GEOROX RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2016 AND YEAR ENDED DECEMBER 31, 2015

GENERAL

The following Management Discussion and Analysis ("**MD&A**") prepared as of June 30, 2016, and dated August **26, 2016**, is provided for the purpose of reviewing the results for the quarter ended June 30, 2016 and is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations as at June 30, 2016 and year ended December 31, 2015. This discussion and analysis of the performance, financial condition and future prospects of Georox Resources Inc. (the "**Corporation**" or "**Georox**") should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2015 together with the notes thereto.

Petroleum and natural gas reserves and volumes are converted to a common unit of measure on a basis of six thousand cubic feet (Mcf) of gas to one barrel (bbl) of oil. BOEs may be misleading, particularly if used in isolation. The forgoing conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators' National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. For the purpose of this MD&A, oil is defined to include the following commodities: light and medium oil and primary heavy oil.

Amounts are shown in Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes.

BASIS OF PRESENTATION

Georox prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

Forward Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts that address activities, events or developments that Georox expects are forward looking statements. The Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions which the Corporation is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Management's assessment of future plans and operations, capital expenditure requirements, methods of financing and the ability to fund financial liabilities, changes in royalty rates and the timing and impact of accounting policies may constitute forward-looking statements under applicable laws and necessarily involve risks including and without limitation, risks associated with oil and gas exploration, development and exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations imprecision of reserve estimates, environmental risks, competition from, other producers, the inability to fully realize the benefits of acquisitions, delays resulting from, or inability to obtain, required regulatory approvals and ability to access sufficient capital from internal and external sources. Readers and investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration and exploitation successes, continued availability of capital and financing and general economic, market or business conditions.

Although the Corporation believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realised. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "may", "will", "forecast", "project", "plan", "should" and similar expressions are intended to identify forward-looking information. These statements are subject to certain risks and uncertainties *and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The risks associated with these forward-looking statements include, but are not limited to, the following:*

- *Fluctuations in oil production levels;*
- *Volatility in market prices for gas, liquids and oil*
- *Uncertainties associated with estimating reserves;*
- *Well production and decline rates;*
- *Changes in the general economic conditions in Canada and Worldwide;*
- *The effects of weather conditions;*
- *The ability of Georox to obtain financing including equity and debt, and*
- *Actions taken and policies by governmental or regulatory authorities including changes to tax laws, incentive programs, royalty calculations and environmental regulations.*

Additional information related to the Corporation is available on SEDAR at www.sedar.com, and on the Corporation's website at www.georoxresources.com.

DESCRIPTION OF BUSINESS

Georox is a Canadian natural resources corporation presently engaged in the acquisition, exploration and development of oil and gas properties in Western Canada.

The Corporation was incorporated on April 14, 2003, under the *Canada Business Corporations Act* ("**CBCA**").The Corporation's shares initially began trading on the TSX Venture Exchange under the trading symbol "ORR" on March 29, 2005 and on the Frankfurt Exchange under the trading symbol "OF6" on June 21, 2006. On August 25, 2008, the Corporation's name was changed to "Georox Resources Inc." and the TSX Venture Exchange trading symbol changed to "GXR".

OVERALL PERFORMANCE

Revenues from operations were $474,244 for June Q2, 2016 with royalty expenses of $17,659. The Corporation recorded a loss for the second quarter of (368,072), 2016 as compared to a loss of ($325,577) for Q2, 2015. The overall loss for the quarter arose largely because of production volumes and third party facility charges resulting in increased operating costs.The increase in revenue in Q2 over Q1, 2016 is due to the increase in commodity prices despite lower volumes. However volume production decrease is primarily a result of lack of capital expenditure on properties for the first two quarters of 2016. Additionally repairs and maintenance have been severely hampered because of wet inclimate weather and the resultant muddy roads in Q2.

Working capital for the quarter ended June 30, 2016 was ($1,293,773) as compared to the year ended December 31, 2015 of ($5,826,095). The decrease in the negative working capital is due to the reclassification of the mezzanine loan being over a year when it matures.

NON – IFRS MEASURES

The financial data presented herein has been prepared in accordance with IFRS. The Company has also used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the following MD&A discussion. The measures are widely accepted measures of performance and value within the industry, and are used by investors and analysts to compare and evaluate oil and natural gas exploration and producing entities. Most notably, these measures include "operating netback", "funds flow from (used in) operations".

Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales and is calculated by deducting royalties and operating expenses (production, severance and transportation expenses) from revenues. Management utilizes this measure to analyze operating performance.
Funds from operations is cash flow from operating activities before changes in non-cash working capital and certain other items, and is used to analyze operations, performance and liquidity. The Company considers funds flow from (used in) operations a key measure as it demonstrates the Company's ability to generate the cash flow necessary to

fund future growth through capital investment and to repay debt. The Company's calculation of funds flow from operations may not be comparable to that reported by other companies.

These measures are not defined under IFRS and should not be considered in isolation or as an alternative to conventional IFRS measures. These measures and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of another entity. When these measures are used, they are defined as "Non IFRS" and should be given careful consideration by the reader as non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

NOTE REGARDING BOES AND MCFS

In this MD&A, barrels of oil equivalent ("boe") are derived by converting gas to oil in the ratio of six thousand cubic feet ("Mcf") of gas to one barrel ("bbl") of oil (6 Mcf: 1 bbl) and one thousand cubic feet of gas equivalent ("Mcfes") are derived by converting oil to gas in the ratio of one bbl of oil to six Mcf (1 bbl: 6 Mcf). Boes and Mcfes may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf of natural gas to 1 bbl of oil, or a Mcfe conversion ratio of 1 bbl of oil to 6 Mcf of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1 utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

SELECTED FINANCIAL INFORMATION

Quarter Ended	**June 30, 2016 $**	**June 30, 2015 $**	**June 30, 2014 $**
Petroleum Revenues (Gross)	$ 474,244	$ 854,584	$ 1,501,543
Funds From Operations	63,442	442,952	992,538
Net Income/(Loss) from Operations	(368,072)	(336,577)	168,181
Per share – Basic and diluted	(0.02)	(0.01)	0.02
Total Assets	8,164,612	10,322,508	12,759,984
Total Current liabilities	(1,629,981)	(5,848,091)	(4,743,218)
Weighted average common shares outstanding	15,642,503	45,826,687	27,146,185

	June 30, 2016 $	**Mar 31, 2016 $**	**Dec 31, 2015 $**	**Sept 30, 2015 $**	**June 30, 2015 $**	**Mar 31, 2015 $**	**Dec 31, 2014 $**	**Sept 30, 2014 $**
Revenue	474,244	335,355	444,876	560,119	854,584	556,085	1,024,769	1,533,916
Net Profit/(Loss)	(368,072)	(371,197)	(1,914,980)	(221,380)	325,577	(424,702)	(571,000)	60,466
Net Profit (Loss) per share (diluted)	(0.02)	(0.01)	(0.06)	(0.01)	(0.01)	(0.01)	0.00	0.02

Netback

Total production and sales for the three months ended June 30, 2016 and 2015 was 10,201 and 15,465 boes, respectively. Production decreased by 5,264 boes in Q2 of 2016 as compared to Q2 in 2015. On average for the three months in Q2, 2016, the overall netback per boe was $10 as compared to Q2 of 2015 of $29. Operating netback declined in comparison to the prior year is a direct result of the significant decrease in commodity prices and a reduction in volume production due to a lack of capital expenditure.

Royalties

Total royalties are the combination of royalties paid on crown lands, royalties paid on freehold lands, and gross overriding royalties. However, the overall corporate royalty rates under the Alberta Royalty

Framework ("ARF") are sensitive to both commodity prices and production levels. Therefore royalty rates and royalty under ARF will fluctuate with commodity prices, well production rates, production decline of existing wells and performance and locations of new wells drilled. Royalty expense for Q2 of 2016 was $1.73 per boe, as compared to $1.13 in Q2 of 2015. The increase is due to a decline in production. This rate is expected to increase during the next quarter with the prospect of higher commodity prices.

Operating Cost

All activities associated with operating the wells and facilities are included in the operating expenses. They include such items as gathering, processing, lifting, treating and production storage. The average operating cost per boe generated expenses for Q2 of 2016 is $23.05 as compared to Q2 of 2015 of $26.00 per boe. In Q2, 2016 the operating cost decreased due to lower expenditure made for repairs and maintenance and general well servicing. Operating costs tended to fluctuate from month to month depending on the amount of well servicing required to maintain production levels. Management continues to monitor operating costs to minimize expenses where possible. Operation expenses per boe are impacted by production volumes.

