PetroMaroc Corporation plc
(formerly Longreach Oil and Gas Limited)
Condensed Consolidated Financial Statements
June 30, 2014
(Unaudited)

Contents

PetroMaroc Corporation plc
(formerly Longreach Oil and Gas Limited)
Condensed Consolidated Statements of Financial Position
In United States Dollars
(Unaudited)

	Notes		June 30, 2014		December 31, 2013
Assets					
Current					
Cash and cash equivalents		$	3,707,484	$	12,305,037
Other current assets			105,710		63,141
Restricted cash	3		2,800,019		327,163
			6,613,213		12,695,341
Non-current					
Restricted cash	3		600,000		3,100,000
Investment and advances			181,155		181,155
Exploration and evaluation assets	4		38,727,637		25,476,298
Property and equipment	5		102,488		114,677
			39,611,280		28,872,190
		$	46,224,493	$	41,567,471
Liabilities					
Current					
Accounts payable and accrued liabilities		$	5,276,429	$	8,777,284
Convertible debentures	6		7,850,205		-
Derivative financial liability	6		349,477		-
Warrants	7		870,743		-
Decommissioning obligations	8		1,009,354		752,051
			15,356,208		9,529,335
Shareholders' Equity					
Share capital	9		50,731,693		50,731,693
Share based payment reserve			4,449,216		4,139,390
Deficit			(24,312,624)		(22,832,947)
			30,868,285		32,038,136
		$	46,224,493	$	41,567,471

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

PetroMaroc Corporation plc
(formerly Longreach Oil and Gas Limited)
Condensed Consolidated Statements of Operations and Comprehensive Loss
In United States Dollars
(Unaudited)

	Notes		Three Months Ended June 30, 2014		2013		Six Months Ended June 30 2014		2013
Expenses									
Administrative		**$**	**837,589**	$	880,610	**$**	**1,672,995**	$	1,726,207
Share based compensation			**146,121**		190,465		**245,767**		356,949
Depreciation	**5**		**12,228**		7,690		**25,067**		10,709
Accretion of decommissioning obligation	**8**		**3,750**		-		**6,557**		-
Exploration and evaluation	**4**		**-**		-		**30,000**		
Penalty provision of exploration and evaluation	**10(c)**		**(1,408,000)**		-		**(1,408,000)**		-
Finance costs	**6**		**312,056**		-		**312,056**		-
Foreign exchange loss (gain)			**(10,397)**		322		**56,502**		645,445
			(106,653)		1,079,087		**940,944**		2,739,310
Other income (loss)									
Finance income			**7,628**		4,893		**10,308**		14,244
Derivative loss	**6**		**(110,109)**		-		**(110,109)**		-
Warrant fair value adjustment (loss)	**7**		**(438,932)**		-		**(438,932)**		16,890
			(541,413)		4,893		**(538,733)**		31,134
Net and comprehensive loss for the period		**$**	**(434,760)**	$	(1,074,194)	**$**	**(1,479,677)**	$	(2,708,176)
Net loss per share									
- **Basic and diluted**			**(0.005)**		(0.013)		**(0.017)**		(0.033)
Weighted average shares outstanding									
- **Basic and diluted** *(1)*			**84,992,463**		81,119,324		**84,992,463**		81,108,102

(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
(formerly Longreach Oil and Gas Limited)
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, 2013	$	50,731,693	$	4,139,390	$	(22,832,947)	$	32,038,136
Net loss for the period		-		-		(1,479,677)		(1,479,677)
Share-based payments		-		309,826		-		309,826
Balance, June 30, 2014	$	50,731,693	$	4,449,216	$	(24,312,624)	$	30,868,285

		Share Capital		Share Based Payment Reserve		Deficit		Total Equity
Balance, December 31, 2012	$	50,797,099	$	2,903,402	$	(13,333,009)	$	40,367,492
Net loss for the period		-		-		(2,708,176)		(2,708,176)
Exercise of warrants		206,760		-		-		206,760
Share-based payments		-		454,879		-		454,879
Balance, June 30, 2013	$	51,003,859	$	3,358,281	$	(16,041,185)	$	38,320,955

