ReGen III Corp. (formerly Gen III Oil Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS
For the three months ended March 31, 2021

As at May 28, 2021

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Introduction

Gen III Oil Corporation (the "Company") was incorporated under the laws of British Columbia, Canada and continued its incorporation into Alberta on December 6, 2017. On May 14, 2021, the Company changed its name to ReGen III Corp.

The Company's shares are listed on the TSX Venture Exchange and trade under the symbol "GIII."

This Management Discussion & Analysis ("MD&A") of the Company has been prepared by management as of May 28, 2021 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts referred to herein are in Canadian dollars unless otherwise stated.

The Company's address is Suite 1750 - 400 Burrard St. Vancouver, B.C., V6C 3A6, Canada.

The Company acquired on an exclusive basis in February 2017, technology ("ReGen™ technology") that enables the production of Group II and Group III base oils from the reprocessing (also known as "re-refining") of used motor oil. Group III oil is also known as "synthetic" motor oil and is used in higher performance internal combustion and gas turbine engines. The Company currently holds eight (8) ReGen™ patents that have been granted in North America and two (2) other ReGen™ patents that have been issued in India and Singapore. The Company also holds seven (7) other ReGen™ patent applications world-wide that are pending. These ReGen™ patents provide protection over the ReGen™ technology.

Forward Looking Information

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning applicable to Canadian legislation. These statements relate to future events or the future activities or performance of the Company, statements that involve financial projections, substantial known and unknown risks and uncertainties, certain of which are beyond the control of the Company. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. Forward-looking statements include, but are not limited to, the quantity and quality of the re-refined products that might be produced; the cost of construction of the ReGen™ re-refinery; raising sufficient capital to support the business plan; the estimated operating costs for the facilities; the market for the finished products; the anticipated annual recurring revenue derived from those operations; and statements regarding expectations to enter into the oil re-refining business.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information including, among other things, delays in obtaining or failure to obtain required governmental, environmental or other project approvals, changes in national or local government legislation or regulations regarding environmental factors, royalties, taxation or foreign investment, political or economic instability, terrorism, inflation, changes in currency exchange rates, fluctuations in commodity prices, delays in the development of projects, shortage of personnel with the requisite knowledge and skills, dependency on equity market financings to fund programs. In addition, forward-looking information is based on various assumptions including, among other things, the expectations and beliefs of management, the assumed long-term price of various commodities, the availability of permits and access to financing, equipment and labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or others.

ReGen™ Technology - Re-refining Used Motor Oil

The Company expects to develop and construct used motor oil ("UMO") re-refineries using its patented ReGen™ proprietary re-refining technology for producing high yields of high quality hydrocarbon products known as Group III and Group II base lubricating oils from UMO. The re-refined products, mainly Group III and Group II, are expected to be sold to fuel distributors or motor oil blenders, who are expected to market and sell the finished goods.

The Company believes the ReGen™ technology was the first to re-refine used motor oil ("UMO") to produce Group III base lubricating oil (synthetic grade oil). The ReGen™ process utilizes common technologies in use throughout the world, but in a unique configuration and at specific temperature and pressure settings.

The patented ReGen™ re-refining technology:

(a) Has been successfully tested in a 5 barrel per day prototype plant that ran for several thousand hours proving the technology from concept to a full working scale model.

(b) Was extensively reviewed by the US Department of Energy's independent consultant Oakridge Laboratories, who reported the ReGenTM technology is derived from proven existing technologies and can successfully produce a re-refined Group III synthetic grade base lubricating oil from UMO at a lower cost than current refining operations.

(c) Was subsequently reviewed by Wood Group Mustang Engineering ("Mustang") and Tetra Tech Engineering who independently concluded the ReGen™ technology is technically sound and commercially viable.

(d) Was further investigated by ILF Engineering ("ILF"), Stantec Engineering ("Stantec") and WSP Canada Inc. ("WSP") who independently updated a preliminary construction cost estimate prepared by Mustang to reflect the cost of construction of a facility if built in a specifically selected site in Alberta.

In December 2016, the Company entered into contracts for engineering pre-FEED studies with Stantec and WSP to validate the prototype plant findings and in particular, the previously modelled second stage design capability of the ReGen™ technology to produce 45% to 53% Group III base oil from UMO feedstock in addition to Group II base oil, ultralow sulphur diesel fuel, and asphalt flux from the other two stages in the ReGen™ process.

On March 29, 2017, the Company announced the following conclusions, subject to the assumptions and parameters set out therein, were reached in the engineering reports from Stantec and WSP:

(a) The ReGen™ UMO re-refining process is technically sound. Stantec's report concluded "Having completed the Pre-FEED study and based upon the samples provided, it is Stantec's opinion that the Company's ReGen™ technology is technically viable and capable of producing high quality base oils meeting requirements of American Petroleum Institute PI 1509 Groups II and III. Furthermore, Stantec has concluded, after having conferred with the major manufacturers of the process equipment required to construct and operate a proposed 2,800 barrel per day re-refinery, that the project is feasible as proposed."

