Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2020

As at April 30, 2021

TABLE OF CONTENTS

Page

April 30, 2021

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. At the Company's annual general meeting on April 30, 2021, the shareholders approved the Company's name change to ReGen III Corp.

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

This Management Discussion & Analysis ("MD&A") of the Company has been prepared by management as of April 30, 2021 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts referred to herein are in Canadian dollars unless otherwise stated.

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

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

Forward Looking Information

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

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

ReGen™ Technology - Re-refining Used Motor Oil

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

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

The patented ReGen™ re-refining technology:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has identified:

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

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

(c) UMO feedstock suppliers.

Notes:

**Material Factors and Assumptions*

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

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

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

Future Oriented Financial Information

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

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

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

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

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

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

Offtake Agreements

On October 27, 2020, the Company signed a Letter of Intent ("LOI") with a super major international energy company ("SM") for the offtake of all of the Company's future production of Group II+ and Group III base oils from a proposed 5,600 bpd marine terminal facility in or near Houston, Texas. SM will also have rights related to all future production of the Company's Group II+ and Group III base oils from additional facilities constructed by the Company globally. The LOI covers a minimum five-year period with further extension options. The Company is currently working with SM to expedite a definitive agreement, further detailing the commercial relationship.

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

Site Preparation and Pre-Construction Activities

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

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

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

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

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

Proposed USGC Facility

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

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

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

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

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

Proposed Alberta Facility

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

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

Alberta Facility Project Costing

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

Alberta Facility Railcar Study

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

Alberta Facility Environmental Permitting

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

Used Motor Oil Feedstock Supply

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

Application for Carbon Credits

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

Financial Update

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

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

On November 7, 2018 the Company announced that it has received a non-binding term sheet from Export Development Canada ("EDC"), a financial Crown corporation, for a term loan for up to $72 million (the "Senior Credit Facility") to finance up to 50% of a base oil re-refinery in Alberta. On April 1, 2019, EDC extended its non-binding term sheet to expire on March 31, 2020. On March 31, 2020, the Company subsequently secured an extension of the EDC term sheet until March 31, 2021. During Q1, 2021, the Company was informed by the EDC the funds remain intact and available to the Company. The required equity is to be fully contributed prior to the first disbursement of the Senior Credit Facility. To date, the Company has contributed approximately $9.2 million to advancing the Alberta facility. The borrower of the Senior Credit Facility will be Gen III Oil Alberta, with the Company guaranteeing the loan. No securities of the Company, or Gen III Alberta, are contemplated to be issued in connection with the Senior Credit Facility. The Senior Credit Facility may only be used to fund costs associated with the design, engineering, procurement, development, construction, commissioning and operational ramp-up of the Alberta facility, including, funding of a debt service reserve account, cost overrun account, interest payments, lender fees and expenses, professional fees and expenses, insurance premia, taxes, the cost of obtaining permits and other agreed upon costs and expenses incurred in connection with the Alberta facility. Closing of the Senior Credit Facility is subject to various conditions, including the completion of satisfactory due diligence by the parties and execution and delivery of definitive loan documents.

The Company is working with the team at SM to expand upon and finalize the terms previously outlined in the LOI signed on October 27, 2020. These include and are not limited to, definitive terms relating to product quality, viscosity, quantity, availability, delivery methodology, site safety and payment terms, amongst others. These terms will be incorporated into a definitive agreement.

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

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

Annual and Fourth Quarter Results

Variance Analysis

The following table sets forth selected expense items that have significant variances between the three months and years ended December 31, 2020 and 2019.

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
	$	$	$	$
General and administration	93,703	142,598	411,606	584,358
Professional fees	2,520	(29,815)	351,245	917,927
Salaries and benefits	220,648	377,075	1,031,628	1,472,736
Share-based payments	126,500	59,442	293,140	665,249
Travel and accommodation	(3,535)	46,902	4,177	178,844

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

Professional fees – The credit balance in the fourth quarter of 2019 was due to an adjustment of engineering fees as a result of a negotiated settlement. The year-to-date decrease was mainly due to the reduction of services of engineering consultants engaged to design the Alberta plant and construct a test pilot plant relating to the ReGen™ technology. These engineering activities were substantially completed in 2019.

