ReGen III Corp. (formerly Gen III Oil Corporation)

Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2021
(Unaudited)
(Expressed in Canadian dollars)

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For the Three and Six Months Ended June 30, 2021 **Page**

ReGen III Corp. (formerly Gen III Oil Corporation)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	June 30, 2021	December 31, 2020
	$	$
ASSETS		
Current		
Cash and cash equivalents	12,969,629	1,356,241
Accounts receivable (note 7)	39,326	146,661
Prepaid expenses	46,871	73,840
	13,055,826	1,576,742
Property	8,328	8,328
Investments (note 4)	38,276	49,759
Right-of-use assets (note 5)	499,654	9,663,345
Total assets	**13,602,084**	**11,298,174**
LIABILITIES AND DEFICIT		
Current		
Accounts payable and accrued liabilities (note 7)	418,544	863,456
Lease liabilities (note 5)	81,130	3,877,816
Accrued tax provision	237,000	231,000
	736,674	4,972,272
Non-current		
Lease liabilities (note 5)	438,770	10,457,194
Term loan (note 6)	37,119	36,216
Total liabilities	1,212,563	15,465,682
Shareholders' equity (deficit)		
Share capital (note 8)	95,544,598	82,312,392
Contributed surplus	11,182,102	9,208,376
Accumulated deficit	(94,375,455)	(95,738,035)
Accumulated other comprehensive income		
Unrealized gain on investments (note 4)	38,276	49,759
Total shareholders' equity (deficit)	12,389,521	(4,167,508)
Total liabilities and shareholders' equity (deficit)	**13,602,084**	**11,298,174**

Nature of operations and going concern (note 1)
Commitments (notes 5 and 10)
Subsequent events (note 12)

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 condensed consolidated interim financial statements

ReGen III Corp. (formerly Gen III Oil Corporation)
Condensed Consolidated Interim Statements of (Income) Loss and Comprehensive (Income) Loss
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Expense				
Amortization of right-of-use assets (note 5)	146,468	167,173	313,641	333,520
General and administration	120,342	100,793	211,283	215,485
Investor relations	14,749	8,738	34,548	31,395
Professional fees	335,821	87,795	870,769	233,817
Salaries and benefits (note 7)	327,747	270,401	628,445	661,076
Share-based payments (note 8)	426,523	77,537	1,808,059	129,176
Travel and accommodation	657	584	1,825	7,712
	1,372,307	713,021	3,868,570	1,612,181
Other (income) expense				
Interest income	(5,381)	(338)	(9,397)	(2,681)
Government grant (note 6)	-	(4,772)	-	(4,772)
Rent income	(3,428)	(10,913)	(6,857)	(22,237)
Finance cost for lease – plant site (note 5)	402,498	392,261	834,363	770,963
Finance costs of lease – head office premises (note 5)	15,815	18,637	32,168	25,621
Foreign exchange (gain) loss	7,430	(10,310)	6,057	7,248
Loss on shares for debt settlement (note 7)	-	-	138,634	-
Gain on extinguishment of plant site lease liability (note 5)	(6,226,118)	-	(6,226,118)	-
	(5,809,184)	384,565	(5,231,150)	774,142
Net (income) loss for the period	(4,436,877)	1,097,586	(1,362,580)	2,386,323
Other comprehensive (income) loss				
Unrealized (gain) loss on investments	30,622	(7,656)	11,483	3,828
Total comprehensive (income) loss for the period	(4,406,255)	1,089,930	(1,351,097)	2,390,151
(Earnings) loss per share – basic and diluted	(0.04)	0.01	(0.01)	0.03
Weighted average number of shares outstanding - basic	101,575,147	83,286,655	100,093,371	82,794,672
Weighted average number of shares outstanding - diluted	106,318,691	83,286,655	103,662,744	82,794,672

