Gen III Oil Corporation

Consolidated Financial Statements
For the Year Ended December 31, 2019
(Expressed in Canadian dollars)

The financial statements of Gen III Oil Corporation for the years ended December 31, 2019 and 2018 have been amended to correct typographical errors in the Independent Auditor's Report to include the year ended December 31, 2018 and in the financial statements, specifically management's date of authorization. The Independent Auditor's Report has been amended to apply to Gen III Oil Corporation's financial statements for the years ended December 31, 2019 and 2018 and the disclosure in the financial statements relating to the date of approval and authorization for issuance of the financial statements was amended to April 29, 2020.

Gen III Oil Corporation
Consolidated Financial Statements
(Expressed in Canadian dollars)

Management's Report

The accompanying consolidated financial statements of Gen III Oil Corporation (the "Company") are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as outlined in Part 1 of the Chartered Professional Accountants of Canada Handbook - Accounting, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee. The Audit Committee reviews the Company's annual consolidated financial statements and recommends its approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. These consolidated financial statements have been audited by Ernst & Young LLP, Chartered Professional Accountants.

(Signed) Greg Clarkes

Chief Executive Officer

(Signed) Rick Low

Chief Financial Officer

Vancouver, British Columbia, Canada

April 29, 2020

Independent auditor's report

To the Shareholders of
Gen III Oil Corporation

Opinion

We have audited the consolidated financial statements of **Gen III Oil Corporation** [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in (deficit) equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and comprehensive loss of $5,965,075 during the year ended December 31, 2019 and, as of that date, had an accumulated deficit of $90,995,666 and working capital deficit of $2,077,799. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Louisa Lun.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
April 29, 2020

Gen III Oil Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2019	December 31, 2018
	$	$
ASSETS		
Current		
Cash and cash equivalents	732,686	2,115,968
Accounts receivable	80,787	135,256
Prepaid expenses	124,900	181,665
Investment in sublease (note 5)	23,944	-
	962,317	2,432,889
Deferred transaction costs (note 4)	318,207	-
Property (note 6)	8,328	8,328
Investments (note 7)	26,794	26,794
Right-of-use assets (note 8)	9,649,864	-
Total assets	10,965,510	2,468,011
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 9)	680,474	1,635,658
Lease liabilities (note 8)	2,148,642	-
Accrued tax provision	211,000	182,600
	3,040,116	1,818,258
Non-current		
Deferred rent liability	-	139,181
Lease liabilities (note 8)	10,039,482	-
Total liabilities	13,079,598	1,957,439
Shareholders' (Deficit) Equity		
Share capital (note 10)	79,954,317	77,106,600
Contributed surplus	8,900,467	8,546,950
Accumulated deficit	(90,995,666)	(85,169,772)
Accumulated other comprehensive income		
Unrealized gain on investments	26,794	26,794
Total shareholders' (deficit) equity	(2,114,088)	510,572
Total liabilities and shareholders' equity	10,965,510	2,468,011

Nature of operations (note 1)
Commitments (notes 8 and 13)
Subsequent events (note 16)

Approved on behalf of the Board of Directors:

"Greg Clarkes" "Larry Van Hatten"

Greg Clarkes, Director Larry Van Hatten, Director

The accompanying notes are an integral part of these consolidated financial statements

Gen III Oil Corporation
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
	$	$
Expense		
Amortization of right-of-use assets (note 8)	663,736	-
General and administration	584,358	661,176
Investor relations	109,370	239,687
Professional fees	917,927	3,187,488
Salaries and benefits (note 9)	1,472,736	1,697,726
Share-based payments (note 10)	665,249	334,046
Site rent	-	1,239,183
Supplies	4,931	147,568
Travel and accommodation	178,844	294,429
	4,597,151	7,801,303
Other (income) expense		
Interest income	(26,889)	(71,241)
Rent income	(43,103)	-
Finance income from lease – head office premises (note 5)	(6,057)	-
Finance cost for lease – plant site (note 8)	1,411,963	-
Finance cost for lease – head office premises (note 8)	15,532	-
Foreign exchange loss (gain)	16,478	(6,508)
Gain on shares for debt settlement (note 10)	-	(15,874)
	1,367,924	(93,623)
Net loss for the year	5,965,075	7,707,680
Other comprehensive loss		
Unrealized loss on investments	-	30,621
	-	30,621
Total comprehensive loss for the year	5,965,075	7,738,301
Loss per share – basic and diluted	0.08	0.12
Weighted average number of shares outstanding - basic and diluted	73,938,496	64,224,227

