PetroMaroc Corporation plc
(formerly Longreach Oil and Gas Limited)
Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of PetroMaroc Corporation plc ("PetroMaroc" or the "Company") is dated November 25, 2014 and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2013 and the unaudited condensed interim consolidated financial statements of the Company for the six months ended June 30, 2014. These financial statements, including the comparative figures, were prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all financial measures are expressed in United States dollars. This MD&A contains forward looking information based on the Company's current expectations and projections.

Additional information relating to the Company is available on SEDAR at www.sedar.com or the Company's website at www.petromaroc.co.

Statements throughout this MD&A that are not historical facts may be considered "forward-looking statements" These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or future plans are forward-looking statements. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties and actual results could differ materially from those currently anticipated. These risks and uncertainties include, but are not limited to, changes in market conditions, law or government policy, operating conditions and costs, operating performance, demand for oil and gas and related products, price and exchange rate fluctuations, commercial negotiations or other technical and economic factors. Forward-looking statements are based on current expectations, estimates and projections of future production and capital spending as at the date of this MD&A and the Company assumes no obligation to update or revise forward-looking statements to reflect new events or circumstances, except as required by law or accounting standards.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed course of action, based on the assessment by management of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Exploration and Evaluation Property Overview

Exploration, Evaluation and Development Risks

The exploration and development of oil and natural gas deposits involve a number of uncertainties that even thorough evaluation, experience and knowledge of the industry cannot eliminate. It is impossible to guarantee that the exploration *programme on PetroMaroc's properties will generate economically recoverable reserves. The commercial viability of a new hydrocarbon pool is dependent upon a number of factors which are inherent to reserves, such as the content and the proximity of infrastructure, as well as oil and natural gas prices which are subject to considerable volatility, regulatory issues such as price regulation, royalties, land and other taxes, import and export of oil and natural gas, and environmental protection issues. The individual impact generated by these factors cannot be predicted with any certainty but, once combined, may result in non-economical reserves. In addition to the risks described above, the Company will also remain subject to normal risks inherent to the oil and natural gas industry such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations.*

Furthermore, there is no certainty that any portion of the resources discussed below will be discovered. If discovered, there is no certainty that the resources will be commercially viable to produce. The prospective resources have been risked for a chance of discovery, but have not been risked for a chance of development if a discovery is made. There is no certainty that PetroMaroc will be able to develop the resources assuming a discovery and the timing of such development.

Definitions:

***"Best Estimate**" is a classification of estimated resources described in the COGE Handbook as being considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the Best Estimate. If probabilistic methods are used, there should be a 50% probability (P50) that the quantities actually recovered will equal or exceed the Best Estimate.*

*"**Prospective Resource Estimates**" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity. Prospective resources entail more commercial and exploration risks than those relating to reserves and contingent resources. The prospective resources reported herein are partially risked resources that have been risked for chance of discovery, but have not been risked for chance of development. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing or cost of such development.*

Sidi Moktar Onshore

On September 19, 2011, PetroMaroc acquired the opportunity to earn a 50% net working interest in the Sidi Moktar exploration licences pursuant to a percentage interests transfer agreement (the "Farm-in Agreement") signed with Maghreb Petroleum Exploration ("MPE") on May 16, 2011. Under the Farm-in Agreement, PetroMaroc is responsible for carrying MPE through the minimum work programme commitments required pursuant to the petroleum agreement entered into between MPE and ONHYM, the Moroccan state energy company (the "Petroleum Agreement") in respect of the Sidi Moktar exploration licences. In the event that the joint venture parties to the Petroleum Agreement elect to enter in to an exploitation concession, PetroMaroc will carry MPE for development costs until the first commercially produced hydrocarbons. 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.

Sidi Moktar is comprised of three blocks (Sidi Moktar West, Sidi Moktar South and Sidi Moktar North) totalling currently 2,683 square kilometres, which covers the majority of the hydrocarbon basin of Essaouira, located in central onshore Morocco. During the fourth quarter of 2013, PetroMaroc was required to relinquish 1,816 square kilometres of acreage in accordance with the Petroleum Agreement. The acreage relinquished was determined to be the least prospective acreage on the exploration licences. The blocks surround the producing Meskala field which is operated by ONHYM. Four fields within Sidi Moktar have produced approximately 30.5 billion cubic feet ("Bcf") of natural gas from Jurassic aged reservoirs (source: ONHYM).

The licence has a significant amount of historical exploration data available to PetroMaroc, including 6,172km of 2D seismic and 43 exploration and development wells. PetroMaroc has interpreted over 4,500kms of existing 2D seismic data, has completed the reprocessing of 1,750km of the existing data and has acquired, processed and interpreted 520km of 2D seismic data. PetroMaroc has also completed comprehensive petrophysical and petrographic analyses of the neighbouring wells and outcrop sections to better understand the reservoir and seal potential of the Lower Liassic and Triassic stratigraphic section. Subsequently, a portfolio of 12 prospects and leads has been mapped, ranked and risked. The neighbouring Meskala field in 2011 produced approximately 3.6 mmcf/d of natural gas and 168 bbl/d of condensate from the Triassic (source: ONHYM).