Salaries and benefits – The decrease in the fourth quarter and in the year was due to the reduction in staff and a payroll subsidy received from the National Research Council of Canada's Industrial Research Assistance Program. The decrease in the year was also due to the reversal of accrued directors' fees. Upon the resignation of two directors, they agreed to forgive the amount of accrued directors' fees.

Share-based payments – The variance was due to the timing, number and vesting periods of options granted. The fair value of the stock options was estimated at the grant date using the Black-Scholes Option Pricing Model, or if determinable, the fair value of the services provided.

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^{TM} technology. These activities decreased in the year partly due to the Covid-19 pandemic.

The Company adopted IFRS 16 Leases with the date of initial application of January 1, 2019. For the three months and the year ended December 31, 2020, the Company recognized the following other income and other expense in its consolidated statement of comprehensive loss:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
	$	$	$	$
Rent income	-	(10,776)	(21,551)	(43,103)
Finance income from lease – head office premises	-	(945)	(686)	(6,057)
Finance cost for lease - plant site	421,344	554,129	1,600,117	1,411,963
Finance cost for lease – head office premises	16,997	1,919	60,376	15,532

For the year ended December 31, 2020, the Company recorded government grant of $4,772 (2019 - $nil) representing a Covid-19 related grant received from the Government of Canada.

Selected Annual Financial Information

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

	Year ended December 31,		
	2020	**2019**	**2018**
	$	**$**	**$**
Consolidated Statements of Comprehensive Loss:			
Expense	2,809,297	4,597,151	7,801,303
Other expense (income)	1,933,072	1,367,924	(93,623)
Loss before income taxes and loss for the year	4,742,369	5,965,075	7,707,680
Other comprehensive (income) loss	(22,965)	-	30,621
Total comprehensive loss for the year	4,719,404	5,965,075	7,738,301
Loss per share – basic and diluted	0.06	0.08	0.12
Consolidated Statements of Financial Position:			
Total assets	11,298,174	10,965,510	2,468,011
Total liabilities	15,465,682	13,079,598	1,957,439

Expense – The decrease was mainly due to professional fees. In 2018 and 2019, various engineering consultants and external consultants were engaged to evaluate, develop and design the Alberta plant and to construct a test pilot plant relating to the ReGen™ technology. The engineering activities were substantially completed in 2019.

Other expense (income) – The Company adopted IFRS 16 Leases with the date of initial application of January 1, 2019. As a result, the Company recorded rent income, finance income from lease – head office premises, finance cost for lease - plant site and head office premises in other expense since the adoption.

Other comprehensive (income) loss – The fluctuation was related to the fair value movements of investments. Unrealized gains and losses were recognized in other comprehensive (income) loss.

Total assets – The increase in 2020 was mainly due to the recognition of a right-of-use asset for a new head office lease. The increase in 2019 was due to leases recorded as right-of-use assets when the Company adopted IFRS 16, Leases.

Total liabilities – The increase in 2020 was mainly due to the recognition of a lease liability for a new head office lease and accrued rent payable for the plant site. The increase in 2019 was due to the recognition of lease liabilities when the Company adopted IFRS 16, Leases.

Summary of Quarterly Financial Results

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

	For the Quarters Ended			
	December 31, 2020 $	**September 30, 2020 $**	**June 30, 2020 $**	**March 31, 2020 $**
Financial Results:				
Expense	616,863	580,253	713,021	899,160
Other expense	437,493	721,437	384,565	389,577
Net loss	1,054,356	1,301,690	1,097,586	1,288,737
Basic and diluted loss per share	0.01	0.01	0.01	0.02

	For the Quarters Ended			
	December 31, 2019 $	**September 30, 2019 $**	**June 30, 2019 $**	**March 31, 2019 $**
Financial Results:				
Expense	796,920	954,972	1,515,932	1,329,327
Other expense	544,810	273,658	278,702	270,754
Net loss	1,341,730	1,228,630	1,794,634	1,600,081
Basic and diluted loss per share	0.02	0.02	0.03	0.02

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the year ended December 31, 2020, cash and cash equivalents increased by $623,555. The increase was mainly due to $2,372,844 net cash received from issuance of share capital, $40,000 grant received from the Government of Canada and $23,944 rent received, offset by $1,649,169 of cash used in operating activities and payment of $164,064 for lease liabilities.