Similarly, WSP concluded "Having completed the pre-FEED study it is WSP's opinion that the Company's ReGen™ refining technology process is technically sound and construction and operation of the proposed re-refinery should provide finished products equivalent or greater than those contained in previous engineering studies."

(b) The finished product stream generated from a ReGen™ re-refining process ("ReGen™") is reported to be of high quality and high quantity. Stantec reported 75% recovery of Group II and Group III base lubricating oils, of which 55% of the plant output was estimated to be Group III base oil. WSP's preliminary computer modeling showed 78% recovery of Group II and Group III base lubricating oil.

(c) The capital cost of constructing a ReGen™ re-refinery in Alberta was projected by Stantec to be approximately $90 million*.

From additional research conducted by the Company, it was further determined:

(a) Only 50% of the UMO collected in North America is estimated to be actually re-refined into Group I and Group II base lubricating oils, with the balance primarily being sold as low-grade burner fuel.

(b) Based on the then current prices, the cost of feedstock supply to an Alberta plant would represent 32%* of the projected revenue when operating at steady state production.

(c) Market research shows a demand for Group III oil in Canada and the United States.

(d) The current economic conditions in Alberta provide an excellent opportunity to attract quality fabrication contractors, with short production lead times, to manufacture the plant equipment modules at very attractive pricing.

(e) Carbon credits could provide substantial additional revenue for the Company.

The Company has identified:

(a) Key management personnel for advancing the ReGen™ technology;

(b) Environmental consultants to quantify the greenhouse gas credits that could be generated by the re-refinery plants; and

(c) UMO feedstock suppliers.

Notes:

**Material Factors and Assumptions*

Material factors and assumptions used to develop forward-looking information is as follows. The capital cost of constructing a ReGen™ Re-refinery in Alberta was projected by Stantec to be approximately $90 million. The assumptions used by Stantec were based on a complete equipment listing derived by Stantec with quotes from major equipment manufactures. Labour and incidentals were factored based on engineering industry standards.

The cost of feedstock supplied to the Alberta plant, projected to be 32% of projected revenue was based on the proposed nameplate capacity of 2,800 barrels per day and was derived from actual market prices provided by third-party consultants in July 2018, compared to current output revenue projections from computer modelling contained in both engineering reports.

Projected revenue was calculated by multiplying the projected plant output of Group II and Group III base lubricating oils, as well as ultra-low sulphur diesel, asphalt flux and naphtha, in the volumes predicted in the engineering studies, by the projected plant nameplate capacity of 2,800 barrels per day, operating 330 days per year. Actual market prices were based on the then current offtake discussions, along with Argus US Products Report dated January 2, 2019, Argus Americas Asphalt report dated December 28, 2018, converted into Canadian dollars at the average posted exchange rate in 2018 were used to calculate projected gross revenue.

Future Oriented Financial Information

The information in respect of the anticipated capital costs of constructing the re-refinery in Alberta, the cost of feedstock supply as a percentage of projected revenue and the recurring annual revenue, contains Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's proposed activities and potential results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed above under the heading "Material Factors and Assumptions". The actual results of the Company's proposed operations and the projected financial results may vary from the amounts set forth herein, and such variations may be material. Management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

The Company has advanced to the pre-construction stage a 2,800 barrel per day ("bpd") facility in Alberta. The Company has also short-listed properties in the US Gulf Coast ("USGC") for a 5,600 bpd re-refinery. Concurrent with development of the facilities, the Company is exploring opportunities to develop ReGen™ facilities at other locations in Canada, the US, Mexico, South America, Europe, Australia, and other markets. The Company is also investigating opportunities to license the ReGen™ technology in order to access non-core markets and to accelerate the market penetration of ReGen™.

The demand for Group III oil has increased by an average 5% per year over the past 4 years. By comparison, most re-refiners produce only Group I or Group II base oils, which are used in the formulation of standard grade motor oils for use in older and lower performance vehicles. Group III base oil currently sells at an approximate 30% premium to Group II.

Today, the North American consumption of Group III base oil is in excess of 20,000 barrels per day ("bpd"), while the total current North American production is roughly 5,300 bpd. The Company's proposed 2,800 bpd facility in Alberta is designed to yield 1,540 bpd of Group III base oil and the USGC facility is designed to produce roughly 3,000 bpd of Group III base oil, by which time the total North American demand is expected to be in excess of 21,000 bpd, still leaving an overall North American production shortfall of 16,460 bpd.

At an estimated price of CDN $5.48 per gallon for Group III and escalated at 2% inflation rate per year, projected Group III revenues at the Alberta facility when in full production is expected to be more than approximately $126.7 million per year. By comparison, the Group II revenue from that same 1,540 bpd production, at current production standards and an estimated price of CDN $3.90 per gallon, escalated at the same 2% per year, would only generate $102.7 million in revenue.