Transportation Costs

Transportation cost represents 33% of total revenue in Q2 of 2016 and on a per boe basis it was $15.48.as compared to $4.51 per boe in Q1 of 2016. The increase in cost in 2016 is largely due to lower volume of fluids being transported overall with some fixed costs remaining the same. Additionally in Q1the Corporation received a credit of $84,598 from the operator as a refund in the transportation costs. Transportation costs are incurred to move marketable crude oil to selling points. Transportation costs included clean oil trucking and hauling, treating and processing fees, gathering and transmission and compression fees. The transportation costs are dependent on a variety of factors such as the method of transportation, the distances covered, the rates charged by the carriers, quantities shipped, cost of fuel, the type of service offered, as well as ownership of the transportation facilities.

General and Administrative

The general and administrative cost for Q2, 2016 is $80,920 as compared to the Q2, 2015 costs of $248,563. In Q2, 2016 the cost was lower due to further cost cutting measures in consulting, office expenses, salaries and computer software. The rest of the cost reflects the cost of managing the Corporation's properties and associated activities and includes employees' salaries and wages, office rent, computer services, legal, transfer agent fees, reserve evaluation fees, consulting fees, audit and accounting and other professional fees. Georox continually directs significant efforts to maintaining or reducing its controllable costs. Administrative costs were reduced significantly by 50% in Q2, 2016 as compared to Q2, 2015. In Q2, 2016 cost per boe was $8.00 as compared to Q2, 2015 of $16. In Q2, 2016 administrative costs were lower with lower volume production and in Q2, 2015 administrative costs were higher with greater production volumes with the amount in costs and volume not being significant enough to have an impact.

Stock Based Compensation

Stock based compensation costs are non-cash charges which reflect the estimated value of stock options granted to officers, employees and consultants. The fair value of all stock options granted is recorded as a charge to operations over the period from the grant date to the vesting date of the option. Stock base compensation charge for Q2 was nil as compared to Q2, 2015 of $3,324. The fair value of all stock options is amortized using the Black-Scholes option pricing model, expensed over the options' vesting period which is historically three years for all options.

Depletion, Depreciation and Impairment

Impairment is estimated based on the higher of fair value less costs to sell and value in use. The value in use is derived using the forecasted cash flows related to both proved and probable reserves, with escalating prices and future development costs as estimated in Sproule's report. The recoverable amounts of the CGUS are estimated based on the discount rates of 15 per cent.

On a per boe basis, the rate of depletion, depreciation and impairment ("DDA") was at an average of $23 per boe for Q2 and $26 per boe in Q2, 2015. The decrease in the depletion rate in 2016 is largely due to impairment and depletion of Coteau Lake being excluded and since it has been sold. The Corporation used proved and probable reserves under IFRS for the calculation of DDA.

Decommissioning Liabilities

The Corporation estimates the total inflation-adjusted undiscounted amount of cash flow required to settle its asset retirement obligations, before salvage proceeds, at June 30, 2016 to be $1,424,016 (December 31, 2015 - $1,369,302). As at June 30, 2016 no funds have been set aside to settle these obligations.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared on a going concern basis which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Corporation are dependent upon its ability to continue to raise adequate financing in the future. Although Georox may need to raise additional funds from internal or external sources, if available, in order to develop its property at Meekwap, the Corporation maintains flexibility to manage its financial commitments.

Liquidity risk

The Corporation’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when due. As at June 30, 2016, the Corporation does not have sufficient cash equivalent to settle its trade and other payables of $1,614,451. The Corporation’s working capital at June 30, 2016 was negative $1,293,773 (December 31,2015 – negative $5,826,095). All of the Corporation’s financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms and are scheduled for payment within one year.

Typically, the Corporation ensures that it has sufficient cash on hand to meet expected operational expenses for a period of 12 months. Management raised equity funds of $196,000 under a private placement as the first tranche closed at the end of the first quarter.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation’s cash and cash equivalents are exposed to minimal interest rate risk.