As at December 31, 2020, the Company had a working capital deficit of $3,395,530 comprised of cash and cash equivalents of $1,356,241, accounts receivable of $146,661 and prepaid expenses of $73,840, offset by accounts payable and accrued liabilities of $863,456, lease liabilities of $3,877,816 and accrued withholding tax provision of $231,000.

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

On June 11, 2020 the Company obtained an unsecured and interest free $40,000 term loan from the Government of Canada and on June 11, 2020, the Company drew down $40,000 of the LOC. At December 31, 2020, the LOC was converted to a 2-year unsecured and interest free term loan to be repaid by December 31, 2022. On December 31, 2022, the Company has the option to convert the loan into a 3-year unsecured term loan at an annual interest rate of 5%. The remaining balance is to be paid in full no later than December 31, 2025.The balance of the loan may be repaid less a 25% forgiveness of the repayment amount if repaid by December 31, 2022.

Project Financing

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

The EDC term sheet is non-binding and expired on March 31, 2020. On March 31, 2020, the Company subsequently secured an extension of the EDC term sheet until March 31, 2021. During Q1, 2021, the Company was informed by the EDC the funds for the Alberta facility remain intact and available to the Company. EDC also informed the Company it was willing to complete preliminary due diligence to structure a term sheet proposal for the USGC facility. This is expected in Q2, 2021.

On October 27, 2020, the Company signed the LOI with SM for the offtake of all the Company's future production of Group II+ and Group III base oils from a proposed 5,600 bpd marine terminal facility in or near Houston, Texas. SM will also have rights related to all future production of the Company's Group II+ and Group III base oils from additional facilities constructed by the Company globally. The LOI covers a minimum five-year period with further extension options. The Company is currently working with SM to expedite a definitive agreement, further detailing our commercial relationship. The SM is a multi-billion-dollar, international producer of fuels and lubricants, which has stated its intention to become a net-zero carbon emitter. While there is no guarantee of a successful outcome, nor of the timeframe in which this might occur, things are rapidly moving in the right direction. The Company has also initiated Group III base oil sample testing at the formulations' facility of another super-major and is waiting on the final analysis.

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

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

On November 18, 2020, the Company engaged Blue Deer Capital Partners for an initial term expiring December 31, 2021, to provide non-exclusive financial advisory services for a monthly fee. The Company has also agreed to issue one million fully vested stock options to Blue Deer Capital Partners, with an exercise price of 30 cents per common share and expiry date of May 18, 2022.

Going Concern

The Company's consolidated financial statements for the year ended December 31, 2020 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 December 31, 2020, the Company had a working capital deficit of $3,395,530, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2020, the Company reported a net loss of $4,742,369 and a comprehensive loss of $4,719,404 and as at December 31, 2020, had an accumulated deficit of $95,738,035. 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, 2020 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material.

Covid-19 Pandemic

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

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

Capital Management

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company had share capital of $82,312,392 and $10,493,410 of non-current liabilities as at December 31, 2020. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Planning, annual budgeting, monitoring, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

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

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

Contractual Obligations and Contingencies

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

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

	Year ended December 31, 2020	2019
	$	$
Salaries to Key Management personnel	854,385	1,035,077
Fees for consulting services to a company controlled by the former Executive Vice President (George Davidson)	-	5,000
Professional fees to a company controlled by a Director (Larry Van Hatten)	70,000	65,500
Share-based payments to Key Management personnel	197,147	595,439
Total	1,121,532	1,701,016

Included in salaries to Key Management personnel for the year ended December 31, 2020, is $15,885 in bonuses paid (2019 - $13,000) for achieving private placement financing milestones.

Included in accounts payable and accrued liabilities as at December 31, 2020 is $322,500 (December 31, 2019 - $330,000) of accrued directors' fees, $213,800 (December 31, 2019 - $4,935) of wages and professional fees payable to officers and directors and $7,777 (December 31, 2019 - $12,735) of accrued expense reimbursements payable to officers and directors.

Included in accounts receivable as at December 31, 2020 is $14,566 (December 31, 2019 - $18,166) of withholding taxes paid on behalf of directors.

On February 13, 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 December

30, 2020. Cash commission of $94,605 was paid and 473,025 broker warrants were issued to one of the finder companies in which Mark Redcliffe, Executive VP, Corporate Finance of the Company, is a director.