The accompanying notes are an integral part of these consolidated financial statements

(Expressed in Canadian dollars)

	Share capital	Contributed surplus	Accumulated deficit	Unrealized gain (loss) on investments	Total
	$	$	$	$	$
Balance as at December 31, 2017	74,796,282	8,181,029	(77,462,092)	57,415	5,572,634
Issuance of share capital (note 10)	2,379,894	31,875	-	-	2,411,769
Share issuance costs (note 10)	(69,576)	-	-	-	(69,576)
Share-based payments (note 10)	-	334,046	-	-	334,046
Loss for the year	-	-	(7,707,680)	-	(7,707,680)
Other comprehensive loss	-	-	-	(30,621)	(30,621)
Balance as at December 31, 2018	77,106,600	8,546,950	(85,169,772)	26,794	510,572
Adjustment due to IFRS 16 implementation	-	-	139,181	-	139,181
Restated balance as at January 1, 2019	77,106,600	8,546,950	(85,030,591)	26,794	649,753
Issuance of share capital (note 10)	3,167,344	(463,094)	-	-	2,704,250
Issuance of warrants (note 10)	(109,075)	109,075			-
Share issuance costs – share capital (note 10)	(168,265)	-	-	-	(168,265)
Share issuance costs – broker warrants (note 10)	(42,287)	42,287	-	-	-
Share-based payments (note 10)	-	665,249	-	-	665,249
Loss for the year	-	-	(5,965,075)	-	(5,965,075)
Balance as at December 31, 2019	79,954,317	8,900,467	(90,995,666)	26,794	(2,114,088)

The accompanying notes are an integral part of these consolidated financial statements

Gen III Oil Corporation
Consolidated Statements of Cash Flows
For the year ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
	$	$
Operating activities		
Net loss for the year	(5,965,075)	(7,707,680)
Adjustments for items not involving cash		
Amortization of right-of-use assets (note 8)	663,736	-
Share-based payments (note 10)	665,249	334,046
Accrued interest income	-	(3,873)
Lease interest – plant site (note 8)	1,411,963	-
Gain on shares for debt settlement (note 10)	-	(25,929)
Deferred rent liability	-	139,181
	(3,224,127)	(7,264,255)
Net change in non-cash working capital		
Accounts receivable	54,469	(30,955)
Prepaid expenses	20,508	1,397
Accounts payable and accrued liabilities	(350,258)	856,166
Accrued tax provision	28,400	21,600
Net cash flows used in operating activities	(3,471,008)	(6,416,047)
Financing activities		
Deferred transaction costs (note 4)	(318,207)	-
Payment of lease liabilities (note 8)	(183,107)	-
Issuance of share capital (note 10)	2,704,250	2,284,825
Proceeds from issuance of warrants (note 10)	-	31,875
Share issuance costs (note 10)	(168,265)	(69,576)
Net cash flows from financing activities	2,034,671	2,247,124
Investing activities		
Investment in sublease (note 5)	53,055	-
Net cash flows from investing activities	53,055	-
Decrease in cash and cash equivalents during the year	(1,383,282)	(4,168,923)
Cash and cash equivalents, beginning of the year	2,115,968	6,284,891
Cash and cash equivalents, end of the year	732,686	2,115,968

Supplemental cash flow information (note 14)

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Gen III Oil Corporation (the “Company” or “Gen III Oil”) was incorporated under the laws of British Columbia and continued its incorporation into Alberta on December 6, 2017.

The Company holds patents to the ReGen™ technology and plans to use the technology to re-refine used motor oil into high quality base lubricating oils.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At December 31, 2019, the Company had a working capital deficit of $2,077,799, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2019, the Company reported a net loss and comprehensive loss of $5,965,075 and as at December 31, 2019, had an accumulated deficit of $90,995,666. The Company has not generated revenues from operations. The Company is dependent on debt and equity financings to fund its operations. Management of the Company believes that the current level of funds is not sufficient to pay for expected cash expenditures over the next 12 months. The recoverability of the underlying value of the Company’s assets is entirely dependent on the Company’s ability to obtain the necessary financing to complete development of the ReGen™ technology, and future profitable production. The Company’s ability to obtain financing may be subject to additional risks brought on by the current Covid-19 pandemic such as, but not limited to, temporary business closures, travel restrictions, quarantines, the general market uncertainty and reduced economic activity. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s consolidated financial statements for the year ended December 31, 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.

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

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Standards Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared on a historical cost basis, except investments that have been measured at fair value.