The Corporation continues to assess additional petroleum and natural gas projects and plans to raise additional debt or equity amounts as needed to fund development opportunities and acquisitions and to maintain sufficient working capital to meet administrative expenditures.

The Corporation considers its capital structure to be working capital. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the six months ended June 30, 2016.

Credit Facilities

The Corporation has restructured and consolidated its credit facilities in Q2, 2016. The Corporation’s mezzanine financier (the “Lender”), consolidated the Corporation’s Senior Lender Facility and consolidated it with the Mezzanine Financing for a total Amended Credit facility of $4,513,421.13 (the “Amended Credit Facility”). The Amended Credit facility has a maturity date of April 30, 2018 and an interest rate of 10% per annum. In the event of default, the interest rate may be renegotiated by the Lender. Repayment is interest only until April 30, 2016 at which time principal repayments of $25,000 per month commence. Principal repayments increase to:

- $50,000 per month commencing on the later of:
  - October 31, 2016; and,
  - A pre-determined West Texas Intermediate Crude (“WTI”) price threshold for the first 30 days for a consecutive period which price of WTI Crude exceeds US45/barrel.
- $75,000 per month commencing on the later of:
  - April 30, 2017; and,
  - A pre-determined WTI price threshold for the first 30 days for a consecutive period during which the WTI crude exceeds US$55/barrel.

The Amended Credit Facility is secured by a promissory note for $4,513,421.13, a $25,000,000 fixed and floating charge debenture, a general security agreement on the assets of the Corporation and a $4,000,000 debenture from the Corporation providing a security interest in all present and after-acquired personal property, fixed charges on all the oil and gas assets and a floating charge over all other present and after-acquired real property.

Participation fee

In accordance with the terms of the Amended Credit Facility, the Lender is entitled to a participation fee on the 2017 and 2018 net revenues (defined as total revenues less royalties) up to a cumulative amount of $500,000. If the Amended Credit Facility is fully repaid by March 31, 2017, the 2018 Participation fee will be cancelled.

Warrants

Pursuant to the terms of the Amended Credit Facility, the Corporation shall grant to the Lender 1,000,000 Common Share purchase warrants with a term to expiry of 2 years and an exercise price of $0.05 per Common Share (the “New Warrants”). The terms of the New Warrants include:

- provisions that provide for a cashless exercise by the lender;
- typical adjustment provisions to adjust the number of the New Warrants and the exercise price in the event of any share consolidation, recapitalization, reclassification, or similar transaction or reorganization of share capital; and,
- provisions allowing exercise in the event of any change in control, business combination or other transaction involving the Corporation.

The warrants issued pursuant to the June 9, 2015 amendment to the Mezzanine Financing were cancelled upon the issuance of the New Warrants.

The global credit market crisis, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions have caused significant volatility in commodity prices. Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over supply and demand due to the current state of world economies, the ongoing global conflict and credit and liquidity concerns. This has resulted in an extremely limited ability to execute capital market transactions particularly for junior resources issuers.

Going concern

These Financial Statements and MD&A have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The Corporation generated a net loss of $(368,072) for Q2, 2016 as compared to Q2, 2015 – net loss of ($325,577). As of June 30, 2016, the Corporation had a working capital deficiency of $1,293,773 (December 31, 2015 – $5,826,095), and an accumulated deficit of $12,527,904 (December 31, 2015 – $11,788,873). As such, there is material uncertainty related to these conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Corporation as a going concern is dependent upon the ability of the Corporation to obtain necessary equity or other financing to continue exploring its oil and gas properties, and/or to attain sufficient profitable operations.

The ability of the Corporation to be successful in obtaining financing cannot be predicted at the present time. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Corporation be unable to continue as a going concern.

OUTSTANDING SHARES

The Corporation is authorized to issue an unlimited number of Common Shares. As at June 30, 2016, there were 18,542,229 issued and outstanding Common Shares.

As of May 2, 2016, the Company consolidated its shares on a one- for –three-old basis pursuant to a special resolution passed by shareholders on April 30, 2015. All references to common shares, per share amounts, warrants, and options for all periods presented have been retroactively restated to reflect this consolidation.