The Company also expects the ReGen™ technology to qualify for greenhouse gas credits. Based on a 2016 life-cycle assessment study commissioned by the British Columbia Used Oil Management Association, the Company believes that an Alberta facility could reduce greenhouse gas ("GHG") equivalent emissions by more than 360,000 tonnes per year, versus the burning or disposal of used motor oil. The USGC facility could reduce GHG equivalent emissions by up to 725,000 tonnes per annum, versus the burning or disposal of UMO. The Company may receive carbon credits and based on recent market pricing, may expect to generate additional annual revenues. Based on a review of the U.S. Environmental Protection Agency's greenhouse gas equivalency calculator, the life-cycle assessment carbon credits that are projected to be generated by the Company from the facilities represent the equivalent eliminating the emissions generated by 232,000 internal combustion engines powered cars annually.

Offtake Agreements

On October 27, 2020, the Company signed a Letter of Intent (“LOI”) with a super major international energy company (“SM”) for the offtake of all of the Company’s future production of Group II+ and Group III base oils from a proposed 5,600 bpd marine terminal facility in or near Houston, Texas. SM will also have rights related to all future production of the Company’s Group II+ and Group III base oils from additional facilities constructed by the Company globally. On May 1, 2021, the Company signed a definitive offtake agreement with the SM for the Company’s base oil production from its proposed 5,600 bpd US Gulf Coast re-refining facility. Subsequent to March 31, 2021, the Company publicly identified the SM as BP Products North America Inc. (‘‘bp”) on May 17, 2021.

On September 12, 2017, the Company entered into a purchase and sale agreement (“PSA”) with Elbow River Marketing Ltd. (“Elbow River”) for the majority of the Company’s finished products from a proposed re-refinery in Bowden, Alberta. Under the terms of the PSA, Elbow River will purchase the majority of the Company’s Bowden plant production and provide rail and truck transportation from the Bowden plant to Elbow River's customers. The agreement is for an initial term of five years from commencement of commercial operations as defined in the agreement. As of June 1, 2018, the agreement may be terminated by Elbow River acting reasonably by notice in writing. No notice has been received to date. Under the agreement, the Company has undertaken to reimburse reasonable set up costs incurred by Elbow River should the Company fail to deliver product by the projected commercial operations date that had been advised to Elbow River. As construction of the Bowden plant has not started, the Company has not yet advised Elbow River of the projected commercial operations date and due to the nature and timing of these costs, it is not practicable to estimate such reimbursable costs at this time.

Site Preparation and Pre-Construction Activities

Koch Modular Process Systems (“KMPS”) has completed additional pilot tests during August 2018, which have enabled it to finalize the Stage 2 solvent ratio and Group III yield offtakes. These results form the design basis of Stage 2 and KMPS’s process guarantee. The tests were successful and indicate Group III offtake yields of between 70 percent and 75 percent of Stage 2 input, which confirms final yields of 55% of Group III base oil.

In March 2019 KMPS completed solvent extraction production pilot testing. This round of testing built off the pilot test completed in August 2018 and produced a high-quality and low-quality base oil stream. The low-quality base oil sample has been sent to Process Dynamics Inc. for Stage 3 hydrotreatment piloting which is expected to occur in late 2021.

The Company shipped a sample of its Group III base oil to one of the top four global petroleum additives manufacturers. The purpose was to pursue the American Petroleum Institute’s (“API”) API SN Plus and ILSAC GF-5 certifications for three passenger car motor oil (“PCMO”) formulations namely, 5W-20, 5W-30 and 10W-30. The petroleum additives firm subsequently informed the Company that the Company’s Group III based 5W-30 formulation would qualify for API certification. The 5W-20 and 10W-30 PCMO formulations were completed in late September 2019. The Company then submitted its first Group III based 5W-30 PCMO formulation and ReGen™ product to API’s Engine Oil Licensing and Certification System (“EOLCS”). The API EOLCS is a voluntary licensing and certification program that authorizes engine oil marketers that meet specified requirements to use the API Engine Oil Quality Marks globally.

The Company achieved API certification and licensing for its SAE Viscosity Grade 5W-30 formulation in August 2019. The Company may now utilize the Resource Conserving, SN Plus and ILSAC GF-5 designations on its ReGen™ product. The Company is now listed on the API Directory of Licensees. In October 2019, the Company was successful in licensing its 5W-20 and 10W-30 PCMO formulations with API.

This is a significant milestone for the Company and is the culmination of several years’ work. API licensing and certification will lead to higher prices for the Company’s base oil offtakes over uncertified PCMO fomulations’ base oils. Working with a petroleum additives firm will enhance the Company's product marketing efforts, introducing blenders from around North America to the Company's ReGen^{TM} base oil. The Company's management believes these recent developments will significantly enhance the value of the Company's offtake from the perspective of potential institutional investors.

Proposed USGC Facility

The Company has engaged Koch Project Solutions, LLC ("KPS") to provide project execution management services leading up to turnkey delivery of its proposed new facility in the U.S. Gulf Coast ("USGC"). KPS will lead the Company's world class engineering, construction and licensed vendor teams (PCL Industrial Construction Ltd., Koch Modular Process Systems and Process Dynamics Inc.) through the completion of detailed design, construction, commissioning, and start-up.

