Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2019

As at November 26, 2019

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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.

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 November 26, 2019 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2019, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board effective for the Company's reporting period ending December 31, 2019. 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 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; the anticipated annual recurring revenue and EBITDA 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 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 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 26% premium to Group II. The Company therefore believes that its technology is valuable and it plans to build an initial re-refining plant in Bowden, Alberta with an expected capacity of 924,000 barrels ("bbl") per year and production of 508,200 bbl per year of Group III base oil.

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 4,800 bpd. The Company's proposed refinery in Bowden, Alberta, expected to commence construction in 2020 and commissioned 18 months after financing is obtained, is designed to produce 1,540 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 14,660 bpd.

At the actual price of CDN $5.10 per gallon for Group III and escalated at 2% per year, projected Group III revenues at the Bowden refinery when in full production is expected to be more than approximately $108.8 million per year. By comparison, the Group II revenue from that same 1,540 bpd production, at current production standards and recent actual price of CDN $4.04 per gallon, escalated at the same 2% per year, would only generate $86.2 million in revenue.

The Company also expects the ReGen™ technology to qualify for greenhouse gas credits in Alberta. The Company will submit an application to the Alberta Government to receive carbon credit revenue. The Company believes that it will qualify for Alberta carbon credits of 360,000 tonnes per year, and thereby, based on recent market pricing, expects to generate additional annual revenues of approximately $9 million. Based on an analysis prepared for the Company, the carbon credits that are projected to be generated by the Company represent the equivalent of taking 76,000 gasoline powered cars off the road annually.

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 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 refinery 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 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 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 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 32%* 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 could provide substantial additional revenue for the Company.

(g) Based on the project product output contained in the engineering reports and the current posted commodity pricing, in the first full year of steady state production following commissioning of the first ReGen™ re-refinery, the Company projects recurring annual revenue of approximately $170 million. This revenue is projected to produce recurring annual EBITDA of approximately $85 million*. EBITDA is a non GAAP measure*.

Notes:

**Material Factors and Assumptions*

Material factors and assumptions used to develop forward-looking information is as follows. The capital cost of constructing a ReGenTM 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 cost of feedstock supplied to the Bowden 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 are based on 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.

Net income, a GAAP measure, would reduce projected EBITDA, a non-GAAP measure, by depreciation and income taxes. Depreciation is calculated to be $4.5 million, and income taxes are projected to be $19 million, which leaves a net income of approximately $61 million, which is a GAAP measure. This includes 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 and has entered into a lease with Parkland Refining Limited ("Parkland") for the portion of their property in Bowden, Alberta;

(b) Elbow River Marketing Ltd. ("Elbow River") as an off-take agreement partner and on September 12, 2017 entered into a purchase and sale agreement with Elbow River to market the majority of all of the products produced by the Company at the Bowden, Alberta site for an initial five (5) year period. 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.

(c) Key management personnel for the project;

(d) Environmental consultants to quantify the greenhouse gas credits that could be generated by the plant, estimated to be approximately $9 million per year, based on recent market pricing, and;

(e) UMO feedstock suppliers for the plant.

Site Preparation and Pre-Construction Activities

The Company's first full-scale facility will be located in Bowden, Alberta, 100 km north of Calgary, with targeted production commencing 18 months after the requisite financing is obtained. The Bowden 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.

Thurber Engineering has competed a comprehensive soils investigation study and geotechnical report which has been presented to the design team and will form the basis of foundation design.

JADA Solutions (HSE) Inc. has completed a semi-destructive pre-demolition hazardous abatement assessment for the Bowden facility. Tendering for site demolition has been completed. All tenders received from the pre-qualified bidders were in line with budget and schedule expectations. The Company is currently reviewing accepted submissions to ensure that both commercial and technical requirements are satisfied.

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 its Bowden facility licensing agreement with Process Dynamics for the use of any Stage 3 proprietary technology.

