PetroMaroc Corporation plc
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 April 25, 2017 and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 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 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.

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

In September 2016, the PetroMaroc and Sound entered into an amending agreement, pursuant to which any proceeds from a sale (in whole or in part) of the 21,258,008 Sound 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. The transaction closed on January 9, 2017 with the Sound shares closing at 75.75 pence as quoted on the Alternative Investment Market ("AIM").
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As a result of completing the transaction with Sound, the Company was able to restructure the Cdn $11.09 million principal amount of the secured debentures. Accordingly, the Cdn $11.09 million were 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 "New Debentures"). The Series 1 New Debentures bear interest at the rate of 10% per annum and are convertible, at the option of the holder, into ordinary shares of the Company at a conversion price equal to $0.06 per share in the first 12 months of the term (January 1, 2017 to December 31, 2017) and $0.10 per share in the last month of the term (January 1, 2018 to January 31, 2018). The Series 2 New Debentures bear interest at the rate of 15% per annum, with no right to convert into ordinary shares of the Company. The Series 1 New Debentures and the Series 2 New Debentures shall bear an effective issue date of December 31, 2016, being the maturity date of the original Debentures. The Series 1 New Debentures and the Series 2 New Debentures shall rank pari passu with each other. The Company issued Cdn $6,327,600 Series 2 New Debentures, and Cdn $4,762,400 Series 1 New Debentures.

In accordance with the terms of the New Debentures, Cdn $4,407,056 being the outstanding accrued interest and fees owing under the Debentures as at December 31, 2016 was paid in February 2017, along with interest and fees totalling Cdn $68,823 being the accrued interest and fees owing under the April 2014, November 2015 and June 2016 Cdn $11.09 million Debentures for the period January 1, 2017 to February 7, 2017 (the "stub" period), which interest cost being accrued and payable in the first quarter of 2017. In order to provide capital for the interest and fees owing and have capital available for general working capital purposes, in February 2017, PetroMaroc disposed of 5,314,502 Sound Energy shares, the proceeds received (net

of transaction costs, and net of proceeds above 50 pence being allocated equally between the Company and Sound Energy) totaled $4,008,640 (GBP £3,249,403).

Selected Annual Information

($ thousands, except per share amounts)	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Net income (loss)	(4,286)	(31,805)	(7,246)
Net income (loss) per share – basic and diluted	(0.04)	(0.31)	(0.08)
Exploration and evaluation expenditures (recovery)	(216)	265	13,950
Working capital surplus (deficit) *(i)*	(13,260)	(9,304)	874
Total assets	9,297	10,254	40,508
Weighted average shares outstanding (000s)	105,223	104,169	84,272
Current shares outstanding at April 25, 2017 (000s)	107,830		

(i) The balance excludes the exploration and evaluation assets (held for sale), and decommissioning liabilities (held for sale).

The Company was in the exploration stage and thus no oil and gas revenues have been generated. In 2016, the net loss in 2016 primarily relates to $2,239,018 of finance costs related to interest and waiver fees on the secured debentures (to amend the terms of the secured debentures in order to avoid default), and $1,735,758 of administrative costs. The administrative costs predominantly relate to the aforementioned Sound transaction, corporate restructuring.

Following conclusion of the strategic alternatives process in March 2016, and careful consideration, PetroMaroc recorded a $29,098,000 impairment of previously capitalised costs on the Sidi Moktar exploration licence in the fourth quarter of 2015. The working capital deficit as at December 31, 2015 is due to the reclassification of $9,700,000 (CAD) convertible debentures that were due in April 2016 as a current liability, the classification of $1,000,000 (CAD) non-convertible debentures that were due in April 2016 as a current liability, and the classification of the $400,000 (CAD) unsecured loan that were due in April 2016 as a current liability.

In 2014, the Company drilled the Kamar exploration well on the Sidi Moktar licence. Included in the net loss for the 2014 fiscal year is $3,793,383 relating to the impairment of exploration costs on the Foum Draa, Zag and Sidi Moussa licences following impairment reviews of each licence. In addition, as a result of the operator of the Zag licence failing to fulfil the minimum work commitment to drill an exploration well, $1,200,000 in respect to the Company's share of estimated penalty costs which may be payable are included. 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 $1,500,000 accrued in 2013 in respect to the estimated penalty was reversed in 2014, offset partially by $92,000 in respect to agreed Tarfaya exit costs to be paid to the operator. In April 2014, PetroMaroc completed a $9,700,000 (CAD) convertible debenture financing that included the issuance of 9,700,000 warrants exercisable at $0.30 (CAD). As a result of the debenture issuance the

Company incurred $979,361 of finance costs composed of accretion and amortization of debt issuance costs of $339,119 and $640,242 of debenture interest.