Robust engineering and blue-chip project execution for the Company's innovative re-refineries is paramount to its success. KPS intends to wrap all elements of project delivery under its leadership providing the Company with a single point of responsibility for engineering, construction, commissioning and start-up. The first phase of the KPS engagement is under way.

There are over 1.6 billion gallons of used lubricating oils generated in North America every year, of which only 1.1 billion gallons are collected. Half of the collected oils are burned as plant fuels and the remaining oil is more likely to end up in illegal disposal methods. The DOE has emphasized to Congress there needs to be a systemic change in how this toxic waste is handled.

The Company's proposed USGC facility is expected to clean and process over 78 million US gallons of used lubricating oils per year. By providing an additional 5,600 barrels per day of re-refining capacity to the North American marketplace, the Company's proposed USGC facility is expected to result in the elimination of over 725,000 tonnes of CO_2 equivalent emissions every year versus current burning and disposal methods. According to the US Environmental Protection Agency, this equates to:

- The greenhouse gas emissions from over 156,000 vehicles; or
- The CO_2 emissions from over 122,000 average households' electrical use in one year; or
- The carbon sequestered by 12 million tree seedlings grown for ten years; or
- The carbon displaced from the installation of more than 1GWe of solar derived energy.

Proposed Alberta Facility

The Company is also proposing a full-scale facility to be located in Alberta, with targeted production commencing 20 months after the requisite financing is obtained. The Alberta facility is being designed to process 2,800 barrels per day of used motor oil into a range of base stocks and related petroleum products.

Front-End Engineering and Design study work is essentially complete for Stages 1 and 3. Stage 1 (Stantec Consulting Ltd.) and Stage 3 (Process Dynamics Inc.) design packages ("PDP's") were completed ahead of schedule in August 2018 and are currently undergoing edits prior to final sign off along with the completion of ancillary supporting documentation. The Company continues to finalize a licensing agreement with Process Dynamics for the use of any Stage 3 proprietary technology.

Alberta Facility Project Costing

In December 2018, PCL Industrial Management Inc. ("PCL"), the Company's Engineering, Procurement and Construction ("EPC") contractor, presented the Company with an updated firm contract price proposal for the Alberta plant which outlines a project capex of $114.8 million. This is an estimated $5.2 million improvement over budget estimates.

Alberta Facility Railcar Study

Expert Rail Systems ("ERS") confirmed the number for railcars needed to maintain and support the Company's operations at the Alberta facility and validated a proposed three spur additional rail design ladder. The final ERS report was submitted and approved by the Company in May 2018.

Alberta Facility Environmental Permitting

Application was made to Alberta Environmental and Parks ("AEP") for an Environmental and Enhancement Act Industrial Approval for the Alberta facility in July 2018. AEP granted approval to advance the requisite 30-day public notice period which subsequently ended on June 30, 2019. On November 26, 2019, the Company secured approval (Permit No. 421401-00-00) from the AEP for the construction, operation and reclamation of the Alberta ReGen™ chemical manufacturing plant and waste management facility.

Used Motor Oil Feedstock Supply

The Company has secured letters of intent ("LOIs") in excess of 155,000,000 litres annually and continues to negotiate further LOI's in excess of the full UMO feedstock requirement of both the Alberta and USGC facilities. Negotiations will continue with each of the interested vendors in parallel with ongoing financing discussions in order to turn the LOIs into binding contracts.

Application for Carbon Credits

The Company is working with Radicle to quantify its carbon offsets in the Alberta market.

Financial Update

From the fourth quarter of 2016 to the first quarter of 2021, the Company raised gross proceeds of approximately $19.5 million primarily to complete engineering studies to assess the viability of the ReGen™ process; to undertake additional patent work regarding the ReGen™ process; to pay engineering consultants for design work on the Alberta facility; to provide deposit and rental payments for the Alberta facility; to pay compensation to employees, directors and officers of the Company; to pay commissions to finders and other expenses in connection with the financings; and for working capital and general corporate purposes.

Management and the Board of Directors decided that the goal of project financing was to minimize/eliminate dilution to shareholders of the public Company. The Company is actively working with private equity, family offices and strategic partners to finance the Project at the Gen III Oil (Alberta) Inc. ("Gen III Alberta"), a wholly owned subsidiary of the Company.

