PetroMaroc Corporation plc
Interim Condensed Consolidated Financial Statements
June 30, 2016
(Unaudited)

Contents

NATIONAL INSTRUMENT 51-102
The interim condensed financial statements and notes thereto for the three and six months ended June 30, 2016 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		June 30, 2016		December 31, 2015
Assets					
Current					
Cash and cash equivalents		$	**81,356**	$	221,914
Other current assets			**59,889**		99,369
Restricted cash	**3**		**3,100,019**		3,100,019
			3,241,264		3,421,302
Non-current					
Exploration and evaluation assets	**4**		**6,521,247**		6,800,000
Property and equipment			**1,171**		32,522
			6,522,418		6,832,522
		$	**9,763,682**	$	10,253,824
Liabilities					
Current					
Accounts payable and accrued liabilities		$	**6,526,360**	$	4,848,490
Convertible debentures	**5**		**7,477,899**		6,867,140
Other current liabilities	**6**		**1,375,960**		1,009,260
			15,380,219		12,724,890
Decommissioning obligations	**7**		**1,040,141**		1,031,429
			16,420,360		13,756,319
Shareholders' Equity					
Share capital	**8**		**53,456,688**		53,456,688
Share based payment reserve			**4,968,794**		4,924,448
Deficit			**(65,082,160)**		(61,883,631)
			(6,656,678)		(3,502,495)
		$	**9,763,682**	$	10,253,824

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

In United States Dollars

	Notes	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Expenses					
Administrative		**$ 266,223**	$ 548,533	**$ 1,215,263**	$ 1,089,365
Share based compensation		**15,616**	71,191	**44,346**	162,483
Depreciation and impairment		**13,809**	6,496	**28,221**	13,856
Accretion of decommissioning obligation	**7**	**3,863**	3,086	**8,712**	6,878
Exploration and evaluation	**4**	**-**	4,250	**-**	24,207
Finance costs	**5**	**862,291**	406,174	**1,350,789**	708,618
Foreign exchange loss (gain)		**11,448**	375,297	**552,539**	(211,676)
		1,173,250	1,415,027	**3,214,870**	1,793,731
Other income (loss)					
Finance income		**651**	544	**1,341**	3,340
Derivative loss		**-**	(21,885)	**-**	(3,907)
Warrant fair value adjustment (loss)		**-**	(15,591)	**-**	(6,442)
		651	(36,932)	**1,341**	(7,009)
Net and comprehensive loss for the period		**$ (1,172,599)**	$ (1,451,959)	**$ (3,198,529)**	$ (1,800,740)
Net loss per share					
- **Basic and diluted**		**(0.011)**	(0.014)	**(0.030)**	(0.017)
Weighted average shares outstanding					
- **Basic and diluted** [(1)]		**105,223,923**	104,712,907	**105,223,923**	103,106,477

(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, 2015	$ 53,456,688	$ 4,924,448	$ (61,883,631)	$ (3,502,495)
Net loss for the period	-	-	(3,198,529)	(3,198,529)
Issue of shares	-	-	-	-
Share-based payments	-	44,346	-	44,346
Balance, June 30, 2016	$ 53,456,688	$ 4,968,794	$ (65,082,160)	$ (6,656,678)

	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	-	-	(1,800,740)	(1,800,740)
Issue of shares	202,896	-	-	202,896
Share-based payments	-	174,293	-	174,293
Balance, June 30, 2015	$ 53,456,688	$ 4,814,030	$ (31,879,554)	$ 26,391,164