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

ReGen III Corp. (formerly Gen III Oil Corporation)
Condensed Consolidated Interim Statements of Changes in Equity (Deficit)
(Unaudited)
(Expressed in Canadian dollars)

	Share capital	Contributed surplus	Accumulated deficit	Unrealized gain (loss) on investments	Total
	$	$	$	$	$
Balance as at December 31, 2019	79,954,317	8,900,467	(90,995,666)	26,794	(2,114,088)
Issuance of share capital (note 8)	416,049	-	-	-	416,049
Share issuance costs – share capital (note 8)	(43,126)	-	-	-	(43,126)
Share issuance costs – broker warrants (note 8)	(14,282)	14,282	-	-	-
Share-based payments (note 8)	-	129,176	-	-	129,176
Loss for the period	-	-	(2,386,323)	-	(2,386,323)
Other comprehensive loss	-	-	-	(3,828)	(3,828)
Balance as at June 30, 2020	80,312,958	9,043,925	(93,381,989)	22,966	(4,002,140)
Issuance of share capital (note 8)	2,067,688	(50,313)	-	-	2,017,375
Issuance of units (note 8)	(50,800)	50,800	-	-	-
Share issuance costs – share capital and units (note 8)	(17,454)	-	-	-	(17,454)
Share-based payments (note 8)	-	163,964	-	-	163,964
Loss for the period	-	-	(2,356,046)	-	(2,356,046)
Other comprehensive gain	-	-	-	26,793	26,793
Balance as at December 31, 2020	82,312,392	9,208,376	(95,738,035)	49,759	(4,167,508)
Issuance of share capital (note 8)	14,634,184	(168,328)	-	-	14,465,856
Share issuance costs – share capital (note 8)	(1,067,983)	-	-	-	(1,067,983)
Share issuance costs – compensation options (note 8)	(333,995)	333,995	-	-	-
Share-based payments (note 8)	-	1,808,059	-	-	1,808,059
Income for the period	-	-	1,362,580	-	1,362,580
Other comprehensive loss	-	-	-	(11,483)	(11,483)
Balance as at June 30, 2021	95,544,598	11,182,102	(94,375,455)	38,276	12,389,521

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

ReGen III Corp. (formerly Gen III Oil Corporation)
Condensed Consolidated Interim Statements of Cash Flows
For three and six months ended June 30, 2021 and 2020
(Unaudited)
(Expressed in Canadian dollars)

	2021	2020
	$	$
Operating activities		
Net income (loss) for the period	1,362,580	(2,386,323)
Adjustments for items not involving cash		
Amortization of right-of-use assets (note 5)	313,641	333,520
Share-based payments (note 8)	1,808,059	129,176
Government grant (note 6)	903	(4,680)
Lease interest – plant site (note 5)	834,363	770,963
Lease interest – head office premises (note 5)	32,168	25,621
Loss on shares for debt settlement (note 7)	138,634	-
Gain on extinguishment of plant site lease liability (note 5)	(5,756,795)	-
	(1,266,447)	(1,131,723)
Net change in non-cash working capital		
Accounts receivable	107,335	1,249
Prepaid expenses	26,969	49,422
Accounts payable and accrued liabilities	(244,662)	221,981
Accrued tax provision	6,000	23,000
Net cash flows used in operating activities	(1,370,805)	(836,071)
Financing activities		
Payment of lease liabilities (note 5)	(74,796)	(75,557)
Term loan (note 6)	-	40,000
Issuance of share capital (note 8)	14,126,972	416,049
Share issuance costs (note 8)	(1,067,983)	(43,126)
Net cash flows from financing activities	12,984,193	337,366
Investing activities		
Investment in sublease (note 3)	-	23,944
Net cash flows from investing activities	-	23,944
Increase (decrease) in cash and cash equivalents during the period	11,613,388	(474,761)
Cash and cash equivalents, beginning of the period	1,356,241	732,686
Cash and cash equivalents, end of the period	12,969,629	257,925

Supplemental cash flow information (note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

ReGen III Corp. (formerly 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. On May 14, 2021, the Company changed its name to ReGen III Corp. 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. The Company's address is Suite 1750 – 400 Burrard St. Vancouver, B.C., V6C 3A6, Canada.

