PNG Gold Corporation

MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2016

As at April 26, 2017

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Introduction

PNG Gold Corporation (the "Company") is incorporated under the laws of British Columbia, Canada and is extra provincially registered in Alberta. The Company's shares are listed on the TSX Venture Exchange and trade under the symbol "PGK". The Company's principal business activities were related to its 100% interest in the Normanby exploration license and the Sehulea exploration license, on Normanby Island, eastern Papua New Guinea ("PNG"). On February 4, 2015, the Company announced its intention to enter into the oil re-refining business through a proposed transaction, which is more fully described below under "Proposed Transaction." On February 16, 2016, the Company announced that it wouldn't be proceeding with the proposed transaction. Pursuant to the forbearance agreement, the Company has had the right to use the patented ReGen™ technology since March 28, 2016 and became the beneficial owner of the patents on February 13, 2017. On April 17, 2017, the Company submitted a change of business application ("COB") to the TSX Venture Exchange to become an industrial oil listed company, along with filing for a change of name to Gen III Oil Corporation. (see further information under "Re-refining Used Oil" below).

This Management Discussion & Analysis ("MD&A") of the Company has been prepared by management as of April 26, 2017 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016, 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 P.O. Box 93070, Caulfield Village, West Vancouver B.C., V7W 3G4, Canada.

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 first ReGen™ re-refinery; raising sufficient capital to support the business plan; the estimated operating costs for the refinery; the market for the finished products; negotiating off-take agreements for those finished products; and the anticipated annual recurring revenue and EBITDA derived from those operations, statements regarding expectations to enter into the oil re-refining business, expectations to minimize capital expenditures and manage cash balances by scaling operations as circumstances dictate.

Forward-looking information is subject to a variety or 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.

Projects

Re-refining Used Oil

On July 7, 2014, the Company entered into an agreement with VeroLube Inc. and its subsidiary, VeroLube Bowden Plant Inc. (collectively, "VeroLube") to loan $140,000 to VeroLube Bowden Plant Inc. On November 28, 2014, The Company and VeroLube entered into a new loan agreement for $500,000 ("VeroLube Loan") that included the previous $140,000 loaned. These loans were not repaid and on April 4, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with VeroLube. Under the Forbearance Agreement, the Company agreed to forbear from exercising its rights and remedies under the loan documents, conditionally upon VeroLube assigning the patents for its ReGen™ technology to the Company and issuing 305,875 common shares of VeroLube to the Company on or before May 31, 2016. If VeroLube did not fulfill those conditions, the Company was free to exercise its rights and remedies under the loan documents as it saw fit. The Forbearance Agreement provided that if VeroLube did fulfill those conditions, it will have repaid the loans on or before December 31, 2016. If VeroLube did repay the loans by that date, then the Company would reassign the Patents to VeroLube, and VeroLube would grant the Company a non-exclusive, perpetual license to use the ReGen™ technology worldwide. If VeroLube did not repay the loans by that date, the Company would retain ownership of the patents and would be able to exercise any and all remedies and recourses which were available to it against VeroLube. VeroLube did not fulfilled these conditions.

On January 3, 2017, the Company announced that it had granted a limited 30-day extension to its Forbearance Agreement with VeroLube. The extension, from December 31, 2016 to January 30, 2017, was granted subject to certain conditions being met by VeroLube, including: the delivery to the Company of three originally executed copies of the patent license agreement, and delivery to the Company of such documents as it may require to effect assignment of the patents, both as provided for in the Forbearance Agreement. All other terms and conditions of the Forbearance Agreement remained in full force and effect. On January 15, 2017, VeroLube assigned the patents for the ReGen™ technology to the Company.

On February 3, 2017, the Company issued a demand to VeroLube for repayment of all outstanding loan amounts and accrued and unpaid interest. The Company also provided notice to VeroLube that it was proceeding to enforce its security over the VeroLube patents and personal property. The Company currently owns the ReGen™ re-refining technology; and either has, or is in the process of, transferring ownership of the various ReGen patents to the Company.

The Company believes the ReGen™ technology was the first in the world to re-refine used motor oil ("UMO") to produce Group III base lubricating oil (synthetic grade oil) in marketable quantities. Group III base lubricating oil sells for approximately 50% more than current re-refinery produced Group II products. 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 ReGen™ technology is derived from proven existing technologies and can successfully

(c) produce a re-refined Group III synthetic grade base lubricating oil from UMO at a lower cost than current refining operations.
(d) Was subsequently reviewed by Wood Group Mustang Engineering and Tetra Tech Engineering who independently concluded the ReGen™ technology is technically sound and commercially viable.
(e) Was further investigated by 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 refinery if built in a specifically selected site in Alberta. The average all-in construction price as estimated by ILF, Stantec and WSP Engineering is approximately $90 million for a 2,800 bpd plant.

In December 2016, the Company entered into contracts for engineering pre-FEED studies with Stantec and WSP to validate 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 form 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 PNG's ReGen™ technology is technically viable and capable of producing high quality base oils meeting requirements of API 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 the 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 PNG'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 preliminary operating costs using current market prices were projected by WSP to be 7% of the Company's projected revenue.

(d) The capital cost of constructing a ReGen™ re-refinery in Bowden, Alberta was projected by Stantec to be approximately $90 million*. The numerous cost advantages associated with existing infrastructure in addition to the large storage tank farm located at the Bowden site were highlighted in the WSP report. Namely, rail and truck loading and unloading; existing concrete foundations; existing pipe rack; existing water supply; existing gas and electricity utilities; and the space to facilitate a modular construction strategy.

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 current prices, the cost of feedstock supply to the Bowden plant would represent 28%* of the projected revenue when operating at steady state production.

(c) Market research shows a significant 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) The current exchange rate between the Canadian and US dollar provides a significant lift to the profitability of a Canadian built refinery.

(f) Carbon credits available in Alberta should provide substantial additional revenue for the Company.

(g) The patents that are granted or are pending by, or for, the Company are considered to be current and valid.