Using the above listed data and studies, the Company finalised the well locations for a two well drilling programme. Having completed successfully the minimum work programme obligations for the Initial Period of the exploration licence, in June 2013 the joint venture partners elected to move into the First Extension period of the exploration licence, which pursuant to the Petroleum Agreement, has a minimum work programme requirement to drill one well to a minimum depth of 2,400 metres and test the Triassic.

On November 18, 2013, the Company commenced drilling the Koba-1 well, targeting the Lower Liassic and Upper Triassic clastic reservoirs. The Koba-1 well was drilled to a final total depth of 3,100 metres and operations were completed in early January 2014. The well encountered a gross interval of approximately 45 metres with reservoir potential. Over this section, a gas influx of over 10% was encountered throughout the interval with heavier hydrocarbon components of over C5+. The Koba-1 well is currently suspended. The Koba-1, drilled in late 2013, successfully fulfils the minimum work programme of the First Extension period of the exploration licence.

On March 20, 2014 the Company commenced drilling the Kamar well, targeting a Lower Liassic reservoir and Triassic clastic reservoirs. The Kamar well was drilled to a total depth of 2,790 metres and intersected two distinct gas-bearing intervals. One is in the targeted Lower Liassic natural gas zone with a gross interval of 110 metres as defined by petrophysical, wireline logs. The other is defined by the presence of significant natural gas volumes in the drilling mud within the Lower Dogger/Upper Liassic zone, which occurs over a gross interval of approximately 100 metres. The Kamar well is currently suspended. The Company is currently applying to have the Kamar well satisfy the minimum work commitment of the Second Extension period of the exploration licence.

On October 21, 2014, PetroMaroc announced an updated Independent Technical Report (effective date September 30th, 2014) of the Sidi Moktar licence that was prepared by GLJ Petroleum Consultants ("GLJ"), a qualified reserves evaluator in accordance with NI 51-101 requirements using the COGE Handbook. GLJ confirmed PetroMaroc's Geological and Geophysical model for the Lower Liassic reservoir for the Kechoula structure, and confirmed (81 percent probability "Pg") that the Lower Liassic clastic reservoir is filled to spill point. The report incorporated the recently received sidewall core analyses of the Lower Liassic reservoir intersected in the Kamar well showing reservoir properties and visual porosities of 13 to 20 percent. The report confirms significant natural gas potential in the Kechoula structure highlighting the economic potential of the Sidi Moktar licence.

To date, approximately $34.56 million has been spent by the Company on this licence with approximately $0.45 million spent in the current quarter. To-date, $1.01 million has been added to the Cash Generating Unit (''CGU'') for estimated decommissioning obligations, being $0.76 million for the Koba-1 well and $0.25 million for the Kamar well.

With a view to assessing the Sidi Moktar licence go-forward options for the next 12-18 months, the Company has reviewed and interpreted the large suite of technical data available. Upon successful raising of new capital, future plans will address a testing program for the Koba-1 and Kamar wells and the commissioning of a 3D seismic study.

Foum Draa Offshore (Net Working Interest 2.5%)

In September 2009, PetroMaroc agreed to terms to earn a 7.5% net working interest in the Foum Draa Offshore licence. Extensive high quality 2D and 3D seismic data had been acquired on this licence, including 1,500km of 3D seismic reprocessing. The processing of Prestack Depth Migration (500km) was completed during the fourth quarter of 2011. Located directly west of Agadir, this licence covers an area of approximately 3,349 square kilometres (0.83 million acres).

Extensive geological and geophysical interpretation has enabled PetroMaroc and its joint venture partners to identify 18 prospects and leads with significant resource potential. Netherland, Sewell & Associates, a qualified reserves evaluator, has attributed a NI 51-101 compliant gross unrisked prospective resource estimate of 2.1 billion boe (Best Estimate) for 18 prospects and leads on the licences with an effective date of December 31, 2011. In Foum Draa the Cretaceous prospectivity recognized over and around the flanks of numerous salt-cored diapiric structures within the basin centre, as well as within slope-apron fans and channels pinching out against the shelf-slope break.

On August 28, 2012, PetroMaroc entered into a farm-out agreement with Cairn Energy plc ("Cairn") whereby Cairn, through its subsidiary Capricorn Exploration and Development Company Limited, acquired a 50% operated equity interest in the Foum Draa Offshore licence pro rata from PetroMaroc and each of its joint venture partners. The Foum Draa farm-out to Cairn has been approved by Moroccan authorities and is now complete. In 2013, Cairn paid its equity interest share of past costs, being $0.15 million net to PetroMaroc and paid the first $60 million towards drilling of the FD-1 exploration well, being a commitment well under the terms of the First Extension Period of the Foum Draa Licence (including in relation to the ONHYM 25% carried interest). PetroMaroc's net interest in the Foum Draa exploration licence has been reduced from 7.5% to 2.5% as a result of the approval received from the Moroccan Energy Ministry in March 2013. In late October 2013, Cairn commenced drilling the FD II-Alpha-1 exploration well located in 1,500 metres of water approximately 120 kilometres offshore Morocco.