These condensed consolidated interim 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 June 30, 2021, the Company had working capital of $12,319,152, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the six months ended June 30, 2021, the Company reported a net income of $1,362,580 and comprehensive income of $1,351,097 and as at June 30, 2021, had an accumulated deficit of $94,375,455. The Company has not generated revenues, and it is dependent on debt and equity financings to fund its development operations. 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. Significant amounts of capital expenditures are required in order for the Company to execute its business plan and there are no assurances that the Company will have sufficient funds for this purpose. In the event that sufficient financing is not completed, the Company will be required to scale back its planned activities and expenditures, including general and administrative expenditures. Management of the Company believes that the current level of funds is sufficient to pay for committed expenditures over the next 12 months.

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 has been and are anticipated to be far reaching.

The Company's business could be adversely impacted by the effects of COVID-19. In addition to global macroeconomic effects, the COVID-19 outbreak and any other related adverse public health developments may cause disruption to operations, research, and development, and sales activities. The Company's future third-party manufacturers, third-party distributors, and customers may be disrupted by worker absenteeism, quarantines, restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures or other travel or health-related restrictions. Depending on the magnitude of such effects on the Company's future activities or the operations of its future third-party manufacturers and third-party distributors, the supply of its products may be delayed, which could adversely affect business, operations, and customer relationships. In addition, the COVID-19 or other disease outbreak will, in the short-run, and may, over the longer term, adversely affect the economies and financial markets of many countries, resulting in an economic downturn that will affect demand for products and impact operating results. Although the magnitude of the impact of the COVID-19 outbreak on the Company's business and operations remains uncertain, the continued spread of COVID-19 or the occurrence of other epidemics and the imposition of related public health measures and travel and business restrictions will adversely impact business, financial condition, operating results, and cash flows. In addition, the Company has experienced and may experience disruptions to business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of employees to perform their jobs that may impact the ability to develop and design products in a timely manner or meet required milestones or other commitments. 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.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting period ending December 31, 2021. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies applied are the same as those applied in the Company's most recent annual financial statements which are filed under the Company's profile on SEDAR at www.sedar.com. The results for interim periods are not necessarily indicative of results for the entire year. The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. As a result, actual amounts may differ from those estimates.

These condensed consolidated interim financial statements for the three and six months ended June 30, 2021 were approved and authorized for issue by the Board of Directors on August 27, 2021.

(b) Principles of Consolidation

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

(c) New Accounting Pronouncements

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

3. INVESTMENT IN SUBLEASE

Set out below, are the carrying amounts of the Company's investment in sublease and the movements during the period:

	$
As at December 31, 2019	23,944
Interest accretion	686
Lease payments received	(24,630)
As at June 30, 2021 and December 31, 2020	-

(Expressed in Canadian dollars)

4. INVESTMENTS

The Company holds 3,827,646 shares of Coppermoly Ltd. ("COY"). 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, 2019	26,794
Unrealized gain	22,965
December 31, 2020	49,759
Unrealized loss	(11,483)
June 30, 2021	38,276

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company has recorded the plant site and head office 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 liabilities of the original head office lease and the plant lease were 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.

On June 17, 2019, the Company entered into a lease agreement for the lease of its office premises for an initial term of five years commencing on March 1, 2020. The Company has recorded this lease as a right-of-use asset and lease liability on March 1, 2020. As at March 1, 2020, the total future lease payments of $896,169 over the initial lease term was discounted at the Company's incremental borrowing rate of 12% and the Company recorded a lease liability and right-of-use-asset of $681,347.

