PetroMaroc Corporation plc
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of PetroMaroc Corporation plc ("PetroMaroc" or the "Company") is dated November 23, 2016 and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015, the related MD&A and the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2016. 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 management's assessment 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.

Strategic Alternative Process

Pursuant to the Company's strategic alternatives process, on March 8, 2016, the Company entered into a binding Sale and Purchase agreement with Sound Energy plc ("Sound"). The agreement, upon completion, would allow Sound to acquire the Company's Sidi Moktar licences in consideration for issuance to the Company of 21,258,008 shares of Sound with an estimated market value of $5.5 million (£3.65 million) and the Company retaining a 10% net profit interest in any future cash flows from the Kechoula structure within the Sidi Moktar licences, and the Company retaining a 5% net profit interest in any future cash flows from structures within the Sidi Moktar licences other than the Kechoula structure. The $2.5 million of restricted cash is to be released upon completion of the transaction, ahead of which $0.7 million was released in July 2016. In September 2016, PetroMaroc and Sound have entered into an amending agreement, pursuant to which any proceeds from a sale (in whole or in part) of the 21,258,008 new Sound Energy ordinary shares to be issued to PetroMaroc as consideration on completion of the acquisition will be shared between PetroMaroc and Sound Energy as follows: PetroMaroc will receive all proceeds from sale(s) up to 50 pence per consideration share and sale proceeds in excess of 50 pence per consideration share will be shared equally between PetroMaroc and Sound Energy. In addition, the long stop date for completion of the acquisition has been extended to Dec. 31, 2016, or such later date as is necessary to satisfy the remaining conditions precedent.

The $1.8 million of restricted cash (held in escrow) (December 31, 2016 - $2.5 million) is to be released as a condition precedent of the transaction with Sound Energy. In July 2016, $0.7 million was released.

The binding sale and purchase agreement is subject to subject to a number of conditions precedent, including ministerial approvals in Morocco, debenture holder approval and a final approval of the TSX Venture Exchange.

Secured Debenture Reorganization

In November 2016, PetroMaroc has entered into a binding letter of intent with its secured-debenture holders. The letter of intent contemplates that the existing Cdn $11.09 million principal amount of secured debentures of the company, which are currently due December 31, 2016, will be rolled into a new class of secured, redeemable debentures, issuable in series, with all principal and interest due and payable in full on January 31, 2018. The letter of intent is subject to:

1. Completion of the sale and purchase agreement with Sound;
2. Receipt of necessary approvals from the TSX Venture Exchange; and
3. Approval of the shareholders of the Company with a meeting date scheduled for December 19, 2016.

The Company shall have the right to redeem the amounts owing under the new debentures at any time without penalty or bonus. The new debentures will be secured by a security interest in the Company's present and after acquired property and shall rank pari passu with one another. The Company will be required to repay the accrued interest and fees owing under the debentures up to December 31, 2016, in the amount of approximately Cdn $4.4 million within 45 days after the original maturity date.

The secured-debenture holders will have the right to elect to receive, in exchange for their existing debentures, either:

(a) A Series 1 new debenture bearing interest at the rate of 10 per cent per annum and convertible, at the option of the holder, into ordinary shares of the company at a conversion price equal to six cents per share in the first 12 months of the term (January 1, 2017, to December 31, 2017) and 10 cents per share in the last month of the term (January 1, 2018, to January 31, 2018). If the Company wishes to redeem the Series 1 new debentures, it must provide notice to the holder to allow for such debentures to be converted, at the option of the holder, before redemption.
(b) A Series 2 new debenture bearing interest at the rate of 15 per cent per annum, with no right to convert into ordinary shares of the Company.

The secured debenture holders shall have the right to receive, in exchange for the principal amount owing under the debentures as at December 31, 2016, Series 1 new debentures or Series 2 new debentures, or any combination thereof, in such proportion as they may determine.

In the event that requisite shareholder approval is not obtained, the transaction will not proceed and the debenture holders will have the right, on the original maturity date, to declare the Cdn $11.09 million principal amount and all accrued interest on the debentures immediately due and payable, and to begin proceedings to realize upon the security held in connection with the debentures. The debentures are secured by a security interest in the Company's present and after acquired property.

Administrative

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	**2016**	2015
Wages	$ **101,013**	$ 182,435	$ **747,054**	$ 543,335
Professional fees	**26,712**	32,590	**157,978**	254,720
Consulting fees	**37,991**	45,757	**172,384**	261,260
Director fees	**37,500**	37,500	**142,500**	134,433
Stock Fees	**7,273**	1,713	**43,500**	45,296
Travel	**12,684**	2,200	**29,888**	68,800
Rent	**26,658**	71,884	**58,868**	184,504
Bank Charges	**11,009**	14,451	**14,425**	19,729
Morocco exit costs	**(63,676)**	-	**35,000**	-
Other	**1,837**	15,243	**12,667**	60,007
	199,001	403,773	**1,414,264**	1,572,084
Less: G&A Capitalized	**-**	(545)	**-**	(79,471)
	$ **199,001**	$ 403,228	$ **1,414,264**	$ 1,492,613

