ReGen III Corp.

Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2022
(Unaudited)
(Expressed in Canadian dollars)

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For the Three and Six Months Ended June 30, 2022 **Page**

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

	June 30, 2022	December 31, 2021
	$	$
ASSETS		
Current		
Cash and cash equivalents	3,011,487	7,734,986
Accounts receivable	34,482	32,033
Prepaid expenses	70,211	258,118
	3,116,180	8,025,137
Deferred transaction costs (note 3 and 9)	716,718	-
Property	8,328	8,328
Investments	38,277	42,104
Right-of-use assets (note 4)	363,385	431,520
Total assets	**4,242,888**	**8,507,089**
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 5)	1,840,475	473,582
Lease liabilities (note 4)	115,047	89,815
Accrued tax provision	243,000	237,000
	2,198,522	800,397
Non-current		
Lease liabilities (note 4)	292,833	368,560
Term loan	39,011	38,061
Total liabilities	2,530,366	1,207,018
Shareholders' equity		
Share capital (note 6)	98,638,707	95,888,452
Contributed surplus	12,960,221	11,835,363
Accumulated deficit	(109,924,683)	(100,465,848)
Accumulated other comprehensive income		
Unrealized gain on investments	38,277	42,104
Total shareholders' equity	1,712,522	7,300,071
Total liabilities and shareholders' equity	**4,242,888**	**8,507,089**

Nature of operations and going concern (note 1)
Commitments (notes 4 and 9)
Subsequent event (note 11)

Approved on behalf of the Board of Directors:

"Greg Clarkes" *"Larry Van Hatten"*

Greg Clarkes, Director Larry Van Hatten, Director

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

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

	Three months ended June 30,		Six months ended June 30,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Expense				
Amortization of right-of-use assets (note 4)	34,068	146,468	68,135	313,641
General and administration	103,478	120,342	203,366	211,283
Investor relations	45,052	14,749	78,389	34,548
Plant engineering and design	1,084,057	200,803	5,836,466	373,099
Professional fees	469,702	135,018	1,034,063	497,670
Salaries and benefits (note 5)	508,587	327,747	1,044,248	628,445
Share-based payments (note 6)	264,687	426,523	1,182,241	1,808,059
Travel and accommodation	14,555	657	27,411	1,825
	2,524,186	1,372,307	9,474,319	3,868,570
Other (income) expense				
Interest income	(13,414)	(5,381)	(22,300)	(9,397)
Rent income	(3,428)	(3,428)	(6,857)	(6,857)
Finance cost of lease – plant site (note 4)	-	402,498	-	834,363
Finance costs of lease – head office premises (note 4)	12,695	15,815	26,037	32,168
Foreign exchange loss (gain)	11,630	7,430	(12,364)	6,057
Loss on shares for debt settlement (note 5)	-	-	-	138,634
Gain on extinguishment of plant site lease liability (note 4)	-	(6,226,118)	-	(6,226,118)
	7,483	(5,809,184)	(15,484)	(5,231,150)
Net (loss) income for the period	(2,531,669)	4,436,877	(9,458,835)	1,362,580
Other comprehensive loss				
Unrealized loss on investments	3,827	30,622	3,827	11,483
Total comprehensive (loss) income for the period	(2,535,496)	4,406,255	(9,462,662)	1,351,097
(Loss) earnings per share – basic and diluted	(0.02)	0.04	(0.08)	0.01
Weighted average number of shares outstanding - basic	114,169,715	101,575,147	113,091,298	100,093,371
Weighted average number of shares outstanding - diluted	114,169,715	106,318,691	113,091,298	103,622,744

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

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

	Share capital	Contributed surplus	Accumulated deficit	Unrealized gain (loss) on investments	Total
	$	$	$	$	$
Balance as at December 31, 2020	82,312,392	9,208,376	(95,738,035)	49,759	(4,167,508)
Issuance of share capital (note 6)	14,634,184	(168,328)	-	-	14,465,856
Share issuance costs (note 6)	(1,067,983)	-	-	-	(1,067,983)
Share issuance costs – compensation options (note 6)	(333,995)	333,995	-	-	-
Share-based payments (note 6)	-	1,808,059	-	-	1,808,059
Income for the period	-	-	1,362,580	-	1,362,580
Other comprehensive loss	-	-	-	(11,483)	(11,483)
Balance as at June 30, 2021	95,544,598	11,182,102	(94,375,455)	38,276	12,389,521
Issuance of share capital (note 6)	343,854	(58,853)	-	-	285,001
Share-based payments (note 6)	-	712,114	-	-	712,114
Loss for the period	-	-	(6,090,393)	-	(6,090,393)
Other comprehensive income	-	-	-	3,828	3,828
Balance as at December 31, 2021	95,888,452	11,835,363	(100,465,848)	42,104	7,300,071
Issuance of share capital (note 6)	2,912,699	(57,383)	-	-	2,855,316
Share issuance costs (note 6)	(162,444)	-	-	-	(162,444)
Share-based payments (note 6)	-	1,182,241	-	-	1,182,241
Loss for the period	-	-	(9,458,835)	-	(9,458,835)
Other comprehensive loss	-	-	-	(3,827)	(3,827)
Balance as at June 30, 2022	98,638,707	12,960,221	(109,924,683)	38,277	1,712,522