(h) Based on the project product output contained in the engineering reports and the current commodity pricing, in the first full year of steady state production following commissioning of the first ReGen^{TM} re-refinery, the Company projects recurring annual revenue of approximately $159 million. This revenue is projected to produce recurring annual EBITDA of approximately $100 million*. EBITDA is a non GAAP measure*.

As a result of these reports and research, the Company's management made the following recommendation to the Company's Board of Directors. The Board of Directors of PNG accepted all of management's recommendations and the Company is proceeding accordingly.

The Company submit a COB application to the TSX Venture Exchange to become an industrial oil listed company, along with filing for a change of name to Gen III Oil Corporation.

Subject to approval of the COB by the TSX Venture Exchange, which has not yet been received:

(a) The Company accepts the bid for FEED and detailed engineering as submitted by Stantec Consulting Ltd. and immediately proceed with the next phase of development. That includes, completion of detailed engineering design, obtaining of all necessary refining permits, and ordering of long lead order equipment targeting a fall 2017 start of construction in Bowden.

(b) The Company immediately pursue the next stage of development of this re-refinery to avail itself of market conditions for Group II and Group III base oil to leverage the advantages currently available to the Company in terms of availability of construction labour and inexpensive equipment manufacture and fabrication.

(c) Immediately following commencement of construction of Bowden, the Company secures additional re-refining sites to export the technology elsewhere around the world.

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^{TM} Re-refinery in Bowden, 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 assumption was made that a final lease will be successfully negotiated for the Bowden site.*

The cost of feedstock supplied to the Bowden plant, projected to be 28% of projected revenue was based on the proposed nameplate capacity of 2,800 barrels per day and was derived from the US Energy Information Administration pricing dated December 31, 2016, 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. Gulf coast spot pricing of those commodities as reported in Lubes & Greases base oil report on March 1, 2017, along OPIS International Feedstocks Intelligence report dated February 7, 2017, and the US Energy Information Administration dated December 31, 2016, converted into Canadian dollars at the average posted exchange rate on March 9, 2017 were used to calculate projected gross revenue.

Net income, a GAAP measure, would reduce projected EBITDA, a non-GAAP measure, by financing costs, depreciation and income taxes. Financing costs are currently projected to be $5.4 million, amortization is calculated to be $5.48 million, and income taxes are projected to be $23.5 million, which leaves a net income of approximately $65 million, which is a GAAP measure. This does not include potential greenhouse gas credits.

Future Oriented Financial Information

The information in respect of the anticipated capital costs of constructing the re-refinery in Bowden, Alberta, the cost of feedstock supply as a percentage of projected revenue, the recurring annual revenue and the recurring annual EBITDA, 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 identified:

(a) A currently permitted refinery site in central Alberta, which could include an off-take agreement for the finished products from the proposed plant and has entered into a letter of intent ("LOI") for a Lease with Parkland Refining Limited ("Parkland") for the portion of their property in Bowden, Alberta. The transactions contemplated by the LOI are subject to customary conditions, including completion of due diligence, receipt of all required third party approvals for the Lease and related matters and corporate approvals of each of Parkland and the Company;

(b) Potential other customers who also could enter into off-take agreements for the purchase of the full production of the proposed plant site;

(c) Federal and Provincial government loans and grants, which could cover a portion of the cost (estimated to be up to $10 million) for the construction of the plant;

(d) Key management personnel for the project;

(e) Environmental consultants to quantify the greenhouse gas credits that could be generated by the plant, estimated to be approximately $10 million per year and;

(f) UMO feedstock suppliers for the plant. Feedstock is readily available from the more than 50% of currently collected UMO that is sold in North America today as low cost burner fuel.

Additionally, the Company is in negotiations with UMO collection companies to provide the feedstock quantities necessary to support a 2,800 barrel per day re-refinery, as well as also commencing preliminary negotiations with potential purchasers for all of the off-take products that will be produced by the re-refinery.

Mineral Properties

The Normanby exploration license – EL 1091 – is located on the north side of Normanby Island, approximately 80 kilometres northeast of Alotau, the provincial capital of Milne Bay province, eastern Papua New Guinea (“PNG”). The project consists of two main prospects, Imwauna and Kelas, along with numerous untested prospects. The flagship Imwauna gold deposit is a high grade, near surface, low sulphidation, epithermal vein gold system. Gold mineralization ranges from 0.5 metres to 6.0 metres in the Imwauna Main structure. The Imwauna prospect remains open in the North and South at strike and at depth.

The Sehulea exploration license – EL 1069 – is located north east of Imwauna on Normanby Island and contains several low sulphidation epithermal gold deposits which require additional drill testing. Previous results indicate the area contains extensive lower grade gold mineralization over intercepts of up to 60 metres core length with grades ranging between 1-2 grams/tonne (“g/t”) gold. Mineralization is associated with extensive silicification, disseminated, and semi-massive pyrite, with a positive correlation between higher pyrite concentrations and gold.

The two year term of the Sehulea exploration license expired on January 5, 2016. In October 2015, the Company applied for a further two year renewal from January 5, 2016 of the Sehulea exploration license with an estimated exploration expenditure commitment totaling $124,000. The two year term of the Normanby exploration license expired on April 24, 2016. In January 2016, the Company applied for a further two year renewal from April 24, 2016 of the Normanby exploration license with an estimated exploration expenditure commitment totaling $179,000. The Company was informed by the Mineral Resources Authority of PNG (“MRA”) on October 4, 2016 that both of its exploration license renewal applications were refused and will not be renewed. The refusal notice was signed by the PNG Minister for Mining on September 1, 2016. This action on the part of the MRA has come as a complete surprise to the Company as it has previously renewed the licenses without any issues. Indeed, the Company completed a work program in November 2015 and in 2016, its representative met with various parties in Papua New Guinea who indicated no issues with the license renewal process. The Company has pursued this matter to no avail. Currently, the only recourse is to pursue the ultimate successful bidder of the licenses, who had previously signed a non-disclosure agreement with the Company.