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 June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Cash flows from (used in) operating activities					
Net loss for the period		**$ (1,172,599)**	$ (1,451,959)	**$ (3,198,529)**	$ (1,800,740)
Items not involving cash:					
Foreign exchange loss/(gain)		**(13,455)**	295,636	**536,476**	(300,958)
Stock based compensation	**8**	**15,616**	71,191	**44,346**	162,483
Warrant fair value		**-**	15,591	**-**	6,442
Accretion of decommissioning obligation	**7**	**3,863**	3,086	**8,712**	6,878
Non-cash finance costs		**11,493**	8,677	**141,780**	119,903
Derivative loss		**-**	21,885	**-**	3,907
Depreciation		**13,809**	6,496	**28,221**	13,856
Changes in non-cash working capital balances:					
Other current assets		**24,102**	(30,617)	**39,480**	1,060
Accounts payable and accrued liabilities		**818,149**	531,793	**1,677,870**	568,778
Cash flow used in operating activities		**(299,022)**	(528,221)	**(721,644)**	(1,218,391)
Cash flows from (used in) financing activities					
Loan	**6**	**299,203**	323,720	**299,203**	323,720
Cash flows from (used in) financing activities		**299,203**	323,720	**299,203**	323,720
Cash flows from (used in) investing activities					
Expenditures on evaluation and equipment		**(20,000)**	(39,603)	**(21,247)**	(70,737)
Proceeds on property and equipment disposal		**3,130**	(1,286)	**3,130**	(1,286)
Proceeds on evaluation and equipment disposal		**-**	-	**300,000**	-
Cash flows from (used in) investing activities		**(16,870)**	(40,889)	**281,883**	(72,023)
Increase (decrease) in cash and cash equivalents		**(16,689)**	(245,390)	**(140,558)**	(966,694)
Cash and cash equivalents, beginning of period		**98,045**	705,169	**221,914**	1,426,473
Cash and cash equivalents, end of period		**$ 81,356**	$ 459,779	**$ 81,356**	$ 459,779
Supplemental Information					
Interest paid		**$ -**	$ -	**$ -**	$ -
Corporate Taxes paid		**$ -**	$ -	**$ -**	$ -

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

1. Corporate Information and Corporate Transaction

PetroMaroc Corporation plc ("PetroMaroc" or "the Company"), is a publicly traded corporation listed 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, 2015 had one remaining exploration licence that the Company is pursuing (*Sidi Moktar onshore).*

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 licences in consideration for issuance to the Company of 21,258,008 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 licences, and the Company retaining a 5% net profit interest in any future cash flows from structures within the Sidi Moktar licences other than the Kechoula structure. The $2.5 million of restricted cash (Note 3) is to be released upon completion of the transaction, ahead of which $0.7 million was released in July 2016. The sale and purchase agreement is subject to a number of conditions precedent, including ministerial approvals in Morocco, debenture holder approval and a final approval of the TSX-X.

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 August 26, 2016. 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, 2015.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the warrants associated with the debt 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
The Company has been 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 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 the commerciality of the Sidi Moktar licence subsequent to exploration costs incurred to-date. The recovery of amounts capitalised for the Company's remaining property interest of Sidi Moktar on the consolidated statement of financial position is primarily dependent upon the completion of the transaction proposed with Sound, as described in Note 1.

These condensed 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. The ongoing activities are dependent upon its ability to obtain sufficient financing to fund its current and future operations. At June 30, 2016, the Company has a working capital deficit of $12.1 million inclusive of the $3.1 million in respect to restricted cash bank guarantees (Note 3 and Note 9), which are expected to be recovered within the next 12 months.

2. Basis of Presentation - continued

Commitments due in less than twelve months of approximately $2.65 million including, $1.2 million for estimated Zag penalty costs (Note 9(b)), $0.45 million for debenture interest costs/waiver costs/consideration fee costs to the September 30, 2016 maturity date (Note 5, Note 6 (a), Note 6 (c)), and $1.0 million for estimated general and administrative costs (which includes an estimate for corporate restructuring costs, and which excludes ongoing exploration and evaluation costs).

On April 11, 2016, the Company entered into a waiver and amending agreement with the Cdn $9.7 million (Note 5) and Cdn $1.0 million (Note 6 (c)) debenture holders to extend the maturity date from April 10, 2016 to September 30, 2016, under which payment of the quarterly interest payments (June 30, 2016, September 30, 2016) shall accrue to the 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, which 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. 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. In addition, the Company continues to assess restructuring alternatives to the Company’s debt and share capital, with a focus on debt reduction and settlement of the Company's debentures, which the Company plans to complete before the end of 2016.

