

PetroMaroc Corporation plc
Interim Condensed Consolidated Financial Statements
September 30, 2015
(Unaudited)

Contents

Interim Condensed Consolidated Financial Statements	
Condensed Consolidated Statements of Financial Position	2
Condensed Consolidated Statements of Operations and Comprehensive Loss	3
Condensed Consolidated Statements of Changes in Shareholders' Equity	4
Condensed Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6 - 15

NATIONAL INSTRUMENT 51-102

The interim condensed financial statements and notes thereto for the three and nine months ended September 30, 2015 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	September 30, 2015	December 31, 2014
Assets			
Current			
Cash and cash equivalents		\$ 93,756	\$ 1,426,473
Other current assets		81,134	108,209
Investment and advances		95,967	155,775
Restricted cash	3	<u>1,100,019</u>	<u>3,100,019</u>
		<u>1,370,876</u>	<u>4,790,476</u>
Non-current			
Restricted cash	3	2,000,000	-
Exploration and evaluation assets	4	35,857,009	35,633,245
Property and equipment		31,656	84,135
		<u>37,888,665</u>	<u>35,717,380</u>
		\$ 39,259,541	\$ 40,507,856
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 4,690,858	\$ 3,916,001
Convertible debentures	5	6,980,810	-
Loan	6	<u>298,240</u>	<u>-</u>
		<u>11,969,908</u>	<u>3,916,001</u>
Convertible debentures	5	-	7,673,445
Derivative financial liability	5	55,832	77,650
Warrant value attributed in financings	7	665	9,149
Decommissioning obligations	8	<u>1,027,594</u>	<u>1,016,896</u>
		<u>1,084,091</u>	<u>12,693,141</u>
Shareholders' Equity			
Share capital	8	53,456,688	53,253,792
Share based payment reserve		4,891,193	4,639,737
Deficit		<u>(32,142,339)</u>	<u>(30,078,814)</u>
		<u>26,205,542</u>	<u>27,814,715</u>
		\$ 39,259,541	\$ 40,507,856

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

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

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
Expenses					
Administrative		\$ 403,248	\$ 784,993	\$ 1,492,613	\$ 2,457,987
Share based compensation		77,112	165,653	239,595	411,420
Depreciation of property and equipment	4	35,159	9,777	49,015	34,844
Accretion of decommissioning obligation	8	3,820	3,764	10,698	10,321
Exploration and evaluation	4	-	-	-	30,000
Impairment of exploration and evaluation	4	(40,466)	104,635	(16,260)	104,635
Penalty provision of exploration and evaluation		-	-	-	(1,408,000)
Finance costs	5	397,214	320,915	1,230,904	632,971
Foreign exchange gain		(572,060)	(128,222)	(908,808)	(71,721)
		<u>304,026</u>	<u>1,261,515</u>	<u>2,097,757</u>	<u>2,202,457</u>
Other income					
Finance income		595	1,586	3,934	11,894
Derivative gain	5	14,922	205,477	8,480	95,368
Warrant fair value adjustment	7	25,725	767,223	21,818	328,291
		<u>41,242</u>	<u>974,286</u>	<u>34,232</u>	<u>435,553</u>
Net and comprehensive loss for the period		\$ (262,785)	\$ (287,229)	\$ (2,063,525)	\$ (1,766,904)
Net loss per share					
- Basic and diluted		(0.003)	(0.003)	(0.02)	(0.021)
- Weighted average shares outstanding					
- Basic and diluted ⁽¹⁾		105,223,923	84,992,463	104,462,680	84,992,463
⁽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 condensed 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	Deficit	Total Equity
Balance, December 31, 2014	\$ 53,253,792	\$ 4,639,737	\$ (30,078,814)	\$ 27,814,715
Net loss for the period	-	-	(2,063,525)	(2,063,525)
Issue of shares	202,896	-	-	202,896
Share-based payments	-	251,456	-	251,456
Balance, September 30, 2015	\$ 53,456,688	\$ 4,891,193	\$ (32,142,339)	\$ 26,205,542