The well was drilled to a total depth of 5,255 metres TVDSS but did not encounter clastic reservoirs, where the primary target was a Late Jurassic/Early Cretaceous deep-water turbidite slope fan, although it penetrated the oldest stratigraphic section of any deep water exploration well along the Moroccan margin. The well has been plugged and abandoned. The FD 11-Alpha-1 exploration well successfully completes the minimum work commitments of the First Extension period of the exploration licence under the Petroleum Agreement.

The operator, Cairn, and partners on the licence are reviewing the forward programme on this licence, and either have the option to advance to the Second Extension period of the exploration licence, or withdraw from the exploration licence.

To date, approximately $1.53 million of costs have been incurred by PetroMaroc which have been offset by back cost recoveries of $0.15 million as previously noted. The carrying value of the Foum Draa Offshore totals $1.37 million at September 30, 2014.

Zag Onshore (Net Working Interest 22.5%)

Having completed successfully the reconnaissance permit requirements, the joint venture partners were granted a full exploration licence by the Ministry of Energy in August 2009. The exploration licence is for eight years, split into three work phases. The initial phase lasted for 39 months in which the joint venture partners were required to shoot a minimum of 500km of 2D seismic.

A 15,000 km^2 aeromagnetic survey has been completed on the licence and a 1,674 km 2D seismic survey was completed in January 2012, largely on the eastern part of the licence area. This was the first seismic data ever acquired on this licence. Interpretation has evidenced a portfolio of leads. There is no resources estimate on this licence area as yet.

Having completed successfully the minimum work programme obligations for the Initial Period of the exploration licence, the joint venture partners elected to move into the First Extension Period, which pursuant to the Hydrocarbon agreement has a minimum work programme requirement to drill one well to test either the Ordovician formation or to a minimum depth of 3,000 metres by May 31, 2015; the estimated net cost to PetroMaroc for the minimum work programme is likely to be approximately $4.0 million. However, if the operator fails to complete the minimum work commitments by May 2015, PetroMaroc may be liable for its share of penalty costs, the net cost being $1.2 million. The Company has posted a $0.6 million bank guarantee with respect to this commitment.

To date, approximately $2.23 million has been spent by the Company on this licence with no expenditures incurred to date in 2014.

Administrative

	For the three months ended September 30,		For the nine months ended September 30,	
Administrative	**2014**	2013	**2014**	2013
Wages	$ **187,068**	$ 331,267	$ **646,514**	$ 946,903
Professional fees	**156,128**	72,158	**542,941**	336,482
Finance expense - AIM listing costs	**-**	902,378	**-**	902,378
Consulting fees	**183,284**	121,853	**703,987**	433,505
Director fees	**67,500**	67,500	**207,717**	197,500
Stock Fees	**113,487**	65,691	**206,083**	214,496
Travel	**22,124**	101,452	**217,876**	391,400
Rent	**88,577**	47,920	**233,393**	130,315
Bank Charges	**3,663**	55,661	**9,754**	81,055
Other	**19,704**	21,619	**102,085**	132,439
	$ **841,535**	$ 1,787,499	$ **2,870,350**	$ 3,766,473
Less: G&A Capitalized	$ **(56,542)**	$ (147,246)	$ **(412,363)**	$ (400,013)
	$ **784,993**	$ 1,640,253	$ **2,457,987**	$ 3,366,460

Administrative costs before capitalized costs for the three and nine month periods ended September 30, 2014 were 52.9% lower and 23.8% lower than the respective 2013 three and nine month periods. The decrease is primarily as a result of unsuccessful AIM listing in the third quarter of 2013. The decrease in salaries is primarily related to the changes in the senior management team in December 2013. The increase in professional and consulting fees is primarily due to legal costs associated with the relinquishment of the Tarfaya licence. During the current quarter, PetroMaroc did not encounter any significant one-off costs like those incurred in the third quarter of 2013. The Company is prudently monitoring its administrative expenditures.

During the period, the Company capitalised $412,363 of administrative costs directly related to exploration and evaluation activities on the Sidi Moktar licence of which $112,139 related to salaries. The increase in the capitalised administrative costs relates directly to the drilling of the Koba-1 and Kamar well in the first half of the year.

Stock Compensation

This expense represents the fair value of the Company stock options at the grant date as options granted under the current plan vest at the date of the grant and are expensed using the graded vesting method. The options are non-transferable. The future expense will vary as it is dependent on the number and vesting provisions of future stock option grants.