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

PetroMaroc Corporation plc
(formerly Longreach Oil and Gas Limited)
Condensed Consolidated Statements of Cash Flows
In United States Dollars
(Unaudited)

	Notes	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Cash flows from (used in) operating activities					
Net loss for the period		**$ (434,760)**	$ (1,074,194)	**$ (1,479,677)**	$ (2,708,176)
Items not involving cash:					
Foreign exchange loss		**(5,629)**	2,603	**-**	77,952
Stock based compensation		**146,121**	190,465	**245,767**	356,949
Warrant fair value	**7**	**438,932**	-	**438,932**	(16,890)
License penalty accrual	**10(c)**	**(1,408,000)**	-	**(1,408,000)**	-
Accretion of decommissioning obligation	**8**	**3,750**	-	**6,557**	-
Non-cash finance costs	**6**	**107,845**	-	**107,845**	-
Derivative loss	**6**	**110,109**	-	**110,109**	-
Depreciation	**5**	**12,228**	7,690	**25,067**	10,709
Changes in non-cash working capital balances:					
Other current assets		**(42,895)**	113,819	**(42,569)**	286,396
Accounts payable and accrued liabilities		**(566,245)**	(121,482)	**(1,148,490)**	(521,685)
Cash flow used in operating activities		**(1,638,544)**	(881,099)	**(3,144,459)**	(2,514,745)
Cash flows from (used in) financing activities					
Debenture	**6**	**8,823,120**	-	**8,823,120**	(406,833)
Exercise of warrants		**-**	-	**-**	189,870
Issue costs	**6**	**(409,581)**	-	**(409,581)**	-
Cash flow from (used in) financing activities		**8,413,539**	-	**8,413,539**	(216,963)
Cash flows from (used in) investing activities					
Expenditures on evaluation and equipment		**(5,876,112)**	(2,429,440)	**(13,880,899)**	(4,706,412)
Expenditures on property and equipment		**(3,156)**	(60,369)	**(12,878)**	(72,270)
Restricted cash		**27,325**	(1,139,949)	**27,144**	(1,361,772)
Cash flow used in investing activities		**(5,851,943)**	(3,629,758)	**(13,866,633)**	(6,140,454)
Increase (decrease) in cash and cash equivalents		**923,052**	(4,510,857)	**(8,597,553)**	(8,872,162)
Effect of change of exchange rate on cash and cash equivalents		**5,628**	(1,353)	**-**	(75,912)
Cash and cash equivalents, beginning of period		**2,778,804**	26,233,619	**12,305,037**	30,669,483
Cash and cash equivalents, end of period		**$ 3,707,484**	$ 21,721,409	**$ 3,707,484**	$ 21,721,409

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

In United States Dollars

1. Corporate Information

PetroMaroc Corporation plc ("PetroMaroc" or "the Company"), formerly Longreach Oil And Gas Limited 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 four exploration licences (*Sidi Moktar onshore, Zag onshore, Sidi Moussa offshore and Foum Draa offshore).* At the June 16, 2014 Annual and Special Meeting, the shareholders of the Company approved the change of the Company's name from Longreach Oil and Gas Limited to PetroMaroc Corporation plc.

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 August 27, 2014. 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, 2013.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the warrants and certain embedded derivatives 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, 2013.

Effective January 1, 2014, the Company has adopted the following standards, IFRIC 21 – "Levies", and revisions to IAS 32 – "Financial Instruments: Presentation". The adoption of these standards has not had any impact on the Company's condensed consolidated financial statements and related disclosures.

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018; however, early adoption is available. IFRS 9 is intended to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 will address: the classification and measurement requirements for financial assets and liabilities; a new hedge accounting model; and the impairment of financial instruments. The extent and impact of the adoption of IFRS 9 has not yet been determined.

