

PetroMaroc Corporation plc
Interim Condensed Consolidated Financial Statements
March 31, 2017
(Unaudited)

Contents

Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Operations and Comprehensive Loss	3
Consolidated Statements of Changes in Shareholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 – 13

NATIONAL INSTRUMENT 51-102

The interim condensed financial statements and notes thereto for the three months ended March 31, 2017 are prepared by management and have not been independently audited or reviewed by the Company's auditors.

PetroMaroc Corporation plc
Condensed Consolidated Statements of Financial Position
In United States Dollars
(Unaudited)

	Notes	March 31, 2017	December 31, 2016
Assets			
Current			
Cash and cash equivalents		\$ 1,274,744	\$ 2,070,714
Other current assets		21,255	42,828
Restricted cash	3	-	600,019
Investment in securities	4	12,841,506	-
Exploration and evaluation assets held for sale	5	-	6,583,875
Total Assets		\$ 14,137,505	\$ 9,297,436
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 1,718,986	\$ 7,406,552
Series 1 and 2 Debentures	6	8,171,922	-
Convertible debentures		-	7,234,264
Other current liabilities		-	1,333,179
Decommissioning obligations held for sale		-	1,046,918
Derivative Financial Liability	6	173,495	-
		10,064,403	17,020,913
Shareholders' Equity (Deficiency)			
Share capital	7	53,593,180	53,456,688
Share based payment reserve	7(c)	4,999,597	4,989,506
Deficit		(55,166,401)	(66,169,671)
Accumulated comprehensive income		646,726	-
		4,073,102	(7,723,477)
Total Liabilities and Shareholders' Equity		\$ 14,137,505	\$ 9,297,436

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

PetroMaroc Corporation plc
Condensed Consolidated Statements of Operations and
Comprehensive Loss
In United States Dollars
(Unaudited)

For the Three Month Period Ended March 31,	Notes	2017	2016
Expenses			
Administrative		\$ 200,936	\$ 949,040
Share based compensation	7(c)	10,091	28,730
Depreciation and impairment		-	14,412
Accretion of decommissioning obligation		-	4,849
Finance costs	6	337,245	488,498
Foreign exchange loss		236,417	541,091
		<u>784,689</u>	<u>2,026,620</u>
Other income			
Gain on sale of exploration and evaluation assets	5	10,722,749	-
Realized gain on sale of investments and securities	4	7,124	-
Gain on settlement of trade payables		1,057,625	-
Finance income		461	690
		<u>11,787,959</u>	<u>690</u>
Net income (loss) for the period		11,003,270	(2,025,930)
Other comprehensive income			
Unrealized gain on revaluation of securities to fair value	4	646,726	-
Net and comprehensive income (loss)		\$ 11,649,996	\$ (2,025,930)
Net income (loss) per share			
- Basic and diluted		\$ 0.10	\$ (0.019)
Weighted average shares outstanding			
- Basic and diluted		105,687,379	105,223,923

(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 interim consolidated financial statements.

PetroMaroc Corporation plc
Condensed Consolidated Statements of Changes in
Shareholders' Equity
In United States Dollars
(Unaudited)

	Share Capital	Share Based Payment Reserve	Accumulated Comprehensive Income (loss)	Deficit	Total Equity
Balance, December 31, 2016	\$ 53,456,688	\$ 4,989,506	\$ -	\$ (66,169,671)	\$ (7,723,477)
Net income	-	-	-	11,003,270	11,003,270
Unrealized gain on revaluation of investments	-	-	646,726	-	646,726
Issue of shares	136,492	-	-	-	136,492
Share-based payments	-	10,091	-	-	10,091
Balance, March 31, 2017	\$ 53,593,180	\$ 4,999,597	\$ 646,726	(55,166,401)	\$ 4,073,102

	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	-	-	(2,025,930)	(2,025,930)
Share-based payments	-	28,730	-	28,730
Balance, March 31, 2016	\$ 53,456,688	\$ 4,953,178	\$ (63,909,561)	\$ (5,499,695)

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

PetroMaroc Corporation plc
Condensed Consolidated Statements of Cash Flows
In United States Dollars
(Unaudited)