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 August 2018, KMPS presented the Company with a preliminary design costing proposal (including transportation and installation) with a +/- 30% expense tolerance, that remains within budget. Manufacturing, fabrication, transportation and installation figures will be refined in the coming months to within a +/- 15% tolerance.

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 scheduled to occur in early 2020.

The Company recently 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. Subsequent to the period ended September 30, 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™ 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.

Project Costing

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

Railcar Study

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

Environmental Permitting

Application was made to Alberta Environmental and Parks ("AEP") for an Environmental and Enhancement Act Industrial Approval for the Bowden facility in July 2018. AEP granted approval to advance the requisite 30-day public notice period which subsequently ended on June 30, 2019. One submission was received during this period which the Company, in conjunction with Parkland Refinery, addressed directly with the filer. On October 2, 2019, the Company received a draft approval for the Bowden facility. The Company has responded to the draft conditions to the approval and are currently waiting a response from the AEP.

Bowden Tank Design & Integration Project

Under the terms of the lease agreement for the Bowden facility, in November of 2019, Parkland engaged three engineering firms to begin a Front-End Engineering and Design study of the Bowden tank farm and rail spur siding. VTEK, Prolium, and Tri-Innovations were selected through a competitive Request for Proposal ("RFP") process to understand the project costs associated with modifying, repairing and expanding the existing infrastructure to support the Bowden facility. The main deliverable from this project will be a Class 4 estimate for the infrastructure improvements. If determined to be suitable, the Company may enter into a separate agreement for the use of the Bowden tank farm and rail spur siding.

Used Motor Oil Feedstock Supply

The Company has secured letters of intent ("LOIs") and continues to negotiate further LOI's in excess of the full UMO feedstock requirement of 150,000,000 litres/annual. Negotiations will continue with each of the interested vendors in parallel with ongoing financing discussions in order to turn the LOIs into binding, take or pay contracts.

Application for Carbon Credits

The Company has engaged Cap-Op Energy Inc. ("Cap-Op") to provide support in the development of a government-approved Carbon Offset Quantification. Cap-Op reviewed the document in the context of project objectives and found no material issues. Cap-Op will begin work on a technical carbon model.

Future Facilities, Joint Ventures and Licensing of IP

In addition to the Bowden facility, the Company is actively engaged in discussions with parties in the USA and Europe for additional re-refining projects.

Financial Update

From the fourth quarter of 2016 to the third quarter of 2019, the Company raised gross proceeds of approximately $16.2 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 Bowden facility; to provide deposit and rental payments for the Bowden 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") level. To date, eighteen 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.

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 Bowden, Alberta (the "Project"). On April 1, 2019, EDC extended its non-binding term sheet to expire on March 31, 2020. 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 $9.9 million to the Project. The borrower of the Senior Credit Facility will be the Company's wholly-owned subsidiary, 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 Project, 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 Project. 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 April 3, 2019, the Company signed a non-exclusive advisory agreement with New York based StormHarbour Securities LP, to assist with corporate and institutional investors.

On July 19, 2019, the Company announced that it has received a non-binding, non-exclusive, indicative term sheet from a private debt group for up to 83% of total project financing. The structure also contemplates a 5% loan bonus warrant, as defined by the TSXV Exchange policies. Due diligence is ongoing at this time and there is no guarantee the term sheet will be converted into a binding agreement.

Results of Operations

Variance Analysis

The following table sets forth selected (Income)/Expense items that have significant variances between the three and nine months ended September 30, 2019 and 2018.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	$	$	$	$
Amortization of right-of-use assets	165,933	-	497,802	-
General and administration	132,577	257,217	441,760	600,483
Investor relations	15,762	9,964	74,586	234,535
Professional fees	213,288	492,584	947,742	2,914,954
Salaries and benefits	350,955	515,402	1,095,661	1,352,337
Share-based payments	57,283	80,948	605,807	286,491
Site rent	-	337,959	-	901,224
Supplies	-	9,402	4,931	147,568
Travel and accommodation	19,173	59,291	131,942	235,727

Amortization of right-of-use-assets - In accordance with International Financial Reporting Standard ("IFRS") 16, leases are presented on the statement of financial position effective January 1, 2019 with interest expense and amortization of right-of-use assets being recorded rather than rent expense.