Taxes

Presently the Company does not expect to pay corporation taxes in the foreseeable future, given the Moroccan Petroleum Agreement, where there is a 10 year corporate tax holiday in the event of the commercial discovery of oil and gas, planned capital activities and current forecasts of taxable income other than on service fees charged by the subsidiaries. However, the current tax horizon will ultimately depend on several factors including commodity prices, future production, corporate expenses, and both the type and amount of capital expenditures incurred in future reporting periods.

Liquidity and Capital Resources

At September 30, 2014, PetroMaroc has a current working capital deficit of approximately $0.12 million. The CAD $9.7 million debenture is due to be repaid on April 10, 2016. The operational commitments due in less than twelve months total approximately $5.1 million, and include $1.2 million for estimated Zag penalty costs if the operator does not drill the exploration well by May 2015, $0.9 million for debenture interest costs and $3.0 million for estimated general and administrative costs and continued exploration and evaluation work.

The Company at September 30, 2014 does not have sufficient working capital to meet the aforementioned near-term current operational commitments. In order to fund these commitments, the Company is exploring a number of financing options that will need to be completed before the end of the 2014 fiscal year end to continue as a going concern. On November 4, 2014, the Company closed the initial $3.0 million (CAD) tranche of the non-broker private placement of units of the Company at a price of 15 cents (CAD) per unit, as previously announced on October 30, 2014. The Company anticipates to close the second tranche of the Private Placement in December.

The Company considers itself to be in the development stage, as it is in the process of exploring its petroleum and natural gas licences and has not yet determined whether they contain reserves that are economically recoverable. The success of the exploration and development of its petroleum and natural gas licences will be influenced by significant financial risks, legal and political risks, fluctuations in commodity prices and currency exchange rates, varying levels of taxation and the ability of the Company to discover economically recoverable reserves and to bring such reserves into production on an economic basis. The Company will be required to obtain additional financing to fully develop its licences. While the Company seeks to manage these risks, many of these factors are beyond its control. The Company does not presently have a loan facility available. Although efforts by management to raise capital and complete accretive asset acquisitions have been successful in the past, there is no certainty that they will do so in the future. PetroMaroc will endeavour to use debenture and equity issues to fund its near term exploration programme.

On April 10, 2014, the Company completed a CAD $9.7 million debenture financing. The debentures mature two years from the date of closing and bear an interest rate of 10% per annum, payable quarterly in arrears. Following the first anniversary of the date of closing, holders of Debentures may convert from time to time, in whole or in part, outstanding principal under the Debentures into Common Shares of the Company at a conversion price equal to the greater of: (a) CAD$0.30 (subject to typical adjustments in certain circumstances); and (b) the current market price of the Shares at the time of conversion (based on the volume weighted average trading price of the Shares for the 20 trading days ending on the fifth trading day preceding the date of conversion). The Debentures provide customary events of default including failure to pay interest when due within 30 days, failure to repay principal on redemption or maturity, and the occurrence of insolvency events or proceedings. In addition, the Company has made certain covenants in favour of holders of Debentures, including covenanting not to incur additional indebtedness, covenanting to use commercially reasonable efforts to complete an equity financing within one year for the purpose of repaying or refinancing the Debentures, and covenanting to use commercially reasonable efforts to seek shareholder approval in certain circumstances for the creation of a new control person, if requested by a holder of Debentures who would otherwise need such approval in order to permit the full conversion of Debentures. The Company also issue the Debenture holders 9,700,000 warrants with each warrant being exercisable for a term of two years following closing and may be exercised for one Share at an exercise price of CAD$0.30 per share.

To date, the cumulative exploration activities totals $39.14 million, of which $0.45 million was capitalised in the current quarter relating to the Sidi Moktar drilling campaign. As a result of the operator of the Tarfaya licence failing to drill an exploration well by April 2014, the Company recorded a $2.2 million impairment of previously capitalised costs in the fourth quarter of 2013 and had accrued $1.5 million in respect to its share of an estimated penalty that may have been payable as a result of the operator of this licence failing to fulfil the minimum work commitments to drill an exploration well on the Tarfaya licence on December 31, 2013. During 2014 , the Company successfully transferred its working interest on the Tarfaya licence to the operator of this licence, with no penalty being payable as a result of the operator failing to fulfil the minimum work commitments. The $1.5 million accrued in the fourth quarter of 2013 in respect to the estimated penalty was reversed in the second quarter of 2014. At June 30, 2014 the Company accrued $0.1 million in respect to agreed Tarfaya exit costs to be paid to the operator. The $300,000 of restricted cash will be available to offset this estimated liability. During the third quarter, the Company successfully executed a binding letter agreement with one of the partners on the licence to transfer its working interest in the Sidi Moussa offshore licence and as a result the Company impaired $0.1 million of exploration and evaluation costs. This transfer remains subject to approval by the partners, ONHYM and the Moroccan authorities (joint Ministerial orders).