	Share Capital	Share Based Payment Reserve	Deficit	Total Equity
Balance, December 31, 2013	\$ 50,731,693	\$ 4,139,390	\$ (22,832,947)	\$ 32,038,136
Net loss for the period	-	-	(1,766,906)	(1,766,906)
Share-based payments	-	500,469	-	500,469
Balance, September 30, 2014	\$ 50,731,693	\$ 4,639,859	\$ (24,599,853)	\$ 30,771,699

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

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

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
Cash flows from (used in) operating activities					
Net loss for the period		\$ (262,785)	\$ (287,229)	\$ (2,063,525)	\$ (1,766,906)
Items not involving cash:					
Foreign exchange gain		(755,880)	(89,000)	(1,056,838)	(89,000)
Share based compensation		77,112	165,653	239,595	411,420
Impairment (reversal) of exploration and evaluation		(40,466)	104,635	(16,260)	104,635
Warrant fair value	7	15,376	(767,223)	21,818	(328,291)
Licence penalty accrual		-	-	-	(1,408,000)
Accretion of decommissioning obligation	8	3,820	3,764	10,698	10,321
Non-cash finance costs	5	233,163	101,800	353,066	209,645
Derivative gain (loss)	5	17,911	(205,477)	21,818	(95,368)
Depreciation of property and equipment	4	35,159	9,777	49,015	34,844
Changes in non-cash working capital balances:					
Other current assets		26,015	(14,029)	27,075	(56,598)
Accounts payable and accrued liabilities		349,474	161,970	894,046	(986,520)
Cash flow used in operating activities		<u>(301,101)</u>	<u>(815,359)</u>	<u>(1,519,492)</u>	<u>(3,959,818)</u>
Cash flows from (used in) financing activities					
Debenture	5	-	-	-	8,823,120
Loan	6	-	-	323,720	-
Issue costs		-	-	-	(409,851)
Cash flows from (used in) financing activities		<u>-</u>	<u>-</u>	<u>323,720</u>	<u>8,413,539</u>
Cash flows from (used in) investing activities					
Expenditures on evaluation and equipment		(64,922)	(1,358,903)	(135,659)	(15,239,802)
Expenditures on property and equipment		-	(1,573)	(1,286)	(14,451)
Restricted cash		-	-	-	27,144
Cash flows from (used in) investing activities		<u>(64,922)</u>	<u>(1,360,476)</u>	<u>(136,945)</u>	<u>(15,227,109)</u>
Increase (decrease) in cash and cash equivalents		(366,023)	(2,175,835)	(1,332,717)	(10,773,388)
Cash and cash equivalents, beginning of period		<u>459,779</u>	<u>3,707,484</u>	<u>1,426,473</u>	<u>12,305,037</u>
Cash and cash equivalents, end of period		\$ 93,756	\$ 1,531,649	\$ 93,756	\$ 1,531,649
Supplemental Information					
Interest paid		\$ -	\$ -	\$ -	\$ -
Corporate Taxes paid		\$ -	\$ -	\$ -	\$ -

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

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

September 30, 2015

1. Corporate Information

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 with two exploration licences: *Sidi Moktar onshore, and Zag onshore*.

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 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

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 November 24, 2015. 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, 2014.

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, 2014.

Going concern assumption

The Company is in the process of exploring its oil and gas properties and has not yet established whether the properties contain reserves that are economically recoverable. The recovery of amounts capitalised for the Company’s remaining property interest of Sidi Moktar on the consolidated statement of financial position is dependent upon the existence and development of economically recoverable hydrocarbons. The ability of the Company to complete the exploration and/or development of the Sidi Moktar property requires additional financing either directly or through a joint venture and the Company successfully negotiating the terms of the next phase of the licence agreement. To date, the Company has not earned revenues relative to its costs incurred for exploration activities, nor established commerciality of the Sidi Moktar licence subsequent to exploration costs incurred to-date.

These condensed consolidated interim 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. The ongoing activities are dependent upon its ability to obtain sufficient financing to fund its current and future operations. The Company currently has a working capital deficit of \$3.32 million (excluding the Cdn\$9.7 million convertible debenture which matures in April 2016, and the Cdn\$0.4 million unsecured loan which matures by April 2016, but includes the \$1.1 million in respect to restricted cash bank guarantees (Note 3 and Note 10), which are expected to be recovered within the next 12 months).