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 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 could be material.

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 theses condensed consolidated interim financial statements are detailed in Note 2 in the annual financial statements.

In United States Dollars

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	June 30, 2016	December 31, 2015	June 30, 2015
Average rate for the period:			
Pounds Sterling	0.6982	0.6542	0.6564
Canadian Dollar	1.3302	1.2783	1.2340
Euro	0.8960	0.9012	0.8958
Moroccan Dirhams	9.7492	9.6839	9.6165
Period end rate:			
Pounds Sterling	0.7552	0.6755	0.6361
Canadian Dollar	1.3009	1.3869	1.2354
Euro	0.9063	0.9168	0.9012
Moroccan Dirhams	9.7886	9.8165	9.6720

3. Restricted Cash

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

	In favor of		**June 30, 2016**		December 31, 2015
Sidi Moktar farm-in arrangement *(i)* and *(Note 9(a))*	MPE	**$**	**2,500,000**	$	2,500,000
Zag exploration licence	San Leon		**600,000**		600,000
Other	Barclays		**19**		19
		$	**3,100,019**	$	3,100,019

(i) *In July 2016, $700,000 of the restricted cash was released to the Company.*

4. Exploration and Evaluation Assets

Balance, December 31, 2015	$	6,800,000
Proceeds on disposal		(300,000)
Additions		21,247
Balance, June 30, 2016	$	6,521,247

Exploration and evaluation assets consist entirely of costs pertaining to licences in Morocco. The carrying value at June 30, 2016 relates to the Sidi Moktar licence. The evaluation of the technical feasibility or commercial viability of the Sidi Moktar licence has not been established. Pursuant to the Company's strategic alternatives process, 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 licences in consideration for issuance to the Company 21,258,008 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 licences, and the Company retaining a 5% net profit interest in any future cash flows from structures within the Sidi Moktar licences other than the Kechoula structure (Note 1).

4. Exploration and Evaluation Assets - continued

The current economic conditions, the Company's inability to raise suitable financing at acceptable terms to further develop the licensed asset and valuation based on the subsequent transaction with Sound are all indicators that the carrying value of the Company's exploration and evaluation assets are impaired. As such, PetroMaroc has impaired the Sidi Moktar licence to the estimated net recoverable value of the asset. Given the uncertainty around the extension of the licence and related commitments the impairment was based on fair value less cost of disposal ("FVLCD"). The best indicator of FVLCD is the amount obtained from the sale of an asset in an arm's length transaction between knowledgeable, willing parties and as such PetroMaroc established FVLCD by reference to the estimated price agreed to with Sound. Fair value was estimated to approximate $6.5 million at December 31, 2015 and June 30, 2016, and the associated decommissioning obligation (Note 7) to be assumed by Sound. This approximation was based on the fair value of the Sound shares valued at their trading prices, ie a Level 2 level of hierarchy. No value has been allocated to the net profit interest(s) which were negotiated as a part of the Sound agreement as their value is contingent on future cash flows from the licence.

On December 31, 2015, $0.3 million was included for the salvage value of the surplus inventory on hand, which surplus inventory was disposed of in February 2016.

During the six month period, the Company capitalised $Nil (2015 - $78,928) 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.

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 (CAD) 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 (CAD) 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 (CAD) until April 10, 2016. These warrants expired unexercised during the second quarter of 2016.

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 (i.e. the annual coupon rate was amended from 10% to 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 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"), such 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 convertible debentures and the Cdn $1.0 million non-convertible debenture holder (Note 6(b)) to extend the maturity date from April 10, 2016 to September 30, 2016, under which payment of the quarterly interest payments (June 30, 2016, September 30, 2016) shall accrue to the September 30, 2016 maturity date. Pursuant to the terms of the waiver and amending 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 and amending 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 "Extension Fee"), which Extension Fee shall be payable on the maturity date, in cash.