On November 7, 2018 the Company announced that it has received a non-binding term sheet from Export Development Canada ("EDC"), a financial Crown corporation, for a term loan for up to $72 million (the "Senior Credit Facility") to finance up to 50% of a base oil re-refinery in Alberta. On April 1, 2019, EDC extended its non-binding term sheet to expire on March 31, 2020. On March 31, 2020, the Company subsequently secured an extension of the EDC term sheet until March 31, 2021 and the Company understands from EDC that their term sheet is still available to the Company. The required equity is to be fully contributed prior to the first disbursement of the Senior Credit Facility. To date, the Company has contributed approximately $9.2 million to advancing the Alberta facility. The borrower of the Senior Credit Facility will be Gen III Oil Alberta, with the Company guaranteeing the loan. No securities of the Company, or Gen III Alberta, are contemplated to be issued in connection with the Senior Credit Facility. The Senior

Credit Facility may only be used to fund costs associated with the design, engineering, procurement, development, construction, commissioning and operational ramp-up of the Alberta facility, including, funding of a debt service reserve account, cost overrun account, interest payments, lender fees and expenses, professional fees and expenses, insurance premia, taxes, the cost of obtaining permits and other agreed upon costs and expenses incurred in connection with the Alberta facility. Closing of the Senior Credit Facility is subject to various conditions, including the completion of satisfactory due diligence by the parties and execution and delivery of definitive loan documents.

On October 27, 2020, the Company signed the LOI with bp for the offtake of all of the Company's future production of Group II+ and Group III base oils from a proposed 5,600 bpd marine terminal facility in or near Houston, Texas. bp will also have rights related to all future production of the Company's Group II+ and Group III base oils from additional facilities constructed by the Company globally. On May 1, 2021, the Company signed a definitive offtake agreement with bp for the Company's base oil production from its proposed 5,600 bpd US Gulf Coast re-refining facility.

The Company also undertook Group III base oil testing at the facility of another SM. Verbal and written communications received regarding the test results were positive and remained in line with the Company's expectations.

Due to the jobs the Company expects to create during the final engineering, fabrication and construction phases of the project, the Company is working with different levels and departments of government towards pandemic related stimulus funds and emissions reduction related grants. Discussions with several banks, private equity groups and EDC are simultaneously underway for the Company's projects and the Company continues to build its syndicate of First Nations for the Alberta project. On July 28, 2020, the Company announced it is working to build a syndicate of First Nations to secure a minimum of $20 million in order to complete the equity component of the financing. Due diligence is ongoing for the financing of the Company's proposed facilities. There is no guarantee of reaching a binding agreement with the First Nations. EDC also informed the Company it was willing to complete preliminary due diligence to structure a term sheet proposal for the USGC facility. This is expected in Q2 2021.

Results of Operations

Variance Analysis

The following table sets forth selected expense items that have significant variances between the three months ended March 31, 2021 and 2020.

	Three months ended March31,	
	2021	**2020**
	$	**$**
General and administration	90,941	114,692
Professional fees	534,948	146,022
Salaries and benefits	300,698	390,675
Share-based payments	1,381,536	51,639

General and administration – The decrease was mainly due to the termination of a month-to-month lease and decreases in advertising and office expenses.

Professional fees – The increase was mainly due to legal fees for the definitive offtake agreement and project execution management services for the proposed USGC facility.

Salaries and benefits – The decrease was due to the reduction in staff and a payroll subsidy received from the National Research Council of Canada's Industrial Research Assistance Program.

Share-based payments – The variance was due to the timing, number and vesting periods of options granted. The fair value of the stock options was estimated at the grant date using the Black-Scholes Option Pricing Model, or if determinable, the fair value of the services provided. In addition, for the three months ended March 31, 2021, the Company recognized an expense of $557,700 as a result of amendments to the terms of some stock options.

For the three months ended March 31, 2021 and 2020, the Company recognized the following other income and other expense in its condensed consolidated interim statement of comprehensive loss:

	Three months ended March 31,	
	2021	**2020**
	$	**$**
Rent income	(3,429)	(10,776)
Finance income from lease – head office premises	-	(548)
Finance cost for lease - plant site	431,865	378,702
Finance cost for lease – head office premises	16,353	6,984

Summary of Quarterly Financial Results

The following table provides selected financial information of the Company for each of the last 8 quarters presented in accordance with IFRS.

	For the Quarters Ended			
	March 31, 2021 $	**December 31, 2020 $**	**September 30, 2020 $**	**June 30, 2020 $**
Financial Results:				
Expense	2,496,263	616,863	580,253	713,021
Other expense	578,034	437,493	721,437	384,565
Net loss	3,074,297	1,054,356	1,301,690	1,097,586
Basic and diluted loss per share	0.03	0.01	0.01	0.01

	For the Quarters Ended			
	March 31, 2020 $	**December 31, 2019 $**	**September 30, 2019 $**	**June 30, 2019 $**
Financial Results:				
Expense	899,160	796,920	954,972	1,515,932
Other expense	389,577	544,810	273,658	278,702
Net loss	1,288,737	1,341,730	1,228,630	1,794,634
Basic and diluted loss per share	0.02	0.02	0.02	0.03

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the three months ended March 31, 2021, cash and cash equivalents increased by $1,392,945. The increase was mainly due to $2,339,771 net cash received from issuance of share capital, offset by $917,324 of cash used in operating activities and payment of $29,502 for lease liabilities.