On February 1, 2018, the Company entered into a 20-year lease for the previously anticipated facility in Alberta (the "Parkland Lease"). Pursuant to a surrender and acceptance agreement between the Company and the lessor dated June 16, 2021 (the "Settlement Agreement"), the Parkland Lease was terminated, and the lease liability was extinguished. Material terms of the Settlement Agreement are as follows: (i) the Parkland Lease was immediately terminated; (ii) no further payments will be due or payable under the Parkland Lease, and any outstanding accrued payments have ceased to be payable; (iii) The lessor retained an initial $150,000 deposit paid by the Company, and returned to the Company $525,000 (including $25,000 GST) in respect of all other payments previously made under the Parkland Lease; (iv) the concurrent termination of the a purchase and sale agreement with Elbow River Marketing Ltd. for the majority of the Company's finished products from the previously anticipated facility in Alberta, with no further payments owing by either party thereto; and (v) the lessor and the Company providing mutual releases to each other in respect of the Parkland Lease.. Accordingly, for the six months ended June 30, 2021, the Company recorded a gain on extinguishment of plant site lease liability of $6,226,118 (2020 - $nil) net of legal costs and finance charge of $30,677, and inclusive of a $500,000 cash settlement received.

(Expressed in Canadian dollars)

5. 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 $
Balance, as at December 31, 2019	9,649,864	12,188,124
New operating lease	681,347	681,347
Prepaid rent	-	(30,890)
Amortization	(667,866)	-
Interest accretion – plant site	-	1,600,117
Interest accretion – head office premises	-	60,376
Lease payments	-	(164,064)
Balance, as at December 31, 2020	9,663,345	14,335,010
Amortization	(313,641)	-
Interest accretion – plant site	-	834,363
Interest accretion – head office premises	-	32,168
Lease payments	-	(74,796)
Extinguishment of plant site lease liability	(8,850,050)	(14,606,845)
Balance, as at June 30, 2021	499,654	519,900

	Right-of-Use-Assets $	Lease Liabilities $
Current portion of lease liabilities	-	81,130
Long-term portion of lease liabilities	-	438,770
Head office premises	499,654	-
Plant site	-	-
Balance, as at June 30, 2021	499,654	519,900

The Company's outstanding lease payments on a calendar year basis as at June 30, 2021 are shown in the table below.

	2021 $	2022 $	2023 $	2024 $	2025 $
Office lease payments	90,589	169,203	188,813	192,978	2,082

During the three and six months ended June 30, 2021, the Company made $20,221 and $40,442 (2020 - $18,600 and $34,200), respectively 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. All of these costs are recognized in general and administrative expenses.

(Expressed in Canadian dollars)

6. TERM LOAN

On June 11, 2020, the Company obtained an unsecured and interest free $40,000 term loan from the Government of Canada that is available for drawdown until December 31, 2020. On June 11, 2020, the Company drew down $40,000 of the term loan. As the term loan was not repaid by December 31, 2020, it 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 term 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 if repaid in full by December 31, 2022.

As the term loan is interest free, the Company recorded the present value of term loan using a discount rate of 5%, which is the implicit interest rate of the term loan. Accordingly, on June 11, 2020, the Company recorded $35,228 as the estimated fair value of the term loan and recognized $4,772 as government grant. Interest on the term loan will be accreted using the effective interest method with an interest rate of 5%. During the three and six months ended June 30, 2021, the Company recognized $457 and $903 (2020 - $92) of accreted interest. If the Company repays the term loan by December 31, 2022, the Company will recognize the difference between the carrying value of the loan and the amount repaid as government grant.

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Salaries to Key Management personnel	254,750	252,750	501,184	521,385
Professional fees to company controlled by a Director	29,000	16,500	51,500	33,000
Share-based payments to Key Management personnel	340,105	74,815	1,712,887	123,166
Total	623,855	344,065	2,265,571	677,551

Included in salaries to Key Management personnel for the three and six months ended June 30, 2021, is $nil in bonuses paid (2020 - $15,885) for achieving private placement financing milestones.