General and administration – The decrease was mainly due to rent. In accordance with International Financial Reporting Standard ("IFRS") 16, leases are presented on the statement of financial position effective January 1, 2019 with interest expense and amortization of right-of-use assets being recorded rather than rent expense.

Investor relations - The variance was mainly due to the timing and the amount of fees for services provided by various investor relations firms as there were changes in the timing of their engagement.

Professional fees – The decrease was mainly due to the reduction of services of engineering consultants engaged to design the Bowden plant and construct a test pilot plant relating to the ReGen™ technology.

Salaries and benefits – The decrease was mainly due to staff turnover and fewer staff employed during the current periods.

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.

Site rent - In accordance with IFRS 16, leases are presented on the statement of financial position effective January 1, 2019 with interest expense and amortization of right-of-use assets being recorded rather than rent expense.

Supplies – During the prior periods, various supplies were used at a pilot plant that was constructed to test the ReGen™ technology. In the current periods, costs were incurred to dismantle the pilot plant as it is no longer in use.

Travel and accommodation – Travel costs were incurred for meetings with investors, engineers and various service providers relating to the evaluation and development of the Company's business using the ReGen™ technology. These activities decreased for the current period compared to the same period last year.

The Company adopted IFRS 16 Leases with the date of initial application of January 1, 2019. As a result, the Company recorded rent income of $10,776, finance income from lease – head office premises $1,332, finance cost for lease - plant site $285,544 and finance cost for lease – head office premises $3,254 in its results of operations for the three months ended September 30, 2019. For the nine months ended September 30, 2019, the Company recorded rent income of $32,327, finance income from lease – head office premises $5,112, finance cost for lease - plant site $857,834 and finance cost for lease – head office premises $13,613 in its results of operations. Previously, the leases were not capitalized, and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term.

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			
	September 30, 2019 $	**June 30, 2019 $**	**March 31, 2019 $**	**December 31, 2018 $**
Financial Results:				
Expense	954,972	1,515,932	1,329,327	1,127,984
Other (income) expense	273,658	278,702	270,754	(12,636)
Net loss	1,228,630	1,794,634	1,600,081	1,115,348
Basic and diluted loss per share	0.02	0.03	0.02	0.02

	For the Quarters Ended			
	September 30, 2018 $	**June 30, 2018 $**	**March 31, 2018 $**	**December 31, 2017 $**
Financial Results:				
Expense	1,762,767	2,656,035	2,254,517	1,157,078
Other (income) expense	(6,302)	(51,903)	(22,782)	(22,443)
Net loss	1,756,465	2,604,132	2,231,735	1,134,635
Basic and diluted loss per share	0.03	0.04	0.04	0.02

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the three months ended September 30, 2019, cash and cash equivalents increased by $504,424. The increase was mainly due to net cash proceeds of $915,735 from a private placement, $13,446 rent received and offset by $378,351 of cash used in operating activities and payment of $46,406 for lease liabilities. During the nine months ended September 30, 2019, cash and cash equivalents decreased by $972,631. The decrease was mainly due to

$2,314,971 of cash used in operating activities, payment of $135,367 for lease liabilities and offset by net cash of $522,750 received from the exercise of stock options, net cash proceeds of $915,735 from a private placement and $39,222 rent received.

As at September 30, 2019, the Company had working capital deficit of $626,582 comprised of cash and cash equivalents of $1,143,337, subscription receivable of $1,097,500, accounts receivable of $85,758, prepaid expenses of $409,163 and investment in sublease of $37,777 offset by accounts payable and accrued liabilities of $1,575,520, lease liabilities of $1,625,597 and accrued withholding tax provision of $199,000.