In United States Dollars

2. Basis of Presentation - continued

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 property interests on the consolidated statement of financial position are dependent upon the existence of economically recoverable hydrocarbons, the ability of the Company to complete exploration and/or development of the properties, including related financing requirements and upon future profitable production or, alternatively, upon proceeds from the disposition of the properties. To date, the Company has not earned revenues relative to its costs incurred for exploration activities.

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. The Company's ongoing activities are dependent upon its ability to obtain sufficient financing to fund its current and future operations and future acquisition costs. The Company currently has a current working capital surplus of $1,336,784 however commitments due in less than twelve months of approximately $6.7 million including, $1.2 million for estimated Zag penalty costs if the operator does not drill the exploration well by May 2015 (Note 10(b)), $1.0 million for estimated Sidi Moussa dry hole exploration well costs (Note 10(d)), $0.9 million for debenture interest costs (Note 6), and $3.6 million for estimated general and administrative costs and continued exploration and evaluation work. To meet its working capital requirements, the Company issued a CAD$9.7 million convertible debenture on April 10, 2014 (Note 6), that matures on April 10, 2016. The ability of PetroMaroc to meet these commitments and costs is dependent upon raising additional financing by issuing equity securities (which may include a rights offering or private placement), debt financing, or by a partial sale on its working interests with an industry partner before the end of the 2014 fiscal year. In August 2014, PetroMaroc entered into formal discussions with the operator and partners on the Sidi Moussa licence to transfer its 1.5% working interest, in order to avoid a potential default situation on the forthcoming cash calls. There is no certainty that such financings will be obtained on terms acceptable to management. This uncertainty casts significant doubt about the Company's ability to continue as a going concern. The consolidated 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.

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, 2014	December 31, 2013	June 30, 2013
Average rate for the period:			
Pounds Sterling	0.5942	0.6395	0.6441
Canadian Dollar	1.0908	1.0298	1.0077
Euro	0.7290	0.7532	0.7573
Moroccan Dirhams	8.1158	8.3287	8.3631
Period end rate:			
Pounds Sterling	0.5866	0.6064	0.6575
Canadian Dollar	1.0661	1.0694	1.0171
Euro	0.7325	0.7263	0.7800
Moroccan Dirhams	8.2177	8.0589	8.3899

2. Basis of Presentation - continued

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

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

i. Costs associated with acquiring oil and natural gas licenses and exploratory drilling are accumulated as exploration and evaluation ("E&E") assets pending determination of technical feasibility and commercial viability. Establishment of technical feasibility and commercial viability is subject to judgment which management has determined to be based on the allocation of commercial reserves to the exploration area. Upon determination of commercial reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets referred to as oil and natural gas properties.

ii. Amounts recorded for decommissioning obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognised in the period when it becomes probable that there will be a future cash outflow. In Q4 2013, the Company recorded a decommissioning obligation on the Koba-1 well and in Q1 2014 recorded a decommissioning obligation on the Kamar well both at Sidi Moktar.

iii. Compensation costs recognised for share based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

iv. The Company's non-compensation based warrants and the equity conversion feature of the convertible debentures are treated as derivative financial liabilities. The estimated fair value of each is adjusted on a quarterly basis with gains or losses recognised in the statement of operations and comprehensive income. The valuation model is based on significant assumptions such as volatility, dividend yield and expected term.