Share capital

(a) Authorized
Unlimited number of common shares

Issued

	2016		*2015*	
	Number of Shares	*Amount*	*Number of Shares*	*Amount*
Balance, beginning of year	**15,275,562**	**$ 9,864,297**	35,597,107	$ 9,648,089
Shares issued during the year, net of warrant value	**3,266,667**	**62,854**	10,229,580	(9,351)
Share issue costs		**(4,800)**		(18,165)
Balance, end of quarter	**18,542,229**	**$ 9,922,351**	45,826,687	9,620,573

Stock Options

As at June 30, 2016, the following options are outstanding:

Date of Grant	***Number outstanding***	***Number exercisable***	***Weighted average exercise price***	***Expiry date***
August 17, 2011	158,333	158,333	0.45	August 17, 2016
June 10, 2014	200,000	200,000	0.30	June 11, 2019
	358,333	358,333	0.12	

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the quarter ended June 30, 2016, $25,000 (2015 - $30,000) was expensed for legal services provided by a law firm of which a director of the Corporation is a partner. Included in trade and other payables at June 30, 2016 is $86,720 (2015 - $30,000) owing to this law firm.

During the six months ended June 30, 2016, management, consulting and engineering fees of $39,000 (2015 - $96,000) included in general and administrative expenses were charged by two officers of the Corporation and by a company controlled by an officer. Included in trade and other payables at June 30, 2016 is $34,274 (2015 - $Nil) owing to these officers.

In February 2015, the Corporation received a consent judgement for expenses paid on behalf of a former related company during 2012 and 2013. The judgement detailed that $177,861 would be paid over the following 12 months. At December 31, 2015, $43,030 of the amount had been received, therefore the Corporation wrote the receivable down to $20,000 (2015 - $177,861) which represents the amount they expect to collect in the next 12 months.

The above transactions with related parties are in the normal course of business.

DIRECTORS COMPENSATION

Effective January 1, 2014 the Corporation implemented a cash-settled deferred share unit ("DSU") plan as a form of compensation for the non-employee Directors. For the six months ended June 30, 2016, 212,500 DSU's were granted (2015 – 87,500), with a fair value of $9,000 (2015 - $9,000) which is included in general and administration expense. As at June 30, 2016, 871,000 DSU's (2015 – 374,375), were vested and outstanding and $39,000 (2015 - $26,000) is included in accounts payable and accrued liabilities.

OTHER SIGNIFICANT EVENTS AND COMMITMENTS

Red Earth/Otter Acquisition

The Corporation completed the acquisition of certain high working interest producing oil and gas interests in Red Earth/Otter, Alberta and has also completed a non-brokered private placement.

The properties acquired in the Red Earth/Otter transaction consist of working interests in a total of 11.38 sections of land. The Red Earth property is comprised of 2.125 sections with nine producing oil wells and one standing oil well in which Georox acquired a 100% working interest. In addition, Georox acquired the well bores to three abandoned wells in which it will hold a 100% working interest in one and a 50% working interest in the two others. The Otter property, located 25kms northwest of Red Earth, is currently comprised of one section of land in which Georox acquired a 100% working interest.

Georox became the operator for all wells except two of the abandoned wells. The Red Earth property is currently being optimized through a review of pumping withdrawals, wax inhibitor programs, and pressure maintenance. In addition, the property is being reviewed for workover potential and future drilling programs.

The purchase price for the Red Earth/Otter transaction was $6,100,000 with an effective date of April 1, 2014.

Non-Brokered Private Placement

On June 29, 2015, the Corporation completed a private placement of 2,496,667 units at a price of $0.05 per Unit for gross proceeds of $374,500. Each Unit consisted of one common share of the Corporation and one-half of one Common Share purchase warrant. Each whole warrant shall be exercisable for one Common Share at a price of $0.30 per Common Share. The Share purchase warrants expire on June 29, 2017.

RISKS

The risks in the oil and gas industry are varied and wide-ranging:

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time, and the production there from, will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties and prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Corporation may determine that current markets, terms of acquisitions and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field-operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents; shut in of connected wells for various reasons including access issues resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical issues. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

A material change in prices of commodities may affect the Company's borrowings and ultimately affecting the raising of equity capital by the Corporation.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and to the financial systems, and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions are continuing in 2016 causing a loss of confidence in the broader Canadian and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate. These factors have negatively impacted corporate valuations and will impact the performance of the global economy going forward. Although improved, petroleum prices are expected to remain volatile for the near future as a result of the market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions, regional conflicts and the ongoing global credit and liquidity concerns.