Included in accounts payable and accrued liabilities as at June 30, 2021 is $5,000 (December 31, 2020 - $322,500) of accrued directors' fees, $16,427 (December 31, 2020 - $213,800) of wages and professional fees payable to officers and directors and $nil (December 31, 2020 - $7,777) of accrued expense reimbursements payable to officers and directors.

Included in accounts receivable as at June 30, 2021 is $12,691 (December 31, 2020 - $14,566) of withholding taxes paid on behalf of directors.

On September 30, 2019, members of the Company's board of directors purchased an aggregate of 900,000 units 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, which was subsequently extended to

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS (continued)

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 an officer of the Company is a director as at June 30, 2021 but who subsequently resigned.

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 an officer of the Company is a director as at June 30, 2021 but who subsequently resigned.

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. A member of the Company's board of directors 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. The shares for debt proposal was approved by the TSX Venture Exchange, settled and recorded by the Company on February 3, 2021 at a price of $0.39 per share. The fair value of the shares was recorded as $0.66 per share, which was the February 3, 2021 closing price of the shares on the TSX Venture Exchange. The difference between $0.39 and $0.66, $138,634, was recognized as a loss on shares for debt settlement.

Debt Amount	Number of Shares	Nature of Debt
$171,375	439,423	33 months of directors' fees less statutory deductions
$ 28,875	74,037	33 months of committee fees less statutory deductions
$200,250	**513,460**	**Total**

In December 2020, the Company issued 250,000 shares and 125,000 shares to a member and a former member of the Company's board of directors respectively, on the exercise of warrants at an exercise price of $0.30 per share for gross proceeds of $112,500.

On February 1, 2021, the board of directors approved the amendment of the vesting date for 1,080,000 stock options granted to directors on March 13, 2018 with an exercise price of $0.70 per share to vest immediately on February 1, 2021 from a contingent vesting. On March 8, 2021, the expiry date of these stock options was extended to March 13, 2023 from March 13, 2021.

In February and March 2021, an aggregate of 1,250,000 common shares were issued to officers and a director for the exercise of stock options for gross proceeds of $350,000.

On March 29, 2021, TSX Venture Exchange approved the extension of the expiry date of 2,500,000 stock options, originally granted on April 1, 2019 to directors, from April 1, 2021 to April 1, 2023, and to reprice the exercise price from $0.40 per option to $0.80 per option.

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS (continued)

The following stock options were granted to related parties:

Date of grant	Number of options granted	Exercise price per share	Expiry Date	Terms
February 2, 2021	2,200,000	$0.63	February 2, 2023	Stock options granted to directors that fully vest on the grant date.
March 19, 2021	750,000	$0.85	March 19, 2023	Stock options granted to a new director. The stock options vest 90 days from date of grant.

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

8. 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, 2019	82,291,756	79,954,317
Issuance of share capital (note 6)	2,773,659	416,049
Issuance of units (note 6)	2,540,000	457,200
Exercise of warrants (note 6)	5,031,250	1,559,688
Share issuance costs – share capital and units	-	(60,580)
Share issuance costs – broker warrants	-	(14,282)
December 31, 2020	92,636,665	82,312,392
Issuance of share capital (note 6)	14,914,284	13,499,999
Shares for debt settlement (note 6)	513,460	338,883
Exercise of warrants (note 6)	943,156	286,655
Exercise of options (note 6)	1,300,000	508,647
Share issuance costs – share capital and units	-	(1,067,983)
Share issuance costs – compensation options	-	(333,995)
June 30, 2021	110,307,565	95,544,598

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, which was subsequently extended to December 30, 2020. 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 (note 6). In December 2020, the Company issued 250,000 shares and 125,000 shares to a member and a former member of the Company's board of directors respectively, on the exercise of warrants at an exercise price of $0.30 per share for gross proceeds of $112,500.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued):