From the fourth quarter of 2016 to the third quarter of 2019, the Company raised gross proceeds of approximately $16.2 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 Bowden facility; to provide deposit and rental payments for the Bowden 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 September 30, 2019, the Company closed a non-brokered private placement at $0.20 per unit for gross proceeds of $2,181,500. 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 for a period of one year from closing. The Company paid finders' fees consisting of cash fees in the aggregate of $135,105 and 665,525 broker warrants exercisable at a price of $0.30 per share until September 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 independent director. 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).

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 Project. 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 $9.9 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 Project, 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 Project. 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 April 3, 2019, the Company signed a non-exclusive advisory agreement with New York based StormHarbour Securities LP, to assist with corporate and institutional investors.

On July 19, 2019, the Company announced that it had received a non-binding, non-exclusive, indicative term sheet from a private debt group for up to 83% of total project financing. The structure also contemplates a 5% loan bonus warrant, as defined by the TSXV Exchange policies. Due diligence is ongoing at this time and there is no guarantee the term sheet will be converted into a binding agreement.

The Company is actively working with private equity, family offices and strategic partners to finance the Project 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 and nine months ended September 30, 2019 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 September 30, 2019, the Company had a working capital deficit of $626,582, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the nine months ended September 30, 2019, the Company reported a net loss of $4,623,345 and a comprehensive loss of $4,627,173 and as at September 30, 2019, had an accumulated deficit of $89,653,936. 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. 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 three and nine months ended September 30, 2019 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.

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 $79,954,317 and $13,456,255 of total liabilities as at September 30, 2019. 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 for the majority of the Company's finished products from its first re-refinery being constructed 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. The Company has not yet advised Elbow River of such date and due to the nature timing and uncertainty of these costs, it is not practicable to estimate such reimbursable costs at this time.

On June 17, 2019, the Company entered into a lease agreement for the lease of its office premises for five years effective on March 1, 2020. Annual basic rent for each of the five years after the effective date is $177,013, $181,178, $185,343, $189,508 and $193,673.

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 Executive Vice President, Corporate Finance, the Chief Financial Officer, and the Directors.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	$	$	$	$
Salaries to Key Management personnel	252,750	246,750	758,250	981,945
Fees for consulting services to a company controlled by the former Executive Vice President (George Davidson)	-	15,000	5,000	103,500
Fees for consulting services to a company controlled by the former Chief Operating Officer (Angelo Battiston)	-	-	-	10,688
Professional fees to company controlled by a Director (Larry Van Hatten)	19,000	12,500	52,000	45,500
Share-based payments to Key Management personnel	33,288	74,862	551,362	240,343
Total	305,038	349,112	1,366,612	1,381,976

Included in salaries to Key Management personnel for the three and nine months ended September 30, 2019, is $nil in bonuses paid (2018 - $194,000) for achieving financing milestones.

Included in accounts payable and accrued liabilities as at September 30, 2019 is $288,750 (December 31, 2018 - $165,000) of accrued directors' fees, $73,851 (December 31, 2018 - $11,878) of professional fees payable to officers and directors and $26,847 (December 31, 2018 - $25,772) of accrued expense reimbursements payable to officers and a director.

On February 9, 2017, the Chief Executive Officer (Greg Clarkes) and a director (Paul DiPasquale) purchased 1,300,000 and 250,000 units, respectively of the Company's second tranche of a non-brokered private placement (the "Offering"). The Offering consisted of the issuance of a total of 6,450,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $645,000. Each Unit consisted 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 February 6, 2018. All of the Warrants were exercised by the Chief Executive Officer and director by the expiry date and the Company received gross proceeds of $232,500.