Administrative costs before capitalized costs for the nine month period ended September 30, 2016 were 10% or $157,820 lower than the comparative period. The increase in wages costs is primarily related to approximately $270,000 of performance based compensation attributable to the Executive management and the Board, which costs have been accrued in the period. In March 2016, the Company accrued estimated costs associated with the aforementioned Sound transaction of approximately $180,000 of which $100,000 relates to Moroccan exit costs. Administrative costs for the three month period were 51% or $204,792 lower than the comparative period. The decrease is due to the Sound transaction that is the process of being finalized, with ongoing costs being reduced as the Company is no longer actively pursuing the exploration activities. The Company is prudently monitoring its administrative expenditures in light of its financial situation whereby all non-essential costs are being eliminated.

During the period the Company did not capitalise any salaries or administrative costs directly related to exploration and evaluation activities on the Sidi Moktar licence.

Stock Compensation

This expense represents the fair value of the Company's 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. No options were granted during the quarter. 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

The Company currently has a working capital deficit of $12.8 million (inclusive of the Cdn$9.7 million secured convertible debenture which matures on December 31, 2016, the Cdn $1.39 million secured debenture which matures on December 31, 2016, the Cdn $0.4 million unsecured loan which matures on December 31, 2016 and the $2.4 million in respect to restricted cash bank guarantees).

Commitments due in less than twelve months of approximately $2.65 million including $1.2 million for estimated Zag penalty costs, $0.45 million for debenture interest costs / interest payment waiver fee / October 2015 debenture financing consideration fee / June 2016 maturity extension consideration (from April 10, 2016 to September 30, 2016 and to December 31, 2016), and $1.0 million for estimated general and administrative costs (which includes an estimate for corporate restructuring costs, and which excludes ongoing exploration and evaluation costs).

On April 11, 2016, the Company entered into a waiver and amending agreement with the Cdn $9.7 million debenture holders and the Cdn $1.0 million debenture holder to extend the maturity date from April 10, 2016 to September 30, 2016 and further extended to December 31, 2016, under which payment of the quarterly interest payments (June 30, 2016, September 30, 2016 and December 31, 2016) shall accrue to the maturity date. Pursuant to the terms of the waiver agreement, the aggregate amount of all deferred interest payments shall accrue interest at the previously amended annual interest rate of 15% and shall be due and owing on the maturity date. In consideration for entering into the waiver agreement, the Company has agreed to pay to the Debenture holders a fee equal to 15% of the aggregate amount of their respective deferred interest payments, which consideration fee shall be payable on the maturity date, in cash.

On June 9, 2016, the Company closed a secured, non-convertible debenture financing of Cdn $0.39 million. The debenture matures on December 31, 2016 and bears interest at a rate of 15% per annum, calculated and payable in arrears, in cash, on the maturity date.

As previously noted, the Company has entered into a letter of intent in November 2016, to convert the existing secured debentures into a new class of secured, redeemable debentures, issuable in series, with all principal and interest due and payable in full on January 31, 2018.

In order to continue operations, the Company disposed of surplus inventory on hand in February 2016 for $0.3 million. In July 2016, $0.7 million of the restricted cash was released from escrow, with the funds to be used for general working capital purposes.

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 licence 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 complete the exploration and/or development of the Sidi Moktar, either directly or through a joint venture and the Company successfully negotiating the terms of the next phase of the licence agreement. 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 is endeavouring to exchange its interest in the Sidi Moktar licences for equity in Sound and net profit interests in Sidi Moktar as opposed to funding the near term exploration programme with equity or debt.

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, pay the interest component with respect to the convertible debenture and additional near term capital is required to enable the Company to fulfil the near-term operational commitments. In order to meet the obligations as they come due, the Company entered into a disposition agreement as previously disclosed. The ability of PetroMaroc to meet these commitments and repay the secured debentures, and the unsecured loan is dependent upon closing the Sidi Moktar asset disposition.

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. On completion of the aforementioned transaction, Sound will assume the decommissioning obligations.

The Company currently does not have any long-term lease agreements in place.

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, 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, 2016 and December 31, 2015, or thereafter. Assuming all other variables remain constant, a 1% increase or decrease in foreign exchange rates on the foreign cash balances at September 30, 2016 would have impacted the cash flows of the Company during the 2016 period by approximately $300 (2015 - $3,150). A 1% increase or decrease in foreign exchanges on the convertible debenture would have impacted the cash flows of the Company during the 2016 period by approximately $74,000 (2015 - $69,800).