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

In United States Dollars

2. Basis of Presentation - continued

vi. The recoverability of the Company's investment is dependent on the liquidity of a private Company's shares, which is based in part on its performance. The Company will assess at each reporting period whether there is any objective evidence that a financial asset has been impaired. When the fair value of the investment cannot be derived from active markets, they are determined using recent transactions or a variety of valuation techniques that may include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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, 2014		December 31, 2013
Tarfaya licence	San Leon	$	**300,000**	$	300,000
Zag exploration licence	San Leon		**600,000**		600,000
Sidi Moktar farm-in arrangement *(Note 10(a))*	MPE		**2,500,000**		2,500,000
Other	Barclays		**19**		27,163
			3,400,019		3,427,163
Current portion of restricted cash			**(2,800,019)**		(327,163)
		$	**600,000**	$	3,100,000

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

4. Exploration and Evaluation Assets

Balance, December 31, 2013	$	25,476,298
Additions		13,251,339
Balance, June 30, 2014	$	38,727,637

The Company's exploration and evaluation assets consist entirely of costs pertaining to the Company's licences in Morocco. At December 31, 2013, $2,151,594 of costs associated with the Tarfaya license were considered to be impaired as the required work commitments were not achieved and the license expired subsequent to year end. The evaluation of the technical feasibility or commercial viability of the other licences has not been established. The company also incurred $30,000 of costs related to a former license.

During the six month period, the Company capitalised $112,139 (2013 - $252,767) of administrative salaries and $64,059 (2013 - $97,930) related to share based payments directly related to exploration and evaluation activities on the Sidi Moktar license.

In United States Dollars

5. Property and Equipment

Cost		
Balance, December 31, 2013	$	164,248
Additions		12,878
Balance, June 30, 2014	$	177,126
Accumulated depreciation		
Balance, December 31, 2013	$	(49,571)
Depreciation charge		(25,067)
Balance, June 30, 2014	$	(74,638)
Net book value		
Net book value, December 31, 2013	$	114,677
Net book value, June 30, 2014	$	102,488

All of the Company's property and equipment consists of office equipment and furniture and is located in Morocco, Canada and in the United Kingdom.

6. Convertible Debenture

On April 10, 2014, PetroMaroc issued $9.7 million (CAD) 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.

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 comprehensive income.

In United States Dollars

6. Convertible Debenture - continued

The following table summarizes the accounting for the debentures:

		Liability		Derivative Financial Liability		Total
Issuance of Debentures on April 10, 2014	$	8,583,752	$	239,368	$	8,823,120
Fair value of warrants attached		(431,811)		-		(431,811)
Commission of convertible debenture *(1)*		(295,936)		-		(295,936)
Legal costs		(113,645)		-		(113,645)
Accretion and amortization of debt issuance costs		107,845		-		107,845
Derivative loss		-		110,109		110,109
Balance at June 30, 2014	$	7,850,205	$	349,477	$	8,199,682

(1) The commission of CAD $315,800 was paid to Euro Pacific Canada Inc. where a Non-executive Director of PetroMaroc is the Chairman of the Board of Directors.

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. 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 $312,056 include the accretion and amortization of debt issuance costs of $107,845 and $204,211 of debenture interest.

7. Warrant Value Attributed in Financings

(a) Warrants issued and outstanding

	June 30, 2014			December 31, 2013		
	Warrants		**Amounts**	Warrants		Amounts
Warrants *(i)*						
Opening balance	**-**	**$**	**-**	10,946,663	$	33,779
Issued in convertible debenture financing (Note 6)	**9,700,000**		**431,811**	-		-
Exercised - non-compensatory	**-**		**-**	(290,179)		(16,889)
Expired – non-compensatory	**-**		**-**	(9,940,621)		NA
Expired – compensatory	**-**		**-**	(715,863)		NA
Fair value adjustment	**-**		**438,932**	-		(16,890)
Balance, end of period	**9,700,000**	**$**	**870,743**	-	$	-

(i) 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)).

In United States Dollars

7. Warrant Value Attributed in Financings - continued

(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:

	June 30, 2014	April 10, 2014
Number outstanding re-valued warrants, end of period	**9,700,000**	9,700,000
Fair value of warrants outstanding	**CAD$0.095**	CAD$0.048
Risk free interest rate	**1.07%**	1.07%
Expected life	**1.78 years**	2 years
Expected volatility	**65%**	65%

There were no non-compensatory warrants outstanding at December 31, 2013.