As a result of the refusal to renew the exploration licenses, the Company has lost its exploration rights and ownership of the mineral interests. As at September 30, 2016, the Company evaluated its mineral interests for impairment and wrote off the full amount of the carrying value of $216,819. As the Company no longer has exploration rights and ownership of the mineral interests, the recoverable amount was determined to be $nil.

The terms of the exploration licenses and expenditure commitments, which have been met are as follows:

Exploration License	Expiry date	Expenditure Commitment
Normanby	April 24, 2016	$164,000
Sehulea	January 5, 2016	$103,000

In accordance with the terms of a purchase and sale agreement between the Company, New Guinea Gold Limited and New Guinea Gold Corporation (together “NGG”), the Company acquired a 50% interest in the Normanby and Sehulea properties on Normanby Island, Milne Bay Province, PNG. In addition to the 50% interest already owned, an option agreement between the same parties gave the Company the right to earn the remaining 50% interest in the properties by spending $8,000,000 in exploration and related expenditures by August 20, 2013. Through its ongoing drilling program on the Imwauna prospect and other exploration and development activities on both properties, the Company met its total expenditure obligation almost two years ahead of schedule and in the fourth quarter of 2011, the Company notified NGG that it had exercised its option to acquire the remaining 50% interest in the Normanby and Sehulea properties. On January 5, 2015, 100% ownership of and title to the Normanby and Sehulea properties were transferred to the Company by the Mineral Resources Authority.

On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp, to 0804077 BC Ltd. for gross proceeds of one dollar plus future recoveries that are contingent upon certain future events occurring. NMC Mining Corp indirectly holds the Company's assets in Papua New Guinea**.**

Exploration and Evaluation Expenditure

Exploration expenditures during the year ended December 31, 2016 amounted to $256,692 (2015 - $463,672), respectively.

The cumulative exploration expense on the Company's mineral interest properties is set out in the tables below.

	Papua New Guinea		
	Normanby	Sehulea	Total
	$	$	$
Exploration expense:			
Administration	61,397	4,103	65,500
Assaying	18,011	8,612	26,623
Consulting	11,480	6,555	18,035
Equipment	30,146	29,344	59,490
Legal	6,652	6,652	13,304
Transportation	7,022	2,341	9,363
Travel	1,298	433	1,731
Wages	52,581	10,065	62,646
Year ended December 31, 2016	188,587	68,105	256,692
Cumulative to December 31, 2015	25,329,630	2,397,342	27,726,972
Cumulative to December 31, 2016	25,518,217	2,465,447	27,983,664

	Papua New Guinea		
	Normanby	Sehulea	Total
	$	$	$
Exploration expense:			
Administration	44,738	16,541	61,279
Consulting	33,222	20,947	54,169
Equipment	110,598	109,818	220,416
Field supplies	1,409	851	2,260
Legal	11,938	11,938	23,876
Transportation	9,273	3,720	12,993
Travel	13,312	8,676	21,988
Wages	52,165	14,526	66,691
Year ended December 31, 2015	276,655	187,017	463,672
Cumulative to December 31, 2014	25,052,975	2,210,325	27,263,300
Cumulative to December 31, 2015	25,329,630	2,397,342	27,726,972

Under PNG mining laws, the PNG government has the right to elect at any time prior to commencement of mining, to make a single purchase of up to 30% equity interest in any mineral discovery arising from the Company's exploration licenses, at a price pro rata to the accumulated exploration expenditure.

Operations Update and Outlook

On April 17, 2017, the Company submitted a COB application to the TSX Venture Exchange to become an industrial oil listed company, along with filing for a change of name to Gen III Oil Corporation. The Company intends to pursue the next stage of development of this re-refinery to avail itself of market conditions for Group II and Group III base oil to leverage the advantages currently available to the Company in terms of availability of construction labour and inexpensive equipment manufacture and fabrication.

Financial Update

During the fourth quarter of 2016 and the first quarter of 2017, the Company raised gross proceeds of $3.5 million primarily to complete engineering studies to assess the viability of the ReGen™ process; to undertake additional patent work regarding the ReGen™ process; to provide a deposit to secure a potential plant site in Western Canada; to pay compensation to certain directors and officers of the Company; to pay commissions to finders in connection with the financings; to pay the expenses of the financings; and for working capital and general corporate purposes.

Proposed Transaction

On February 4, 2015, the Company and VeroLube Inc. ("VeroLube") entered into a binding term sheet (the "Term Sheet") providing for the acquisition by the Company of VeroLube, a private company incorporated under the federal laws of Canada (the "Business Combination"). On February 16, 2016, the Company announced that it will not be proceeding with the Business Combination. As a result of the proposed transaction, the Company's common shares on the Exchange was halted and trading resumed on May 26, 2016.

Annual and Fourth Quarter Financial Results

Variance Analysis

The following table sets forth selected (Income)/Expense items that have significant variances between the three months and years ended December 31, 2016 and 2015.

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
	$	$	$	$
Exploration	30,841	172,562	256,692	463,672
General and administration	59,085	76,948	228,820	322,589
Professional fees	198,825	54,121	475,350	293,000
Salaries and benefits	244,722	236,125	786,292	966,220
Travel and accommodation	8,985	(1,690)	10,690	63,750
Interest income	(44,743)	(41,737)	(175,306)	(192,503)
Impairment	44,441	1,435,648	477,075	1,435,648

Exploration – Since the Company lost its exploration rights and ownership of the mineral interest, there was a decrease in exploration expense in the current quarter. Furthermore, the Company did not recognize any amortization expenses in the current quarter as it sold its drilling equipment in November 2016. The year-to-date decrease was due to lower exploration and amortization expense, offset by assaying costs related to the small rock and soil sampling program at Normanby and Sehulea.

General and administration – The decrease in 2016 was due to lower expenditures for telephone, office supplies and services, meals and entertainment and rent as the Company continued to reduce costs at head office.

Professional fees – Professional fees depend on the timing of the services being rendered and will vary from period to period. The increase during the three months and year ended December 31, 2016 was mainly due to the services of legal counsel and external consultants engaged to investigate opportunities relating to VeroLube Inc.'s patented ReGen™ technology.