Administrative Costs

Administrative	For the three months ended December 31, 2016	For the three months ended December 31, 2015	For the twelve months ended December 31, 2016	For the twelve months ended December 31, 2015
Wages	**$ 96,102**	$ 197,981	**$ 594,480**	$ 741,316
Bonus	**-**	-	**200,000**	-
Severance	**-**	-	**48,676**	-
Professional fees	**104,468**	68,216	**262,446**	322,936
Consulting fees	**33,636**	77,463	**206,020**	338,722
Director fees	**29,200**	37,500	**171,700**	171,933
Stock Fees	**46,987**	28,984	**90,487**	74,280
Travel	**9,152**	33,326	**39,040**	102,126
Rent	**15,435**	18,047	**74,303**	202,552
Bank Charges	**1,514**	1,713	**15,941**	21,441
Morocco exit costs	**(15,000)**	-	**20,000**	-
Other	**-**	(28,678)	**12,665**	31,329
	321,494	434,552	**1,735,758**	2,006,635
Less: G&A Capitalized	**-**	(238)	**-**	(79,166)
	$ 321,494	$ 434,314	**$ 1,735,758**	$ 1,927,469

Administrative costs before capitalized costs were 26% and 10%, lower for the respective three month and fiscal period ended December 31, 2016, than the comparative 2015 periods. The increase in wages and bonus costs is primarily related to approximately $270,000 of performance based compensation attributable to the Executive management and the Board, of which $200,000 costs were accrued in the period and paid in the first quarter of 2017. In March 2016, the Company accrued estimated costs associated with the aforementioned Sound transaction of approximately $180,000, of which, $100,000 related to Moroccan exit costs. The decrease in administrative costs in the fourth quarter is due to the Sound transaction that was in 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.

In 2015, Company capitalised $79,166 of consulting and 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 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. However, the current tax horizon will ultimately depend on several factors including equity markets for oil companies, future revenues future revenue from the net profits interest, corporate expenses, and both the type and amount of capital expenditures incurred in future reporting periods.

Liquidity and Capital Resources

The Company at December 31, 2016 had a working capital deficit of $13.3 million inclusive of the Cdn $11.09 million of secured debentures that were due for repayment in April 2016 with repayment terms extended to September 30, 2016 and subsequently to December 31, 2016. On February 15, 2017, the Company completed the restructuring of the Cdn $11.09 principal amount of the secured debentures of the Company. Accordingly, the Cdn $11.09 million secured Debentures were rolled into a new class of secured redeemable, debentures, issuable in series (with an issue date of December 31, 2016), with all principal and interest due and payable in full on January 31, 2018 (the "New Debentures"). The Series 1 New Debentures bear interest at the rate of 10% per annum and are convertible, at the option of the holder, into ordinary shares of the Company at a conversion price equal to $0.06 per share in the first 12 months of the term (January 1, 2017 to December 31, 2017) and $0.10 per share in the last month of the term (January 1, 2018 to January 31, 2018). The Series 2 New Debentures bear interest at the rate of 15% per annum, with no right to convert into ordinary shares of the Company. The Series 1 New Debentures and the Series 2 New Debentures shall bear an effective issue date of December 31, 2016, being the maturity date of the original Debentures. The Series 1 New Debentures and the Series 2 New Debentures shall rank pari passu with each other. The Company issued Cdn $6,327,600 Series 2 New Debentures, and Cdn $4,762,400 Series 1 New Debentures.

In accordance with the terms of the New Debentures, Cdn $4,407,056 being the outstanding accrued interest and fees owing under the Debentures as at December 31, 2016 was paid in February 2017, along with interest and fees totaling Cdn $68,823 being the accrued interest and fees owing under the April 2014, November 2015 and June 2016 Cdn $11.09 million Debentures for the period January 1, 2017 to February 7, 2017 (the "stub" period).

In February 2017, the Company disposed of 5,314,502 Sound Energy shares, to provide capital to the Company to meet its obligations of the Cdn $4,407,056 debentures interest, fees, and for general working capital purposes. The proceeds received (net of transaction costs, and net of proceeds above 50 pence being allocated equally between the Company and Sound Energy) totaled GBP £3,249,403 ($4,008,640).