On May 29, 2020, the Company completed a non-brokered private placement (the "Offering"). In connection with the closing of the Offering, the Company issued an aggregate of 2,773,659 shares (the "Shares") at a price of $0.15 per Share for gross proceeds of $416,049. The Company paid aggregate finder's fees of $26,873 and issued 173,156 Share purchase warrants (the "Finder's Warrants") in connection with subscriptions from subscribers introduced to the Offering by the finders. Each Finder's Warrant is exercisable to acquire one Share in the capital of the Company at an exercise price of $0.15 per Share until May 29, 2021, which is 12 months from the date of issuance. The Company paid finder's fees of $25,973 in cash and issued 173,156 Finder's Warrants to one of the finder companies in which an officer of the Company is a director (note 7).

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. The Company paid cash finder's fee of $3,000. A member of the Company's board of directors purchased an aggregate of 250,000 units of the private placement for gross proceeds of $50,000 (note 7).

On January 11, 2021, the Company closed a non-brokered private placement of 5,714,284 common shares at a price of $0.35 per common share for gross proceeds of $1,999,999. The Company paid aggregate finders' fees of $31,411.

On February 3, 2021, the Company settled $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 (note 7).

The Company also issued common shares for the following:

Date	Gross proceeds received	Shares issued	Exercise price per share	Description
January 8, 2021	$25,973	173,156	$0.15	Exercise of 173,156 warrants.
February & March 2021	$220,000	550,000	$0.40	Exercise of 550,000 stock options (note 7).
March 2021	$150,000	750,000	$0.20	Exercise of 750,000 stock options (note 7).
March 2021 to June 2020	$231,000	770,000	$0.30	Exercise of 770,000 warrants.

On June 22, 2021 the Company completed a financing and issued 9,200,000 common shares at an offering price of $1.25 per common share for gross proceeds of $11,500,000. The Company paid underwriters fees of $633,750 in cash, other issuance costs $372,032 in cash and issued 507,000 compensation stock options to the underwriters exercisable at a price of $1.25 per share until June 22, 2023. The compensation stock options were estimated to have a fair value of $333,995 using the Black-Scholes Option Pricing Model.

(c) Stock Options and Share-Based Payments

On February 1, 2021, the board of directors approved the amendment of the vesting date for 1,080,000 stock options granted on March 13, 2018 with an exercise price of $0.70 per share to vest immediately on February 1, 2021 from a contingent vesting. On March 8, 2021, the expiry date of these stock options was extended to March 13, 2023 from March 13, 2021 (note 6).

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

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

On March 29, 2021, TSX Venture Exchange approved the extension of the expiry date of 2,500,000 stock options, originally granted on April 1, 2019, from April 1, 2021, to April 1, 2023, and to reprice the exercise price from $0.40 per option to $0.80 per option (note 7).

Stock options granted during the six months ended June 30, 2021 and the year ended December 31, 2020 were as follows:

Date of grant	Number of options granted	Exercise price	Expiry date	Terms
February 4, 2020	600,000	$0.25	February 4, 2022	Stock options granted to an employee of which 300,000 vested on May 31, 2020 and 300,000 vest upon commissioning of the Bowden plant.
June 2, 2020	600,000	$0.20	June 2, 2022	Stock options granted to an employee of which 300,000 vested on June 2, 2020 and 300,000 vest upon financing of the Company's first re-refinery plant.
September 30, 2020	750,000	$0.20	September 30, 2022	Stock options granted to a director that vested on December 29, 2020.
November 18, 2020	1,000,000	$0.30	May 18, 2022	Stock options granted to a consultant for providing non-exclusive financial advisory services for a monthly fee with an initial term expiring December 31, 2021. The options fully vested on the grant date.
February 2, 2021	2,200,000	$0.63	February 2, 2023	Stock options granted to directors that fully vest on the grant date (note 7).
March 19, 2021	750,000	$0.85	March-19, 2023	Stock options granted to a new director. The stock options vest 90 days from date of grant (note 7).
March 23, 2021	200,000	$0.80	March 23, 2023	Stock options granted to a consultant. The stock options vest 90 days from date of grant.
June 22, 2021	507,000	$1.25	June 22, 2023	Compensation stock options granted to underwriters for the June 22, 2021 financing that vest on the grant date.