These consolidated financial statements for the year ended December 31, 2019 were approved and authorized for issue by the Board of Directors on April 29, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiary, Gen III Oil (Alberta) Inc., a corporation incorporated under the provincial laws of Alberta on November 1, 2017.

(b) Foreign Currency Translation

The presentation currency of the Company is the Canadian dollar, which is the same as the functional currency of the parent.

The functional currency of the Company and each of its subsidiaries are determined based on the currency of the primary economic environment in which that entity operates.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses or at the lower of their carrying value and estimated recoverable amount. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of loss and comprehensive loss.

Where an item of property and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The residual values, useful lives, and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate.

(e) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount, net of amortization, that would have been determined had no prior impairment loss been recognized for the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial assets classified as amortized cost are initially measured at fair value and are subsequently measured at amortized cost. The Company's cash and cash equivalents and accounts receivable are classified as amortized cost.

Financial assets classified as FVTPL are initially measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company has not classified any financial assets as FVTPL.

Financial assets classified as FVOCI are initially measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for recognition of credit impairment gains and losses, foreign exchange gains and losses, and interest revenue which are recorded in profit or loss. The Company's investment in the shares of Coppermoly Ltd. is classified as FVOCI. The Company made an election to continue to measure the fair value changes in other comprehensive income (loss).

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as amortized cost or FVTPL.

Financial liabilities classified as amortized cost are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period of maturity. The effective interest rate is the rate that exactly discounts estimated future cash payments to the carrying value through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through profit and loss. The Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the associated obligation is discharged, cancelled or expired.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

(g) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by construction activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related asset. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. As at December 31, 2019, the Company has not incurred any legal or constructive obligations that require a rehabilitation provision.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Taxes

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Taxes (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Such deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or recognized in profit or loss thereafter.

(i) Share Capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, options and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, options, or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and the common shares were valued at their fair value, as determined by the closing trading price on the issuance date. The balance, if any, was allocated to the attached warrants.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset or services received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date the shares are issued.

(j) Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Loss Per Share (continued)

shares that would have been outstanding, if potentially dilutive instruments were converted.

Basic and diluted loss per share are the same, as under the treasury stock method, the effect of common shares issuable upon the exercise of stock options would be anti-dilutive.

(k) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit and loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit and loss over the remaining vesting period.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received, unless the fair value of the goods and services received cannot be reasonably measured, in which case they are measured at the fair value of the equity instruments issued. Expenses are recorded in the statement of loss and comprehensive loss.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity instrument except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Segmented Reporting

The Company operates in one segment, being the used motor oil re-refinery business.

(m) Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, Standing Interpretations Committee ("SIC")-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to calculate lease liabilities and right-of-use assets on the application date and not at inception of the leases.

The Company applied the available practical expedients wherein it:

I. Used a single discount rate to leases with reasonably similar characteristics.
II. Relied on its assessment of whether leases are onerous immediately before the date of initial application.
III. Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
IV. Accounted for the lease component and associated non-lease component in lease payments as a single lease component.
V. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
VI. Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has office leases and a plant lease for the Bowden plant. Before the adoption of IFRS 16, the Company classified each of its leases at the inception date as an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under prepaid expenses and accounts payable and accrued liabilities, respectively. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases.

The Company recognized investment in sublease, right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for deferred rent liability previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leases (continued)

The effect of adopting IFRS 16 as at January 1, 2019 (increase/(decrease)) is as follows:

	$
Assets	
Investment in sublease – current portion	53,055
Investment in sublease – long-term portion	28,870
Right-of-use-assets	10,313,600
Total Assets	10,395,525
Liabilities	
Lease liabilities – current portion	803,888
Lease liabilities – long-term portion	9,591,637
Total liabilities	10,395,525

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

- Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over a range of one and 19 years, which is the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leases (continued)

- Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(n) Significant Accounting Estimates and Judgments

The preparation of these 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 valuation of equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Significant Accounting Estimates and Judgments (continued)

Critical accounting estimates (continued)

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, and dividend yield and making assumptions about them.

The Company evaluates its going concern by estimating future expenditures using actual historical expenditures and current and estimated future commitments. Historical trends may not be an accurate indicator of future performance and circumstances for commitments may change.

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In estimating the recoverable amount of the asset, the Company uses market values or estimated cash flows based on historical trends and expected future cash flows. Historical trends may not be an accurate indicator of future performance and actual results may differ significantly from estimates.

Significant accounting judgements for 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 takes into account 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 rate incurred by similar market participants.