Salaries and benefits – The decrease was mainly due to the termination of three employees at the corporate head office. Severance payments were incurred in the first quarter of 2016.

Travel and accommodation – Travel expenses to evaluate potential projects depend on the timing of the trip and therefore, expenses vary from period to period.

Interest income – Included in interest income was interest accrued on the VeroLube Loan.

Impairment – In 2016, the Company recognized impairment losses of $164,375 on the loan to VeroLube (discussed in Transactions with Related Parties section), $216,819 in mineral interests (discussed in Projects section) and $112,700 in drilling equipment (discussed below). In 2015, the Company recognized impairment losses of $747,066 on the VeroLube loan, $45,880 on the investment in VeroLube, $595,097 on drilling equipment and $47,665 on receivables, equipment and furniture.

To ensure that the Company's assets are carried at no more than their recoverable amount, which is the higher of the amount to be recovered through use of the asset (Value In Use – "VIU") and the amount to be recovered through sale of the asset (Fair Value Less Cost Of Disposal – "FVLCD"), the Company performed an impairment analysis in accordance with IFRS 6 and IAS 36. If an asset is carried at more than its recoverable amount, the asset is impaired and IAS 36 requires an entity to recognize an impairment loss. The recoverable amount of each asset was determined based on the FVLCD approach. Estimates of fair value were based on recent observable market transactions or replacement costs for items similar in nature and condition to those impaired.

As at September 30, 2016, the Company determined that there were indicators of impairment for its drilling equipment. The indicators of impairment resulted from the economic uncertainty in general and the downturn in the mining industry in particular, and the Company's decision to significantly reduce future exploration expenditures until the equity market for resource companies improves. As a result, the Company recorded an impairment loss of $112,700 (2015 - $nil) on drilling equipment. The Company was informed by the MRA on October 4, 2016 that both of its exploration license renewal applications were refused and will not be renewed. As a result of the refusal to renew the exploration licenses, the Company has lost its exploration rights and ownership of the mineral interests. As at September 30, 2016, the Company evaluated its mineral interests for impairment and wrote off the full amount of the carrying value of $216,819. As the Company no longer has exploration rights and ownership of the mineral interests, the recoverable amount was determined to be $nil.

Selected Annual Financial Information

The following table summarizes selected financial data reported by the Company for the periods indicated. The information set forth in the table should be read in conjunction with the audited consolidated financial statements and notes, prepared in accordance with IFRS for the periods indicated.

	Year ended December 31,		
	2016	**2015**	**2014 (restated)**
	$	**$**	**$**
Consolidated Statements of Comprehensive Loss:			
Expense	1,775,907	2,130,988	2,543,319
Other (income) expense	377,068	1,242,456	(86,830)
Loss before income taxes and loss for the year	2,152,975	3,373,444	2,456,489
Other comprehensive (income) loss	1,568	(15,812)	124,304
Total comprehensive loss for the year	2,154,543	3,357,632	2,580,793
Loss per share – basic and diluted	0.08	0.13	0.02
Consolidated Statements of Financial Position:			
Mineral interests	-	216,819	211,792
Total assets	587,685	1,686,193	4,974,911
Total liabilities	1,632,857	1,078,554	1,009,640

Expense – The decrease in total expense was mainly due to the reduction of drilling activities in PNG and reduction of full time employees and general and administration costs at the head office.

Other expense – The fluctuation between periods was due to the amount of impairment losses that was recognized. The Company recorded impairment losses as noted in the table below (there were no indicators of impairment as at December 31, 2014).

	Year ended December 31	
	2016	2015
	$	$
VeroLube loan	164,375	747,006
Investment in VeroLube	-	45,880
Accounts receivable from VeroLube	-	13,533
Computer, equipment and furniture	-	34,132
Drilling equipment	95,881	595,097
Mineral interest	216,819	-
Total impairment loss	477,075	1,435,648

Other comprehensive income (loss) – The fluctuation between periods was due to the exchange difference on translating the foreign operation balances and results from its functional currency (PNG Kina) into the reporting currency (Canadian dollar) as the exchange rate fluctuated from period to period. The fluctuation is also related to the fair value movements of available-for-sale investments. Unrealized gains and losses are recognized in other comprehensive income (loss). When the losses are considered other than temporary, they are reclassified to net loss as an impairment loss.

Mineral interests – Mineral interests include the acquisition cost on the exploration licenses, foreign exchange gains or losses less impairment loss. Since the Company lost its exploration rights and ownership of the mineral interests, the amount was $nil as at December 31, 2016.

Total assets – The decrease in total assets was due to cash used during the year and impairment loss recognized on property and equipment, loans and investments.

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			
	December 31, 2016 $	September 30, 2016 $	June 30, 2016 $	March 31, 2016 $
Financial Results:				
Expense	551,028	216,169	341,329	667,381
Other (income) expense	76,215	312,171	(4,023)	(7,295)
Net loss	627,243	528,340	337,306	660,086
Basic and diluted loss per share	0.02	0.00	0.00	0.01

	For the Quarters Ended			
	December 31, 2015 $	September 30, 2015 $	June 30, 2015 $	March 31, 2015 $
Financial Results:				
Expense	542,686	502,757	559,167	526,378
Other (income) expense	1,391,438	(35,642)	(35,940)	(77,400)
Net loss	1,934,124	467,115	523,227	448,978
Basic and diluted loss per share	0.01	0.00	0.00	0.00

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the year ended December 31, 2016, cash and cash equivalents decreased by $390,084. The decrease was due mainly to cash used in operations $1,121,751, offset by net cash raised in the private placement $501,732 and proceeds from sale of drilling equipment $229,935.

As at December 31, 2016, the Company had working capital deficiency of $1,084,121 comprised of cash and cash equivalents of $442,663, accounts receivable of $28,040 and prepaid expenses of $78,033 offset by accounts payable and accrued liabilities of $1,632,857.