As of the date of the MD&A, the Company has insufficient working capital to fund the near term work programmes to guarantee the concession licences, and additional near-capital is required to enable the Company to fulfil the near-term operational commitments. The ability of the Company to meet its 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. The Company has appointed Dundee Securities as nominated adviser to make recommendations and assist management in assessing the strategic options available, to provide additional capital to the Company, by way of attracting an industry partner.

As previously noted, the Company closed a $3.0 million (CAD) private placement on November 4, 2014. However, additional capital is required before February 1, 2015.

The decommissioning liability was set-up as a result of the Koba-1 and Kamar wells being drilled. The future liability will increase based on the present value of the decommissioning liability for the current period and will fluctuate commensurate with the asset retirement obligation as new wells are drilled and evaluated, licences extended or acquired through acquisitions and property disposals.

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 March 31, 2015. The Canadian office lease arrangement expires on March 31, 2016.

The Company has no off-balance sheet arrangements.

Financial Instruments (including non-compensation warrants)

Crude oil and natural gas operations involve certain risks and uncertainties. These risks include, but are not limited to, commodity prices, foreign exchange rates, credit, operational and safety.

Risks associated with commodity prices, interest and exchange rates are generally beyond the control of the Company; however, various hedging products may be considered to reduce the volatility in these areas.

Safety and environmental risks are addressed by compliance with government regulations as well as adoption and compliance of a safety and environmental standards policy.

The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currency other than the United States Dollar. The Company is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in property and equipment in foreign currencies. The

Corporation incurs expenditures in Pound Sterling, Euros, Dirham (Moroccan currency) and Canadian Dollars and is exposed to fluctuations in exchange rates in these currencies. There are no fixed exchange rate contracts in place as at or during the periods ended September 30, 2014 and December 31, 2013, or thereafter. Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates on the foreign cash and restricted cash balances at September 30, 2014 would have impacted the cash flows of the Company during the period ended September 30, 2014 by approximately $9,600. A 1% increase or decrease in foreign exchanges on the convertible debenture will impact the eventual repayment by approximately $110,800.

The 9,700,000 warrants issued in the Debenture financing, as previously discussed, considered a financial instrument, as they contain an embedded derivative. The warrants entitle the holder to acquire a fixed number of ordinary shares for a fixed Canadian Dollar price per share. An obligation to issue shares for a price that is not fixed in the functional currency and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognised in the statement of operations and comprehensive income as they arise. The Company has recorded a gain of $328,291 for the nine month period ended September 30, 2014.

The Company is also required to fair value the derivative financial liability of the equity conversion feature of the convertible debentures at the end of every period. The derivative financial liability arose as a result of the Company issuing the convertible debenture in April 2014. The Company recorded a gain of $95,368 for the period ended September 30, 2014 relating to the re-measurement.

Outstanding Share Data

The Company has authorised an unlimited number of Common shares, without par value. The Company currently has 101,149,037 common shares outstanding as of the date of this MD&A. The following details the share capital structure as of the date of this MD&A.

	Expiry Date	Exercise Price (CAD)	Number	Total Number
Common shares				101,149,037
Warrants	April 10, 2016	$0.30	9,700,000	
	May 5, 2016	$0.30	10,000,000	19,700,000
Options	May 22, 2017	$0.60	25,000	
	April 15, 2015	$0.54	139,284	
	February 28, 2017	$1.18	687,142	
	January 15, 2018	$0.70	2,120,000	
	April 30, 2019	$0.30	4,130,000	
				7,101,426

As previously discussed the Company issued CAD $9.7 million of convertible debentures on April 10, 2014. The convertible debentures may be converted into Common Shares of the Company at a conversion price equal to the greater of: (a)

$0.30 (CAD) (subject to typical adjustments in certain circumstances); and (b) the current market price of the Shares at the time of conversion (based on the volume weighted average trading price of the Shares for the 20 trading days ending on the fifth trading day preceding the date of conversion).

Summary of Quarterly Results

($ thousands)	Three months ended September 30, 2014	Three months ended June 30, 2014	Three months ended March 31, 2014	Three months ended December 31, 2013
Net income (loss)	(287)	(435)	(1,044)	(4,703)
Income (loss) per share (basic & diluted)	(0.003)	(0.00)	(0.01)	(0.07)
Capital expenditures	500	7,203	6,061	12,033
Exploration and evaluation impairment	105	-	-	2,152
Working capital surplus (deficit)	(116)	1,337	(2,788)	3,918
Convertible debentures (CAD $)	9,700	9,700	-	-
Total assets	44,463	46,224	38,089	41,567

($ thousands)	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013	Three months ended December 31, 2012
Net income (loss)	(725)	(1,074)	(1,634)	(10,710)
Earnings (loss) per share (basic & diluted)	(0.031)	(0.01)	(0.02)	(0.39)
Capital expenditures	458	2,429	2,173	2,034
Exploration and evaluation impairment	-	-	-	-
Working capital surplus	4,984	25,462	29,145	32,560
Total assets	11,736	39,213	39,851	42,068

During the third quarter of 2014, the capital expenditures related to the technical advancement of the Sidi Moktar licence, which included the GLJ Independent Technical Report. During the quarter, the Company also had a derivative gain of $95,368 with respect to the fair value of the derivative liability, and due to a devaluation of the Canadian Dollar weakening against the US Dollar, a $89,000 foreign exchange gain arises on revaluation of the $9.7 million (CAD) debenture.