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

September 30, 2015

2. Basis of Presentation - continued

Commitments due in less than twelve months of approximately \$4.0 million including, \$1.2 million for estimated Zag penalty costs (Note 10(b)), \$0.7 million for debenture interest costs to the maturity date /debenture consideration fee costs to the maturity date (Note 5), \$0.03 million for unsecured loan interest costs (Note 6) to the maturity date, and \$2.1 million for estimated general and administrative costs (which includes an estimate for corporate restructuring costs, and which excludes ongoing exploration and evaluation costs). In order to continue operations, the Company closed a Cdn\$1.0 non-convertible debt financing on November 10, 2015, the proceeds of which will be used for general working capital purposes. This debenture bears interest at 15% per annum and will mature on April 10, 2016.

In June 2015, the Company entered into a Debenture Waiver and Amending Agreement with all three Canadian holders of the Company's Cdn\$9.7 million principal amount of debentures issued on April 10, 2014, to defer payment of the quarterly interest payments under the Debentures until April 10, 2016, the maturity date of the Debentures, 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% 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 shall be payable on the Maturity Date in cash.

The ability of the Company to meet its commitments and costs is dependent upon the raising additional capital by issuing equity securities (which may include a rights offering or private placement), debt financing, or by a partial sale on its working interests to an industry partner. The strategic and financial alternatives process continues, with discussions progressing with several interest parties, in conjunction with initiatives to secure short term additional capital for the Company's day to day costs. There can be no assurance, however, that these initiatives will lead to additional capital being secured, nor a qualified partner being located or the timing of any transaction taking place, or at all. In addition, the Company has assessed restructuring alternatives to the Company's debt and share capital, with a focus on debt reduction and alternatives for the Company's Cdn\$9.7 million principal amount of debentures, via a corporate restructuring process. Currently, the Company does not have capital available to undertake a corporate restructuring.

Subsequent to September 30, 2015, the Company closed a Cdn \$1.0 million non-convertible debt financing, following which, additional capital is required before the end of December 2015 for the Company to continue its current operations.

Future financings will be required in order to fund the short-term, medium-term and long-term exploration and evaluation program however, there is no certainty that such financings will be obtained on terms acceptable to management. This uncertainty casts significant and material doubt about the ability of the Company to continue as a going concern. The condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. Should the going concern basis not be appropriate for these consolidated financial statements, then adjustments may be necessary in the carrying value of property and equipment, liabilities, the reported expenses, and the classifications used in the consolidated statement of financial position. Such adjustments will be material.

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

September 30, 2015

2. Basis of Presentation - continued

Functional and presentation currency

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

Currency	September 30, 2015	December 31, 2014	September 30, 2014
Average rate for the period:			
Pounds Sterling	0.6527	0.6072	0.5990
Canadian Dollar	1.2591	1.1041	1.0935
Euro	0.8971	0.7535	0.7377
Moroccan Dirhams	9.6440	8.3343	8.1872
Period end rate:			
Pounds Sterling	0.6598	0.6437	0.6157
Canadian Dollar	1.3400	1.1627	1.1156
Euro	0.8915	0.8226	0.7882
Moroccan Dirhams	9.6859	9.0062	8.6508

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 interim financial statements are detailed in Note 2 in the annual financial statements.

3. Restricted Cash

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

	In favor of	September 30, 2015	December 31, 2014
Sidi Mokhtar farm-in arrangement (Note 10(a))	MPE	\$ 2,500,000	\$ 2,500,000
Zag exploration licence (Note 10(b))	San Leon	600,000	600,000
Other	Barclays	19	19
		<u>3,100,019</u>	<u>3,100,019</u>
Current portion of restricted cash		<u>(1,100,019)</u>	<u>(3,100,019)</u>
Long-term portion of restricted cash		<u>\$ 2,000,000</u>	<u>\$ -</u>

Additional details with respect to the work commitments of the licences are as disclosed in Note 10.