During the fourth quarter of 2016 and the first quarter of 2017, the Company raised gross proceeds of $3.5 million primarily for to complete engineering studies to assess the viability of the ReGen™ process; to undertake additional patent work regarding the ReGen™ process; to provide a deposit to secure a potential plant site in Western Canada;

to pay compensation to certain directors and officers of the Company; to pay commissions to finders in connection with the financings; to pay the expenses of the financings; and for working capital and general corporate purposes.

Going Concern

The Company's consolidated financial statements for the year ended December 31, 2016 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. The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2016, the Company reported a comprehensive loss of $2,154,543 and as at December 31, 2016, had an accumulated deficit of $72,139,561. The Company has not generated revenues from operations. The Company is dependent on equity financings to fund its operations. Based on its current plans, budgeted expenditures, cash requirements, and recent financings, the Company has sufficient cash to finance its current plans for the next 12 months. However, actual results could be materially different than those expected or budgeted and the Company expects to continually monitor spending and assess results on an ongoing basis and make appropriate changes to expenditures as required. Management continues to explore alternative financing sources in the form of equity, debt or a combination thereof; however, the current economic uncertainty and financial market volatility make it difficult to predict success.

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 share capital of $64,041,965 and no long-term debt as at December 31, 2016. 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 one year 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 spend its existing working capital and 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.

Mineral Properties Obligation

As discussed in the "Projects" section of this MD&A, the two year term of the Sehulea exploration license expired on January 5, 2016. In October 2015, the Company applied for a further two year renewal from January 5, 2016 of the Sehulea exploration license with an estimated exploration expenditure commitment totaling $124,000. The two year term of the Normanby exploration license expired on April 24, 2016. In January 2016, the Company applied for a further two year renewal from April 24, 2016 of the Normanby exploration license with an estimated exploration expenditure commitment totaling $179,000. The Company was informed by the Mineral Resources Authority of PNG ("MRA") on October 4, 2016 that both of its exploration license renewal applications were refused and will not be renewed. The refusal notice was signed by the PNG Minister for Mining on September 1, 2016. The Company has pursued this matter to no avail. Currently, the only recourse is to pursue the ultimate successful bidder of the licenses, who had previously signed a non-disclosure agreement with the Company.

On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp. to 0804077 BC Ltd. for gross proceeds of one dollar plus future recoveries that are contingent upon certain future events occurring. NMC Mining Corp indirectly holds the Company's assets in Papua New Guinea.

The terms of the exploration licenses and expenditure commitments, which have been met are as follows:

Exploration License	Expiry date	Expenditure Commitment
Normanby	April 24, 2016	$164,000
Sehulea	January 5, 2016	$103,000

Contractual Obligations

The Company has rented an office in Calgary on a month to month basis for $1,000 per month.

In December 2016, the Company entered into contracts related to the ReGenTM Process for engineering pre-FEED studies with a remaining commitment of $214,268 to be incurred in 2017.

On February 28, 2017 the Company announced that it has entered into a letter of intent ("LOI") for a Lease with Parkland Refining Limited ("Parkland") for the portion of their property in Bowden, Alberta. The transactions contemplated by the LOI are subject to customary conditions, including completion of due diligence, receipt of all required third party approvals for the Lease and related matters and corporate approvals of each of Parkland and the Company.

On March 7 2017, the Company entered into a 37 month lease agreement for its new corporate head office that has a total commitment of $304,996.

On March 31, 2017, the Company signed a 3 month contract for investor relations services commencing on April 10, 2017 at $7,500 per month.

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 includes the Chief Executive Officer, the President, the Chief Financial Officer, and the Directors. For the year ended December 31, 2016 and 2015, salaries to Key Management amounted to $762,905 and $697,875, respectively. During the year ended December 31, 2016, severance in the amount of $57,000 (2015 - $nil) was paid to the Company's former President.

For the year ended December 31, 2016, salaries to Key Management included fees of $10,000 (2015 - $nil) that were paid to a company that is controlled by the Company's current President (George Davidson). For the year ended December 31, 2016, professional fees included $60,000 (2015 - $nil) that was paid to a company that is controlled by a director (Larry Van Hatten).

On December 13, 2016, George Davidson's spouse and Larry Van Hatten purchased 50,000 and 500,000 units, respectively of the Company's first tranche of a non-brokered private placement (the "Offering"). The Offering consisted of the issuance of a total of 5,550,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of

$555,000. Each Unit consists of one common share and one-half of one warrant ("Warrant") with each whole Warrant entitling the holder to acquire one common share at a price of $0.30 per share until December 12, 2017.

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.

On July 7, 2014, the Company entered into an agreement with VeroLube Inc. and its subsidiary, VeroLube Bowden Plant Inc. (collectively, “VeroLube”) to loan $140,000 to VeroLube Bowden Plant Inc. The Company’s Chief Executive Officer and director (Greg Clarkes) is also a director of VeroLube Inc. The Company advanced the $140,000 on July 9, 2014 to assist with plant and property lease payments. The loan bore interest at 5% per annum, was unsecured and matured on September 1, 2014. As at September 30, 2014, VeroLube had not repaid the loan plus accrued interest of $1,611 and was in default in accordance with the terms of the loan agreement. The Company performed an impairment analysis of this outstanding loan and determined that the full amount outstanding including accrued interest was impaired. As a result, the Company recognized an impairment loss for the outstanding amount in the statement of comprehensive loss for the three and nine months ended September 30, 2014. The impairment was subsequently reversed as a result of the $500,000 secured loan agreement entered into on November 28, 2014.