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

ReGen III Corp.
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2022 and 2021
(Unaudited)
(Expressed in Canadian dollars)

	2022	2021
	$	$
Operating activities		
Net (loss) income for the period	(9,458,835)	1,362,580
Adjustments for items not involving cash		
Amortization of right-of-use assets (note 4)	68,135	313,641
Share-based payments (note 6)	1,182,241	1,808,059
Government grant	950	903
Lease interest – plant site (note 4)	-	834,363
Lease interest – head office premises (note 4)	26,037	32,168
Loss on shares for debt settlement (note 5)	-	138,634
Gain on extinguishment of plant lease liability (note 4)	-	(5,756,795)
	(8,181,472)	(1,266,447)
Net change in non-cash working capital		
Accounts receivable	(2,449)	107,335
Prepaid expenses	187,907	26,969
Accounts payable and accrued liabilities	679,813	(244,662)
Accrued tax provision	6,000	6,000
Net cash flows used in operating activities	(7,310,201)	(1,370,805)
Financing activities		
Deferred transaction costs (note 3)	(29,638)	-
Payment of lease liabilities (note 4)	(76,532)	(74,796)
Issuance of share capital (note 6)	2,855,316	14,126,972
Share issuance costs (note 6)	(162,444)	(1,067,983)
Net cash flows from financing activities	2,586,702	12,984,193
(Decrease) increase in cash and cash equivalents during the period	(4,723,499)	11,613,388
Cash and cash equivalents, beginning of the period	7,734,986	1,356,241
Cash and cash equivalents, end of the period	3,011,487	12,969,629

Supplemental cash flow information (note 10)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

ReGen III Corp. (the "Company" or "ReGen III") was incorporated under the laws of British Columbia 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. The Company holds patents to the ReGen™ technology and plans to use the technology to recycle used motor oil into high quality base lubricating oils. The Company's address is Suite 1750 – 400 Burrard St. Vancouver, B.C., V6C 3A6, Canada.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At June 30, 2022, the Company had working capital of $917,658, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the six months ended June 30, 2022, the Company reported a net loss of $9,458,835 and total comprehensive loss of $9,462,662 and as at June 30, 2022, had an accumulated deficit of $109,924,683. The Company has not generated revenues, and it is dependent on debt and equity financings to fund its development operations. The recoverability of the underlying value of the Company's assets is entirely dependent on the Company's ability to obtain the necessary financing to complete development of the ReGen™ technology and future profitable production. Significant amounts of capital expenditures are required in order for the Company to execute its business plan and there are no assurances that the Company will have sufficient funds for this purpose. In the event that sufficient financing is not completed, the Company will be required to scale back its planned activities and expenditures, including general and administrative expenditures. 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 and six months ended June 30, 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.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting period ending December 31, 2022. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies applied are the same as those applied in the Company's most recent annual financial statements which are filed under the Company's profile on SEDAR at www.sedar.com. The results for interim periods are not necessarily indicative of results for the entire year. The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. As a result, actual amounts may differ from those estimates.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current period.

These condensed consolidated interim financial statements for the three and six months ended June 30, 2022 were approved and authorized for issue by the Board of Directors on August 25 2022.

(b) Principles of Consolidation

The condensed consolidated interim financial statements include the financial statements of the Company, and its subsidiaries as indicated in the table below.

Subsidiary	Incorporation jurisdiction	Functional currency	Ownership %	
			2022	2021
ReGen III (Alberta) Inc.	Alberta	Canadian dollar	100%	100%
ReGen III (USGC) Corporation	Delaware	Canadian dollar	100%	N/A
RG3 Texas Holdings LLC	Delaware	US dollar	100%	N/A
RG3 Texas LLC	Delaware	US dollar	100%	N/A

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

(c) New and amended standards and interpretations

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.

