

**ReGen III Corp.**

MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended March 31, 2022

As at May 26, 2022

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

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**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

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May 26, 2022

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**Introduction**

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ReGen III Corp. (the “Company”) was incorporated under the laws of British Columbia, Canada and continued its incorporation into Alberta on December 6, 2017. The Company’s wholly owned subsidiaries, ReGen III (Alberta) Inc., was incorporated under the provincial laws of Alberta on November 1, 2017 and ReGen III (USGC) Corporation, was incorporated in Delaware, USA on October 29, 2021. The Company’s indirect subsidiaries, RG3 Texas Holdings LLC was incorporated in Delaware, USA on March 16, 2022 is wholly owned by ReGen III (USGC) Corporation and RG3 Texas LLC was incorporated in Delaware, USA on March 16, 2022 is wholly owned by RG3 Texas Holdings LLC. RG3 Texas LLC is intended to be the Texas project operations unit and RG3 Texas Holdings LLC is intended to be the investment holding unit, where project level funding from the Company, equity providers and the debt providers will be contributed. ReGen III (Alberta) Inc. is intended to hold the assets of a used motor oil recycling facility in Alberta, once the Company determines to proceed further in Alberta.

The Company’s shares are listed on the TSX Venture Exchange under the symbol “GIII,” the OTCQB under the symbol “ISRJF” and the Frankfurt Exchange under the symbol “PN4”.

This Management Discussion & Analysis (“MD&A”) of the Company has been prepared by management as of May 26, 2022 and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2021, 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 recycling (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 three (3) other ReGen™ patents that have been issued in India and Singapore. The Company also holds nineteen (19) other ReGen™ patent applications world-wide that are pending. These ReGen™ patents provide protection over the ReGen™ technology.

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**Forward Looking Information**

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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 recycled products that might be produced; the cost of construction of the ReGen™ recycling facility; 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.

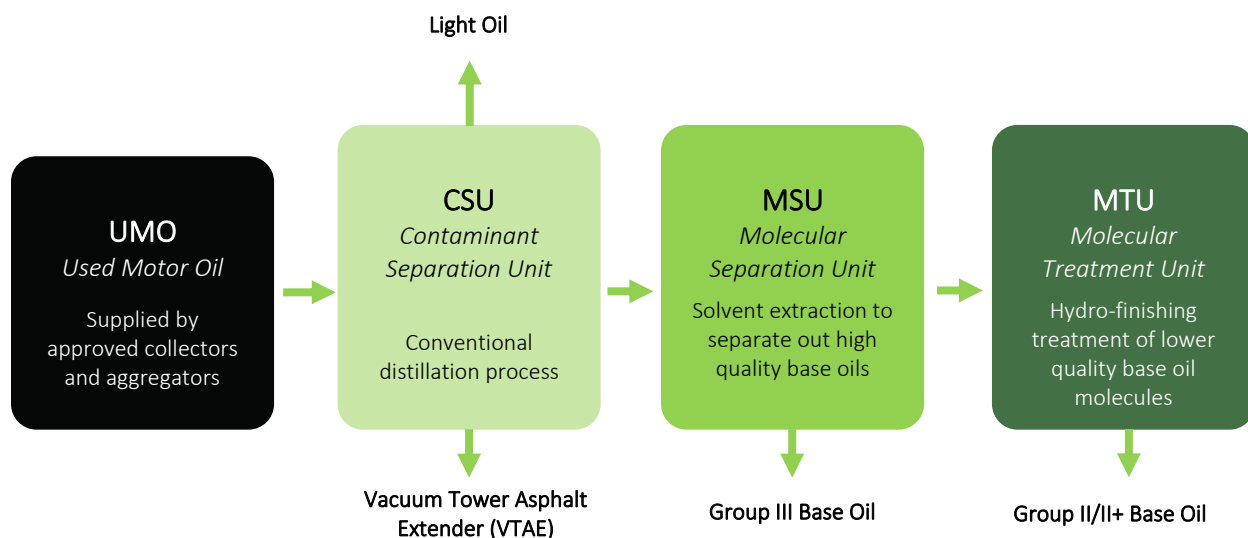
Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information including, among other things, delays in obtaining or failure to obtain required governmental, environmental or other 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.

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**ReGen™ Technology – Recycling Used Motor Oil**

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The patented ReGen™ technology process recycles used motor oil (“UMO”) in three stages, as shown in the diagram above. In the first stage, a Contaminant Separation Unit cleans the UMO of basic contaminants such as water, metals, and other additives. This creates a product called a Vacuum Gas Oil that contains the lube molecules. In the second stage, the Molecular Separation Unit (“MSU”) separates the higher quality lube molecules from the lower quality lube molecules. This produces the “Group III” base oil. The lower quality base oil of the MSU process stage is then taken to the Molecular Treatment Unit where it is exposed to hydrogen to upgrade its quality to “Group II/II+” base oil.

The ReGen™ technology is expected to capitalize on increasing demand for efficient UMO re-refining and resource conservation as greater emphasis is placed on the reduction of carbon dioxide equivalent emissions, as are created from the burning of UMO. The following conclusion contained in a December 2020 congressional report made by the Secretary of Energy, the Administrator of the EPA and the Director of the Office of Management and Budget under direction of Public Law 115-345 addressed to the United States Congress including the Senate and the House of Representatives titled “*Used Oil Management and beneficial Reuse Options to Address Section 1: Energy Savings from Lubricating Oil Public Law 115-345*” (available at [energy.gov](https://www.energy.gov)) (the “December 2020 EPA Report”) provides the following conclusion which is illustrative of increasing demand:

*“[c]onservation and recycling of the [United States] used oil ‘resource’ makes sense. It extends the life of our national crude oil resources, it reduces the likelihood of improperly disposed of used oil making its way into the environment to contaminate soil and water, and it is energy efficient, as it can take less energy to recycle used oil than to create new lubricating oil from virgin crude oil. Further, used oil recycling supports thousands of direct and indirect jobs, generates tax revenue and helps provide consumers with a range of economical product choices. Government policies that help to ensure a well-functioning used oil marketplace will help to deliver these benefits.”*

The ReGen™ technology recycles UMOs to produce base oils (Group III synthetic grade and Group II and Group II+ base lubricating oil), light oil and vacuum tower asphalt extender (“VTAE”) used in the roofing and road asphalt industries.

The Company intends to use ReGen™ to recycle UMO into Group III (synthetic grade) base lubricating oils, which based on current market spot prices, sells for approximately 65% more than Group II base lubricating oils.

Additionally, using ReGen™ technology to re-refine UMO is expected to be a substitute for, and mitigate the impact of, current practices of burning used oil (as burner fuel used primarily in heavy industrial and asphalt plants), which contributes significant amounts of heavy metals, soot, sulfur, greenhouse gases, and other air contaminants as pollution by-products that result from these industrial processes. These emission issues are now facing increased scrutiny from the public and governments as they try to reduce carbon dioxide emissions to address climate change, or by disposing of it to the land/water which has been recognized as a significant environmental hazard whereby “used oil from one oil change can contaminate one million gallons of fresh water – a year’s supply for 50 people” as quoted from <https://www.epa.gov/recycle/managing-reusing-and-recycling-used-oil>.

The ReGen™ technology process is a combination of traditional refining industry standard operations, combined in what the Company believes is a unique configuration, at specific design temperature and pressure settings, that results in the production of recycled base lubricating oils. The ReGen™ technology is capable of producing Group III (synthetic grade) motor oil in a commercial scale re-refining operation. Traditional re-refineries typically utilize a two-stage re-refining process to produce Group I and Group II base lubricating oils and subsequently hydro-treat all inputs, which is energy intensive and consumes more hydrogen in a less efficient manner than a re-refining process that utilizes the ReGen™ technology. From pilot plant studies and vendor-scale testing, the Company has determined that the ReGen™ process produces high-value Group III base oils and can hydro-treat roughly one third of the proposed plants’ inputs, further saving on consumables and energy consumption.