On November 28, 2014, The Company and VeroLube entered into a new loan agreement for $500,000 (“VeroLube Loan”) that includes the previous $140,000 loaned. Under the terms of the agreement, the VeroLube Loan shall be repayable on that day which falls 10 calendar days after the date of receipt by VeroLube of written demand made by the Company. The Company shall not make demand for the repayment of the VeroLube Loan before March 30, 2015 (“Maturity Date”). At any time and at the option of the Company, all or any part of the VeroLube Loan may be converted, in whole or in part, into common shares in the capital of VeroLube at a rate equal to the conversion price of $0.40 per share (the “Conversion Feature”). Interest will accrue at the rate of 20% per annum, calculated daily and compounded monthly and shall be payable by VeroLube to the Company on the Maturity Date. The VeroLube Loan is secured by a charge against all present and after-acquired assets of VeroLube, including the patents related to the ReGen™ technology (the “Patents”). In addition, VeroLube has given the following additional consideration for the VeroLube Loan:

(a) issued to the Company 250,000 common shares of VeroLube (“Investment in Verolube Inc.”);

(b) granted to the Company a royalty-free, non-exclusive, perpetual license to use VeroLube’s patented ReGen™ process in Canada, Mexico and Central and South America; and

(c) granted to the Company security interest against all of VeroLube's present and after-acquired personal property.

For accounting purposes, the Company estimated the fair value of each of the instruments in the VeroLube Loan. The fair value of the loan receivable upon initial recognition was determined to be $462,500, which considered the length to maturity of the loan, the collateral available to the Company and the risk of repayment default.

The loan was accreted using the effective annual interest rate of 46% such that the carrying amount equaled the principal amount of $500,000 as at March 31, 2015. The amortized cost of the loan was $471,829 as at December 31, 2014.

The fair value of the Investment in Verolube Inc. was estimated to be $37,500 based on $0.15 per share, which was adjusted to take into account changes in market conditions that affected a composite of comparable publically traded companies. The estimated fair value of the Conversion Feature was a nominal amount based on the Black-Scholes valuation model and therefore, no value was allocated to the Conversion Feature. No value was allocated to the perpetual license for the non-exclusive use of the ReGen™ technology because the technology has never been in commercial production and therefore, it was not possible to reliably estimate the future cash flows.

Under the terms of the term sheet, the Company agreed to lend VeroLube an additional $250,000 to maintain its business, and that upon written request, the Company will provide additional loans to VeroLube on terms satisfactory to the Company at its sole discretion. During the year ended December 31, 2015, $112,613 of the additional $250,000 was loaned to VeroLube. VeroLube has agreed to issue 55,875 common shares to the Company as additional consideration for the loans.

On July 20, 2015, the Company announced that the date to complete the Business Combination had passed without conclusion of a transaction due to a number of significant developments related to VeroLube that have hampered the due diligence process necessary to finalizing the transaction. The Company agreed not to call its outstanding loan plus accrued interest to VeroLube. In return, VeroLube agreed to give the Company the non-exclusive rights to its patented and certified ReGen™ used oil re-refining process for the US market. The Company then had the non-exclusive rights to VeroLube's technology for North America, Central America and South America.

On December 31, 2015, the Company performed an impairment assessment on the VeroLube Loan and the Investment in Verolube Inc. taking into consideration Verolube Inc.'s financial condition and the likelihood of Verolube Inc. repaying the loan. The Company determined that expected future cash flow from these two financial instruments was nil and consequently, the Company fully impaired the carrying value of the VeroLube loan ($747,006) and Investment in Verolube Inc. ($45,880) for the year ended December 31, 2015.

The following provides information on the outstanding amounts of the VeroLube Loan.

	$
Balance as at January 1, 2014	-
Fair value of funds advanced	462,500
Accretion	9,329
Balance as at December 31, 2014	471,829
Fair value of funds advanced	112,613
Accretion	162,564
Impairment	(747,006)
Balance as at December 31, 2015	-
Accretion	164,375
Impairment	(164,375)
Balance as at December 31, 2016	-

On March 28, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with VeroLube. Under the Forbearance Agreement, the Company agreed to forbear from exercising its rights and remedies under the loan documents, conditionally upon VeroLube assigning the Patents to the Company and issuing 305,875 common shares of VeroLube to the Company on or before May 31, 2016. If VeroLube did not fulfill those conditions, the Company would be free to exercise its rights and remedies under the loan documents as it saw fit. VeroLube did not fulfill these conditions. The Forbearance Agreement provided that if VeroLube did fulfill those conditions, it will have repaid the loans on or before December 31, 2016. If VeroLube did repay the loans by that date, then the Company would reassign the Patents to VeroLube, and VeroLube would grant the Company a non-exclusive, perpetual license to use the ReGen™ technology worldwide. If VeroLube did not repay the loans by that date, the Company would retain ownership of the patents and would be able to exercise any and all remedies and recourses which were available to it against VeroLube. While it is the assignee of the Patents, the Company will be responsible for paying all reasonable expenses associated with the maintenance of the Patents, and for retaining a lawyer to review the Patents for matters such as validity and jurisdiction, and such expenses shall be added to the amount of the indebtedness. Taking into consideration VeroLube Inc.'s financial condition and the likelihood of VeroLube Inc. repaying the loan, the Company determined that expected future cash flow from the 305,875 common shares of VeroLube is nil and consequently, the Company has not assigned any value to the common shares of VeroLube.

On January 3, 2017, the Company announced that it had granted a limited 30-day extension to its Forbearance Agreement with VeroLube. The extension, from December 31, 2016 to January 30, 2017, was granted subject to certain conditions being met by VeroLube, including: the delivery to the Company of three originally executed copies of the patent license agreement, and delivery to the Company of such documents as it may require to effect assignment of the patents, both as provided for in the Forbearance Agreement. All other terms and conditions of the Forbearance Agreement will remain in full force and effect. On January 16, 2017, VeroLube assigned the patents for the ReGenTM technology to the Company.

On February 3, 2017, the Company issued a demand to VeroLube for repayment of all outstanding loan amounts and accrued and unpaid interest. The Company also provided notice to VeroLube that it is proceeding to enforce its security over the VeroLube patents and personal property.

On November 7, 2016, the Company sold its drilling equipment for net proceeds of $229,935 and recorded a loss on sale of $76,478. The sale of the drilling equipment was made to a related party of the Company, which had two common directors (John Detmold and Bryan Nethery) with the Company.

Included in accounts payable and accrued liabilities as at December 31, 2016 is $268,128 (2015 - $120,000) of accrued directors' fees (see Outstanding Share Data section) and $4,000 (2015 - $nil) of accrued expense allowance payable to the Chief Executive Officer (Greg Clarkes).