In United States Dollars

5. Convertible Debenture - continued

Such Extension Fee being in addition to the Consideration Fee and the Waiver Fee.

The following table summarizes the accounting for the debentures:

		Liability		Derivative Financial Liability		Total
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		468,979		-		468,979
Balance at June 30, 2016	$	7,477,899	$	-	$	7,477,899

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 $1,350,789 include the accretion and amortization of debt issuance costs of $141,780, $3,698 of debenture interest (note 6 (a)), $15,475 of loan interest (note 6 (b)), $67,711 of debenture interest (note 6 (c)), and $581,963 waiver and consent fees relating to; deferred payment of the debenture interest, consent for the November 2015 debenture financing, and loan maturity extension from April 10, 2016 to September 30, 2016.

6. 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 September 30, 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 5) and the Cdn $1.0 million non-Convertible debenture (Note 6 (c)), and ranks in priority to unsecured Loan (Note 6(b)). As at June 30, 2016, $3,698 interest has been accrued for the unsecured loan.

(b) On June 16, 2015 the Company closed an unsecured Cdn$0.4 million loan. This arms' length loan bears interest at 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 expired on June 16, 2016. 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 3). This loan is unsecured and ranks subordinate to the Cdn $9.7 million Convertible debentures (Note 5), the Cdn $1.0 million debentures (Note 6 (a)), and the Cdn $0.39 million debentures (Note 6(c)). As at June 30, 2016, $15,475 interest has been accrued for the unsecured loan.

(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 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 5), and the Cdn $0.39 million non-Convertible debenture (Note 6 (a)), and ranks in priority to unsecured Loan (Note 6(b)). As at June 30, 2016, $85,730 of interest has been accrued for the secured debenture. In April 2016, the debenture maturity date was extended from April 10, 2016, to September 30, 2016.

In United States Dollars

7. 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.

	June 30, 2016	December 31, 2015
Obligation, beginning of period	**$ 1,031,429**	$ 1,016,896
Accretion expenses	**8,712**	14,533
Obligation, end of period	**$ 1,040,141**	$ 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 (2015 - 1.50 percent) and an inflation rate of 2.0 percent (2015 - 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 Note 1 and 4, Sound will assume the decommissioning obligations upon closing of the transaction.

8. Share Capital

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

(b) Issued

	June 30, 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 period	**105,223,923**		**53,456,688**	105,223,923		53,456,688
Warrants						
Opening balance	**27,700,000**	**$**	**-**	19,700,000	$	-
Issued in loan (Note 6(a))	**-**		**-**	8,000,000		-
Expired (ii)	**(27,700,000)**		**-**	-		-
Balance, end of period	**-**		**-**	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) In April 2016 and June 2016, the 27,700,000 warrants expired unexercised.

In United States Dollars

8. Share Capital - continued

(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's stock option plan as at June 30, 2016 is presented below:

Stock Options	June 30, 2016 Number of options	Weighted average Exercise Price (CAD $)
Beginning of period	**10,522,142**	**$0.30**
Granted	**-**	**-**
Exercised	**-**	**-**
Expired/Forfeited	**-**	**-**
End of period	**10,522,142**	**$0.30**
Exercisable, end of period	**8,415,475**	**$0.30**

Date of Grant	Number Outstanding	Exercise Price (Cdn $)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable June 30, 2016
May 22, 2012	25,000	$0.60	0.666 years	May 22, 2017	25,000
December 21, 2012	687,142	$1.18	0.893 years	February 28, 2017	687,142
January 15, 2013	1,570,000	$0.70	1.545 years	January 15, 2018	1,570,000
April 30, 2014	3,160,000	$0.30	2.833 years	April 30, 2019	1,053,333
July 22, 2015	5,080,000	$0.05	4.063 years	July 22, 2020	5,080,000
	10,522,142		2.487 years		8,415,475

9. Commitments and Contingencies

(a) Sidi Moktar Farm-in

On May 16, 2011, PetroMaroc entered into a Farm-in Agreement with Maghreb Petroleum Exploration S.A. ("MPE"). Pursuant to the Farm-in Agreement, PetroMaroc will acquired 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 is 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).