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

September 30, 2015

4. Exploration and Evaluation Assets

Balance, December 31, 2014	\$ 35,633,245
Additions	223,764
Balance, September 30, 2015	<u>\$ 35,857,009</u>

Exploration and evaluation assets consist entirely of costs pertaining to licences in Morocco, the carrying value at September 30, 2015 relating to the Sidi Moktar licence. The evaluation of the technical feasibility or commercial viability of the Sidi Moktar licence has not been established. The Company recovered a \$16,260 with respect to a previously recognized impairment, as a result of the operator finalizing the well costs and cash call reconciliations.

During the nine month period, the Company capitalised \$79,471 (2014 - \$412,363) of administrative salaries and costs and \$11,861 (2014 - \$89,049) related to share based payments directly related to exploration and evaluation activities on the Sidi Moktar licence.

5. Convertible Debenture

On April 10, 2014, PetroMaroc issued Cdn\$9.7 million 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 Cdn\$0.30 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 Cdn\$0.30 until April 10, 2016.

The Company failed to make the March 31, 2015 interest payment by April 30, 2015 and therefore was in default of the convertible debenture finance agreement.

In June 2015, the Company entered into a Debenture Waiver and Amending Agreement with all three Canadian holders of the Company's Cdn\$9.7 million principal amount of debentures issued on April 10, 2014, to defer payment of the quarterly interest payments under the Debentures until April 10, 2016, the maturity date of the Debentures, 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% 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 shall be payable on the Maturity Date in cash.

On issuance, the Debentures were split between the financial liability and the equity conversion feature (which is classified as a derivative financial liability under IFRS). The financial liability portion was determined by subtracting issuance costs, the fair value of the warrants issued and the fair value of the conversion feature from the principal of the Debenture. On April 10, 2014, the value classified as convertible debentures liability amounted to \$8,583,752 (gross of commissions, legal costs and value attributed to the warrants) and the value classified as a derivative financial liability amounted to \$239,638. The fair value of the equity conversion feature is estimated every balance sheet date with changes in the fair value estimate between periods recognized in the consolidated statement of operations and comprehensive income/loss.

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

September 30, 2015

5. 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	353,066	-	353,066
Derivative gain (loss)	-	(21,818)	(21,818)
Foreign exchange gain	(1,045,701)	-	(1,045,701)
Balance at September 30, 2015	<u>\$ 6,980,810</u>	<u>\$ 55,832</u>	<u>\$ 7,036,642</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.

Finance costs of \$1,230,904 include the accretion and amortization of debt issuance costs of \$353,066 and \$877,838 of debenture interest.

6. Loan

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 will receive 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 expire 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 – 2 years. The principal amount and all accrued interest is due either on April 30, 2016 or upon the release of the \$2.5 million of restricted cash (Note 3). This loan is unsecured and is subordinate to the Convertible Debenture (Note 5). At September 2015, \$6,300 interest has been accrued for the unsecured loan.

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

September 30, 2015

7. Warrant Value Attributed in Financings

Warrants issued and outstanding:

	September 30, 2015	
	Warrants	Amounts
Warrants		
Opening balance	19,700,000	\$ 9,149
Issued in loan (Note 6)	8,000,000	1,426
Fair value adjustment	-	(9,910)
Balance, end of period	27,700,000	\$ 665

Only values related to the non-compensatory warrants have been included in this table and do not include the compensatory warrants included in equity (Note 9(b)).

Each non-compensatory warrant is measured at fair value quarterly using the Black-Scholes options pricing model. The fair value of warrants was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	September 30, 2015
Number outstanding re-valued warrants, end of period	27,700,000
Fair value of warrants outstanding	Cdn \$0.0005
Risk free interest rate	1.07%
Expected life	0.77 - 0.98 years
Expected volatility	65%

The following tables summarises the warrants outstanding and exercisable at September 30, 2015:

Number of warrants	Warrant Type	Exercise price (Cdn \$)	Expiry date
9,700,000	Non-compensatory	\$0.30	April 10, 2016
10,000,000	Non-compensatory	\$0.30	May 4, 2016
8,000,000	Non-compensatory	\$0.05	June 15, 2016
27,700,000			

There were no compensatory warrants outstanding at September 30, 2015.

