062 million) in February 2017 (Note 16), and a Series 2 Debenture (Cdn $0.328 million) in February 2017 (Note 16).

(b) On June 16, 2015, the Company closed an unsecured Cdn $0.4 million loan. This arm's length loan bears interest at a rate of 10% per annum. The lender received 8,000,000 bonus warrants with each bonus warrant exercisable into one common share at a price of Cdn $0.05 per Common Share. The bonus warrants expired on June 16, 2016. The fair value of the warrants was initially estimated at $1,426 and was determined using the Black-Scholes option pricing model with the following assumptions: dividend yield – NIL, expected volatility – 65%, risk free rate of return – 1.07% and weighted average life – 1 year. The principal amount and all accrued interest was due either on April 30, 2016 or upon the release of the $2.5 million of restricted cash (Note 4). This loan is unsecured and ranks subordinate to the Cdn $9.7 million Convertible Debenture (Note 8), the Cdn $1.0 million Debentures (Note 9 (c), and the Cdn $0.39 million Debentures (Note 9 (a)). In September 2016, the Company entered an agreement where the loan interest rate was amended from 10% to 15% per annum, and the loan maturity date was extended from April 30, 2016, to December 2016. As at December 31, 2016, $57,588 (2015: $16,477) - interest has been accrued for the unsecured loan. The loan, including accrued interest was repaid in January 2017.

9. Other Current Liabilities - continued

(c) On November 4, 2015, the Company closed a secured, non-convertible debenture financing of Cdn $1.0 million with an arm's length lender. The debenture matured on April 10, 2016, and bears interest at a rate of 15% per annum, calculated and payable in arrears, in cash, on the maturity date. No warrants were issued in conjunction with this financing. This secured loan ranks equally to the Cdn $9.7 million Convertible Debentures (Note 8) and Cdn $0.39 million Debentures (Note 9 (a)), and ranks in priority to unsecured Loan (Note 9(b)). As at December 31, 2016 $149,484 interest (2015 - $9,996) has been accrued for the secured debenture. The debenture maturity date was extended from April 10, 2016, to December 31, 2016. The Loan was converted into a Series 2 Debenture in February 2017 (Note 16).

10. Decommissioning Obligations

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the estimated obligation associated with the decommissioning of oil and natural gas properties.

	December 31, 2016	December 31, 2015
Obligation, beginning of year	**$ 1,031,429**	$ 1,016,896
Accretion expenses	**15,489**	14,533
Obligation, end of year	**$ 1,046,918**	$ 1,031,429
Current portion of the obligation held for sale (Notes 1 and 6)	**$ 1,046,918**	$ -
Long-term portion of the obligation	**-**	1,031,429
	$ 1,046,918	$ 1,031,429

The undiscounted amount of cash, required to settle the current decommissioning obligations on the Koba-1 and Kamar-1 wells, adjusted for inflation, is estimated at $1,057,400. The obligations were calculated using a risk free discount rate of 1.50 percent (2014 - 1.50 percent) and an inflation rate of 2.0 percent (2014 - 2.0 percent). The costs are expected to occur in 2017 but this may be extended following the final results of the Koba-1 and Kamar-1 wells, and an extension of the Sidi Moktar licence.

As disclosed in Notes 1 and 6, Sound assumed the decommissioning obligations upon closing of the sale transaction on January 9, 2017. As a result, at December 31, 2016 the assets were classified as held for sale and the related liability became a current liability.

11. Share Capital

(a) Authorised
Unlimited number of Common Shares without nominal or par value.

11. Share Capital - continued

(b) Issued

	December 31, 2016			December 31, 2015		
	Issued		Amounts	Issued		Amounts
Common Shares						
Opening balance	**105,223,923**	**$**	**53,456,688**	101,149,036	$	53,253,792
Debt settlement *(i)*	**-**		**-**	4,074,887		202,896
Balance, end of year	**105,223,923**		**53,456,688**	105,223,923		53,456,688
Warrants (ii)						
Opening balance	**27,700,000**	**$**	**-**	19,700,000	$	9,149
Issued in loan (Note 9(b))	**-**		**-**	8,000,000		1,426
Expired	**(27,700,000)**		**-**	-		-
Fair value adjustment	**-**		**-**	-		(10,575)
Balance, end of year	**-**		**-**	27,700,000		-
		$	**53,456,688**		$	53,456,688

(i) On February 20, 2015, the Company issued 789,772 shares at a price of $0.06 per share by way of payment to settle a 2014 Convertible debenture interest payment of $47,386 (Cdn). On April 15, 2015, Company issued an additional 3,285,115 shares to settle the remaining Convertible debenture 2014 interest of $197,107 (Cdn).