During the second quarter of 2014, the primary capital expenditure was related to the Kamar well. The Company transferred its 30% working interest in the Tarfaya licence to the operator of this licence in the quarter, and consequently the $1.5 million penalty accrual was reversed, albeit $0.1 million is accrued in respect to agreed exit costs which will be paid to the operator. As previously discussed the Company also incurred $1,463,109 and $438,932, respectively, with respect to the fair value of the derivative liability and non-compensation warrants.

The expenditures in first quarter of 2014 primarily related to the finalization of the drilling of the Koba-1 well and commencement of drilling of the Kamar well, and are the primary reason for the decrease in working capital.

Of the $4.70 million net loss in the quarter ended December 31, 2013, $2.15 million relates to the impairment of the Tarfaya licence, an estimated penalty accrual of $1.50 million in respect to its share of an estimated penalty that may be payable as a result of the operator of this licence failing to fulfil the minimum work commitments to drill an exploration well on the Tarfaya licence. The decrease in the working capital is attributable to the drilling of the Koba-1 well and preparation of the Kamar well site.

The $6.56 million decrease in the current working capital from June 30, 2013 to September 30, 2013 is primarily due to $3.3 million of capital expenditures related to the Sidi Moktar licence, costs related to the AIM listing that was aborted subsequent to quarter ended and $0.74 million of general and administrative expenses.

During the first quarter of fiscal 2013, the Company incurred a $645,445 loss, which was primarily due to a specific currency conversion from CAD$ to USD$. General and administrative expenses also increased as a result of increased staffing and regulatory costs resulting from the APIC transaction.

In the fourth quarter of 2012, the Company incurred a one-time charge of $10,397,249 with respect to the APIC transaction that was offset by a gain of $498,285 related to non-compensation warrant fair value changes in volatility rates, length of warrants and the share price. These warrants are considered a financial instrument as they contain an embedded derivative which must under IFRS be classified as a derivative liability and measured at fair value with changes recognised in the statement of operations and comprehensive loss as they arise.

Critical Accounting Estimates

A summary of the significant accounting policies is contained in note 3 to the consolidated financial statements. These accounting policies are subject to estimates and key judgments about future events, many of which are beyond PetroMaroc's control. The following is a discussion of the accounting estimates that are critical to the financial statements.

Accruals and Provisions
The consolidated financial statements include accruals and provisions based on the interpretation by management of the terms of existing licences 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 PetroMaroc'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.

Crude oil and natural gas assets - reserves estimates
PetroMaroc will retain a qualified engineer to evaluate its crude oil and natural gas reserves, prepare an evaluation report, and report to the Reserves Committee of the Board of Directors. The process of estimating crude oil and natural gas reserves is not precise as it involves assessing a significant number of decisions and assumptions in evaluating available geological, geophysical, engineering and economic data. These estimates will change over time as additional data from ongoing development and production activities become available and as economic conditions affecting crude oil and natural gas prices and costs change. Reserves can be classified as proved, probable or possible with decreasing levels of likelihood that the reserves will be ultimately produced.

Reserve estimates will be a key input to depletion calculations and impairment tests. Property, plant and equipment within each area will be depleted using the unit-of-production method based on proved reserves using estimated future prices and costs. In addition, the costs subject to depletion include an estimate of future costs to be incurred in developing proved reserves. A revision in reserve estimates or future development costs could result in the recognition of higher depletion charged to net income.

Under the IFRS, the carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. Exploration and Evaluation assets are allocated to the related CGUs to assess for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment). An impairment loss is recognised in income if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Reserve, revenue, royalty and operating cost estimates and the timing of future cash flows are all critical components of the impairment test. Revisions of these estimates could result in a write-down of the carrying amount of crude oil and natural gas properties.

Decommissioning liabilities
The Company will recognise the estimated fair value of the decommission liability in the period in which it is incurred. The future asset retirement obligation is an estimate based on the ownership interest in wells and facilities and reflects estimated costs to complete the abandonment and reclamation, as well as the estimated timing of the costs to be incurred in future periods. Estimates of the costs associated with abandonment and reclamation activities require judgement concerning the method, timing and extent of future retirement activities. The capitalised amount will be depleted on a unit-of-production method over the life of the proved and probable reserves. The liability amount is increased each reporting period due to the passage of time and this accretion amount is charged to earnings in the period, which is included as a financing expense. Actual costs incurred on settlement of the decommissioning liability are charged against the liability. Judgements affecting current and annual expense are subject to future revisions based on changes in technology, abandonment timing, costs, discount rates and the regulatory environment.