Pilot testing of the ReGen™ technology has been conducted in a 5 barrel per day (“bpd”) demonstration plant run continuously for several thousand hours using UMO feedstocks sourced from multiple suppliers. In the pilot testing, output base oil production was analyzed and proved to meet American Petroleum Industry (“API”) “Group III” specifications. Independently, a report by Oak Ridge National Laboratory in March 2009 (the “Oak Ridge Report”) assessed the data from the pilot testing and provided an assessment of market, energy impact, and utility of the ReGen™ process for re-refining UMO to produce Group I, II, and III base oils, diesel fuel, and asphalt. The Oak Ridge Report indicated:

*“an excellent chance that the ReGen™ re-refining process, which includes both solvent extraction and hydrofinishing, will be successful. The major reasons for this are its process flexibility and high process integration. ... The ReGen™ process provides high energy yields in the forms of process and marketable fuels, as well as a high yield of at least two grades of base oils from the used oil. The process was developed to minimize purchased process energy. ... The ReGen™ process has higher returns on investment and shorter payout times in comparison to a recent analysis of worldwide oil re-refining processes.”*

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In December 2016, the Company entered into contracts for engineering studies with Stantec Consulting Ltd. (“Stantec”) and WSP Canada Inc. (“WSP”) to validate the prototype plant findings and in particular, the previously modelled second stage design capability of the ReGen™ technology to produce approximately 45% to 53% Group III (synthetic grade) base oils from UMO feedstock in addition to Group II base lubricating oils, light oil and asphalt flux from the other two stages in the ReGen™ process.

WSP was retained to confirm the general feasibility of the ReGen™ process and to provide major equipment sizing, a preliminary equipment list, process flow diagrams, a cost estimate, and other information required to proceed to the next phase of design. WSP’s report dated March 14, 2017, stated that the ReGen refining technology process is “technically sound” and that “construction and operation of the proposed re-refinery should provide finished products equivalent or greater than those contained in previous engineering studies.”

Stantec was retained to define the ReGen re-refining project to a Class V level in terms of processing volumes, equipment requirements, footprint, timeline, and capital costs. Stantec’s report dated March 2017 indicated Stantec’s opinion that the “ReGen technology is technically viable and capable of producing high quality base oils meeting requirements of API 1509 Groups II and III”. Furthermore, Stantec concluded, after conferring with major manufacturers of the process equipment required to construct and operate a 2,800 bpd re-refinery, that the project is feasible as proposed.

The Company’s 5W-20, 5W-30, and 10W-30 passenger car motor oil (“PCMO”) formulations are listed on the Directory of Licensees published by API and available at [engineoil.api.org](http://engineoil.api.org). This enables the Company’s Group III base oil to be included in API licensed PCMO formulations, and enables blenders of finished motor oils to rely on the quality of the Company’s Group III base oils.

### **U.S. Gulf Coast Facility**

The Company reviewed and short-listed a number of properties along the Gulf Coast of the United States as the proposed site for the development and construction of a UMO recycling facility to use the ReGen™ technology (the “USGC Facility”). Based on a facility design capacity of 5,600 bpd of UMO, the Company estimates an output design capacity of 4,200 bpd to 4,400 bpd of base oil production from the proposed USGC Facility. This will amount to approximately 81 million US gallons (wet) of used lubricating oils processed per year. The proposed USGC Facility is expected to be located in Texas and is intended to be the Company’s primary facility.

In connection with the USGC Facility, the Company has entered into a definitive, multi-year offtake agreement with BP Products North America Inc. (“BP”) whereby BP has agreed to purchase all of the Company’s base oil production from the Company’s proposed USGC Facility.

On July 5, 2021, the Company entered into a non-binding letter of intent (“LOI”) with Advorio North America, LLC (“Advorio”, formerly k/a Oiltanking North America, LLC), setting forth the conceptual terms that will guide further discussions between ReGen III and Advorio, regarding the provision of land and logistical assets for the construction and operation of the new recycling facility at the Advorio Galveston County Terminal (“Advorio”) in Texas City, Texas. The Company received a Letter of Readiness (“LOR”) from Advorio to proceed with storage and logistics assets for a used motor oil recycling OTGAL. Advorio has successfully completed work on the Pre-FEED/Front-end loading (FEL-2) validation and received the final independent report from its engineers, Burns & McDonnell. Advorio confirmed there will be no changes to the fees outlined in the LOI. Based upon the preliminary findings, Advorio has notified the Company of their readiness to proceed to Front-End Engineering and Design (“FEED”). BP was notified the OTGAL site is the Company’s intended location for the USGC Facility. At OTGAL, Advorio handles specialty chemicals and petrochemicals with more than 87,000 cubic meters of storage capacity on over 200 acres providing ample room for expansion opportunities.

The Company continued to advance contractual arrangements with Advorio, while preliminary site engineering work for emissions and site layout were being conducted in support of the site permitting process. Advorio’s FEL-3 feasibility study will continue to progress equipment design and layout to develop a final cost estimate, a schedule estimate, and any critical decisions influencing the final design of the storage tanks, loading/unloading pipelines, rail and marine loading/unloading facilities, truck loading/unloading facilities, buildings and other logistics assets (collectively, the “OT Logistics Assets”). Advorio will effectively design, construct, operate, and maintain the OT Logistics Assets to support the refinery.

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The LOI outlines:

- Advario developing storage tanks, loading and unloading pipelines, rail/truck and marine loading and unloading facilities and other logistics assets (collectively, the “OT Logistics Assets”). Advario will effectively design, construct, operate, and maintain the OT Logistics Assets to support the new ReGen III recycling facility;
- Advario and ReGen III entering into a Terminal Services Agreement; and
- Advario and ReGen III entering a long-term ground lease for the UMO recycling facility.

The development of the USGC Facility is expected to take place once a final investment decision is made. The table below describes the steps required to develop the USGC Facility, with the estimated duration and costs to complete each step. The first two steps include preliminary engineering work.

The Company is in discussions with potential investors to finance the USGC Facility and preliminary steps described in the table below commenced in September 2021. A final investment decision may be made prior to the completion of the preliminary steps. The table below shows the status of the preliminary activities.

| <b>Preliminary Steps</b>  |           |
|---|-----------|
| Front end engineering design for Stage 1                            | Completed |
| Front end engineering design for Stage 2                            | Completed |
| Front end engineering design for Stage 3                            | Completed |
| Front end engineering design for the process support infrastructure | Ongoing   |
| Geotech, survey, and other site services                            | Ongoing   |
| Permitting consultants  | Ongoing   |
| Project management, support, and execution services                 | Ongoing   |
| Site enabling and approvals activities                              | Ongoing   |



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The Company has engaged Koch Project Solutions, LLC (“KPS”) to complete front end engineering and design. Phase 1 of this effort was complete in June 2021 and Phase 2 is underway. Phase 1 consisted of developing an execution plan and selection of service providers. Phase 2 includes executing the engineering plan, engaging those service providers, and developing a cost estimate for the USGC facility. The FEL-2 scope of Phase 2 for two of the three process design package (“PDP”) providers is complete. A hazard and operability study (HAZOP) was completed for the Texas facility. A HAZOP study is a structured and systematic examination of the design to identify and evaluate problems that may represent risks to personnel or equipment. The preliminary air emissions permit is being prepared. 3D modelling of the Texas recycling facility is nearing 30% completion. KPS and the Company have received and are now reviewing the following submissions:

- US based market pricing for all major equipment; and
- A firm price proposal from Koch Modular (“KMPS”) for the supply of the second stage module.