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

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

On November 24, 2020, the Company proposed to settle $200,250 of accrued directors' fees, net of statutory deductions, in exchange for 513,460 common shares at a deemed price of $0.39 per share. This shares for debt proposal was approved by the TSX Venture Exchange, settled and recorded by the Company on February 3, 2021 at a price of $0.39 per share.

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

In December 2020, the Company issued 250,000 shares to a director (Greg Clarkes) and 125,000 shares to a former director (John Detmold) on the exercise of warrants at an exercise price of $0.30 per share for gross proceeds of $112,500.

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

Fair Value of Financial Instruments

The Company's financial instruments at December 31, 2020 include cash and cash equivalents, accounts receivable, Investments, accounts payables and accrued liabilities and term loan.

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. The fair value of the term loan approximates its amortized value.

Fair Value Hierarchy

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

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

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the 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, 2020:			
Cash and cash equivalents	1,356,241	-	-
Investment in Coppermoly Ltd.	49,759	-	-
Term loan	-	-	36,216
December 31, 2019:			
Cash and cash equivalents	732,686	-	-
Investment in Coppermoly Ltd.	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, 2020 is minimal. The Company's accounts receivable consists of amounts receivable from government and directors. 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, 2020, 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 2020, the Company received $3,261 of interest income from banks. A 1% change in interest rate would affect income (loss) before tax of approximately $14,000. The Company's term loan does not carry an interest rate.

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, 2020, the Company had $1,356,241 in cash and cash equivalents, $4,972,272 in current liabilities and $10,493,410 in non-current 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 between 30 and 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 $5,000 before tax.

Outstanding Share Data

As at April 30, 2021, the following shares are outstanding:

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

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

- Stock options outstanding:

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

- Warrants outstanding:

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

Critical Accounting Estimates

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

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

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

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.

Recent Accounting Pronouncements

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Company.

Risks and Uncertainties

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

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

Ability to build facilities
The Company's future growth and operations will depend on its ability to timely and economically complete and operate the facilities. If development of the facilities is threatened for unexpected reasons, the Company's business may experience a substantial setback. Moreover, the occurrence of significant unforeseen conditions or events in connection with the construction of the facilities may cause management to re-examine its business model. Any change to the business model or management's evaluation of the viability of the Company's planned services may adversely affect its business. Construction costs for the facilities may also increase to a level that would make the facilities too expensive to complete or unprofitable to operate. Contractors, engineering firms, construction firms, and equipment suppliers also receive requests and orders from other companies and, therefore, the Company may not be able to secure their services or products on a timely basis or on acceptable financial terms. The Company may suffer significant delays or cost overruns as a result of a variety of factors, such as increases in the prices of raw materials, shortages of workers or materials, transportation constraints, adverse weather, equipment failures, fires, damage to or destruction of property and equipment, environmental damage, unforeseen difficulties, or labour issues, any of which could prevent the Company from beginning or completing construction or commencing operations at the facilities.

Dependence on key personnel

The Company depends on a relatively small number of key qualified personnel, key senior management and other employees. As the Company's business grows, the Company may recruit additional management and other personnel. There is no assurance that the key qualified personnel will continue to provide services to the Company or will honour the agreed terms and conditions of their employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for the Company's future operations and development could have a material adverse effect on the Company's business and results of operations. The Company does not have key person insurance on these individuals.

Volatile stock price

The stock price of the Company is expected to be highly volatile and will be drastically affected by operating results. The Company cannot predict the results of its future business activities. The success or failure of the Company's re-refining oil business will inevitably affect the Company's decisions and will likely trigger major changes in the trading price of the Company's shares.

Disruption due to Acts of God

Disruptions in the activities of the Company may be caused by natural disasters, effects of climate change and man-made activities, pandemics, trade disputes and disruptions, war, terrorism, and any other forms of economic, health, or political disruptions. The Company's financial conditions are reliant on continued operations, and in circumstances where continued operations including, but not limited to, construction plans, construction in progress, supply of equipment, are not possible, the Company is likely to experience a decline in its revenue, and may suffer additional disruptions in the form of lack of access to its workforce contractors, suppliers, engineering consultants, customers, technology, or other assets. The extent of the impact on the Company will vary with the extent of the disruption and cannot be adequately predicted in advance.

Potential conflicts of interest

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

No dividends

Any payments of dividends will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's board of directors may consider appropriate in the circumstances. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

Risk management and internal control systems

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