The Company currently holds 15,943,506 Sound shares with a closing share value of 75.00 pence as of the date of this MD&A.

In order to continue operations in the first half of 2016, the Company disposed of surplus inventory on hand in February 2016 for $0.3 million, the proceeds of which were used for general working capital purposes.

With respect to the Zag Licence, the Company committed to its percentage share of further geophysical studies and the drilling of one exploration well, subject to receiving and approving a satisfactory proposal from the Operator, as per the terms of the First Extension Period. Following the joint venture not completing the minimum work commitment of the First Extension Period, a twelve month extension to the First Extension Period was agreed by the joint venture, to May 2016. During the twelve month extension the Company continued to seek a mutually agreed technical, commercial and financial proposal to reduce its financial exposure insofar as possible. The Company continues to accrue $1.2 million penalty costs due to a material uncertainty that the joint venture will either complete the minimum work commitments or reach an agreed technical, commercial and financial proposal. $1.2 million represents the Company's share of penalty costs per the Exploration Licence First Extension Period, with the $0.6 million of restricted cash lodged as a bank guarantee being available to offset this potential penalty. In March 2017, ONHYM issued a demand notice and claimed the $0.6 million of restricted cash.

The decommissioning liability was set-up as a result of the Koba-1 and Kamar wells being drilled and assumed by Sound subsequent to the year end as previously discussed.

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, and credit.

Risks associated with commodity prices, interest and exchange rates are generally beyond the control of the Company.

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 December 31, 2016 or 2015, 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 December 31, 2016 would have impacted operational earnings of the Company during the year ended December 31, 2016 by approximately $53. A 1% increase or decrease in foreign exchanges on the

convertible debentures and other loans will impact the eventual repayment by approximately $26,800.

The 9,700,000 warrants issued in the Debenture financing and 8,000,000 warrants issued in the loan, as previously discussed, considered a financial instrument, as they contain an embedded derivative. The warrant entitled 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 $Nil for the year ended December 31, 2015 (2015 - $77,650).

Outstanding Share Data

The Company has authorised an unlimited number of Common shares, without par value. The Company currently has 107,830,864 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				107,830,864
Options	May 22, 2017	$0.60	25,000	
	January 15, 2018	$0.70	1,570,000	
	April 30, 2019	$0.30	3,160,000	
	July 22, 2020	$0.05	5,080,000	
				9,835,000

As previously discussed, the Company issued Cdn $4,762,400 Series 1 New Debentures that are convertible, at the option of the holder, into ordinary shares of the Company at a conversion price equal to $0.06 per share in the first 12 months of the term (January 1, 2017 to December 31, 2017) and $0.10 per share in the last month of the term (January 1, 2018 to January 31, 2018). As of the date of this MD&A the Series 1 New Debentures would convert into 79,373,333 common shares.

Summary of Quarterly Results

($ thousands)	Three months ended December 31, 2016	Three months ended September 30, 2016	Three months ended June 30, 2016	Three months ended March 31, 2016
Net income (loss)	(449)	(638)	(1,173)	(2,026)
Loss per share (basic & diluted)	(0.00)	(0.00)	(0.01)	(0.02)
Capital expenditures	60	-	3	21
Exploration and evaluation impairment	-	-	-	-
Working capital surplus (deficit)	(13,260)	(12,834)	(12,139)	(11,003)
Convertible debentures (Cdn $)	9,700	9,700	9,700	9,700
Loans payable (Cdn $)	1,790	1,790	1,790	1,400
Total assets	9,297	9,540	9,764	9,821

($ thousands)	Three months ended December 31, 2015	Three months ended September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015
Net income (loss)	(29,742)	(263)	(1,451)	(349)
Loss per share (basic & diluted)	(0.30)	(0.00)	(0.17)	(0.00)
Capital expenditures	42	41	40	142
Exploration and evaluation impairment	29,098	(40)	4	20
Working capital surplus (deficit)	(9,304)	(10,599)	(10,387)	(7,166)
Convertible debenture	9,700	9,700	9,700	9,700
Loans payable (Cdn $)	1,400	400	400	-
Total assets	10,254	39,260	39,658	39,871

The net loss in the fourth quarter is primarily due to $0.3 million of administrative expenditures, $0.32 million of finance costs offset by a foreign exchange gain of $0.21 million due to the weakening of the Canadian Dollar against the US Dollar.

The working capital deficit increased by approximately $0.7 million in the third quarter of 2016, 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.