Phase 3 will consist of detailed engineering and project execution. Subject to a final agreement expected to be entered into between KPS and the Company, KPS is anticipated to lead the Company’s engineering, construction, and construction/vendor teams – Sacre Davey Engineering (“SDE”), PCL Industrial Construction Ltd. (“PCL”), Studi Tecnologie Progetti S.p.A. (“STP”), Koch Modular Process Systems (“KMPS”), and Duke Technologies (formerly, Process Dynamics Inc.) – through the completion of detailed design, construction, commissioning, and start-up. 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 Company has engaged KMPS, a U.S.-based company which specializes in the design and manufacturing for modular mass transfer systems for the chemical process industry, as a subcontractor to design and fabricate the second stage for the proposed USGC Facility. It includes all the equipment to completely process a feedstock and produce the required output for that stage. The second stage is the Molecular Separation Unit where the Company’s Group III base oil products are extracted.

In March 2019, KMPS completed solvent extraction production pilot testing that produced a high-quality and low-quality base oil stream. Base oil quality is defined by several benchmarks, including viscosity, sulfur content, clarity and other similar metrics. In 2017, a low quality base oil was pilot tested at Duke Technologies, a US-based company which specializes in liquid hydrotreatment in the refining and alternatives fuels industries. This pilot test proved that production of base oil meeting Group II/II+ is achievable.

Hydro-treating is a chemical process commonly used in the oil and gas industry to expose unsaturated hydrocarbon molecules to hydrogen in order to improve their chemical qualities and remove contaminants.

**Other Facilities**

Concurrent with development of the USGC Facility, the Company is exploring opportunities to develop ReGen™ UMO recycling facilities at other locations in Canada, the United States, 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™.

**BP Offtake Agreement**

On October 27, 2020, the Company signed a Letter of Intent (“BP LOI”) with BP for the offtake of all of the Company’s future production of Group II+ and Group III base oils from the proposed USGC Facility. On May 1, 2021, the Company entered into a definitive, multi-year offtake agreement with BP (the “BP Offtake Agreement”), superseding the BP LOI, whereby BP has agreed to purchase 100% of the USGC Facility’s Group III Base Oil production and to purchase, accept, and market 100% of the USGC Facility’s Group II Base Oil. Based on a facility design capacity of 5,600 bpd of

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UMO, the Company estimates an output design capacity of 4,200 bpd to 4,400 bpd of base oil production from the proposed USGC Facility.

The BP Offtake Agreement provides for a pricing model with effect from the date the USGC Facility is commercially operational, that varies based on technical specifications of the underlying base oil being provided including viscosity, colour, flashpoint, and saturates. The Company will provide BP with an indicative yearly production schedule each year.

BP is permitted to terminate the BP Offtake Agreement if either: (i) the Company has not secured financing by June 30, 2022 for the total amount required to construct the USGC Facility; or (ii) commercial operations have not occurred within two years of the date by which the Company is required to secure the total amount of financing to construct the Facility. The Company has a good working relationship with BP and is continuing to provide BP with regular updates regarding the USGC Facility financing status and other project related advances.

The BP Offtake Agreement also provides BP with a right of first look to purchase (i) the offtake on any future facilities that will produce similar products; and (ii) the ability to purchase new products made by the Company. The BP Offtake Agreement provides customary limitations of liability (such as excluding consequential damages) and provides that each party will indemnify the other for breach, negligence, or intentional misconduct of the other party, including any releases of hazardous wastes. The BP Offtake Agreement is governed by New York law, and any disputes are to be resolved first by a 30-day good faith negotiation period, or failing that, by binding arbitration situated in New York, New York.

**UMO Supply**

The Company prepared and secured non-binding UMO feedstock supply letters of intent (each, a “UMO LOI”) in excess of 41,000,000 gallons annually and continues to negotiate further UMO LOIs in excess of the full UMO feedstock requirements of the USGC Facility. These UMO LOIs provide supply coverage of UMO feedstock for periods of two to five years per supplier and outline key commercial terms, including UMO specifications, pricing terms, and delivery terms. Commercially sensitive and confidential negotiations are ongoing and are expected to continue with each of the interested vendors pursuant to the UMO LOIs in parallel with ongoing financing discussions, with the intention to enter into binding feedstock supply contracts on terms that are agreeable to the Company. The Company does not yet have any formal supply agreements in place.

**GHG Credits**

Based on conversations with the Company’s greenhouse gas qualification consultants, Radicle (formerly Carbon Credit Solutions Inc.) and GHD Group PTY Ltd., the Company expects the ReGen™ technology will qualify for greenhouse gas credits. Based on the August 2010 Greenhouse Gas Savings Study report conducted by Conestoga-Rovers & Associates on behalf the British Columbia Used Oil Management Association (the “Conestoga-Rovers Report”), the Company believes that the USGC Facility could reduce GHG equivalent emissions by up to 725,000 tonnes per year, versus the burning or disposal of UMO. The Company may receive voluntary GHG credits sold via the American Carbon Registry and may generate additional annual revenues for the sale of these credits. Based on a review of the United States Environmental Protection Agency’s GHG equivalency calculator the life-cycle assessment carbon credits that are projected to be generated by the Company from the USGC Facility represent the equivalent of eliminating the emissions generated by 157,000 internal combustion engine powered cars annually.

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**Financing Update***Equity Financing*

The Company closed the first and second tranches of a non-brokered private placement on April 8, 2022 and April 11, 2022, respectively. In aggregate, the Company issued 1,435,480 shares at a price of \$1.70 per share for gross proceeds of \$2,440,000.

*Project Financing*

a) Export Development Canada

On November 7, 2018, the Company announced that it received a non-binding term sheet (the “EDC Term Sheet”) from Export Development Canada (“EDC”) for a term loan for up to \$72 million (the “Proposed EDC Loan”) to finance a UMO recycling facility in Alberta. On March 31, 2020, the Company secured an extension of the terms available under the EDC Term Sheet until March 31, 2021. The EDC Term Sheet expired on March 31, 2021. During Q1 2021, the Company was unofficially informed by EDC the funds remain intact and available to the Company. Separately from the discussions between the Company and EDC regarding a UMO recycling facility in Alberta, EDC also informed the Company it was willing to complete preliminary due diligence to structure a term sheet proposal for the USGC Facility. The Company provided supporting documentation to EDC and the Trade Law Bureau of Global Affairs Canada which resulted in a formal letter of interest being received from the EDC on June 24, 2021. On November 5, 2021 the Company received preliminary indicative terms for a project level, US\$108 million senior credit facility from EDC. EDC is agreeable to the Company bringing qualified financing partners alongside EDC in a senior secured position. Finalizing the indicative terms remains subject to further discussion and is expected to be completed during Q2, 2022. The Company continues to provide additional due diligence materials to EDC in order to secure a term sheet for the USGC Facility.

On March 24, 2022, the Company entered into an agreement with EDC to engage independent engineering consultants complement its in-house technical team’s due diligence process for the proposed EDC loan.

b) Private Equity Firm

On February 3, 2022, the Company announced that the Company and a U.S. based multi-billion-dollar, green energy infrastructure focused, private equity firm (“PE Firm”), subject to the signing of the definitive agreements, have reached an equity agreement for the development, construction, financing and ownership of the Company’s Texas used lubricating oils recycling facility and a partnership framework for financing future projects.

The PE Firm’s designated affiliate will commit up to US\$75 million in the Company’s Texas recycling project. In return, the PE Firm will receive a 14.4% preferred return on funds invested plus 14.4% ownership in the project (the “Project Level Financing”). Upon closing of the Project Level Financing, the PE Firm’s affiliate will appoint one director to the Texas project holding company.