On March 13, 2018, the Company announced a proposed shares-for-debt settlement transaction in which the Company would issue up to 172,852 common shares in the capital of the Company at a deemed price of $0.70 per common share to the directors of the Company in connection with the settlement of an aggregate of $120,998 of debt owed to such directors. On May 1, 2018, the Company issued shares to the following related parties in settlement of their debt:

Creditor	Debt Amount	Number of Shares	Nature of Debt
Gregory Clarkes	$21,907	31,295	2017 directors' and committee fees less statutory deductions
Larry Van Hatten	$28,751	41,072	2017 directors' and committee fees less statutory deductions
Paul Dipasquale	$18,778	26,825	2017 directors' fees less statutory deductions
Bryan Nethery	$21,562	30,803	2017 directors' fees less statutory deductions
John Detmold	$30,000	42,857	2017 directors' fees less statutory deductions
Total	**$120,998**	**172,852**	

On November 16, 2018, members of the Company's Board of Directors purchased an aggregate of 1,275,000 units of the Company's non-brokered private placement at $0.40 per unit for gross proceeds of $510,000 as follows:

Name	Amount	Number of Units
Gregory Clarkes	$300,000	750,000
Paul Dipasquale	$80,000	200,000
Bryan Nethery	$30,000	75,000
John Detmold	$100,000	250,000
Total	**$510,000**	**1,275,000**

During the first quarter of 2019, members of the Company's Board of Directors exercised 2,700,000 options at an exercise price of $0.17 per share as follows:

Name	Amount	Number of Options
Gregory Clarkes	$289,000	1,700,000
Larry Van Hatten	$68,000	400,000
Paul Dipasquale	$34,000	200,000
Bryan Nethery	$34,000	200,000
John Detmold	$34,000	200,000
Total	**$459,000**	**2,700,000**

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 until September 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 a director.

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 September 30, 2019 include cash and cash equivalents, accounts receivable, Investment in Coppermoly Ltd., and accounts payables and accrued liabilities. There were no material changes to the Company's financial instruments and risk exposures for the three and nine months ended September 30, 2019 from those as reported in the Company's MD&A for the year ended December 31, 2018.

Outstanding Share Data

As at November 26, 2019, the following shares are outstanding:

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

- Issued and outstanding: 82,291,756 common shares

- Stock options outstanding:
  600,000 with an exercise price of $0.68 per option and an expiry date of January 5, 2020
  500,000 with an exercise price of $0.70 per option and an expiry date of May 6, 2020
  300,000 with an exercise price of $0.70 per option and an expiry date of September 1, 2020
  250,000 with an exercise price of $0.70 per option and an expiry date of January 10, 2021
  1,142,500 with an exercise price of $0.70 per option and an expiry date of March 13, 2021
  3,750,000 with an exercise price of $0.40 per option and an expiry date of April 1, 2021
  200,000 with and exercise price of $0.40 per option and an expiry date of July 19, 2021

- Warrants outstanding:
  1,883,375 with an exercise price of $0.70 per warrant and an expiry date of November 16, 2020
  318,750 with an exercise price of $0.70 per warrant and an expiry date of December 5, 2020
  5,453,750 with an exercise price of $0.30 per warrant and an expiry date of September 30, 2020
  665,525 broker warrants exercisable at a price of $0.30 per share until September 30, 2020

Critical Accounting Estimates

There were no material changes to the Company's critical accounting estimates and judgments for the three and nine months ended September 30, 2019 from those as reported in the Company's MD&A for the year ended December 31, 2018, except for the following:

- Significant judgements in the adoption of IFRS 16, Leases

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company applies significant judgments in determining its incremental borrowing rate used in calculating the present value of lease payments. The Company considers factors such as interest rates in borrowings that are similar in nature and term to its leases. The Company compares its incremental borrowing rate to the rates incurred by similar market participants.

Recent Accounting Pronouncements

The Company's adoption of recent accounting pronouncements is described in notes 2(c) and 5 of the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019, which is filed on SEDAR at www.sedar.com.

Risks and Uncertainties

There were no material changes to the Company's risks and uncertainties for the three and nine months ended September 30, 2019 from those as reported in the Company's MD&A for the year ended December 31, 2018.