As at March 31, 2021, the Company had a working capital deficit of $2,278,062 comprised of cash and cash equivalents of $2,749,186, accounts receivable of $60,711 and prepaid expenses of $66,843, offset by accounts payable and accrued liabilities of $588,225, lease liabilities of $4,332,577 and accrued withholding tax provision of $234,000.

From the fourth quarter of 2016 to the first quarter of 2021, the Company raised gross proceeds of approximately $19.5 million primarily to complete engineering studies to assess the viability of the ReGen™ process; to undertake additional patent work regarding the ReGen™ process; to pay engineering consultants for design work on the Alberta facility; to provide deposit and rental payments for the Alberta facility; to pay compensation to employees, directors and officers of the Company; to pay commissions to finders and other expenses in connection with the financings; and for working capital and general corporate purposes.

On May 27, 2021 the Company announced that it has entered into an engagement letter with Paradigm Capital Inc. to act as sole bookrunner, on behalf of a syndicate of underwriters led by Paradigm Capital Inc. (collectively, the “Underwriters”), pursuant to which the Underwriters have agreed to purchase, on a "bought deal" basis, 8,000,000 common shares in the capital of the Company (the “Common Shares”) at an offering price of $1.25 per Common Share (the “Offering Price”) for gross proceeds of $10 million (the “Offering”). The Company has granted the Underwriters an option (the “Over-Allotment Option”) which will allow the Underwriters to purchase up to an additional 15% of the Offering at the Offering Price. The Over-Allotment Option may be exercised in whole or in part at any time up to and including 30 days following the closing date of the Offering. The Offering is expected to close on or about June 17, 2021 and is subject to certain customary closing conditions, including the approval of the TSX Venture Exchange and applicable securities regulatory authorities.

Project Financing

On November 7, 2018 the Company announced that it has received a term sheet from EDC for a term loan for up to $72 million to finance up to 50% of the Alberta facility. The required equity is to be fully contributed prior to the first disbursement of the Senior Credit Facility. To date, the Company has contributed approximately $9.2 million to the Project. The borrower of the Senior Credit Facility will be Gen III Oil Alberta with the Company guaranteeing the loan. No securities of the Company, or Gen III Alberta, are contemplated to be issued in connection with the Senior Credit Facility. The Senior Credit Facility may only be used to fund costs associated with the design, engineering, procurement, development, construction, commissioning and operational ramp-up of the Alberta facility, including, funding of a debt service reserve account, cost overrun account, interest payments, lender fees and expenses, professional fees and expenses, insurance premia, taxes, the cost of obtaining permits and other agreed upon costs and expenses incurred in connection with the Alberta facility. Closing of the Senior Credit Facility is subject to various conditions, including the completion of satisfactory due diligence by the parties and execution and delivery of definitive loan documents.

The EDC term sheet is non-binding and expired on March 31, 2020. On March 31, 2020, the Company subsequently secured an extension of the EDC term sheet until March 31, 2021 and the Company understands from EDC that their term sheet is still available to the Company. EDC also informed the Company it was willing to complete preliminary due diligence to structure a term sheet proposal for the USGC facility. This is expected in Q2, 2021.

On October 27, 2020, the Company signed the LOI with bp for the offtake of all the Company's future production of Group II+ and Group III base oils from a proposed 5,600 bpd marine terminal facility in or near Houston, Texas. bp will also have rights related to all future production of the Company's Group II+ and Group III base oils from additional facilities constructed by the Company globally. On May 1, 2021, the Company signed a definitive offtake agreement with bp for the Company's base oil production from its proposed 5,600 bpd US Gulf Coast re-refining facility. bp is a multi-billion-dollar, international producer of fuels and lubricants, which has stated its intention to become a net-zero carbon emitter. The Company has also initiated Group III base oil sample testing at the formulations' facility of another super-major and is waiting on the final analysis.

Due to the jobs the Company expects to create during the final engineering, fabrication and construction phases of the project, the Company is working with different levels and departments of government towards pandemic related stimulus funds and emissions reduction related grants. Discussions with several banks, private equity groups and EDC are simultaneously underway for the Company's projects and the Company continues to build its syndicate of First Nations for the Alberta project. On July 28, 2020, the Company announced it is working to build a syndicate of First Nations to secure a minimum of $20 million in order to complete the equity component of the financing. There is no guarantee of reaching a binding agreement with the First Nations.

The Company is actively working with private equity, family offices and strategic partners to finance the Alberta facility at the Gen III Alberta level. To date, several commercial entities have entered into non-disclosure agreements with the Company and have been granted access to the Company's data room to conduct financing due diligence.