After the Texas facility has been operational for 5 years, the Company or its project affiliate will have the right to re-purchase the PE Firm’s 14.4% ownership position in the project by paying an amount equal to three times (3x) the PE Firm’s initial investment.

On execution of the definitive investment agreements, the PE Firm will have an exclusive Right-of-First-Offer to provide up to one hundred percent (100%) of the equity required for the construction financing of each future project developed by the Company through December 31, 2023.

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Concurrent with the closing of the Texas City project investment, the PE Firm will also have the right to acquire, via a private placement, up to a 5% stake of the common stock of the Company on a fully diluted basis (the “Pubco Financing”). Upon closing of the Pubco Financing, the PE Firm will have the right to appoint one director to the board of the Company, subject to the Company’s Articles and TSX Venture Exchange approval.

Work to complete four contracts with the PE Firm continues in conjunction with the ongoing technical due diligence process. To date, three contracts have been reviewed, negotiated and are nearing final form. The Company expects to receive the fourth contract from the PE Firm’s legal counsel imminently. In order to provide efficient corporate structures for the PE Firm’s proposed investments at the Texas project level, the Company established two US subsidiaries: (1) the Texas project operations unit, RG3 Texas LLC; and (2) the investment holding unit, RG3 Texas Holdings LLC, where project level funding from the Company, the PE Firm and the debt providers will be contributed.

A finders’ fee of two percent (2%) cash and two percent (2%) in common shares of the Company will become payable to a licensed entity upon closing of the proposed PE Firm’s financings.

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**Results of Operations**

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**Variance Analysis**

The following table sets forth selected expense items that have significant variances between the three months ended March 31, 2022 and 2021.

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|                              | <b>Three months ended</b> |             |
|------------------------------|---------------------------|-------------|
|                              | <b>March 31,</b>          |             |
|                              | <b>2022</b>               | <b>2021</b> |
|                              | <b>\$</b>                 | <b>\$</b>   |
| Plant engineering and design | 4,752,409                 | 172,296     |
| Professional fees            | 564,361                   | 362,652     |
| Salaries and benefits        | 535,661                   | 300,698     |
| Share-based payments         | 917,554                   | 1,381,536   |

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Plant engineering and design – The increase was mainly due to engineering and consulting services for the proposed USGC facility.

Professional fees – The increase was mainly due to financial advisory and business development services and legal fees for the proposed USGC facility.

Salaries and benefits – The increase was mainly due to the addition of three staff. In the comparative period, the Company received a payroll subsidy in the amount of \$22,580 from the National Research Council of Canada’s Industrial Research Assistance Program.

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. In addition, during the first quarter of 2021, the Company recognized an expense of \$557,700 as a result of amendments to the terms of certain stock options.

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For the three months ended March 31, 2022 and 2021, the Company recognized the following other income and other expense in its consolidated statement of comprehensive (income)/loss:

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|   | <b>Three months ended</b> |             |
|---|---------------------------|-------------|
|   | <b>March 31,</b>          |             |
|   | <b>2022</b>               | <b>2021</b> |
|   | <b>\$</b>                 | <b>\$</b>   |
| Rent income                                   | (3,429)                   | (3,429)     |
| Finance cost for lease – plant site           | -                         | 431,865     |
| Finance cost for lease – head office premises | 13,342                    | 16,353      |

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**Use of Proceeds from Financings**

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 net proceeds of \$1,968,402 for plant engineering and design, working capital and general corporate purposes. To date, the Company has spent \$249,700 for plant engineering and design and \$1,718,702 for general corporate purposes.

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On June 22, 2021, the Company completed a short form prospectus financing of 9,200,000 shares at a price of \$1.25 per common share and received cash proceeds of \$10,719,840 compared to \$9,456,250 that was expected before the overallotment option exercised by the underwriters of the financing. This resulted in the receipt of an additional \$1,263,590 in cash. The table below provides an update of the use of funds as at April 30, 2022.

| <b>Description</b>  | <b>Original<br/>Expected Use<br/>(\$)</b> | <b>Actual<br/>Spent<br/>(\$)</b> |
|---|---|----------------------------------|
| <b><i>USGC Facility</i></b>   |   |                                  |
| Engineering for Contaminant Separation Unit (Stage 1)                 | 1,412,000                                 | 526,667                          |
| Engineering for Molecular Separation Unit (Stage 2)                   | 1,312,100                                 | 952,404                          |
| Engineering for Molecular Treatment Unit (Stage 3)                    | 749,760                                   | 696,396                          |
| Front end engineering design for process support infrastructure       | 2,499,200                                 | 3,675,300                        |
| Geotech, survey, and other site services                              | 187,440                                   | 107,238                          |
| Permitting consultants  | 124,960                                   | 68,353                           |
| Project management, support, and execution services                   | 1,191,140                                 | 1,640,484                        |
| Site enabling and approvals activities                                | 162,400                                   | 8,188                            |
| Corporation's Engineering Oversight Team                              | 400,000                                   | 658,452                          |
| Site agreements and legal services                                    | 250,000                                   | 7,155                            |
| <b><i>Offering expenses</i></b>                                       | 300,000                                   | 269,806                          |
| <b><i>Selling, General &amp; Administrative Expenses</i></b>          | 867,250                                   | 73,949                           |
| <b><i>Cash received from the exercise of overallotment option</i></b> | 1,263,590                                 | -                                |
| <b>Total</b>  | <b>\$10,719,840</b>                       | <b>\$8,684,392</b>               |

FEL2 (Pre-FEED) is complete and, based on the additional detailed engineering accomplished, the Company is in the process of negotiating an updated budget for the completion of FEL3 (FEED) with KPS. Due to design scope changes identified during FEL2, it is anticipated the budget for completion of FEL3 will be increased and incorporated in ongoing financing initiatives.

The Company closed a non-brokered private placement on April 11, 2022. The Company issued 1,435,480 shares at a price of \$1.70 per share for gross proceeds of \$2,440,000 for project engineering, due diligence expenses, working

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

capital and general corporate purposes. As of April 30, 2022, the Company has spent \$97,396 for plant engineering and design and \$184,288 for general corporate purposes.

**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 |                      |                       |                  |
|---|------------------------|----------------------|-----------------------|------------------|
|   | March 31,<br>2022      | December 31,<br>2021 | September 30,<br>2021 | June 30,<br>2021 |
|   | \$                     | \$                   | \$                    | \$               |
| Financial Results:                          |                        |                      |                       |                  |
| Expense                                     | 6,950,133              | 4,343,755            | 1,719,301             | 1,372,307        |
| Other expense (income)                      | (22,967)               | 26,556               | 781                   | (5,809,184)      |
| Net loss (income)                           | 6,927,166              | 4,370,311            | 1,720,082             | (4,436,877)      |
| Basic and diluted loss (earnings) per share | 0.06                   | 0.04                 | 0.02                  | (0.04)           |

|                                  | For the Quarters Ended |                      |                       |                  |
|----------------------------------|------------------------|----------------------|-----------------------|------------------|
|                                  | March 31,<br>2021      | December 31,<br>2020 | September 30,<br>2020 | June 30,<br>2020 |
|                                  | \$                     | \$                   | \$                    | \$               |
| Financial Results:               |                        |                      |                       |                  |
| Expense                          | 2,496,263              | 616,863              | 580,253               | 713,021          |
| Other expense                    | 578,034                | 437,493              | 721,437               | 384,565          |
| Net loss                         | 3,074,297              | 1,054,356            | 1,301,690             | 1,097,586        |
| Basic and diluted loss per share | 0.03                   | 0.01                 | 0.01                  | 0.01             |

The increase in expenses for the quarters ended March 31, 2022 and December 31, 2021 was mainly due to engineering and consulting services for the proposed USGC facility. In addition, there were increases in financial advisory and business development services, accounting and audit fees and legal fees. The increase in expenses for the September 30, 2021 quarter compared to the June 30, 2021 quarter was due to the increase in engineering and consulting services for the proposed USGC facility, offset by lower share-based payments. The decrease in expenses for the June 30, 2021 quarter compared to the March 31, 2021 quarter was due to higher share-based payments as a result of amendments to the terms of certain stock options and professional fees incurred in the March 31, 2021 quarter. Other income and net income for the June 30, 2021 quarter was mainly due to the gain on extinguishment of lease liability. The decrease in expenses for the quarters from September 30, 2020 to December 31, 2020 compared to the preceding quarters was due to decrease in salaries due to the reduction in staff and a payroll subsidy received from the National Research Council of Canada's Industrial Research Assistance Program. For the September 30, 2020 quarter there was a reversal of accrued directors' fees upon the resignation of two directors, who agreed to forgive their accrued directors' fees. Other expenses increased for the September 30, 2020 quarter due to deferred transaction costs that were expensed as the Company did not continue negotiating financing with the party to which the deferred transaction costs relate. Other expense increased for the March 31, 2021 quarter due to the loss on shares for debt settlement when the Company issued shares to settle debt.