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

September 30, 2015

8. 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.

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Obligation, beginning of period	\$ 1,016,896	\$ 752,051
Liabilities incurred	-	250,000
Change in estimated cash flows	-	746
Accretion expenses	10,698	14,099
Obligation, end of period	\$ <u>1,027,594</u>	\$ <u>1,016,896</u>

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

9. Share Capital

(a) Authorised

Unlimited number of Common Shares without nominal or par value.

(b) Issued

	<u>September 30, 2015</u>	
	<u>Issued</u>	<u>Amounts</u>
Common Shares		
Opening balance	101,149,036	\$ 53,253,792
Debt settlement ⁽ⁱ⁾	4,074,887	202,896
Balance, end of period	<u>105,223,923</u>	<u>\$ 53,456,688</u>
Warrants		
Opening balance	19,700,000	\$ -
Issued in loan (Note 6)	8,000,000	-
Balance, end of period	<u>27,700,000</u>	<u>\$ 53,456,688</u>

(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 Convertible debenture Q4 2014 interest payment of \$47,386 (Cdn). On April 15, 2015, Company issued an additional 3,285,115 shares to settle the remaining Convertible debenture Q4 2014 interest of \$197,107 (Cdn).

(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.

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

September 30, 2015

9. Share Capital - continued

A summary of the status of the Company's stock option plan as at September 30, 2015 is presented below:

Stock Options	September 30, 2015 Number of options	September 30, 2015 Weighted average Exercise Price (Cdn \$)
Beginning of period	7,101,426	\$0.34
Granted	5,080,000	\$0.05
Exercised	-	-
Expired/Forfeited	(1,659,284)	\$0.44
End of period	10,522,142	\$0.21
Exercisable, end of period	7,892,142	\$0.27

Date of Grant	Number Outstanding	Exercise Price (Cdn \$)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable September 30, 2015
May 22, 2012	25,000	\$0.60	1.64 years	May 22, 2017	25,000
December 21, 2012	687,142	\$1.18	1.42 years	February 28, 2017	687,142
January 15, 2013	1,570,000	\$0.70	2.30 years	January 15, 2018	1,046,667
April 30, 2014	3,160,000	\$0.30	3.58 years	April 30, 2019	1,053,333
July 22, 2015	5,080,000	\$0.05	4.81 years	July 22, 2020	5,080,000
	10,522,142		3.84 years		7,892,142

10. Commitments and Contingencies

(a) Sidi Moktar Farm-in

On May 16, 2012, PetroMaroc entered into a Farm-in Agreement with Maghreb Petroleum Exploration S.A. ("MPE"). Pursuant to the Farm-in Agreement, PetroMaroc will acquire a 50% interest in the onshore Sidi Moktar exploration licences referred to as Sidi Moktar West, Sidi Moktar South and Sidi Moktar North located in the Essaouira Basin in Central Morocco. In consideration for the acquisition of that interest, PetroMaroc will be responsible for carrying out a work programme of acquiring, processing and interpreting new seismic data and drilling two earning wells by August 28, 2017. With respect to this and other completed work commitments, the Company has posted a bank guarantee of \$2.5 million (Note 3).

The Company has agreed with ONHYM to a six to twelve month extension of the First Extension Period of the Exploration licence, in order to secure additional funding. This extension, along with an agreed work programme for the Second Extension Period remains subject to the approval by the Ministry of Energy and Mines.

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

September 30, 2015

10. Commitments and Contingencies - continued

The Company is seeking to release \$0.5 million restricted cash lodged as a Bank Guarantee, per the Company's Farm-In Agreement with MPE (a partner on the licence). The \$0.5 million release of the restricted cash Bank Guarantee is subject to approval by MPE, which management expects to be received within the next 12 months.

If the Exploration Licence minimum work obligations are not met, the Company may lose its interest in the licence and may potentially lose sums of restricted cash lodged as a Bank Guarantee.

(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 continues to seek a mutually agreed technical, commercial and financial proposal to reduce its financial exposure insofar as possible. This extension remains subject to approval by the joint venture partners and the Ministry of Energy and Mines. 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.