The aggregate fair value of the stock options granted during the three and six months ended June 30, 2021 was $nil and $1,782,704 (2020 - $49,889 and $97,708), respectively. The aggregate fair value of the stock options granted during the year ended December 31, 2020 was $182,794. The fair value of the compensation stock options granted for the June 22, 2021 financing was $333,995 (2020 - $nil). The fair value of the stock options granted to employees was estimated at the grant date using the Black-Scholes Option Pricing Model. The fair value of the stock options granted to a non-employee, was recorded at the fair value of the goods and services received based on the reduction in the rate that the non-employee charged to the Company. In some cases, the Company is unable to reliably estimate the fair value of the goods and services received for stock options granted to other non-employees because the fees charged by those non-employees are at market rates with no allowance for stock options granted. In this case, the Company estimated the fair value of the stock options granted to those non-employees using the Black-Scholes Option Pricing Model. The inputs for the Black-Scholes Option Pricing Model are as follows:

	Three months ended June 30,		Six months ended June 30,	
Inputs	**2021**	**2020**	**2021**	**2020**
Risk free interest rate	0.42%	0.29% - 0.36%	0.15% - 0.42%	0.62% - 1.58%
Expected dividend yield	nil	nil	nil	nil
Expected annual volatility	115%	115% - 119%	115% - 120%	109% - 119%
Expected life	2 years	2 years	2 years	2 years
Forfeiture rate	0%	0% - 17%	0% - 20%	0% - 18%

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

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

A summary of the status of the Company's stock options as at June 30, 2021 and changes during the period are as follows:

	Number of options	**Weighted average exercise price $**
Outstanding – December 31, 2019	6,742,500	0.52
Options granted	2,950,000	0.24
Options exercised	(62,500)	0.70
Options expired	(2,300,000)	0.58
Outstanding – December 31, 2020	7,330,000	0.39
Options granted	3,657,000	0.77
Options - exercised	(1,300,000)	0.28
Options expired	(250,000)	0.70
Outstanding – June 30, 2021	9,437,000	0.65

The following stock options were outstanding as at June 30, 2021:

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
507,000	1.25	June 22, 2023
9,437,000		

(d) 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, which was subsequently extended to December 30, 2020. The Company used the residual value method to allocate the cash consideration received. Of the total proceeds 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. In December 2020, the Company issued 5,031,250 shares for the exercise of an aggregate of 5,031,250 warrants at an exercise price of $0.30 per share for gross proceeds of $1,509,375 and 422,500 of the remaining warrants expired unexercised.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(d) Warrants (continued)

On May 29, 2020, the Company completed the Offering. In connection with the closing of the Offering, the Company 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 aggregate finder's fees of $26,873 and issued 173,156 Finder's Warrants in connection with subscriptions from subscribers introduced to the Offering by the finders. Each Finder's Warrant is exercisable to acquire one Share in the capital of the Company at an exercise price of $0.15 per Share until May 29, 2021, which is 12 months from the date of issuance. The fair value of $14,282 for the Finder's 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	May 29, 2020	September 30, 2019
Risk free interest rate	0.26%	1.59%
Expected dividend yield	nil	nil
Expected annual volatility	127%	120%
Expected life	1 year	1 year
Forfeiture rate	0%	0%

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. The Company used the residual value method to allocate the cash consideration received. Of the total proceeds, $457,200 was allocated to the shares being the fair value of the shares ($0.18 per share) and the residual of $50,800 was allocated to the warrants.