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

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**Liquidity, Capital Resources, Commitments and Contingencies**

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**Working Capital and Cash**

During the three months ended March 31, 2022, cash and cash equivalents decreased by \$4,693,931. The decrease was mainly due to \$5,418,735 of cash used in operating activities and payment of \$30,196 for lease liabilities, offset by \$415,000 net cash received from issuance of share capital and \$340,000 from share subscription.

As at March 31, 2022, the Company had working capital of \$961,402 comprised of cash and cash equivalents of \$3,041,055, accounts receivable of \$30,927 and prepaid expenses of \$145,790, offset by accounts payable and accrued liabilities of \$1,566,432, share subscription payable of \$340,000, lease liabilities of \$109,938 and accrued withholding tax provision of \$240,000.

**Going Concern**

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2022 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 March 31, 2022, the Company had working capital of \$961,402, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the three months ended March 31, 2022, the Company reported a net loss and total comprehensive loss of \$6,927,166 and as at March 31, 2022, had an accumulated deficit of \$107,393,014. 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. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's condensed consolidated interim financial statements for the three months ended March 31, 2022 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.



**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

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**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 \$370,113 of non-current liabilities, share capital of \$96,360,835 and accumulated deficit of \$107,393,014 as at March 31, 2022. 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 August 11, 2021, the Company began Phase 2 of the 3-Phase project development plan and entered into an agreement with KPS for project management services to execute the approved front end and cost estimating plan for construction of the USGC Facility developed in Phase 1 as noted above. The agreement has an estimated value of approximately US\$7.4 million and is billed to the Company on a time and materials basis. The Company has the right at any time, with or without cause, to terminate further performance of the engineering services by giving ten days written notice to KPS specifying the date of termination.

On March 24, 2022, the Company entered into an agreement with EDC to engage independent engineering consultants for due diligence work for the Proposed EDC Loan. The agreement has an estimated value of approximately US\$190,000 is billed to the Company on a time and materials basis.

In connection with the potential financing from the PE Firm, the Company is obligated to reimburse the PE Firm expenses for its ongoing technical due diligence process. These expenses are billed to the Company as expenses are incurred.

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.

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**Off-Balance Sheet Arrangements**

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The Company has no off-balance sheet arrangements.

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

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

|   | <b>Three months ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2022</b>                         | <b>2021</b>      |
|   | <b>\$</b>                           | <b>\$</b>        |
| Salaries to Key Management personnel                  | 398,901                             | 246,434          |
| Professional fees to company controlled by a Director | 17,500                              | 22,500           |
| Share-based payments to Key Management personnel      | 684,985                             | 1,372,782        |
| <b>Total</b>  | <b>1,101,386</b>                    | <b>1,641,716</b> |

Included in accounts payable and accrued liabilities as at March 31, 2022 is \$25,624 (December 31, 2021 - \$7,500) of accrued directors' fees, \$10,438 (December 31, 2020 - \$14,963) of wages and professional fees payable to officers and directors and \$11,373 (\$8,103 Greg Clarkes and \$3,270 Tom Lawlor) (December 31, 2021 - \$588 Greg Clarkes) of accrued expense reimbursements payable to officers and directors (see table below).

|  | <b>March 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|---------------------------|------------------------------|
|  | <b>\$</b>                 | <b>\$</b>                    |
| Related Party Accounts Payable and Accrued Liabilities                                 |                           |                              |
| Jose Luis Salinas Lanfranco – Director's fee from October 1, 2021 to December 31, 2021 | 7,500                     | 7,500                        |
| Jose Luis Salinas Lanfranco – Director's fee from January 1, 2022 to March 31, 2022    | 7,500                     | -                            |
| Catherine Banat – Director's fee from January 10, 2022 to March 31, 2022               | 6,875                     | -                            |
| Catherine Banat – Committee fee from January 10, 2022 to March 31, 2022                | 3,749                     | -                            |
| <b>Total directors' fees payable</b>   | <b>25,624</b>             | <b>7,500</b>                 |

|  | <b>March 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|---------------------------|------------------------------|
|  | <b>\$</b>                 | <b>\$</b>                    |
| Related Party Accounts Payable and Accrued Liabilities   |                           |                              |
| Larry Van Hatten – December 2021 consulting fees   | -                         | 5,775                        |
| Rhodanthe Corporate Services (company controlled by Corporate Secretary Christina Boddy) July 1, 2021 to November 30, 2021 consulting fees | -                         | 9,188                        |
| Larry Van Hatten – March 2022 consulting fees  | 5,250                     | -                            |
| Catherine Banat – January 10, 2022 to March 31, 2022 consulting fees   | 5,188                     | -                            |
| <b>Total wages and professional fees payable to officers and directors</b>   | <b>10,438</b>             | <b>14,963</b>                |

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

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. 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.

|                                  | <b>Debt</b>       | <b>Number</b>    |   |
|----------------------------------|-------------------|------------------|---|
|                                  | <b>Amount</b>     | <b>of Shares</b> | <b>Nature of debt</b>   |
| 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 |
|                                  | <u>\$ 67,375</u>  | <u>172,756</u>   |   |
| 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 |
|                                  | <u>\$ 77,000</u>  | <u>197,435</u>   |   |
| Paul DiPasquale, director        | \$ 55,875         | 143,269          | 33 months of directors' fees less statutory deductions                      |
| <b>Total</b>                     | <b>\$ 200,250</b> | <b>513,460</b>   |   |

On February 1, 2021, the board of directors approved the amendment of the vesting date for 1,080,000 stock options granted to Greg Clarkes, director and officer (720,000) and Larry Van Hatten, director (360,000) 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 1,200,000 common shares (Brian O'Sullivan, former director – 750,000, Gordon Driedger, President & COO – 200,000, Mark Redcliffe, Executive VP, Corporate Finance – 200,000, Rick Low, CFO – 50,000, Christina Boddy – Corporate Secretary 50,000) 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 to Greg Clarkes, director & officer (1,700,000), Larry Van Hatten, director (500,000) and Paul DiPasquale, director (300,000) 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.

On July 5, 2021, 300,000 common shares were issued to Mark Redcliffe, Executive VP, Corporate Finance of the Company for the exercise of 300,000 stock options for gross proceeds of \$60,000.

On July 8, 2021, the Company amended the vesting date to December 30, 2021 for 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

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

June 2, 2022. These stock options previously had a contingent vesting date and are granted to Gordon Driedger, President of the Company and Mark Redcliffe, Executive VP, Corporate Finance of the Company, respectively.

On September 13, 2021, the Company issued 125,000 shares to a member of the Company's board of directors on the exercise of warrants at an exercise price of \$0.30 per share for gross proceeds of \$37,500 (Paul DiPasquale).