Commodity Price Risk

The nature of the Corporation's operations results in exposure to commodity fluctuations. The Corporation closely monitors commodity prices to determine the appropriate course of action to be taken by the Corporation.. A material change in prices of commodities affected the Corporation's borrowings ultimately affecting the raising of equity financing. The Corporation does not hedge commodity price risk and has no physical forward price or financial derivative sales contracts as at or during the quarter ended June 30, 2016.

Operational Dependence

Other companies operate various producing wells in which the Corporation holds interests except for the two wells that the Corporation operates in the Pouce Coupe property and nine wells in its most recent acquisition of the Red Earth/Otter property. The Corporation has limited ability to exercise influence over the non-operated assets or their associated costs, which could adversely affect the Corporation’s financial performance. The Corporation’s return on assets operated by others therefore depends upon a number of factors that may be outside of the Corporation’s control, including the timing and amount of capital expenditures, the operator’s expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation’s costs, any of which may have a material adverse effect on the Corporation’s business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, the Corporation will require licenses from various government authorities. There can be no assurance that the Corporation will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material adverse effect on the Corporation’s business, financial condition, results of operations and prospects. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Substantial Capital Requirements

The Corporation anticipates making capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future in order to replace reserves. If the Corporation’s revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. In addition, uncertain levels of near term industry activity coupled with the recent global credit crisis exposes the Corporation to additional access to capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes including repayment of loan facilities when due or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations and capital requirements could have a material adverse effect on the Corporation’s business, financial condition, results of operations and prospects.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Conflicts of Interest

Certain directors of the Corporation are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the CBCA. See "Directors and Officers – Conflicts of Interest".

Recent accounting standards

(a) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations have been issued by the IASB which are not yet effective, and have not been applied in preparing these consolidated financial statements. The Corporation does not expect the amendments to have a material impact on the financial statements.

(b) IFRS 9 financial instruments

IFRS 9 addresses requirements for the classification and measurement of financial instruments, impairment methodology and hedge accounting. The IASB set a mandatory effective date for annual periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

(c) IFRS 15 revenue from contracts with customers

IFRS 15 replaces the existing revenue recognition guidance with a new framework to determine the timing and measurement of revenue, providing users of the financial statements more information and relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

ACCOUNTING ESTIMATES

Estimates are based on historical experience and on various other assumptions that the Corporation believes to be reasonable. These estimates form the basis of judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. The Corporation’s most significant areas of estimation are in relation to recoverability of mineral properties, stock-based compensation expenses, and future tax assets and liabilities. Actual results could differ from those estimates.

The significant accounting policies used by Georox are disclosed in note 2 to the financial statements for the quarter ended June 30, 2016 and year ended December 31, 2015.

SUBSEQUENT EVENTS

Private Placement

On April 20, 2016 the Corporation announced a non-brokered Private Placement. As of June 30, 2016 the first tranche has been completed consisting of 3,266,667 units at a cost of $196,000. On August 15, 2016 the Corporation closed the private placement of 7,698,333 for aggregate proceeds of $461,899.98 at a price of $0.06 per Unit. Each Unit consisted of one common share and one Common Share purchase warrant. Each Warrant is exercisable at a price of $0.12 per Common Share for a period to and including April 30, 2018. All securities in the Private Placement will be subject to a four month hold period from closing. Agents were paid $4,800 in finders fees in connection with the Private Placement.

3D Seismic Acquisition

On July 18, Georox has acquired 3D Seismic for its Meekwap property, approximately 16.5 km2, has been recently acquired through the acquisition of a 4.538% working interest owner(s) for $44,625. The 3D Seismic is currently being reprocessed to better define well locations and is expected to be complete in the 3rd quarter.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely disclosure information.

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OFFICERS:
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Burkhard Franz, President & CEO
Wayne Fast, VP of Operations and Corporate Planning
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Mansoor Anjum, VP of Finance and Corporate Development

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