For the three month period ended March 31,	Notes	2017	2016
Cash flows (used in) operating activities			
Net income (loss)		\$ 11,003,270	\$ (2,025,930)
Items not involving cash:			
Unrealised foreign exchange loss (gain)		(96,719)	549,931
Share based payments		-	28,730
Gain on settlement of trade payables		(1,057,625)	-
Accretion of decommissioning obligation		-	4,849
Gain on sale of exploration and evaluation assets	5	(10,722,749)	-
Gain on sale of securities	4	(7,124)	-
Non-cash finance costs	6	21,276	130,287
Depreciation and impairment		-	14,412
Changes in non-cash working capital balances:			
Other current assets		21,573	15,378
Accounts payable and accrued liabilities		(4,029,922)	859,721
Cash flow used in operating activities		<u>(4,868,020)</u>	<u>(422,622)</u>
Cash flows from (used in) investing activities			
Expenditures on exploration and evaluation assets		-	(1,247)
Proceeds on the disposal of exploration and evaluation assets		-	300,000
Proceeds on disposal of securities	4	4,072,050	-
Cash flow provided by (used in) investing activities		<u>4,072,050</u>	<u>298,753</u>
Decrease in cash and cash equivalents		(795,970)	(123,869)
Cash and cash equivalents, beginning of period		<u>2,070,714</u>	<u>221,914</u>
Cash and cash equivalents, end of period		\$ 1,274,744	\$ 98,914
Supplemental information			
Interest paid		\$ -	\$ -
Corporate taxes paid		\$ -	\$ -

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

PetroMaroc Corporation plc
Notes to Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

March 31, 2017

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 was engaged in the evaluation, acquisition, exploration and development of oil and gas properties in Morocco until 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.

2. Basis of Presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. These condensed consolidated financial statements were authorised for issue by the Board of Directors on May 26, 2017. They do not contain all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the warrants associated with the equity financing which are measured at their estimated fair value. The condensed consolidated financial statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2015.

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 March 31, 2017, the Company had a working capital surplus of \$4.07 million, with the Sound consideration shares held at March 31, 2017 being held as an investment in securities. At March 31, 2017, the Company has insufficient cash to fund its operations and repay current obligations (the secured debentures) for the next twelve months, based upon the Sound consideration shares held at fair value, and as a result there are material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

PetroMaroc Corporation plc
Notes to Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

March 31, 2017

2. Basis of Presentation – Continued

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 March 31, 2017. The ability of the Company to meet its commitments and costs is dependent upon the liquidation of 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 \$4,072,050, with the funds being used to repay the outstanding accrued interest and fees owing under the Debentures as at December 31, 2016.

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 periods:

Currency	March 31, 2017	December 31, 2016	March 31, 2016
Average rate for the period:			
Pounds Sterling	0.8071	0.7405	0.6981
Canadian Dollar	1.3238	1.3248	1.3731
Euro	0.9382	0.9038	0.9066
Moroccan Dirhams	10.0537	9.8053	9.7242
Period end rates:			
Pounds Sterling	0.7977	0.8106	0.6958
Canadian Dollar	1.3322	1.3427	1.2966
Euro	0.9348	0.9476	0.8805
Moroccan Dirhams	10.0392	10.1566	9.6257

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 management in the preparation of these condensed consolidated interim financial statements are detailed in Note 2 in the annual financial statements.

PetroMaroc Corporation plc
Notes to Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

March 31, 2017

3. Restricted Cash

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

	In favor of	March 31, 2017	December 31, 2016
Zag exploration licence	San Leon	\$ -	\$ 600,000
Other	Barclays	-	19
		<u>\$ -</u>	<u>\$ 600,019</u>

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 (as described further in note 8 (b)).

4. Investment

As disclosed in Notes 1 and 5, PetroMaroc received 21,258,008 ordinary shares of Sound in exchange for the Sidi Moktar licence. The Sound shares trade on the Alternative Investment Market ("AIM") and are traded in Pounds Sterling. 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.

During the period, PetroMaroc disposed of 5,314,502 Sound shares for gross proceeds of \$4,812,122. The shares were disposed of above 50 pence, and the net proceeds due (and paid) to Sound totaled \$740,072. The net proceeds to PetroMaroc were \$4,072,050, and the gain on the disposal was \$7,124.

At March 31, 2017, the Company holds 15,943,506 Sound shares with a fair market value to PetroMaroc of \$12,841,506. As a result, the Company recorded a \$646,726 gain on the revaluation of the Sound shares.

5. Exploration and Evaluation Assets

Balance, December 31, 2015	\$ 6,800,000
Additions	83,875
Dispositions	<u>(300,000)</u>
Balance, December 31, 2016 classified as assets held for sale	6,583,875
Disposal	<u>(6,583,875)</u>
Exploration and evaluation assets	<u>\$ -</u>

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, with the Company recording a gain of \$10,722,749 on the transaction.