Financial Instruments and Risk Management

Fair Value of Financial Instruments

The Company's financial instruments at December 31, 2016 include cash and cash equivalents, accounts receivable, VeroLube Loan, Investment in COY, Investment in VeroLube Inc., and accounts payables and accrued liabilities.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their immediate or short-term nature, unless otherwise noted.

The fair value of the Investment in Verolube Inc. is discussed above under "Transactions with Related Parties." The fair value of Coppermoly shares was based on the closing prices of those shares on Australian Stock Exchange.

Fair Value Hierarchy

Financial instruments recorded at fair value on the Consolidated Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the assets or liabilities are not based on observable market data

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value or at fair value which approximates the carry amount in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

Asset	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**
December 31, 2016:			
Cash and cash equivalents	442,663	-	-
Investment in Coppermoly Ltd.	30,621	-	-
December 31, 2015:			
Cash and cash equivalents	832,747	-	-
Investment in Coppermoly Ltd.	22,966	-	-

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk – is the risk of a financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company's cash is largely held in a Canadian financial institution and management believes that the credit risk with respect to financial instruments recorded on the Consolidated Statement of Financial Position at December 31, 2016 is minimal.

Currency risk – currency risk arises due to fluctuations in the exchange rates. The Company's equity financings are sourced in Canadian dollars and the normal day-to-day expenditures are incurred in Canadian dollars. At this time there are no currency hedges in place.

As at December 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in foreign currency:

	Foreign currency	Exchange rate	Canadian Dollar
Cash – Papua New Guinea Kina	2,623	0.4220	1,107
Cash – Australian Dollar	956	0.9681	925
Accounts payable – Papua New Guinea Kina	(1,689,146)	0.4220	(712,820)
Accounts payable – Australian Dollar	(10,000)	0.9681	(9,681)
Accounts payable – United States Dollar	(9,615)	1.3442	(12,924)
			(733,393)

A 10% change in the exchange rate of the Papua New Guinea Kina against the Canadian dollar would affect other comprehensive income (loss) by approximately $71,200.

A 10% change in the exchange rate of the Australian dollar against the Canadian dollar would affect other comprehensive income (loss) by approximately $900.

A 10% change in the exchange rate of the United States dollar against the Canadian dollar would affect other comprehensive income (loss) by approximately $1,300.

Interest rate risk – is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest income is subject to bank deposit interest rates. During

2016, the Company received $2,126 of interest income from banks and accrued $164,375 of interest income on the VeroLube Loan, which was impaired. A 1% change in interest rate would affect income (loss) before tax of approximately $5,000.

Liquidity risk – is the risk that the Company will be unable to meet its obligations as they become due. The Company manages its liquidity risk by implementing a budget, forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2016, the Company has $442,663 in cash and cash equivalents, $1,632,857 in current liabilities and no long-term liabilities (see note 1 regarding going concern).

The Company's current liabilities arose as a result of corporate expenses and accruals. Payment due dates for corporate expenses varies from invoice date to 30 to 60 days from date of the invoices.

Price risk – the Company is exposed to price risk with respect to commodity and equity pricing, and the investment in COY. The Company is exposed to changes in market prices and a sensitivity analysis suggests that a 10% change in COY share prices would affect other comprehensive income or loss by approximately $3,000 before tax.

Outstanding Share Data

As at April 26, 2017, the following shares are outstanding:

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

- Issued and outstanding: 48,198,954 common shares

- Stock options outstanding and fully vested:
  520,000 with exercise price of $1.75 per option and an expiry date of August 27, 2017
  3,075,000 with exercise price of $0.17 per option and an expiry date of February 8, 2019
  100,000 with exercise price of $0.46 per option and an expiry date of April 1, 2019

Effective November 11, 2016, the Company consolidated its share capital, stock options, on a 5-to-1 basis. In accordance with IAS 10 and IAS 33, the Company's basic and diluted loss per share presented in its consolidated statements of loss and comprehensive loss for the year ended December 31, 2016 and 2015, has been computed based on the post consolidated weighted average number of common shares outstanding.

On December 13, 2016, the Company closed the first tranche of a non-brokered private placement that was announced on November 29, 2016 (the "Offering") and subsequently amended to raise up to $1.2 million. The closing consisted of the issuance of a total of 5,550,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $555,000. Each Unit consists of one common share and one-half of one warrant ("Warrant") with each whole Warrant entitling the holder to acquire one common share at a price of $0.30 per share until December 12, 2017. In the event the common shares of the Company have a closing trading price of $0.30 or higher for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants to a date that is 30 days from the date the Company provides notice to the holders. In connection with the closing of the first tranche of the Offering, the Company paid an aggregate amount of $23,600 in cash finder's fees to eligible arm's length finders. All securities issued under the Offering are subject to a four month hold period expiring on April 13, 2017.

On February 8, 2017, the Company granted of an aggregate of 3,075,000 stock options to employees, consultants and directors at an exercise price of $0.17, expiring on the date that is 2 years from the date of the grant. These stock options fully vested on the date of grant. All stock options will be subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

On February 9, 2017, the Company closed the final tranche of its non-brokered private placement. Under the final tranche of the Offering, the Company closed upon 6,450,000 Units at a price of $0.10 per Unit for gross proceeds of $645,000. Each Unit consists of one common share and one-half of one Warrant with each whole Warrant entitling the holder to acquire one common share at a price of $0.30 per share for a period of two years. In the event the common shares of the Company have a closing trading price of $0.30 or higher for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants to a date that is 30 days from the date the Company provides notice to the holders. All securities issued under the final tranche are subject to a four month hold period expiring on June 9, 2017.

In total under the Offering, the Company issued 12,000,000 Units for aggregate gross proceeds of $1,200,000. Certain finder's received a cash fee of up to 8% of the proceeds Offering.

On March 13, 2017, the Company closed a non-brokered private placement of common shares at a price of $0.30 per share. Under the private placement, the Company issued 7,682,500 shares for gross proceeds of $2,304,750. All securities issued under the private placement are subject to a four month hold period from the date of issuance. Certain finders received a cash fee equal to 8% of the proceeds of the private placement.