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 public or 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

IFRS 16 – Leases
In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16, which will supersede IAS 17, Leases. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 effectively removes the classification of leases as either finance or operating and treats all leases as finance leases for lessees with exemptions for short-term leases where the lease term is twelve months or less and for leases of low value items. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted,

The Company is required to retrospectively apply IFRS 16 to all existing leases as of the date of transition and has the option to either: a) apply IFRS 16 with full retrospective effect; or b) recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening equity at the date of initial application. The standard will be effective on January 1, 2019 for the Company. As the Company currently has no leases in place, the standard is not expected to have a material impact on the consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB has amended IFRS 9 which amends its classification and measurement of financial assets and introduces a new expected loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and shall be applied retrospectively. The

Company is currently assessing the impact the adoption of this standard will have on the consolidated 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.

Going Concern

The ongoing activities are dependent upon its ability to obtain sufficient financing to fund its current and future operations. The Company currently has a working capital deficit of $13.3 million. The Company, at December 31, 2016 had insufficient cash to fund its operations and repay current obligations for the next twelve months and as a result there are material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the twelve month period following December 31, 2016. The ability of the Company to meet its commitments and costs was dependent upon closing the Sound transaction as previously described and being able to liquidate the Sound shares to use the proceeds to settle the current obligations of the Company, in conjunction with restructuring alternatives of the Company’s debt and share capital.

If the remaining Sound shares cannot be disposed at a sufficient price to satisfy the remaining obligations of the Company, the Company will be required to consider alternative financing sources including raising additional capital by issuing equity securities (which may include a rights offering or private placement), debt financing and assessing restructuring alternatives to the Company’s debt and share capital. There can be no assurance, however, that these initiatives will lead to additional capital being secured, nor the timing of any transaction taking place, or at all. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

Concentration Risk

Concentration risk is the risk that any single or group of exposures will have the potential to produce losses large enough to threaten the ability of an entity to continue operating as a going concern. The Company's investment in Sound is currently its sole investment and is subject to changes in market prices and foreign exchange movements as the company’s shares are traded in Sterling.

Sound is an international exploration and production ("E&P") company and is exposed to the risks typically associated with other international E&P companies. Some of the more significant risks include:
• a prolonged decline in crude oil, natural gas liquids and natural gas and the effect on credit liquidity and access to capital;
• volatility in oil and gas prices;
• uncertainties associated with drilling and well stimulation activities;
• access to adequate bank and equity capital for significant capital investment; and,
• actual reserves will vary from reserve estimates.

Operational risk

This category encompasses a number of risks. The Company follows prudent industry practices with respect to insurance where practicable and as guided by external experts, but cannot fully insure against all risks. With respect to non-insurable operating risks, management has designed business process controls and accountability to identify problems at the earliest possible occasion and implement solutions. However, investors must appreciate that operational risk is very much a characteristic of the individual businesses and industries and can never be entirely eliminated.

Staffing

The Company operates in a very competitive environment for professional staff and this staff is critical to the organization's ultimate success. Recognizing this, the Company has developed an industry competitive, compensation program including bonuses based on annual performance, benefits and a long-term incentive program to provide for long-term incentive and retention.

PetroMaroc common shares

The market price of the Company's common shares could fluctuate significantly as a result of many factors, including the following:
• economic and stock market conditions generally and specifically as they may impact participants in the investment fund industry;
• our earnings and results of operations and other developments affecting the business;
• changes in financial estimates and recommendations by securities analysts following PetroMaroc's common shares;
• earnings and other announcements by, and changes in market evaluations of, participants in the investment fund industry;
• changes in business or regulatory conditions affecting participants in the investment fund industry; and
• trading volume of PetroMaroc 's common shares.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Company's common shares may decline even if PetroMaroc 's operating results or prospects have not changed.

Confidentiality of Information

Confidentiality is essential to the success of the Company's business, and it strives to consistently maintain the highest standards of trust, integrity and professionalism. Information is kept under strict control in compliance with all applicable laws, and physical, procedural, and electronic safeguards are maintained in order to protect this information from access by unauthorized parties.

Conflicts of Interest

The Company has a number of policies with respect to employee personal trading. Employees may not trade any of the securities held or being considered for investment by the Company. In addition, employees must receive prior approval before they are permitted to buy or sell any securities. Speculative trading is strongly discouraged. All employees must comply with the Company's Code of Ethics. The code establishes strict rules for professional conduct including the management of conflicts of interest.

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.