4. DEFERRED TRANSACTION COSTS

Deferred transaction costs consist of consulting costs incurred to evaluate potential financing for the Company's Bowden plant and will be recorded as financing costs upon successful completion of the financing. These costs will be expensed if financing is not successful.

(Expressed in Canadian dollars)

5. INVESTMENT IN SUBLEASE

On January 1, 2019, the Company adopted IFRS 16, Leases. As a result, the Company recognized an investment in sublease on January 1, 2019 for an office that it subleased. Set out below, are the carrying amounts of the Company's investment in sublease and the movements during the period:

	Investment in Sublease $
Lease payments as at December 31, 2018	88,668
Incremental borrowing rate as at January 1, 2019	12%
Discounted operating lease payments as at January 1, 2019	81,925
Prepaid rent	(4,926)
Interest accretion	6,057
Lease payments received	(59,112)
As at December 31, 2019	23,944
Current portion of investment in sublease	23,944
Long-term portion of investment in sublease	-
	23,944

6. PROPERTY AND EQUIPMENT

The Company owns land with a carrying value of $8,328 as at December 31, 2019 and 2018.

7. INVESTMENTS

The Company holds 3,827,646 shares of Coppermoly Ltd. ("COY"), initially valued at $440,102. Changes in fair value, based on the market price on the Australian Stock Exchange, are recorded in other comprehensive income. Changes in fair value are shown in the table below.

	$
December 31, 2017	57,415
Unrealized loss	(30,621)
December 31, 2019 and 2018	26,794

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

On January 1, 2019, the Company adopted 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 Company has office leases and has entered into a plant lease for the Bowden plant in February 2018.

The Company has recorded these leases as a right-of-use assets and lease liability in the statement of financial position as at December 31, 2019. On January 1, 2019, the lease liability was measured at the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 12%, which is the Company's incremental borrowing rate.

(Expressed in Canadian dollars)

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-Use-Assets $	Lease Liabilities $
Operating lease commitments as at December 31, 2018	-	26,188,122
Incremental borrowing rate as at January 1, 2019	-	12%
Discounted operating lease commitments as at January 1, 2019	10,395,525	10,395,525
Unpaid rent	-	600,000
Prepaid rent	-	(36,257)
Investment in sublease	(81,925)	-
Amortization	(663,736)	-
Interest accretion – plant site	-	1,411,963
Interest accretion – head office premises	-	15,532
Lease payments	-	(198,639)
Balance, as at December 31, 2019	9,649,864	12,188,124
Current portion of lease liabilities	-	2,148,642
Long-term portion of lease liabilities	-	10,039,482
Head office premises	21,885	-
Plant site	9,627,979	-
	9,649,864	12,188,124

The table below provides a reconciliation between the lease commitments as disclosed in the Company's consolidated financial statements for the year ended December 31, 2018 and the lease commitments that were discounted using the Company's incremental borrowing rate of 12% to arrive at the lease liabilities recognized on January 1, 2019.

	2019 $	2020 $	2021 $	2022 $	2023 $	Thereafter $	Total $
Total lease commitments disclosed as at December 31, 2018	1,544,046	1,290,061	1,200,000	1,200,000	1,296,000	Not disclosed	Not disclosed
Variable rent	(145,407)	(37,250)	-	-	-	-	-
Adjustment of inflation amount	-	-	-	-	(8,000)	-	-
Total lease payments discounted at January 1, 2019	1,398,639	1,252,811	1,200,000	1,200,000	1,288,000	19,848,672	26,188,122

The Company's outstanding lease payments on a calendar year basis as at December 31, 2019 are shown in the table below.

	2020 $	2021 $	2022 $	2023 $	2024 $	Thereafter $
Total office lease payments	164,064	165,385	169,203	188,813	192,978	2,082
Parkland lease payments	3,269,000	1,200,000	1,200,000	1,288,000	1,296,000	18,552,672
Total lease payments	3,433,064	1,365,385	1,369,203	1,476,813	1,488,978	18,554,754

(Expressed in Canadian dollars)

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

During the year ended December 31, 2019, the Company made $102,861 (2018 - $85,403) of variable lease payments consisting of property maintenance expenses. In addition to basic rent, the Company pays monthly property maintenance expenses during the term of the office leases.

The Company has a short-term lease and a month-to-month lease with a total amount of $22,400 and $58,190 (2018 - $33,600 and $54,907) expensed for the year ended December 31, 2019, respectively. On August 1, 2019, the short-term lease was renewed for a one-year term with total remaining commitment of $34,321 up to July 31, 2020. The month-to-month lease was terminated on August 31, 2019.