Share based payments
Stock options issued to employees and directors under the Company stock option plan are accounted for using the fair value method of accounting for stock-based

compensation. The fair value of the option is recognised as a share based payment and contributed surplus over the vesting period of the option. Share based payment is determined on the date of an option grant using the Black-Scholes option pricing model. The Black-Scholes pricing model requires the estimation of several variables including estimated volatility of PetroMaroc's stock price over the life of the option, estimated option forfeitures, estimated life of the option, estimated risk-free rate and estimated dividend rate. A change to these estimates would alter the valuation of the option and would result in a different related share based payment.

Non-compensation based warrants
The Company non-compensation based warrants 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 Black-Scholes model is based on significant assumptions such as volatility, dividend yield and expected term.

Investment recoverability
The recoverability of investments are dependent on the liquidity of a private investments 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.

Income taxes
PetroMaroc follows the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Current tax is the expected Corporation tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting year end, and any adjustment to tax payable in respect to previous periods. Tax interpretations and legislation in which the Company operates are subject to change. Thus income taxes are subject to measurement uncertainty and interpretations.

Change in accounting policies

Accounting Policy Changes

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 condensed consolidated financial statements and related disclosures.

Risks and Uncertainties

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of PetroMaroc. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware. Moreover, the likelihood that a risk will occur or the nature and extent of its consequences if it does occur, are not possible to predict with certainty, and the actual effect of any risk or its consequences on the business could be materially different from those described below.

Exploration and Development

The exploration and development of oil and natural gas deposits involve a number of uncertainties that even thorough evaluation, experience and knowledge of the industry cannot eliminate. It is impossible to guarantee that the exploration programme on PetroMaroc's properties will generate economically recoverable reserves. The commercial viability of a new hydrocarbon pool is dependent upon a number of factors which are inherent to reserves, such as the content and the proximity of infrastructure, as well as oil and natural gas prices which are subject to considerable volatility, regulatory issues such as price regulation, royalties, land and other taxes, import and export of oil and natural gas and environmental protection issues. The individual impact generated by these factors cannot be predicted with any certainty but, once combined, may result in non-economical reserves. In addition to the risks described above, the Company will also remain subject to normal risks inherent to the oil and natural gas industry such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations.

Going Concern

The Company has debenture finance which is due to be repaid on April 10, 2016. The Company has limited access to additional financing, which creates material uncertainties that may cast significant doubt about the ability to continue as a going concern. Projected cash flows may not be sufficient to cover the quarterly debenture interest coupon payments, as well as repayment of the principal amount. As a result, there is no assurance the Company will be able to continue as a going concern.

Operating Hazards and Risks

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which PetroMaroc has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company may obtain liability insurance, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Resource Estimates

Although PetroMaroc has reviewed the estimates related to the potential resource evaluation and probabilities attached thereto and is of the opinion that the methods used to appraise its estimates are adequate, estimates are not guarantees of actual amounts or measurements, even though they will be calculated or validated by independent appraisers upon the commencement of commercial production. Any resources disclosed by the Company should not be interpreted as assurances of property life or of the profitability of current or future operations given that there are numerous uncertainties inherent in the estimation of economically recoverable oil and natural gas reserves.

Disputed territory in the Western Sahara

The territory that lies in the west of the Sahara desert is currently claimed by both the Moroccan government and a pro-independence movement, known as the Polisario Frente ("Polisario"). The Polisario presents itself as the representation of the indigenous peoples of Western Sahara. Since 1991 a United Nations-brokered cease fire agreement has been in place between the Moroccan government and the Polisario. In 2007, the Kingdom of Morocco initiated an offer to grant autonomous status to the Western Sahara. The initiative offers a share of proceeds collected by the state from the exploitation of natural resources within the territory. The Zag Licence overlaps some of the territory that is disputed. There can be no assurance as to how the dispute over such territory will be resolved or the effect any resolution may have on PetroMaroc's ability to undertake exploration and or other activities relating to the Zag Licence.

Political Risk

Exploration may be affected in varying degrees by social unrest and/or government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income and other taxes, expropriation of property, environmental legislation and site safety.

Disruptions in Production

Other factors affecting the production and sale of oil and natural gas that could result in decreases in profitability include: (i) expiration or termination of leases, permits or licences, or sales price re-determinations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries, if any; (iv) work stoppages or other labour difficulties; (v) worker vacation schedules and related maintenance activities; and (vi) changes in the market and general economic conditions.

Weather conditions, equipment replacement or repair, fires, amounts of rock and other natural materials and geological conditions can have a significant and adverse impact on operating results.