The Company has also entered into an agreement with the operator whereby if the licence is sold, farmed-out or other triggering event occurs, PetroMaroc may be liable for up to \$1.1 million to the operator. This liability has not been recorded at the balance sheet date as a triggering event has not occurred.

(c) Sidi Moussa licence

On July 30, 2014, the operator of the Sidi Moussa licence, Genel, spudded the Nour-1 exploration well which is located in 1,000 metres of water approximately 59 kilometres offshore Morocco, targeting Mid-Jurassic / Upper Jurassic reservoirs. PetroMaroc's dry hole exploration well net share of costs were estimated to be approximately \$1 million. Prior to entering the potential reservoir horizons, the Company entered formal discussions with the operator and partners on the licence to transfer its 1.5% working interest, in order to avoid a potential default situation on cash calls. In early October 2014 the Company successfully executed the transfer of its working interest to one of the partners on the licence, following which, the net cost for the Nour-1 well will be \$nil. This transfer will be effective upon approval by the Moroccan authorities (joint Ministerial orders).

11. Financial Instruments

The Company may hold various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to, credit, and foreign exchange risks remain unchanged from December 31, 2014. The Company manages its exposure to these risks by operating in a manner that minimises its exposure to the extent practical.

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

September 30, 2015

11. Financial Instruments - continued

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 September 30, 2015 or December 31, 2014.

Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates on the foreign cash balances at September 30, 2015 would have impacted the cash flows of the Company during the quarter by approximately \$3,150. A 1% increase or decrease in foreign exchanges on the convertible debenture would have impacted the cash flows of the Company during the 2015 period by approximately \$69,800.

Additional disclosure with respect to the Company's financial instruments is included in Note 13 in the Company's annual financial statements.

12. Capital Risk Management

The Company defines capital as total debt and shareholders' equity. The Board's policy is to maintain a capital base so as to maintain investor, creditor and market confidence and sustain future development of the business.

The objectives when managing capital are to safeguard the ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimises the costs of capital at an acceptable level of risk.

As the Company business plan is capital intensive, the majority of the spending is related to capital programs. The Company goals are to prudently spend its capital. As circumstances change, liquidity risks may necessitate the Company to issue equity, obtain debt finance, or divest assets. The estimated commitments, in addition to those recorded in the consolidated financial statement and further details of liquidity are discussed in Note 10. The accounts payable have general terms of 30 days from receipt of the invoice or joint venture billing. The convertible debenture matures on April 10, 2016 (Note 5) and the unsecured loan matures by April 30, 2016 (Note 6). Note 2 further discusses the ability of the Company to meet its obligations as they come due.

The Company manages the capital structure and makes adjustments to it in light of the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire, or dispose of assets. In order to facilitate the management of its capital requirements the Company prepares an annual expenditure budget that is updated as necessary, depending on various factors. The Company has not changed its approach to capital management during the current year. The Company is not subject to any external capital restrictions. PetroMaroc will be required to complete debt or equity financing to fund its exploration and development plans.

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

September 30, 2015

12. Capital Risk Management - continued

The Company currently has a working capital deficit of \$3.32 million (excluding the Cdn\$9.7 million convertible debenture which matures in April 2016 and the Cdn\$0.4 million unsecured loan which matures by April 2016, but includes US\$1.1 million of restricted cash) and commitments due in less than twelve months of approximately \$4.0 million, including \$1.2 million for estimated Zag penalty costs which may be payable (Note 10(b)), \$0.7 million for debenture interest costs to the maturity date /debenture consideration fee costs to the maturity date (Note 5), \$0.03 million for unsecured loan interest costs (Note 6) and \$2.1 million for estimated general and administrative costs. The ability of PetroMaroc to meet these commitments and repay the Cdn \$9.7 million secured debenture (Note 5), and repay the Cdn \$0.4 million unsecured loan (Note 6) is dependent upon raising additional financing by issuing equity or debt securities, or by a partial sale on its working interests with an industry partner. In order to continue operations, the Company closed a Cdn\$1.0 non-convertible debt financing on November 10, 2015. This debenture bears interest at 15% per annum and matures on April 10, 2016.