The Parkland lease agreement commenced on February 1, 2018 and is for an initial term of 20 years. The Company and landlord may mutually agree to extend the lease term for an additional two terms, one for 10 years and the other for five years. Annual basic rent is $1,200,000 with an increase of the greater of 2% or the Alberta Consumer Price Index on each fifth anniversary of the lease term. Currently, the landlord may cancel the Parkland lease agreement if rent payments are in arrears and if the Company does not rectify after receiving 30 days written notice. The Company intends to construct its new motor oil re-refinery on the existing process pads at Parkland's Bowden facility. The lease agreement requires the Company to decommission the existing Bowden plant facility before construction of the new oil re-refinery plant, provided that the landlord completes certain pre-construction work, which to-date has not been completed. The Company estimates that the cost of this decommission work to be approximately $3.5 million. In addition, the Company is required to provide a security deposit of $2 million before commencement of any work on the Bowden facility, which to-date has not commenced.

9. RELATED PARTY TRANSACTIONS

Transactions with related parties are measured at the 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 Chief Operating Officer, the Executive Vice President Corporate Finance, the Chief Financial Officer and the Directors.

	Year ended December 31,	
	2019	2018
	$	$
Salaries to Key Management personnel	1,035,077	1,228,695
Fees for consulting services to a company controlled by the former Executive Vice President	5,000	118,500
Fees for consulting services to a company controlled by the former Chief Operating Officer	-	10,688
Professional fees to company controlled by a Director	65,500	66,500
Share-based payments to Key Management personnel	595,439	267,984
Total	1,701,016	1,692,367

Included in salaries to Key Management personnel for the year ended December 31, 2019, is $13,000 in bonuses paid (2018 - $194,000) for achieving financing milestones.

Included in accounts payable and accrued liabilities as at December 31, 2019 is $330,000 (December 31, 2018 - $165,000) of accrued directors' fees, $4,935 (December 31, 2018 - $11,878) of professional fees payable to

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (continued)

officers and directors and $12,735 (December 31, 2018 - $25,772) of accrued expense reimbursements payable to officers and directors.

Included in accounts receivable as at December 31, 2019 is $18,166 (December 31, 2018 - $nil) of withholding taxes paid on behalf of directors.

On February 9, 2017, the Chief Executive Officer and a director 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 May 1, 2018, the Company settled $120,998 in debt to directors of the Company in exchange for 172,852 common shares at a deemed price of $0.70 per share. The fair value of the shares was recorded as $0.55 per share, which was the May 1, 2018 closing price of the shares on the TSX Venture Exchange. The difference between $0.55 and $0.70 less legal fees, $15,874, was recognized as gain on shares for debt settlement. The Company issued shares to the following related parties in settlement of their debt:

Debt Amount	Number of Shares	Nature of Debt
$110,680	158,114	2017 directors' fees less statutory deductions
$ 10,318	14,738	2017 committee fees less statutory deductions
$120,998	172,852	Total

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.

On February 13, 2019 the Company announced the unanimous uptake of all 3,075,000 stock options priced at $0.17 per option, in advance of their expiry on February 8, 2019. Of these, 2,700,000 options were exercised by directors of the Company. The exercise resulted in the issuance of 3,075,000 common shares and gross proceeds to the Company of $522,750.

On September 30, 2019, members of the Company's board of directors purchased an aggregate of 900,000 units 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 an officer 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.

(Expressed in Canadian dollars)

10. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value
Unlimited number of preferred shares without par value

(b) Issued and outstanding:

	Number of common shares	$
December 31, 2017	61,882,154	74,796,282
Private placements (note 9)	4,404,250	1,729,825
Debt settlement (note 9)	172,852	95,069
Exercise of warrants (note 9)	1,850,000	555,000
Share issuance costs	-	(69,576)
December 31, 2018	68,309,256	77,106,600
Private placements (note 9)	10,907,500	2,181,500
Issuance of warrants (note 9)	-	(109,075)
Exercise of options (note 9)	3,075,000	985,844
Share issuance costs – share capital	-	(168,265)
Share issuance costs – broker warrants	-	(42,287)
December 31, 2019	82,291,756	79,954,317

On May 1, 2018, the Company settled $120,998 in debt in exchange for 172,852 common shares at a deemed price of $0.70 per share. The fair value of the shares was recorded as $0.55 per share, which was the May 1, 2018 closing price of the shares on the TSX Venture Exchange. The difference between $0.55 and $0.70 less legal fees, $15,874, was recognized as gain on shares for debt settlement.