Going Concern

The Company's condensed consolidated interim financial statements for the three month ended March 31, 2021 have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At March 31, 2021, the Company had a working capital deficit of $2,278,062, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the three months ended March 31, 2021, the Company reported a net loss of $3,074,297 and a comprehensive loss of $3,055,158 and as at March 31, 2021, had an accumulated deficit of $98,812,332. The Company has not generated revenues from operations. The Company is dependent on debt and equity financings to fund its operations. Management of the Company believes that the current level of funds is not sufficient to pay for expected cash expenditures over the next 12 months. The recoverability of the underlying value of the Company's assets is entirely dependent on the Company's ability to obtain the necessary financing to complete development of the ReGen™ technology, and future profitable production. The Company's ability to obtain financing may be subject to additional risks brought on by the current Covid-19 pandemic such as, but not limited to, temporary business closures, travel restrictions, quarantines, the general market uncertainty and reduced economic activity. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's condensed consolidated interim financial statements for the three months ended March 31, 2021 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material.

Covid-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic related to the virus known as Covid-19. The expected impacts on global commerce are anticipated to be far reaching. To date, the movement of people and goods has become restricted.

As the duration of the Covid-19 pandemic and its continuing effect on the economy is unknown at this time, the Company continues to gather information and assess the impact of this pandemic on the future of its development plans.

Capital Management

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company had $10,457,811 of non-current liabilities, share capital of $85,144,375 and accumulated deficit of $98,812,332 as at March 31, 2021. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. Planning, annual budgeting, monitoring, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company’s capital.

The Company’s investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest-bearing investments with maturities of three months or less which can be liquidated at any time without penalties.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company expects to raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Contractual Obligations and Contingencies

On September 12, 2017, the Company entered into a purchase and sale agreement (“PSA”) with Elbow River Marketing Ltd. (“Elbow River”) for the majority of the Company’s finished products from a proposed re-refinery in Bowden, Alberta. Under the terms of the PSA, Elbow River will purchase the majority of the Company’s Bowden plant production and provide rail and truck transportation from the Bowden plant to Elbow River's customers. The agreement is for an initial term of five years from commencement of commercial operations as defined in the agreement. As of June 1, 2018, the agreement may be terminated by Elbow River acting reasonably by notice in writing. No notice has been received to date. Under the agreement, the Company has undertaken to reimburse reasonable set up costs incurred by Elbow River should the Company fail to deliver product by the projected commercial operations date that had been advised to Elbow River. As construction of the Bowden plant has not started, the Company has not yet advised Elbow River of such date and due to the nature and timing of these costs, it is not practicable to estimate such reimbursable costs at this time.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Transactions with related parties are measured at an exchange amount established and agreed to by the related parties. Key Management personnel include the Chief Executive Officer, the President, the Executive Vice President, the former Chief Operating Officer, the former Executive Vice President, Corporate Finance, the Chief Financial Officer, and the Directors.

	Three months ended March 31,	
	2021	2020
	$	$
Salaries to Key Management personnel	246,434	268,635
Professional fees to a company controlled by a Director (Larry Van Hatten)	22,500	16,500
Share-based payments to Key Management personnel	1,372,782	48,351
Total	1,641,716	333,486

Included in salaries to Key Management personnel for the three months ended March 31, 2021, is $nil in bonuses paid (2020 - $15,885) for achieving private placement financing milestones.

Included in accounts payable and accrued liabilities as at March 31, 2021 is $3,684 (December 31, 2020 - $322,500) of accrued directors' fees, $23,636 (December 31, 2020 - $213,800) of wages and professional fees payable to officers and directors and $4,937 (December 31, 2020 - $7,777) of accrued expense reimbursements payable to officers and directors.

Included in accounts receivable as at March 31, 2021 is $12,691 (December 31, 2020 - $14,566) of withholding taxes paid on behalf of directors.

On September 30, 2019, members of the Company's board of directors purchased an aggregate of 900,000 units (Gregory Clarkes, 500,000; John Detmold, 250,000; Bryan Nethery, 150,000) of the Company's non-brokered private placement at $0.20 per unit for gross proceeds of $180,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.30 per share share until September 30, 2020, which was subsequently extended to December 30, 2020. Cash commission of $94,605 was paid and 473,025 broker warrants were issued to one of the finder companies in which Mark Redcliffe, Executive VP, Corporate Finance of the Company, is an unpaid, independent director. In December 2020, the Company issued 375,000 shares (Greg Clarkes 250,000 and John Detmold 125,000) on the exercise of warrants at an exercise price of $0.30 per share for gross proceeds of $112,500. 548,025 warrants (Bryan Nethery 75,000 and finder company 473,025) expired unexercised.

On May 29, 2020, the Company completed a non-brokered private placement and issued an aggregate of 2,773,659 shares at a price of $0.15 per share for gross proceeds of $416,049. The Company paid finder's fees of $25,973 in cash and issued 173,156 share purchase warrants to one of the finder companies in which Mark Redcliffe, Executive VP, Corporate Finance of the Company, is an unpaid, independent director. On January 8, 2021, the Company issued 173,156 shares on the exercise of warrants at an exercise price of $0.15 for gross proceeds of $25,973.

On September 17, 2020, the Company completed a non-brokered private placement of 2,540,000 units at a price of $0.20 per unit for gross proceeds of $508,000. Each unit consists of one common share in the capital of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant is exercisable to acquire one share at an exercise price of $0.30 per share until September 17, 2021. Paul DiPasquale, a director of the Company, purchased an aggregate of 250,000 units of the private placement for gross proceeds of $50,000.