9. Commitments and Contingencies - continued

PetroMaroc entered into a binding transaction with Sound in March 2016, to dispose of the Sidi Moktar asset (Note 1). Upon completion of the transaction, the Bank Guarantee held in escrow will be released to the Company.

(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. This extension remains subject to approval by the joint venture partners and the Ministry of Energy and Mines. The Company has accrued $1.2 million penalty costs based on its working interest in the joint venture as the joint venture has not met the minimum work commitments required by the licence and the operator has been notified of the same. The $0.6 million of restricted cash lodged as a bank guarantee is 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.

10. 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) Commodity Price Risk
The Company will be subject to commodity price risk for the sale of its production. The Company may enter into contracts for risk management purposes only, in order to protect a portion of its future cash flow from the volatility of petroleum commodity prices. To date, the Company has no production and has not entered into any financial instrument exposed to commodity risk.

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

(c) 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 accounts receivable. 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 June 30, 2016, none of the financial assets are considered to be impaired.

(d) 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 debentures as disclosed in Notes 5 and 6.

10. Financial Instruments - continued

(e) 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 June 30, 2016 and December 31, 2015.

Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates on the foreign cash balances at June 30, 2016 would have impacted the cash flows of the Company during the 2016 second quarter by approximately $814 (2015 - $6,300). A 1% increase or decrease in foreign exchanges on the convertible debenture would have impacted the cash flows of the Company during the 2016 period by approximately $74,778 (2015 - $110,800).

(f) 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 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.

All financial assets (except for cash and cash equivalents and restricted cash which are classified as FVPL), are classified as either loans or 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.

(g) 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.

10. Financial Instruments - continued

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 2015 year-end consolidated financial statement and further details of liquidity are discussed in Note 16. The accounts payable have general terms of 30 days from receipt of the invoice or joint venture billing. The convertible Cdn $9.7 million secured debenture is due on September 30, 2016 (Note 5). The Cdn $1.0 million secured debenture is due on September 30, 2016 (Note 6 (c)). The Cdn $0.4 million unsecured loan is due on September 30, 2016 (Note 6 (b)). The Cdn $0.39 million secured debenture is due on September 30, 2016 (Note 6(a)). Note 2 further discusses the ability of the Company to meet its obligations as they come due.

11. 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 9. The accounts payable have general terms of 30 days from receipt of the invoice or joint venture billing. The convertible Cdn $9.7 million debenture matures on September 30, 2016 (Note 5), the non-convertible Cdn $1.0 million debenture matures on September 30, 2016 (Note 6(c)), the Cdn $0.4 million unsecured loan matured by September 30, 2016 (Note 6(b)) and the Cdn $0.39 million secured debenture is due on September 30, 2016 (Note 6(a)). 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.

The Company currently has a working capital deficit of $12.7 million (inclusive of the Cdn$11.09 million debentures which mature on September 30, 2016, the Cdn$0.4 million unsecured loan which matured in April 2016 and inclusive of the $3.1 million in respect to restricted cash bank guarantees (Note 3 and Note 9(a)), which are expected to be recovered within the next 12 months) and commitments due in less than twelve months of approximately $2.65 million including, $1.2 million for estimated Zag penalty costs (Note 9(b)), $0.45 million for debenture interest costs / waiver fee costs / consideration fee costs to the September 30 2016 maturity date and $1.0 million for estimated general and administrative costs (which amount includes

11. Capital Risk Management - continued

an estimate for corporate restructuring costs which the Company estimates may be incurred during the next 12 months and which excludes ongoing exploration and evaluation costs). In order to meet the obligations as they come due, the Company entered into a disposition agreement as disclosed in Note 1. The ability of PetroMaroc to meet these commitments and repay the secured debentures (Note 5, Note 6 (a), Note 6 (c)), and the unsecured loan (Note 6 (b)) 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 entered into a binding transaction disposition agreement as disclosed in Note 1.