On October 31, 2018, the Company announced a non-brokered private placement at $0.40 per unit for gross proceeds of up to $3,000,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable at a price of $0.70 per share for a period of one year from closing, subject to acceleration if the common shares trade at or greater than $1.00 per share for a period of five (5) consecutive trading days after the date that is four months from closing. On November 16, 2018, the Company closed the first tranche of this private placement consisting of 3,766,750 units for total gross proceeds of $1,506,700. The Company paid finders' fees consisting of cash fees in the aggregate of $47,100. Members of the Company's board of directors purchased an aggregate of 1,275,000 units. On December 5, 2018, the Company closed the second tranche of the non-brokered private placement consisting of 637,500 units for total gross proceeds of $255,000.

On September 30, 2019, the Company closed a non-brokered private placement at $0.20 per unit for gross proceeds of $2,181,500, of which $1,067,500 and $30,000 were received on October 1 and 3, 2019, respectively. 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 an officer of the Company is a director. Members of the Company's board of directors purchased an aggregate of 900,000 units.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payments

Stock options granted during the year ended December 31, 2019 and 2018 to the Company's officers, directors and consultants were as follows:

Date of grant	Number of options granted	Exercise price	Expiry date	Terms
2018-Jan-05	600,000	$0.68	2020-Jan-05	The options vest in two equal tranches on May 31, 2018 and upon commissioning of the Bowden plant.
2018-Mar-13	1,200,000	$0.70	2021-Mar-13	The options will vest on the earlier of: (a) a Change of Control of the Company; or (b) the "Commercial Operations Date" (as such term is defined in the Purchase and Sale Agreement between Gen III and Elbow River Marketing Ltd. dated September 12, 2017) of the Company's re-refinery plant being constructed in Bowden, Alberta. Of these, 57,500 unvested options were forfeited due to the termination of an employee and the resignation of a consultant.
2018-Mar-26	500,000	$0.61	2020-Mar-26	Due to the cancellation of services with the investor relations firm, 375,000 unvested stock options were forfeited. The remaining 125,000 vested options were not exercised and expired on September 24, 2018.
2018-May-06	500,000	$0.70	2020-May-06	The options vest in two equal tranches, one-half on December 31, 2018, and one-half upon commissioning of the Company's Bowden facility.
2018-Sep-01	300,000	$0.70	2020-Sep-01	150,000 options vested on November 30, 2018. 75,000 options will vest upon the consultant securing letters of intent with used motor oil ("UMO") suppliers amounting to 25,000,000 US Gallons of UMO in the aggregate. 75,000 options will vest upon commencement and commissioning of the Bowden facility or facility at another location should the decision be made to build elsewhere.
2019-Jan-10	250,000	$0.70	2021-Jan-10	Granted 250,000 stock options to a consultant. 125,000 options vested on April 10, 2019. 62,500 options will vest upon the Company securing letters of intent with used UMO suppliers amounting to 117,000,000 US Gallons of UMO in the aggregate. 62,500 options will vest upon commencement and commissioning of the Bowden facility.
2019-Apr-01	3,750,000	$0.40	2021-Apr-01	Stock options granted to directors, officers, employees and consultants of the Company. The options fully vested on April 1, 2019.
2019-Jul-19	200,000	$0.40	2021-Jul-19	Stock options granted to an employee. All of the options will vest 120 days from the date of grant.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payments (continued)

The aggregate fair value of the stock options granted during the year ended December 31, 2019 was $503,952 (2018 - $756,087). The fair value of the stock options granted to employees was estimated at the grant date using the Black-Scholes Option Pricing Model. The Company is unable to reliably estimate the fair value of the goods and services received for stock options granted to non-employees because the fees charged by non-employees are at market rates with no allowance for stock options granted. Accordingly, the Company estimated the fair value of the stock options granted to non-employees using the Black-Scholes Option Pricing Model. The inputs for the Black-Scholes Option Pricing Model are as follows:

	Year ended December 31,	
Inputs	2019	2018
Risk free interest rate	1.37% - 1.88%	1.77% - 2.05%
Expected dividend yield	nil	nil
Expected annual volatility	97% - 108%	57% - 84%
Expected life	2 years	1.5 years –3 years
Forfeiture rate	0% - 23%	0% - 22%

A summary of the status of the Company's stock options as at December 31, 2019 and changes during the period are as follows:

	Number of options	Weighted average exercise price $
Outstanding – December 31, 2017	4,055,000	0.30
Options granted	3,100,000	0.68
Options forfeited	(822,500)	0.66
Options expired	(610,000)	0.69
Outstanding – December 31, 2018	5,722,500	0.41
Options granted	4,200,000	0.42
Options exercised	(3,075,000)	0.17
Options expired	(105,000)	0.72
Outstanding – December 31, 2019	6,742,500	0.52

The following stock options were outstanding as at December 31, 2019:

Number of options	Exercise price per option $	Expiry date
600,000	0.68	January 5,2020
500,000	0.70	May 6, 2020
300,000	0.70	September 1, 2020
250,000	0.70	January 10, 2021
1,142,500	0.70	March 13, 2021
3,750,000	0.40	April 1, 2021
200,000	0.40	July 19, 2021
6,742,500		

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payments (continued)

The Company has the following stock options outstanding and exercisable:

2019				
Options Outstanding			Options Exercisable	
Number of options at December 31, 2019	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price $	Number of options at December 31, 2019	Weighted Average Exercise Price $
6,742,500	1.04	0.52	4,775,000	0.45

2018				
Options Outstanding			Options Exercisable	
Number of options at December 31, 2018	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price $	Number of options at December 31, 2018	Weighted Average Exercise Price $
5,722,500	0.82	0.41	3,880,000	0.28

(d) Warrants

Of the 6,000,000 warrants issued in connection with the Offering, 4,150,000 were exercised as at December 31, 2017 and the remaining 1,850,000 were exercised as at March 31, 2018.

In connection with the private placement on November 16, 2018, the Company issued 1,883,375 warrants. Each warrant entitles the holder to purchase one common share at any time until November 16, 2019 at an exercise price of $0.70 per common share. The Company used the residual value method to allocate all of the cash consideration received to the shares and no value was allocated to the warrants as the fair value of the shares exceeded the cash consideration received.

In connection with the private placement of units priced at $0.40 per unit on December 5, 2018, the Company issued 318,750 warrants. Each warrant entitles the holder to purchase one common share at any time until December 5, 2019 at an exercise price of $0.70 per common share. The Company used the residual value method to allocate the cash consideration received. Of the total proceeds received, $223,125 was allocated to the shares being the fair value of the shares ($0.35 per share) and the residual of $31,875 was allocated to the warrants.

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 until September 30, 2020. The Company used the residual value method to allocate the cash consideration received. Of the total proceeds

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(d) Warrants (continued)

received, $2,072,425 was allocated to the shares being the fair value of the shares ($0.19 per share) and the residual of $109,075 was allocated to the warrants.

In connection with the September 30, 2019 private placement, the Company issued 665,525 broker warrants exercisable at a price of $0.30 per share until September 30, 2020. The fair value of $42,287 for the broker warrants was estimated at the grant date using the Black-Scholes Option Pricing Model. The inputs for the Black-Scholes Option Pricing Model are as follows:

Inputs	September 30, 2019
Risk free interest rate	1.59%
Expected dividend yield	nil
Expected annual volatility	120%
Expected life	1 year
Forfeiture rate	0%

A summary of the status of the Company's warrants as at December 31, 2019 and changes during the year are as follows:

	Number of Warrants outstanding	Weighed average exercise price $
Outstanding – December 31, 2017	6,741,598	0.81
Warrants granted	2,202,125	0.70
Warrants exercised	(1,850,000)	0.30
Outstanding – December 31, 2018	7,093,723	0.91
Warrants granted	6,119,275	0.30
Warrants exercised	(4,891,598)	1.00
Outstanding – December 31, 2019	8,321,400	0.41

On November 5, 2019, the Company extended the expiry dates of the 1,883,375 warrants to November 16, 2020 from November 16, 2019 and the 318,750 warrants to December 5, 2020 from December 5, 2019. The extension of these warrants did not result in any incremental value of the warrants.

The 8,321,400 warrants outstanding as at December 31, 2019 consist of the following:

Number of warrants	Exercise price per warrant $	Expiry date
6,119,275	0.30	September 30,2020
1,883,375	0.70	November 16, 2020
318,750	0.70	December 5, 2020
8,321,400		

10. SHARE CAPITAL (continued)

(d) Reserves

Contributed surplus
Share-based payments and warrant values, if any, are recognized in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount in contributed surplus is reclassified to share capital, adjusted for any consideration paid.

Cumulative translation adjustments
The exchange difference on translating the foreign operation from its functional currency (PNG Kina) into the reporting currency (Canadian dollar) is recognized in cumulative translation adjustment. When the subsidiary was sold on March 31, 2017, the foreign exchange loss was reallocated from other comprehensive loss to other expense.