On April 1, 2017, the Company granted of an aggregate of 300,000 stock options to an officer at an exercise price of $0.46, expiring on the date that is 2 years from the date of the grant. These stock options will vest over a period of six months from the date of grant.

On April 19, 2017, the Company settled $345,576 in debt ("Debt") in exchange for 2,032,797 common shares (the "Shares") at a deemed price of $0. 17 per Share as follows:

Creditor	Debt Amount	Number of Shares	Nature of Debt
John Detmold, director	$150,000	882,353	60 months of directors' fees at $2,500 per month
Larry Van Hatten, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Larry Van Hatten, director	$8,747	51,453	10.5 months of fees as audit committee chair at $833 per month
Paul DiPasquale, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Brian Nethery, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Greg Clarkes, director and officer	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Greg Clarkes, director and officer	$4,379	25,759	10.5 months of fees as compensation committee chair at $417 per month
George Davidson, officer	$50,400	296,470	6 months unpaid compensation (inclusive of taxes)
Total	**$318,526**	**1,873,679**	

The remaining 159,118 Shares was issued to an arm's length creditor to settle $27,050 in Debt. All Shares issued is subject to a four-month hold period. The Shares for Debt transactions in the table above are each a related party transaction.

On April 24, 2017, 250,000 warrants, at an exercise price of $0.30 per warrant, were exercised for gross proceeds of $75,000.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

(i) The carrying value and the recoverability of property and equipment and exploration and evaluation assets

The application of the Company's accounting policy for identifying impairment indicators under IFRS requires judgment. If indicators are identified, the determination of recoverable amount of property and equipment and capitalized exploration and evaluation assets requires judgment in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

(ii) The carrying value of loan receivable

The fair value of the loan receivable is based on the length to maturity of the loan, the collateral available to the Company, the risk of repayment default and other consideration exchanged. Changes in assumptions, valuation of other consideration exchanged or new information becoming available, can materially affect the fair value of the loan receivable. The fair value of other consideration exchanged is based on a combination of the Black-Scholes valuation model and comparisons to a composite of comparable publically traded companies. The Black-Scholes valuation model incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimates.
VeroLube granted to the Company a royalty-free, non-exclusive, perpetual license to use VeroLube's patented ReGen™ process in North America, Central America and South America. No value was allocated to the perpetual license for the non-exclusive use of the ReGen™ technology because the technology has never been in commercial production and therefore, it was not possible to reliably estimate the future cash flows.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

(i) The analysis of the functional currency for each entity of the Group - In accordance with IAS 21, the Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of Normanby PNG is the Papua New Guinea Kina and for all other entities within the Group, the functional currency is the

Canadian dollar, as these are the currencies of the primary economic environment in which the companies operate.

(ii) The determination of impairment of available-for-sale financial assets. The Company determined that certain of its investments were impaired during the current and prior years.

Recent Accounting Pronouncements

The Company is currently evaluating the following standards issued but not yet in effect and has not yet determined the impact on its financial position and results of operations:

IFRS 15, Revenue from Contracts with Customers – On May 28, 2014, the IASB issued IFRS 15 that provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

IFRS 16, Leases - On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted.

Risks and Uncertainties

The Company's expectation to enter into the oil re-refining business and its business in gold exploration, development and mining involves a significant degree of risk. The risk factors set out below should be considered. It should be noted that the risks discussed below are not exhaustive and that other risks may apply.

Financing ability
The Company's ability to enter into the oil re-refining business will be largely reliant on its continued attractiveness to equity investors. The Company will incur operating losses as it continues to expend funds to enter into the oil re-refining business. There is no guarantee that the Company will be able to successfully enter into the oil re-refining business. Furthermore, should the Company require additional capital, failure to raise such capital could result in delay or indefinite postponement of the Company's business activities. From time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards.

Dependence on key personnel
The Company depends on a relatively small number of key qualified personnel, key senior management and other employees. As the Company's business grows, the Company may recruit additional management and other personnel. There is no assurance that the key qualified personnel will continue to provide services to the Company or will honour

the agreed terms and conditions of their employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for the Company's future operations and development could have a material adverse effect on the Company's business and results of operations. The Company does not have key person insurance on these individuals.

Volatile stock price
Trading in the Company's shares has been temporarily halted pending the results of its Proposed Transaction. The stock price of the Company is expected to be highly volatile when its shares resume trading and will be drastically affected by operating results. The Company cannot predict the results of its future business activities. The results of these activities will inevitably affect the Company's decisions related to further programs at any of the properties that the Company may hold in the future and will likely trigger major changes in the trading price of the Company's shares.

Potential conflicts of interest
Some of the directors or officers of the Company are also directors, officers and/or promoters of other reporting and non-reporting issuers. Situations may arise where the directors and/or officers of the Company may be in competition with the Company. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company.

No dividends
Any payments of dividends will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's board of directors may consider appropriate in the circumstances. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

Risk management and internal control systems.
The Company's directors together with its senior management are responsible for overseeing the Company's internal control policies and procedures. The Company has established risk management and internal control systems consisting of policies, procedures and risk management methods that the Company believes are appropriate for the Company's business operations. However, due to the inherent limitations in the design and implementation of these systems, there is a risk that these systems will not be sufficiently effective in identifying and preventing a deficiency in internal controls. In addition, as some of the risk management and internal control policies and procedures are relatively new, the Company may need to establish and implement additional policies and procedures to further improve the Company's systems from time to time. Since the Company's risk management and internal controls depend on implementation by Company employees, there is a risk that such implementation will involve human errors or mistakes. If the Company fails to implement its policies and procedures in a timely manner, or fails to identify risks that affect the Company's business, its business, results of operations and financial condition could be materially and adversely affected.

Qualified Person

All technical information about the Company's mineral properties contained in this MD&A has been prepared under the supervision and approval of Lorne Warner, PGeo, a consultant to the Company, who is a "qualified person" within the meaning of National Instrument 43-101.