PetroMaroc Corporation plc
Notes to Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

March 31, 2017

6. Series 1 and 2 New Debentures

On February 15, 2017, PetroMaroc completed the restructuring of the Cdn \$11.09 principal amount of the secured debentures of the Company, which were due for repayment on December 31, 2016. Accordingly, the Cdn \$11.09 million 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 and Cdn \$4,762,400 Series 1 New Debentures and Cdn \$6,327,600 Series 2 New Debentures.

The following table summarizes the accounting for the Series 1 New Debentures:

	Liability	Derivative Financial Liability	Total
Issued on February 15, 2017	\$ 3,469,908	\$ 173,495	\$ 3,643,403
Accretion and amortization of debt issuance costs	21,276	-	21,276
Foreign exchange loss	(69,049)	-	(69,049)
Balance at March 31, 2017	<u>\$ 3,422,135</u>	<u>\$ 173,495</u>	<u>\$ 3,595,633</u>

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.

The Company incurred finance costs of \$337,245 for the period ended March 31, 2017, of which \$315,969 relates to interest accrued on Series 1 and 2 New Debentures and \$21,276 relates to the accretion of the Series 1 New Debentures.

7. Share Capital

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

PetroMaroc Corporation plc
Notes to Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

March 31, 2017

7. Share Capital - continued

(b) Issued

	March 31, 2017		December 31, 2016	
	Issued	Amounts	Issued	Amounts
Common Shares				
Opening balance	105,223,923	\$ 53,456,688	105,223,923	\$ 53,456,688
Debt settlement (i)	2,606,941	136,492	-	-
Balance, end of year	107,830,864	53,593,180	105,223,923	53,456,688
Warrants (ii)				
Opening balance	-	\$ -	27,700,000	\$ -
Expired	-	-	(27,700,000)	-
Balance, end of year	-	-	+	-
		\$ 53,456,688		\$ 53,456,688

(i) On March 16, 2017, the Company issued 2,606,941 shares at a price of CAD \$0.08 per to settle \$136,492 of debts.

(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 March 31, 2017 is presented below:

Stock Options	March 31, 2017	
	Number of options	Weighted average Exercise Price (CAD \$)
Beginning of period	10,522,142	\$0.30
Granted	-	-
Exercised	-	-
Expired/Forfeited	687,142	1.18
End of year	9,835,000	\$0.24
Exercisable, end of period	8,781,667	\$0.23

PetroMaroc Corporation plc
Notes to Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

March 31, 2017

7. Share Capital - continued

Date of Grant	Number Outstanding	Exercise Price (Cdn \$)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable March 31 2017
May 22, 2012 (i)	25,000	\$0.60	0.14 years	May 22, 2017	25,000
January 15, 2013	1,570,000	\$0.70	0.79 years	January 15, 2018	1,570,000
April 30, 2014	3,160,000	\$0.30	2.08 years	April 30, 2019	2,106,667
July 22, 2015	5,080,000	\$0.05	3.56 years	July 22, 2020	5,080,000
	9,835,000		2.51 years		8,781,667

(i) These options expired subsequent to March 31, 2017.

(ii) On May 18, 2017, the Company granted 900,000 options exercisable at \$0.09 with a May 18, 2022 expiry date.

8. 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. As at March 31, 2017, the Company continues to accrue \$0.6 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. Initially \$1.2 million was accrued for the Company's share of estimated 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 the penalty. In March 2017, ONHYM issued a demand notice and claimed the \$0.6 million of restricted cash.

9. 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.

PetroMaroc Corporation plc
Notes to Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

March 31, 2017

9. Financial Instruments - continued

(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 March 31, 2017, 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 10% on the Series 1 Debentures and 15% on the Series 2 Debentures as disclosed in Note 6.

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 March 31, 2017 and December 31, 2016.

Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates on the foreign cash balances at March 31, 2017 would have impacted earnings and cash flows of the Company during the first quarter of 2017 fiscal period by approximately \$11,500 (2016 - \$980). A 1% increase or decrease in foreign exchanges on the Series 1 and 2 Debenture would have impacted the earnings and cash flows of the Company during the first quarter of 2017 fiscal period by approximately \$36,000.

(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 investments in securities have been classified as level 1.

PetroMaroc Corporation plc
Notes to Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

March 31, 2017

9. Financial Instruments - continued

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. The investments in securities have been designated as available-for-sale. 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.
-