On November 4, 2021, 300,000 common shares were issued to Gordon Driedger, former President for the exercise of 300,000 stock options for gross proceeds of \$75,000.

On January 5, 2022, 600,000 common shares were issued to Gordon Driedger, former President for the exercise of stock options for gross proceeds of \$75,000.

On February 22, 2022, 120,000 common shares were issued Mark Redcliffe, President for the exercise of stock options for gross proceeds of \$30,000.

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 that fully vest on the grant date were granted to Greg Clarkes, director & officer (1,500,000), Larry Van Hatten, director (500,000) and Paul DiPasquale, director (200,000). |
| March 19, 2021   | 750,000                   | \$0.85                   | March 19, 2023   | Stock options granted to Bob Rennie, a new director. The stock options vest 90 days from date of grant.   |
| August 25, 2021  | 600,000                   | \$1.23                   | August 25, 2023  | Stock options granted to Tom Lawlor, COO. 300,000 stock options vest on August 25, 2022 and 300,000 vest on February 25, 2023.  |
| October 7, 2021  | 600,000                   | \$1.69                   | October 7, 2023  | Stock options granted to Jose Luis Salinas Lanfranco, a director, that vest on January 5, 2022.   |
| October 19, 2021 | 600,000                   | \$1.79                   | August 25, 2023  | Stock options granted to Stephen Martin, CFO. 300,000 stock options vest on October 19, 2022 and 300,000 vest on April 19, 2023.  |
| January 10, 2022 | 675,000                   | \$1.77                   | January 10, 2024 | Stock options granted to a Catherine Banat, a director (600,000) and Christina Boddy, Corporate Secretary (75,000). The stock options vest 90 days from date of grant.                      |
| April 19, 2022   | 200,000                   | \$1.64                   | April 19, 2024   | Stock options granted to Kimberly Hedlin, an officer, that vest in two equal tranches after nine and eighteen months from the 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.

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

**Financial Instruments and Risk Management****Fair Value of Financial Instruments**

The Company's financial instruments at March 31, 2022 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 Coppermoly Ltd. ("COY") shares was based on the closing prices of those shares on Australian Stock Exchange.

**Fair Value Hierarchy**

Financial instruments recorded at fair value on the Consolidated 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<br>\$ | Level 2<br>\$ | Level 3<br>\$ |
|--|---------------|---------------|---------------|
| <b>March 31, 2022:</b>                   |               |               |               |
| Cash and cash equivalents                | 3,041,055     | -             | -             |
| Accounts receivable                      | 30,927        | -             | -             |
| Investment in Coppermoly Ltd.            | 42,104        | -             | -             |
| Accounts payable and accrued liabilities | 1,566,432     | -             | -             |
| Term loan                                | -             | -             | 38,530        |
| <b>December 31, 2021:</b>                |               |               |               |
| Cash and cash equivalents                | 7,734,986     | -             | -             |
| Accounts receivable                      | 32,033        | -             | -             |
| Investment in Coppermoly Ltd.            | 42,104        | -             | -             |
| Accounts payable and accrued liabilities | 473,582       | -             | -             |
| Term loan                                | -             | -             | 38,061        |

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

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

at March 31, 2022 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 March 31, 2022, 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 the three months ended March 31, 2022, the Company received \$8,886 of interest income from banks. A 1% change in interest rate would affect income (loss) before tax of approximately \$30,000. The Company's term loan with a carrying value of \$38,530 as at March 31, 2022 from the Government of Canada for COVID-19 assistance is non-interest bearing.

**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 March 31, 2022, the Company had \$3,041,055 in cash and cash equivalents, \$2,256,370 in current liabilities and \$370,113 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 \$4,200 before tax.

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**Outstanding Share Data**

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As at May 26, 2022, the following shares are outstanding:

- Authorized: Unlimited common shares without par value  
Unlimited number of preferred shares without par value
- Issued and outstanding: 114,283,045 common shares
- Stock options outstanding:

| Number of options | Exercise price per option \$ | Expiry date        |
|-------------------|------------------------------|--------------------|
| 180,000           | 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     |
| 180,000           | 0.80                         | March 23, 2023     |
| 2,500,000         | 0.80                         | April 1, 2023      |
| 507,000           | 1.25                         | June 22, 2023      |
| 600,000           | 1.23                         | August 25, 2023    |
| 75,000            | 1.39                         | September 15, 2023 |
| 600,000           | 1.69                         | October 7, 2023    |
| 600,000           | 1.79                         | October 19, 2023   |
| 200,000           | 1.80                         | January 6, 2024    |
| 675,000           | 1.77                         | January 10, 2024   |
| 200,000           | 1.64                         | April 19, 2024     |
| 10,347,000        |                              |                    |

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

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- Warrants outstanding: Nil

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**Critical Accounting Estimates**

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There were no material changes to the Company's critical accounting estimates and judgments for the three months ended March 31, 2022 from those as reported in the Company's MD&A for the year ended December 31, 2021.

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**Recent Accounting Pronouncements**

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The new and amended standards and interpretations that are issued, but not yet effective, are disclosed below.

International Accounting Standard ("IAS") 16 – Property, plant and equipment - proceeds before intended use.

IAS 16 has been amended to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant or equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. These amendments are effective for periods beginning on or after January 1, 2022. This amendment did not have any significant impact on the consolidated financial statements of the Company upon adoption on January 1, 2022.

IAS 37 – Provisions.

IAS 37 has been amended to clarify (i) the meaning of "costs to fulfil a contract", and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments are effective for periods beginning on or after January 1, 2022. This amendment did not have any significant impact on the consolidated financial statements of the Company upon adoption on January 1, 2022.

IAS 8 – Definition of accounting estimates.

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates.' The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. This amendment did not have any significant impact on the consolidated financial statements of the Company upon adoption on January 1, 2022.

IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. This amendment did not have any significant impact on the consolidated financial statements of the Company upon adoption on January 1, 2022.

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**Risks and Uncertainties**

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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. There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements related to the Company.

**Risks Associated with the Company's Common Shares**

*Liquidity and Capital Resources*

Historically, capital requirements have been primarily funded through the sale of equity. Factors that could affect the availability of financing include the progress and results of ongoing development of the USGC Facility, the state of international debt and equity markets, and investor perceptions and expectations of global UMO markets and the Company. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

*Trading Price for the Company's Common Shares is Volatile*

The securities of publicly traded companies can experience a high level of price and volume volatility and the value of the Company's securities can be expected to fluctuate depending on various factors, not all of which are directly related to the success of the Company and its operating performance, underlying asset values or prospects. The trading price of the Company's common shares has been and may continue to be subject to large fluctuations, which may result in losses to investors. The trading price of the Company's common shares may increase or decrease in response to a number of events and factors, including:

- (a) issuances of the Company's common shares or debt securities by the Company;
- (b) the Company's operating performance and the performance of competitors and other similar companies;
- (c) the addition or departure of key management and other personnel;
- (d) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- (e) the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;
- (f) changes in recommendations by research analysts who track the Company's common shares or the shares of other companies in the resource sector; and

In addition, the market price of the Company's common shares is affected by many variables not directly related to the Company's success and not within the Company's control. Factors which may influence the price of the Company's securities, include, but are not limited to: worldwide economic conditions; changes in government policies; investor perceptions; movements in global interest rates and global stock markets; variations in operating costs; the cost of capital that the Company may require in the future; the market price of UMOs; the price of commodities necessary for the Company's operations; the development and operations of the USGC Facility; the share price performance of the Company's competitors; news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related industry and market issues affecting the UMO sector; publicity about the Company, the Company's personnel or others operating in the industry; loss of a major funding source; and all market conditions that are specific to the recycled motor oil industry, including other developments that affect the market



**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

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for all resource sector shares, the breadth of the public market for the Company's common shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price Company's common shares on the exchanges on which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

As a result of any of these factors, the market price of the Company's common shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

*Sales of a significant number of Company's common shares, or the perception of such sales, could depress the market price of the common shares*

Sales of a substantial number of the Company's common shares or other equity-related securities by the Company or its significant shareholders could depress the market price of the Company's common shares and impair our ability to raise capital through the sale of additional equity securities. The Company cannot predict the effect that future sales of Company's common shares or other equity-related securities would have on the market price of the common shares. The price of the Company's common shares could be affected by possible sales of the common shares by hedging or arbitrage trading activity.