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.

	June 30, 2014	December 31, 2013
Obligation, beginning of period	**$ 752,051**	$ -
Liabilities incurred	**250,000**	750,000
Change in estimated cash flows	**746**	-
Accretion expenses	**6,557**	2,051
Obligation, end of period	**$ 1,009,354**	$ 752,051

The undiscounted amount of cash, required to settle the current decommissioning obligations on the Koba 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 an extension of the Sidi Moktar license.

9. Share Capital

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

In United States Dollars

9. Share Capital - continued

(b) Issued

	June 30, 2014			December 31, 2013		
	Issued		**Amounts**	Issued		Amounts
Common Shares						
Opening balance	**81,149,037**	**$**	**50,731,693**	80,829,145	$	50,502,432
Exercise of warrants	**-**		**-**	290,178		206,760
Exercise of stock options	**-**		**-**	29,714		22,501
Balance, end of period	**81,149,037**	**$**	**50,731,693**	81,149,037	$	50,731,693
Warrants (Note 7)						
Opening balance	**-**	**$**	**-**	715,863	$	294,668
Issued pursuant to the convertible debenture financing (Note 6 and 7)	**9,700,000**		**-**	-		-
Expired broker warrants	**-**		**-**	(715,863)		(294,668)
Balance, end of period	**9,700,000**	**$**	**-**	-	$	-
		$	**50,731,693**		$	50,731,693

(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, 2014 and December 31, 2013 and changes during the respective periods ended on those dates is presented below:

	June 30, 2014		December 31, 2013	
Stock Options	**Number of options**	**Weighted average Exercise Price (CAD $)**	Number of options	Weighted average exercise price (CAD $)
Beginning of period	**6,353,425**	**$0.77**	3,133,707	$0.94
Granted	**4,130,000**	**$0.30**	4,145,000	$0.70
Exercised	**-**	**-**	(29,714)	$0.54
Expired/Forfeited	**(2,850,000)**	**$0.76**	(895,568)	$1.03
End of period	**7,633,425**	**$0.37**	6,353,425	$0.77
Exercisable, end of period	**1,981,758**	**$0.87**	1,875,092	$0.96

In United States Dollars

9. Share Capital - continued

Date of Grant	Number Outstanding	Exercise Price (CAD $)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable June 30, 2014
August 16, 2011 *(i)*	200,000	$1.05	0.13 years	August 16, 2014	200,000
May 22, 2012	25,000	$0.60	2.90 years	May 22, 2017	16,667
December 21, 2012	181,999	$0.54	0.22 years	September 17, 2014	181,999
December 21, 2012	139,284	$0.54	0.79 years	April 15, 2015	139,284
December 21, 2012	687,142	$1.18	2.67 years	February 28, 2017	687,142
January 15, 2013	2,120,000	$0.70	3.55 years	January 15, 2018	706,667
May 16, 2013	150,000	$0.70	3.88 years	May 16, 2018	50,000
April 30, 2014	4,130,000	$0.30	4.84 years	April 30, 2019	-
	7,633,425		3.95 years		1,981,758

(i) Subsequent to June 30, 2014 the options expired unexercised.

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. The Company has posted a bank guarantee of $2.5 million (Note 3) with respect to this commitment.

(b) Zag licence
Included in restricted cash is $0.6 million related to certain work commitments that need to be completed by May 2015. The Company has committed to its percentage share of further geophysical studies and the drilling of one exploration well. If the operator fails to complete these commitments by May 2015 PetroMaroc may be liable for its share of penalty costs, the net cost being $1.2 million. In this event, the $0.6 million of restricted cash will be released to the Company. The Company has also entered into an agreement with the operator whereby if the license 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 to the uncertainty of the triggering event occurring.