Outstanding Share Data

The Company has authorised an unlimited number of Common shares, without par value. The Company currently has 105,223,923 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				105,223,923
Options	May 22, 2017	$0.60	25,000	
	February 28, 2017	$1.18	687,142	
	January 15, 2018	$0.70	1,570,000	
	April 30, 2019	$0.30	3,160,000	
	July 22, 2020	$0.05	5,080,000	
				10,522,142

Summary of Quarterly Results

($ thousands)	Three months ended September 30, 2016	Three months ended June 30, 2016	Three months ended March 31, 2016	Three months ended December 31, 2015
Net income (loss)	(638)	(1,173)	(2,026)	(29,742)
Loss per share (basic & diluted)	(0.00)	(0.01)	(0.02)	(0.30)
Capital expenditures	-	3	21	42
Exploration and evaluation impairment	-	-	-	29,098
Working capital surplus (deficit)	(12,834)	(12,139)	(11,003)	(9,304)
Convertible debentures (Cdn $)	9,700	9,700	9,700	9,700
Loans payable (Cdn $)	1,790	1,790	1,400	1,400
Total assets	9,540	9,764	9,821	10,254

($ thousands)	Three months ended September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015	Three months ended December 31, 2014
Net income (loss)	(263)	(1,451)	(349)	(5,480)
Loss per share (basic & diluted)	(0.00)	(0.17)	(0.00)	(0.07)
Capital expenditures	41	40	142	186
Exploration and evaluation impairment	(40)	4	20	3,688
Working capital surplus (deficit)	(10,599)	(10,387)	(7,166)	874
Convertible debenture	9,700	9,700	9,700	9,700
Loans payable (Cdn $)	400	400	-	-
Total assets	39,260	39,658	39,871	40,508

The working capital deficit increased by approximately $0.7 million in the third quarter, primarily attributed to finance costs accrued offset by the weakening of the Canadian dollar against the US dollar. General and administrative expenses have been significantly reduced due to the limited activity in the Company.

The increase in the working capital deficit of approximately $1.14 million in the second quarter is primarily due to the continued strengthening of the Canadian dollar against the US dollar and $0.49 million of extension fee accruals on the secured debentures and secured notes payable in the quarter.

The increase in the working capital deficit during the first quarter of 2016 is primarily due to a foreign exchange loss of $541,091 as a result of the Canadian Dollar strengthening against the US Dollar, estimated accruals with respect to closure of the Moroccan operations, interest accruals on the debenture and notes payable, and Executive Management transaction compensation and Board transaction compensation.

As a result of the conclusion of the strategic alternatives process, in March 2016, PetroMaroc recorded a $29,098,000 impairment provision on the Sidi Moktar licence in the 2015 fourth quarter. The decrease in the working capital deficit as compared to the third quarter is due to the devaluation of the Canadian Dollar resulting in the revaluation of Cdn$9,700,000 of convertible debentures and Cdn$1,400,000 of other loans payable.

The decrease in the loss in the 2015 third quarter is due to the devaluation of the Canadian Dollar against the US Dollar, resulting in the Company recording a $572,060 foreign exchange gain in the quarter primarily due to the convertible debentures and loan which are repayable in Canadian Dollars.

The increase in the working capital deficit in the second quarter of 2015 is primarily a result of classifying $2.0 million of restricted cash to a long-term asset as these funds are not currently anticipated to be recovered within the next 12 months.

As a result of the default on the convertible debenture interest payments on April 30, 2015, the Cdn$9,700,000 convertible debenture has been classified as a current liability in the first quarter of 2015 therefore the increase in the working capital deficit. Included in the net loss for the first quarter, is $586,973 related to foreign exchange gains primarily related to the revaluation of the convertible debenture.

Of the $5.48 million net loss in the fourth quarter ended December 31, 2014, $1.5 million relates to the impairment of the Foum Draa licence and $2.2 million relates to the impairment of the Zag licence. In addition an estimated penalty accrual of $1.20 million is accrued in respect to the Company’s share of an estimated penalty that may be payable as a result of the operator of the Zag licence failing to fulfil the minimum work commitments to drill an exploration well. The increase in the working capital is due to a Cdn$3.0 million equity financing closing in the quarter.

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 accruals made by management 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.

Future Accounting Pronouncements

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaced International Accounting Standard ("IAS") 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by PetroMaroc on January 1, 2018 and the Company is currently evaluating the impact of the standard on PetroMaroc's financial statements.

In July 2014, the IASB completed the final elements of IFRS 9 *Financial Instruments*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied on a retrospective basis by PetroMaroc on January 1, 2018 and the Company is currently evaluating the impact of the standard on PetroMaroc's financial statements.

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 *Revenue from Contracts with Customers*. IFRS 16 will be applied by PetroMaroc on January 1, 2019 and the Company is currently evaluating the impact of the standard on PetroMaroc's financial statements.

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's ongoing activities are dependent upon its ability to obtain sufficient financing to fund its current and future operations. The Company currently has a working capital deficit of $12.8 million (inclusive of the Cdn $9.7 million convertible debentures which mature on December 31, 2016, the Cdn $1.39 million non-convertible debentures which mature on December 31, and the Cdn $0.4 million unsecured loan which matures on December 31, 2016, and also includes the $2.4 million in respect to restricted cash bank guarantees expected to be recovered within the next 12 months. The Company has limited access to additional financing, which creates material uncertainties that may cast significant doubt about its ability to continue as a going concern. The ability of PetroMaroc to meet these commitments and repay the secured debentures and the unsecured loan is dependent upon closing the Sidi Moktar asset disposition as previously disclosed.

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.

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. 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.

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.

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.

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.