(ii) Each non-compensatory warrant is measured at fair value quarterly using the Black-Scholes option pricing model. At December 31, 2016 the warrants were estimated assuming a risk free interest rate of 1.07%, expected life of 0.27 – 0.34 years and expected volatility of 65%. In April 2016 and June 2016, the 27,700,000 warrants expired unexercised.

(c) Stock options

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time, which is the number of shares reserved for issuance under the plan. The options vest at various rates as determined by the Board. The maximum term of the options is five years. The options are non-transferable if not exercised. A summary of the status of the Company stock option plan as at December 31, 2016 and December 31, 2015 and changes during the respective periods ended on those dates is presented below:

	December 31, 2016		December 31, 2015	
Stock Options	**Number of options**	**Weighted average Exercise Price (CAD $)**	Number of options	Weighted average exercise price (CAD $)
Beginning of year	**10,522,142**	**$0.30**	7,101,426	$0.34
Granted	**-**	**-**	5,080,000	$0.05
Exercised	**-**	**-**	-	-
Expired/Forfeited	**-**	**-**	(1,659,284)	$0.45
End of year	**10,522,142**	**$0.30**	10,522,142	$0.30
Exercisable, end of year	**9,468,809**	**$0.30**	7,892,142	$0.27

11. Share Capital - continued

Date of Grant	Number Outstanding	Exercise Price (Cdn $)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable December 31, 2016
May 22, 2012	25,000	$0.60	0.39 years	May 22, 2017	25,000
December 21, 2012 *(i)*	687,142	$1.18	0.17 years	February 28, 2017	687,142
January 15, 2013	1,570,000	$0.70	1.05 years	January 15, 2018	1,570,000
April 30, 2014	3,160,000	$0.30	2.33 years	April 30, 2019	2,106,667
July 22, 2015	5,080,000	$0.05	3.56 years	July 22, 2020	5,080,000
	10,522,142		2.59 years		9,468,809

(i) The options expired unexercised.

The weighted average fair market value per option granted in 2015 was approximately $0.012 (CAD) was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield – nil, expected volatility 100%, risk free rate – 1.4%, expected life - 5 years, an estimated forfeiture rate – 5% and utilising the graded option method.

12. Commitments and Contingencies

(a) From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

(b) Zag licence

The Company committed to its percentage share of further geophysical studies and the drilling of one exploration well, subject to receiving and approving a satisfactory proposal from the operator, as per the terms of the First Extension Period. Following the joint venture not completing the minimum work commitment of the First Extension Period, a twelve month extension to the First Extension Period was agreed by the joint venture, to May 2016. During the twelve month extension the Company continued to seek a mutually agreed technical, commercial and financial proposal to reduce its financial exposure insofar as possible. The Company continues to accrue $1.2 million penalty costs due to a material uncertainty that the joint venture will either complete the minimum work commitments or reach an agreed technical, commercial and financial proposal. $1.2 million represents the Company's share of penalty costs per the Exploration Licence First Extension Period, with the $0.6 million of restricted cash lodged as a bank guarantee being available to offset this potential penalty. In March 2017, ONHYM issued a demand notice and claimed the $0.6 million of restricted cash.

13. Financial Instruments

The Company may hold various forms of financial instruments. The nature of these instruments and the operations expose the Company to credit and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Credit Risk

Credit risk is the risk that arises when a party to a financial instrument will be unable to discharge its obligations as they become due. The financial assets exposed to credit risk are cash and cash equivalents, restricted cash, and other current assets. Cash and cash equivalents and restricted cash is placed with major financial institutions. The maximum credit risk is approximate to the carrying value of such financial instruments. Management assesses quarterly if there should be any impairment of the financial assets of the Company. At December 31, 2016, none of the financial assets are considered to be impaired.

(b) Market Risk

Market risk is comprised of two components: currency risk and interest rate risk, discussed separately below.

i. Interest Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is not currently exposed to interest rate risk as it borrows funds at a fixed coupon rate of 15% on convertible debentures as disclosed in Note 8 and a fixed coupon rate of 10% to 15% on other current liabilities as disclosed in Note 9.

ii. Foreign Currency Exchange Risk

The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currencies other than USD. The Company is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in property and equipment in foreign currencies. The Company incurs expenditures in Pound Sterling, Euros, Moroccan Dirhams and Canadian Dollars and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place at December 31, 2016 and 2015.

Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates on the foreign cash balances at December 31, 2016 would have impacted earnings and cash flows of the Company during the 2016 fiscal period by approximately \$53 (2014 - \$1,974). A 1% increase or decrease in foreign exchanges on the convertible debenture would have impacted the earnings and cash flows of the Company during the 2016 fiscal period by approximately \$26,800 (2015 - \$68,700).

(c) Fair Value of Financial Instruments

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents and restricted cash have been classified as level 1.

13. Financial Instruments

All financial assets (except for cash and cash equivalents and restricted cash which are classified as FVPL), are classified as loans and receivables and are accounted for on an amortised cost basis. All financial liabilities are classified as other liabilities other than the warrants attributed to equity financing which are classified as FVPL. There have been no changes to the aforementioned classifications during the year.

(d) Liquidity Risk
Liquidity risk includes the risk that, as a result of the operational liquidity requirements:

- The Company may not have sufficient funds to settle a transaction on the due date;
- The Company may be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

14. Compensation to Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management personnel are its directors and executive officers. Key management personnel compensation is comprised of the following:

	December 31, 2016	December 31, 2015
Executives and Executive Directors	**$ 561,972**	$ 481,616
Non-Executive Directors	**180,000**	171,933
Benefits and other personnel costs	**7,158**	740
Share based compensation	**65,058**	284,711
Total remuneration	**$ 814,188**	$ 939,000

Personnel expenses are recorded in general and administrative expenses.

15. Capital Risk Management

The Company manages its capital with the objective to continue as a going concern, create investor confidence, and meet its commitments and to strengthen its working capital position. The capital structure of the Company is composed of debt and equity. The Company's current strategy is to access capital by liquidating the Sound shares and if required through equity issuances, in order to maintain financial flexibility and to develop a future business. The Company manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile.

In order to maintain the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Company is not currently subject to any externally imposed covenants.

The Company's capital includes the following:

	December 31, 2016	December 31, 2015
Convertible debentures	**$ 7,234,264**	$ 6,867,140
Other current liabilities	**1,333,179**	1,009,260
Shareholder deficiency	**(7,723,477)**	(3,502,495)
	$ 8,436,966	$ 4,373,905

16. Subsequent Events

Except as disclosed elsewhere in these consolidated financial statements the Company had the following subsequent events:

(a) On February 15, 2017, the Company completed the restructuring of the Cdn $11.09 million principal amount of the secured debentures of the Company, which were due for repayment on December 31, 2016 (Notes 8 and 9(a) and (c)). Accordingly, the Cdn $11.09 million April 2014, November 2015 and June 2016 secured Debentures as detailed in note 8, note 9 (a) and note 9 (c) were rolled into a new class of secured redeemable, debentures, issuable in series (with an issue date of December 31, 2016), with all principal and interest due and payable in full on January 31, 2018 (the "New Debentures"). The Series 1 New Debentures bear interest at the rate of 10% per annum and are convertible, at the option of the holder, into ordinary shares of the Company at a conversion price equal to $0.06 per share in the first 12 months of the term (January 1, 2017 to December 31, 2017) and $0.10 per share in the last month of the term (January 1, 2018 to January 31, 2018). The Series 2 New Debentures bear interest at the rate of 15% per annum, with no right to convert into ordinary shares of the Company. The Series 1 New Debentures and the Series 2 New Debentures have an effective issue date of December 31, 2016, being the amended maturity date of the original Debentures. The Series 1 New Debentures and the Series 2 New Debentures rank pari passu with each other. The Company issued Cdn $6,327,600 Series 2 New Debentures, and Cdn $4,762,400 Series 1 New Debentures.

(b) In accordance with the terms of the New Debentures, Cdn $4,407,056 being the outstanding accrued interest and fees owing under the Debentures as at December 31, 2016 was paid in February 2017, along with interest and fees totaling Cdn $68,823 being the accrued interest and fees owing under the April 2014, November 2015 and June 2016 Cdn $11.09 million Debentures for the period January 1, 2017 to February 7, 2017 (the "stub" period).

(c) In February 2017, the Company disposed of 5,314,502 Sound Energy shares, to provide capital to the Company to meet its obligations of the Cdn $4,407,056 debentures interest and fees (Cdn $4,475,878 including the "stub" interest detailed in note 17 (b). The proceeds received (net of transaction costs, and net of proceeds above 50 pence being allocated equally between the Company and Sound Energy) totaled GBP £3,249,403 ($4,008,640).

(d) On March 16, 2017, the Company completed a Cdn $205,297 debt settlement via the issuance of 2,606,941 Common Shares, to insiders and non-insiders of the Company.