On November 24, 2020, the Company proposed to settle $200,250 of accrued directors' fees, net of statutory deductions, in exchange for 513,460 common shares at a deemed price of $0.39 per share. This shares for debt proposal was approved by the TSX Venture Exchange, settled and recorded by the Company on February 3, 2021 at a price of $0.39 per share. The fair value of the shares was recorded as $0.66 per share, which was the February 3, 2021 closing price of the shares on the TSX Venture Exchange. The difference between $0.39 and $0.66, $138,634, was recognized as a loss on shares for debt settlement.

	Debt Amount	Number of Shares	Nature of debt
Greg Clarkes, director & officer	$ 57,750	148,077	33 months of directors' fees less statutory deductions
Greg Clarkes, director & officer	9,625	24,679	33 months of fees as compensation committee chair less statutory deductions
	$ 67,375	172,756	
Larry Van Hatten, director	$ 57,750	148,077	33 months of directors' fees less statutory deductions
Larry Van Hatten, director	19,250	49,358	33 months of fees as compensation committee chair less statutory deductions
	$ 77,000	197,435	
Paul DiPasqule, director	$ 55,875	143,269	33 months of directors' fees less statutory deductions
Total	**$ 200,250**	**513,460**	

On February 1, 2021, the board of directors approved the amendment of the vesting date for 1,080,000 stock options granted to Greg Clarkes, director & officer (720,000) and Larry Van Hatten, director (360,000) on March 13, 2018 with an exercise price of $0.70 per share to vest immediately on February 1, 2021 from a contingent vesting. On March 8, 2021, the expiry date of these stock options was extended to March 13, 2023 from March 13, 2021.

In February and March 2021, an aggregate of 1,200,000 common shares (Brian O'Sullivan, former director – 750,000, Gordon Driedger, President & COO – 200,000, Mark Redcliffe, Executive VP, Corporate Finance – 200,000, Rick Low, CFO – 50,000, Christina Boddy – Corporate Secretary 50,000) were issued to officers and a director for the exercise of stock options for gross proceeds of $350,000.

On March 29, 2021, TSX Venture Exchange approved the extension of the expiry date of 2,500,000 stock options, originally granted to Greg Clarkes, director & officer (1,700,000), Larry Van Hatten, director (500,000) and Paul DiPasqule, director (300,000) on April 1, 2019 to directors, from April 1, 2021, to April 1, 2023, and to reprice the exercise price from $0.40 per option to $0.80 per option.

The following stock options were granted to related parties:

Date of grant	Number of options granted	Exercise price per share	Expiry Date	Terms
February 2, 2021	2,200,000	$0.63	February 2, 2023	Stock options that fully vest on the grant date were granted to Greg Clarkes, director & officer (1,500,000), Larry Van Hatten, director (500,000) and Paul DiPasqule, director (200,000).
March 19, 2021	750,000	$0.85	March 19, 2023	Stock options granted to Bob Rennie, a new director. The stock options vest 90 days from date of grant.

In addition to the related party transactions noted above, the Company reimbursed all these related parties for out-of-pocket direct costs incurred on behalf of the Company. Such costs include travel, postage, courier charges, printing and telephone charges.

Financial Instruments and Risk Management

The Company's financial instruments at March 31, 2021 include cash and cash equivalents, accounts receivable, Investment in Coppermoly Ltd., accounts payable and accrued liabilities and term loan. There were no material changes to the Company's financial instruments and risk exposures for the three months ended March 31, 2021 from those as reported in the Company's MD&A for the year ended December 31, 2020.

Outstanding Share Data

As at May 28, 2021, the following shares are outstanding:

- Authorized: Unlimited common shares without par value
  Unlimited number of preferred shares without par value

- Issued and outstanding: 100,607,565 common shares

- Stock options outstanding:

Number of options	Exercise price per option $	Expiry date
600,000	0.25	February 4, 2022
1,000,000	0.30	May 18, 2022
600,000	0.20	June 2, 2022
2,200,000	0.63	February 2, 2023
1,080,000	0.70	March 13, 2023
750,000	0.85	March 19, 2023
200,000	0.80	March 23, 2023
2,500,000	0.80	April 1, 2023
8,930,000		

- Warrants outstanding:

Number of warrants	Exercise price per warrant $	Expiry date
1,000,000	0.30	September 17, 2021

Critical Accounting Estimates

There were no material changes to the Company's critical accounting estimates and judgments for the three months ended March 31, 2021 from those as reported in the Company's MD&A for the year ended December 31, 2020.

Recent Accounting Pronouncements

There are no new accounting pronouncements that are expected to have a significant impact on the Company's financial position and results of operations.

Risks and Uncertainties

There were no material changes to the Company's risks and uncertainties for the three months ended March 31, 2021 from those as reported in the Company's MD&A for the year ended December 31, 2020.