On September 30, 2020, 665,525 warrants expired unexercised.

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, all of which expired unexercised. The extension of these warrants did not result in any incremental value of the warrants.

On September 28, 2020, the Company extended the expiry date of the 5,453,750 warrants to December 30, 2020 from September 30, 2020, 422,500 of which expired unexercised. The extension of these warrants did not result in any incremental value of the warrants.

The following warrants were exercised:

Date	Gross proceeds received	Shares issued	Exercise price per share	Description
January 8, 2021	$25,973	173,156	$0.15	Exercise of 173,156 warrants from issuance dated May 29, 2020
March 2021	$6,000	20,000	$0.30	Exercise of 20,000 warrants from issuance dated September 17, 2020
April 2021	$75,000	250,000	$0.30	Exercise of 250,000 warrants from issuance dated September 17, 2020
June 2021	$150,000	500,000	$0.30	Exercise of 500,000 warrants from issuance dated September 17, 2020
Total	$256,973	943,156		

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(d) Warrants (continued)

A summary of the status of the Company's warrants as at June 30, 2021 and changes during the period are as follows:

	Number of Warrants outstanding	Weighed average exercise price $
Outstanding – December 31, 2019	8,321,400	0.41
Warrants granted	1,443,156	0.28
Warrants exercised	(5,031,250)	0.30
Warrants expired	(3,290,150)	0.57
Outstanding – December 31, 2020	1,443,156	0.28
Warrants exercised	(943,156)	0.27
Outstanding – June 30, 2021	500,000	0.30

The 500,000 warrants outstanding as at June 30, 2021 consist of the following:

Number of warrants	Exercise price per warrant $	Expiry date
500,000	0.30	September 17, 2021

(e) 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
Unrealized gain 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 loss.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The Company's financial instruments at June 30, 2021 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.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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** **$**
June 30, 2021:			
Cash and cash equivalents	12,969,629	-	-
Accounts receivable	39,326	-	-
Investment in Coppermoly Ltd.	38,276	-	-
Accounts payable and accrued liabilities	418,544	-	-
Term loan	-	-	37,119
December 31, 2020:			
Cash and cash equivalents	1,356,241	-	-
Accounts receivable	146,661	-	-
Investment in Coppermoly Ltd.	49,759	-	-
Accounts payable and accrued liabilities	863,456	-	-
Term loan	-	-	36,216

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 June 30, 2021 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 majority of expenditures are expected to be incurred in US dollars. As at June 30, 2021, the Company's holdings in foreign currencies are not material and exposure to currency risk is minimal.

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 the six months ended June 30, 2021, the Company received $9,393 of interest income from banks. A 1% change in interest rate would affect income (loss) before tax of approximately $130,000. 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 June 30, 2021, the Company had $12,969,629 in cash and cash equivalents, $736,674 in current liabilities and $475,889 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 $3,800 before tax.

10. COMMITMENTS

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.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2021 $	2020 $	2021 $	2020 $
Operating activities				
Interest income received from banks	5,379	337	9,393	2,671
Total lease payments paid	65,516	62,853	115,239	109,757
Total lease receipts	-	14,355	-	35,887
Interest paid on lease liabilities	15,815	18,637	32,168	25,621

12. SUBSEQUENT EVENTS

(a) On July 5, 2021, the Company issued 300,000 common shares and received gross proceeds of $60,000 for the exercise of 300,000 stock options by an officer of the Company.

(b) On July 8, 2021, the Company amended the vesting dates of 300,000 stock options exercisable at $0.25 per share expiring on February 4, 2022 and 300,000 stock options exercisable at $0.20 per share expiring on June 2, 2022 to December 30, 2021. These stock options previously had a contingent vesting date.

(c) On July 16, 2021, the Company issued 50,000 common shares and received gross proceeds of $15,000 from the exercise of 50,000 warrants at an exercise price of $0.30 per common share.