Unrealized gain (loss) on investments classified as fair value changes through other comprehensive income
Financial assets classified as fair value changes through other comprehensive income are measured at fair value with unrealized gains and losses being recognized in other comprehensive income (loss).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The Company's financial instruments at December 31, 2019 include cash and cash equivalents, accounts receivable, Investment in COY, 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 COY 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

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the highest 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 in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

Asset	Level 1 $	Level 2 $	Level 3 $
December 31, 2019:			
Cash and cash equivalents	732,686	-	-
Investment in Coppermoly Ltd. (note 7)	26,794	-	-
December 31, 2018:			
Cash and cash equivalents	2,115,968	-	-
Investment in Coppermoly Ltd. (note 7)	26,794	-	-

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 and cash equivalents 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, 2019 is minimal. The Company's accounts receivable consists of GST receivable from the government, interest income from a Canadian financial institution, receivable from directors and a receivable from another financial institution. Management believes that the credit risk with respect to accounts receivable 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. As at December 31, 2019, the Company's holdings in foreign currencies are not material and exposure to currency risk is minimal.

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 2019, the Company received $29,376 of interest income from banks. A 1% change in interest rate would affect income (loss) before tax of approximately $7,000.

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, 2019, the Company had $732,686 in cash and cash equivalents, $3,040,116 in current liabilities and $10,039,482 in long-term liabilities.

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 $2,700 before tax.

12. 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 $10,039,482 of long-term debt as at December 31, 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, 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 and cash equivalents 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 will 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.

13. COMMITMENTS

On September 12, 2017, the Company entered into a purchase and sale agreement ("PSA") with Elbow River Marketing Ltd. ("Elbow River") for the majority of the Company's finished products from its first rerefinery 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 and timing 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.

(Expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Operating activities		
Interest income received from banks	29,376	55,754
Total lease payments paid	301,501	-
Total lease receipts	86,128	-
Interest paid on lease liabilities	15,532	-
Financing activities		
Recognition of right-of-use assets	10,313,600	-
Recognition of lease liabilities	10,395,525	-
Investing activities		
Recognition of investment in sublease	81,925	-

15. INCOME TAX

(a) The reconciliation of the Canadian statutory income tax rates to the effective tax rates are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Canadian statutory tax rate	26.50%	27.00%
Loss for the year before tax	$(5,965,075)	$(7,707,680)
Income tax recovery at statutory rates	(1,580,744)	(2,081,073)
Non-deductible (taxable) items	191,968	96,322
Deferred tax assets not recognized - change	1,181,920	2,019,247
Adjustment in respect of prior years	177,864	(35,521)
Effects of change in tax rates	28,992	-
Other	-	1,025
Income tax recovery (expense)	$ -	$ -

During the year the Alberta government proposed to gradually reduce the corporate income tax rate from 12% to 8% as follows: 11% effective July 1, 2019; 10% effective January 1, 2020; 9% effective January 1, 2021; 8% effective January 1, 2022. This proposal became enacted on June 28, 2019, as a result the current year statutory tax rate decreased from 27% to 26.5%

(b) Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits is dependent upon numerous factors, including the future profitability of operations in the jurisdictions in which the tax benefits arose.

The Company did not recognize deferred tax assets for the following deductible temporary differences:

	December 31, 2019	December 31, 2018
Non-capital losses	$30,178,437	$25,836,289
Capital losses	43,829,653	43,829,653
Other	5,041,991	4,344,354
	$79,050,081	$74,010,296

(Expressed in Canadian dollars)

15. INCOME TAX (continued)

(c) The Company has approximately $2,723,000 of unclaimed resource expenses for Canadian income tax purposes which can be carried forward indefinitely and used to reduce taxable income in Canada.

The above noted capital losses have indefinite expiry period.

As at December 31, 2019, the Company has the following net operating losses, expiring in various years to 2039 and available to offset future taxable income in Canada.

2031	$ 1,446,000
2032	2,268,000
2033	2,412,000
2034	2,040,000
2035	1,869,000
2036	1,516,000
2037	4,655,000
2038	9,474,000
2039	4,500,000
	$30,180,000

16. SUBSEQUENT EVENTS

(a) On January 5, 2020, 600,000 stock options to an employee at an exercise price of $0.68 per share expired unexercised.

(b) On February 4, 2020, the Company granted 600,000 stock options to an employee at an exercise price of $0.25 per share, expiring on February 4, 2022. Of the options granted, 300,000 vest on May 31, 2020 and 300,000 vest upon commissioning of the Bowden plant.