*Holders of Company's Common Shares may be diluted*

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of common shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional common shares may be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants.

*The Company's directors can issue Preferred Shares without shareholder approval, which may give the holders thereof a liquidation preference*

The Company's authorized share capital consists of an unlimited number of preferred shares (the "Preferred Shares") which may be issued in one or more series. The designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares may be determined by the Company's board of directors ("Board") from time to time by a resolution. The rights, privileges and conditions attached to the Preferred Shares may give holders thereof, liquidation and other preferences over the holders of common shares. The payment of the liquidation preferences could result in the holders of common shares not receiving any consideration if the Company were to liquidate, dissolve or wind up, either voluntarily or involuntarily. Because the Board can designate the powers and preferences of the Preferred Shares without a vote of the Company's shareholders, subject to applicable securities rules and regulations, the Company's shareholders will have no control over what designations and preferences any potential Preferred Shares, if any, will have.

**Risks Relating to the Company*****Negative Operating Cash Flow***

To date, the Company has recorded no operating cash flow and the Company has not commenced commercial production of any of its recycled products that are currently in development. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel, equipment, and materials associated with constructing its facilities and achieving commercial production of its products increases.

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The Company expects to continue to incur losses until such time as its products enter into commercial production and generate sufficient revenues to fund its continuing operations.

*Going concern risk*

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2022 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 March 31, 2022, the Company had working capital of \$961,402, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the three months ended March 31, 2022, the Company reported a net loss and total comprehensive loss of \$6,927,166 and as at March 31, 2022, had an accumulated deficit of \$107,393,014. 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. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's condensed consolidated interim financial statements for the three months ended March 31, 2022 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.

*Global Financial Conditions*

Global financial conditions remain subject to sudden and rapid destabilizations in response to economic shocks. A slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, fluctuations in fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's growth and financial condition.

*Unanticipated problems or delays in building the USGC Facility to the proper specifications may harm business and viability*

The Company's future growth and operations may depend on its ability to timely and economically complete and operate the USGC Facility. If development of the USGC Facility 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 USGC Facility may cause management to re-examine its business model. 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, labour issues, any of which could prevent the Company from beginning or completing construction or commencing operations at the USGC Facility.

*Risks related to the USGC Facility*

The Company does not currently have the necessary funds to meet the anticipated capital expenditures for the development of the USGC Facility. In order to meet these costs, the Company has commenced discussions with potential investors to help finance the USGC Facility. There is a risk that the Company will not be able to obtain the necessary funds to meet the anticipated expenses of the USGC Facility.

## ReGen III Corp.

### MANAGEMENT DISCUSSION AND ANALYSIS

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#### *The selection of the site of the USGC Facility in a location other than Texas could cause significant delays*

To date, the Company has conducted preliminary development work in respect of the USGC Facility and has identified a site for the USGC Facility. Delays in the selection and development of the USGC Facility would likely have an adverse effect on the Company's business, including potentially causing a default under or termination of the BP Offtake Agreement.

#### *The proposed UMO recycling facilities may not generate the operating results that the Company anticipates and may lead to greater volatility in future revenue and earnings*

There can be no assurance that unforeseen conditions will not adversely impact the operation or profitability of the proposed USGC Facility. The Company's ability to operate the proposed USGC Facility at capacity and realizing the anticipated benefits may be affected by the various factors, including: the ability to run the USGC Facility at design rates safely and in compliance with all relevant regulations; unplanned shutdowns or unscheduled shutdowns; logistics; prices for UMO feedstock and base lubricating oils; required volumes of UMO feedstock.

#### *The condition of third parties may adversely affect the Company*

The Company relies on suppliers, subcontractors, and other third parties to provide it with products and services necessary for the completion and delivery of the Company's products. Significant changes in the conditions of third parties may increase the price of the components or services provided by third parties, delay deliveries of products or services, or result in the failure by these third parties to perform services or deliver products, each of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

#### *The Company may not be able to obtain required governmental approvals or permits*

Government approvals and permits will be required to develop the Company's proposed re-refining facilities and commence future operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from conducting its anticipated business. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities preventing the development of the Company's business and operations, causing any future operations to cease or be curtailed, or requiring remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its future operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Changes to current laws and regulations may be unfavorable and have an adverse effect on the Company's current and anticipated operations.

#### *The Company is subject to laws that may change and negatively impact the Company and its business*

The Company is subject to local and federal laws in Canada and the United States including, regulations, rules, and policies as well as social, economic, and political contexts prevailing in places where the Company plans to conduct its activities. Consequently, the modification or change of any of these may have an unfavourable impact on the Company's anticipated business and operations and may require expenditures by the Company in order to adapt or comply to such modification or change. More specifically, the production and distribution of recycled UMO derived products are subject to federal and local laws, rules, regulations, and policies in Canada and the United States, all of which provide a framework for the Company's planned operations. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on the Company's ability to adapt to, comply with, and mitigate such changes.

#### *The Company's commercial success will depend in part on its ability to obtain, maintain, and protect its intellectual property*

The Company's success will depend in part on its ability to maintain or obtain and enforce patent rights and other intellectual property protection for its technologies, to preserve its trade secrets, and to operate without infringing upon the proprietary rights of third parties. The Company currently relies heavily on its ability to use ReGen™

technology. The failure to obtain or maintain patents or other intellectual property protection on the technologies underlying its technologies may have a material adverse effect on the Company's competitive position and business prospects. It is also possible that the Company's technologies may infringe on patents or other intellectual property rights owned by others. Management may have to defend an infringement action or challenge the validity of the patents in court. The Company may not prevail in any intellectual property litigation. Intellectual property litigation is costly and time consuming. If the Company is found liable for infringement or are not able to have such patents declared invalid, the Company may be liable for significant monetary damages and may encounter significant delays in bringing products to market.

#### *Risks Relating to Potential Acquisitions*

In the future, management may seek to grow the Company's business by investing in new or existing facilities, or technologies, either by making acquisitions or entering into partnerships and joint ventures. Acquisitions, partnerships, joint ventures or investments may require significant managerial attention, which may divert management from other activities and may impair the operation of the Company's existing businesses. Potential acquisitions may also carry additional risks including: a failure to successfully integrate the acquired businesses, facilities or new technology into current operations, incurring higher than anticipated capital expenditures and operating expenses, disruption for the Company's ongoing business, dissipating current resources, failing to maintain uniform standards controls and policies, an inability to maintain key relationships following the acquisition, loss of key personnel of the acquired business or facility, incurring significant debt, dilution of the common shares if the acquisition is funded through equity, exposure to unanticipated liabilities and a failure to realize efficiencies, synergies and cost savings.

The Company may also assume liabilities and environmental liabilities as part of the acquisitions. Although management will endeavor to accurately estimate, and limit liabilities and environmental liabilities presented by the businesses or facilities to be acquired, some liabilities, including ones that may exist only because of the past operations of an acquired business or facility, may prove to be more difficult or costly to address than management initially estimates. It is also possible that government officials responsible for enforcing environmental laws may believe an environmental liability is more significant than management estimates, or that management will fail to identify or fully appreciate an existing liability before the Company becomes legally responsible to address it. The Company may have no recourse, or only limited recourse, to the former owners of such properties in the event such liabilities are present. As a result, if a liability were asserted against the Company based upon ownership of an acquired property, the Company might be required to pay significant sums to settle it, which could adversely affect financial results and cash flow.