Fluctuating Prices

Prices received for production and associated operating expenses are impacted in varying degrees by factors outside the control of management. These factors include, but are not limited to, the following:

1. world market forces, including the ability of Organisation of Petroleum Exporting Countries to set limits and maintain production levels and prices for crude oil;
2. political conditions, including the risk of hostilities in the Middle East and other regions throughout the world;
3. increases or decreases in crude oil quality and market differentials;
4. market forces, most notably shifts in the balance between supply and demand for the crude oil and natural gas and the implications for the price of crude oil and natural gas;
5. global and local weather conditions;
6. price and availability of alternative fuels; and
7. the effect of energy conservation measures and government regulation.

Oil and gas prices will have a direct impact on PetroMaroc's future earnings, and are subject to volatile fluctuations. While prices for oil and gas have increased significantly since the start of 2003, there is no assurance that this trend will continue or that current prices will be sustained. Future revenues are expected to be in large part derived from the extraction and sale of oil and natural gas. The price of oil and gas will be affected by numerous factors beyond control, including international economic and political trends, expectations of inflation, war, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of oil and gas, and therefore the economic viability of any of production or exploration projects, and cannot be accurately predicted.

Environmental and Other Regulation

The oil and natural gas industry in Morocco is subject to extensive controls and regulations imposed by various levels of government. Compliance with such regulations and controls can require significant expenditures or result in operational restrictions. Failure to comply with the requirements of such controls and regulations may result in suspension or revocation of necessary licences and authorisations, civil liability for pollution damage and imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness.

The operations of the Company are, and will continue to be affected in varying degrees by laws and regulations regarding environmental protection. The Company is committed to meeting its responsibilities to protect the environment, and the Company will take such steps as required to ensure compliance with environmental legislation in all jurisdictions in which it operates. The Company believes that it is reasonably likely that the trends towards stricter standards in environmental legislation and regulation will continue and anticipates making increased expenditures of both a capital and expense nature as a result of increasingly stringent laws relating to the protection of the environment. However, it is not currently possible to quantify any such increased expenditures and it is not anticipated that the competitive position will be adversely affected by current or future environmental laws and regulations governing its oil and natural gas operations.

All phases of PetroMaroc's operations will be subject to environmental regulation in Morocco. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. In addition, certain types of operations may require the submission and approval of environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The exploration, development and future production activities of the Company will require certain permits and licences from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licences and permits which PetroMaroc may require to carry out exploration and development of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Additional Funding Requirements

PetroMaroc is in the exploration stage as it is in the process of exploring its crude oil and natural gas properties and has not yet determined whether they contain reserves that are economically recoverable. Thus the Company does not have a positive operating cash flow. The Company is dependent on future equity financings to continue to explore and develop its crude oil and natural gas licences and to bring such reserves into production on an economic basis. The Company will be required to obtain additional financing to continue its exploration and potential development activities.

Market for Securities and Volatility of Share Price

A public trading market in Company securities having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of PetroMaroc securities at any given time, and that is dependent on the individual decisions of investors over which the Company has no control.

There can be no assurance that an active trading market in securities of the Company will be established and sustained. The market price for Company securities could be subject to wide fluctuations. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Changes in Legislation

The oil and natural gas industry in Morocco is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Company cannot predict what additional legislation or amendments may be enacted. Amendments to, or more stringent enforcement of, current laws, regulations and permits governing operations and activities of oil and natural gas companies, including environmental laws and regulations which are evolving in Morocco could have a material adverse impact on the Company and cause increases in expenditures and costs, affect the ability to expand or transfer existing operations or require the Company to abandon or delay the development of new oil and natural gas properties.

Legal Title Matters

The Company’s properties may be subject to unforeseen title claims. While the Company will investigate diligently title to all property and will follow usual industry practice in obtaining satisfactory title opinions and, to the best of the Company’s knowledge, legal title to all of their properties are in good standing; this should not be construed as a guarantee of title. Title to the properties may be affected by undisclosed and undetected defects.

Dependence on Management and Key Personnel

Success depends upon certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the business, financial condition, results of operation and prospects. The Company does not have any key person insurance in effect. The contributions of the existing management team to the immediate and near term operations at the Company are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

Competition

The oil and natural gas industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, properties as well as for the recruitment and retention of qualified employees. The ability to increase its interests in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select, acquire and develop suitable properties or prospects.

Joint Venture Risk

The properties in which the Company has an interest are operated through joint ventures with other companies and are subject to the risks normally associated with the conduct of joint ventures. The Company is not the operator of four of its current joint venture properties. Such risks include: inability to exert control over strategic decisions made in respect of such properties; disagreement with partners on how to develop and operate properties efficiently; inability of partners to meet their obligations to the joint venture or third parties; and litigation between partners regarding joint venture matters. Any failure of a party to the joint venture to meet its obligations, or any disputes with respect to the parties' respective rights and obligations, could have a material adverse effect on the joint ventures or their respective properties, which could have a material adverse effect on the Company.

Dividends

The Company has neither declared nor paid any dividends on its ordinary shares since the date of its incorporation. Any payments of dividends on the ordinary shares of the Company will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors may consider appropriate in the circumstance. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.