(c) Tarfaya licence
Included in restricted cash is $0.3 million related to certain work commitments that were required to be completed by April 2014. The Company committed to its percentage share of further geophysical studies and the drilling of one exploration well however, the operator subsequently failed to complete these commitments within the required licence period. As at December 31, 2013 PetroMaroc accrued an estimated penalty of $1.5 million. During 2014, the Company transferred its 30% working interest to the operator and agreed to reimburse the operator for certain exit costs totaling $0.1 million, which are accrued in these financial statements. In exchange, the Company is no longer liable for the $1.5 million previously accrued penalty provision as such the Company recorded a $1.4 million recovery in the three months ended June 30, 2014. The $0.3 million of restricted cash will be released to the Company.

In United States Dollars

10. Commitments and Contingencies - continued

(d) Sidi Moussa licence

The Company has been advised by Genel, the operator of this licence that it plans to drill an offshore exploration well targeting the Mid-Jurassic / Upper Jurassic reservoirs in Q3 2014. PetroMaroc's dry hole exploration well net share of costs are estimated to be approximately $1 million. The operator of the Sidi Moussa licence, Genel, spudded the Nour-1 exploration well on July 30, which is located in 1,000 metres of water approximately 59 kilometres offshore Morocco. . The Company has 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 the forthcoming cash calls. Upon a success in the transfer of its 1.5% working interest, the net cost for the Nour-1 well is estimated to be $nil.

(e) Office Leases

The Company has the following office lease agreements with monthly costs exclusive of common costs as follows:

Office Location	Currency of Rental Commitment	Total Base Rent Commitment	2014	2015	2016
Morocco	€	13,500	8,100	5,400	-
UK	£	8,000	8,000	-	-
Canada	$	71,103	20,163	40,752	10,188

The United Kingdom office lease arrangement can be terminated on two months' notice. The Morocco lease expires on June 30, 2015. The Canadian office lease arrangement expires on June 30, 2016.

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. The Company manages its exposure to these risks by operating in a manner that minimises 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.

(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 Company's 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, 2014, none of the Company's financial assets are considered to be impaired.

11. Financial Instruments - continued

(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 10% on convertible debentures as disclosed in Note 6.

(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, 2014 or December 31, 2013.

Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates on the foreign cash balances at June 30, 2014 would have impacted the cash flows of the Company during the 2014 fiscal period by approximately $14,800 (2013 - $38,000).

(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 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. The investment in the Aizan convertible debenture and non-compensatory warrants are classified as level 2. The investment in the common equity of Aizan has been classified as level 3.

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. The investment in Aizan has been designated as available-for-sale. There have been no changes to the aforementioned classifications during the financial period ended June 30, 2014.

(g) Liquidity Risk
Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will 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.

11. Financial Instruments - continued

As the Company's business plan is very capital intensive, the majority of the spending is related to the Company's capital programs. The Company's goal is to prudently spend its capital. As circumstances change, liquidity risks may necessitate the Company to issue equity, obtain debt finance, or divest assets. The Company's estimated commitments, in addition to those recorded in the condensed consolidated financial statement and further details of liquidity are discussed in Note 12. The accounts payable have general terms ranging from 30 to 90 days from receipt of the invoice or joint venture billing. The convertible debenture is due on April 10, 2016 (Note 6). Note 2 further discusses the ability of the Company to meet its obligations as they come due.

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 Company's objectives when managing capital are to safeguard the Company's 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.

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 current working capital surplus of $1,336,784 however commitments due in less than twelve months of approximately $6.7 million including, $1.2 million for estimated Zag penalty costs if the operator does not drill the exploration well by May 2015 (Note 10(b)), $1.0 million for estimated Sidi Moussa dry hole exploration well costs (Note 10(d)), $0.9 million for debenture interest costs (Note 6), and $3.6 million for estimated general and administrative costs and continued exploration and evaluation work. The ability of PetroMaroc to meet these commitments and repay the CAD $9.7 million debenture (Note 6) is dependent upon raising additional financing by issuing equity securities (which may include a rights offering or private placement), or by a partial sale on its working interests with an industry partner.