Management will regularly review potential acquisitions of complementary businesses, services or products. However, management may be unable to identify suitable acquisition candidates in the future. Even if management does identify appropriate acquisition candidates, the Company may be unable to complete or finance such acquisitions on favorable terms, if at all. In addition, the process of integrating an acquired business, service or product into the Company's existing business and operations may result in unforeseen operating difficulties and expenditures.

#### *Reliance on the BP Offtake Agreement*

The Company is subject to the risk of termination of the BP Offtake Agreement, including if the Company fails to meet certain development timelines and/or financing conditions for the USGC Facility. The Company's current business operation is dependent on the BP Offtake Agreement remaining in force, and on BP maintaining its obligations under this agreement. If any party defaults on their obligations under the BP Offtake Agreement, either intentionally or unintentionally, it may have an adverse effect on the Company's current and future business expectations.

**ReGen III Corp.****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2022

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*The Company may not be able to operate its business in an adequately safe manner*

In the operation of facilities, employees of the Company will be exposed to potential hazards. If the Company is not able to provide a safe environment for employees and properly train them to identify, avoid, report, and help rectify unsafe conditions, this may lead to an excessive number of recordable incidents, lost work time, etc. An excessive number of recordable incidents and lost work time can lead to excessive expense and a poor safety rating.

*Strategic relationships on which the Company relies on are subject to change*

Management's ability to identify and enter commercial arrangements with suppliers and clients depends on developing and maintaining close working relationships with industry participants. The Company does not yet have any formal supply agreements in place. The Company's success in this area also depends on management's ability to select, evaluate and consummate transactions in a highly competitive environment.

*If the Company cannot maintain adequate insurance coverage, it may be unable to conduct certain operations*

The Company's business exposes it to various risks, including claims for causing damage to property and injuries to persons that may involve allegations of negligence or professional errors or omissions in the performance of the Company's services. Such claims could be substantial. If the Company is unable to obtain adequate or required insurance coverage in the future, the Company could be in violation of permit conditions and other requirements of the environmental laws, rules and regulations under which the Company operates. Such violations could render the Company unable to proceed with certain operations which could impair the Company's financial condition.

*Future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements*

The Company may become involved in lawsuits, regulatory inquiries, and governmental and other legal proceedings arising out of the ordinary course of its business. The timing of the final resolutions to these matters may be uncertain. Additionally, the possible outcomes or resolutions to these matters could include adverse judgments or settlements, either of which could require substantial payments, adversely affecting the Company's results of operations and liquidity.

*If current environmental laws and regulations are changed, the Company may be forced to materially alter its business model, which could have a material adverse effect on its business, operations or financial condition*

Environmental laws and regulations are subject to change and may become increasingly stringent or relaxed. Interpretation or enforcement of existing laws and regulations, or the adoption of new laws and regulations, may require the Company to modify or curtail its operations or replace or upgrade facilities or equipment at substantial costs.

*Fluctuations of Oil Prices*

The Company's business involves buying UMO from suppliers who collect the UMO, re-refining such UMO into base lubricating oils and other ancillary products and then selling both such recycled oil and other products from the re-refining process. Changes in the reported spot market prices of oil affect the prices at which the Company can sell those finished products.

*Entrance into U.S. Re-refining Market*

The Company will be operating the USGC Facility in the United States, a jurisdiction which the Company does not have experience operating in. The Company may face certain inherent challenges associated with operating in a new market, including establishing reliable supply chains and forming relationships with suppliers and subcontractors. These challenges may increase the Company's costs and decrease cash flow and profitability. The Company may also face challenges associated with operating in a new regulatory and legal environment, both at the State and Federal

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level. The Company's lack of experience operating in the states in the Gulf Coast of the United States, and may increase the Company's regulatory, legal and compliance costs.

*Receipt of UMO*

It is important that the UMO feedstock meets certain specifications to create an efficient refinery process. Feedstock that does not meet these specifications, if processed through the recycling facility, may have excess water content, may result in increased processing requirements, and/or may result in excess waste and/or cost to process the feedstock. Management of the Company plans to develop a quality control/quality assurance program in order to screen UMO feedstock to mitigate the risk that UMO feedstock meets all applicable standards however any failures in this risk mitigation strategy or any unforeseen circumstances could have an adverse effect on the Company.

*Health, Safety, and Environment*

The storage and transfer of crude oil products has a limited impact on the environment when conducted in compliance with applicable government policies and regulations. However, the potential exists for accidents to occur or equipment to fail which could result in the release of UMO or finished products into the environment and such release could result in damage to facilities and liability to third parties.

*Competition*

Management of the Company is presently unaware of any direct competitors that are currently re-refining UMO into marketable quantities of comparable Group II+ and Group III base oil products; however, large-scale facilities, such as Motiva Enterprises, LLC, in the USGC, that produce base oils from virgin crude oil, could be considered indirect competitors of the Company.

*Cyberattacks or security breaches could have a material adverse effect on the Company's business, financial condition and results of operations*

The Company is dependent upon information systems and will be dependent on other digital technologies for controlling the USGC Facility, processing transactions and summarizing and reporting results of operations. The secure processing, maintenance and transmission of information is critical to the Company's current and future operations. The Company monitors existing information systems on a 24/7 basis in an effort to detect cyberattacks or security breaches. These efforts have been implemented along with other risk mitigation procedures to detect and address unauthorized and damaging activity on the Company's network, stay abreast of the increasing threat landscape and improve security posture. Information technology system failures, communications network disruptions (whether intentional by a third party or due to natural disaster), and security breaches could still impact equipment and software used to control future facilities, resulting in improper operation of assets, potentially including delays in the delivery or availability of customers' products, contamination or degradation of the products the Company transports, stores or distributes, or releases of hydrocarbon products and any other damage to the Company's future facilities for which the Company could be held liable.

Furthermore, the Company collects and stores sensitive data in the ordinary course of business, including personally identifiable information of employees as well as proprietary business information including that of customers, suppliers, investors and other stakeholders. Despite current security measures, information systems may become the target of cyberattacks or security breaches (including employee error, malfeasance or other breaches), which could result in the theft or loss of the stored information, misappropriation of assets, disruption of transactions and reporting functions, the Company's ability to protect customer or company information and financial reporting. Even with insurance coverage, a claim could be denied or coverage delayed. A cyber-attack or security breach could result in liability under data privacy laws, regulatory penalties, damage to reputation or a loss of consumer confidence in products and services, or additional costs for remediation and modification or enhancement of information systems to prevent future occurrences, all of which could have a material and adverse effect on the Company's business, financial condition or results of operations.

*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.

*Disruption Due to Unexpected Disasters or Crises*

Disruptions in the activities of the Company may be caused by natural disasters, effects of climate change and man-made activities, pandemics (including the COVID-19 pandemic), 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 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.

*Risks related to financing any additional facilities*

The Company currently does not have the necessary funds to finance the preliminary development of any additional facilities other than the USGC Facility. While the Company's current priority is the USGC Facility, the Company will need to secure additional financing if management wishes to complete any additional facilities. There is no guarantee that the Company will be able to obtain this financing on favourable terms.

*Risk related to financing the agreements with KPS and KMPS*

The agreements with KPS and KMPS involve the engagement of those parties for development work for the USGC Facility. However, there are no assurances that KPS or KMPS or others will meet their obligations under those agreements. Any such failure may have a negative impact on the Company's business and could adversely affect the Company's operations by limiting opportunities.

*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

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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.