2. BASIS OF PREPARATION (continued)

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 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 when the Company early adopted this standard on January 1, 2022.

3. DEFERRED TRANSACTION COSTS

Deferred transaction costs consist of legal due diligence costs incurred to evaluate potential financing for the Company's planned Texas plant and will be recorded as financing costs included in the carrying value of debt upon successful completion of the financing. These costs will be expensed if financing is not successful.

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

(Expressed in Canadian dollars)

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

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

	Right-of-Use-Assets $	Lease Liabilities $
Balance, as at December 31, 2020	9,663,345	14,335,010
Amortization	(381,775)	-
Interest accretion – plant site	-	834,363
Interest accretion – head office premises	-	61,232
Lease payments	-	(165,385)
Extinguishment of plant site lease liability	(8,850,050)	(14,606,845)
Balance, as at December 31, 2021	431,520	458,375
Amortization	(68,135)	-
Interest accretion – head office premises	-	26,037
Lease payments	-	(76,532)
Balance, as at June 30, 2022	363,385	407,880

	Right-of-Use-Assets $	Lease Liabilities $
Current portion of lease liabilities	-	115,047
Long-term portion of lease liabilities	-	292,833
Head office premises	363,385	-
Balance, as at June 30, 2022	363,385	407,880

The Company's outstanding lease payments on a calendar year basis as at June 30, 2022 are shown in the table below.

	2022 $	2023 $	2024 $	2025 $
Office lease payments	92,671	188,813	192,978	2,082

During the three and six months ended June 30, 2022, the Company made $20,450 and $40,900 (2021 - $20,221 and $40,442), respectively of variable lease payments consisting of property maintenance expenses. In addition to basic rent, the Company pays monthly property maintenance expenses during the term of the office leases. All of these costs are recognized in general and administrative expenses.

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS

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

	Three months ended June 30,		**Six months ended June 30,**	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Salaries to Key Management personnel	373,241	254,750	772,142	501,184
Professional fees to company controlled by a Director	16,000	29,000	33,500	51,500
Share-based payments to Key Management personnel	251,634	340,105	936,619	1,712,887
Total	640,875	623,855	1,742,261	2,265,571

Included in accounts payable and accrued liabilities as at June 30, 2022 is $9,095 (December 31, 2021 - $7,500) of accrued directors' fees, $13,695 (December 31, 2021 - $14,963) of wages and professional fees payable to officers and directors and $nil (December 31, 2021 - $588) of accrued expense reimbursements payable to officers and directors.

On November 24, 2020, the Company proposed to settle $200,250 of accrued directors' fees, net of statutory deductions, in exchange for 513,460 common shares at a deemed price of $0.39 per share. The shares for debt proposal was approved by the TSX Venture Exchange, settled and recorded by the Company on February 3, 2021 at a price of $0.39 per share. The fair value of the shares was recorded as $0.66 per share, which was the February 3, 2021 closing price of the shares on the TSX Venture Exchange. The difference between $0.39 and $0.66, $138,634, was recognized as a loss on shares for debt settlement.

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

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

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

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

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS (continued)

On July 5, 2021, 300,000 common shares were issued to an officer 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 June 2, 2022. These stock options previously had a contingent vesting date and are granted to officers of the Company.

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.

On November 4, 2021, 300,000 common shares were issued to an officer for the exercise of 300,000 stock options for gross proceeds of $75,000.

On January 5, 2022, 300,000 common shares were issued to a former officer for the exercise of 300,000 stock options for gross proceeds of $75,000.

On February 22, 2022, 120,000 common shares were issued to an officer for the exercise of 120,000 stock options for gross proceeds of $24,000.

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 granted to directors that fully vest on the grant date.
March 19, 2021	750,000	$0.85	March 19, 2023	Stock options granted to a new director. The stock options vest 90 days from date of grant.
August 25, 2021	600,000	$1.23	August 25, 2023	Stock options granted to an officer. 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 a director that vest on January 5, 2022.
October 19, 2021	600,000	$1.79	October 19, 2023	Stock options granted to an officer. 300,000 stock options vest on October 19, 2021 and 300,000 vest on April 19, 2023.
January 10, 2022	675,000	$1.77	January 10, 2024	Stock options granted to a director and officer. The stock options vest 90 days from date of grant.
April 19, 2022	200,000	$1.64	April 19, 2024	Stock options granted to an officer. 100,000 stock options vest on January 19, 2023 and 100,000 vest on October 19, 2023.

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

(Expressed in Canadian dollars)

6. SHARE CAPITAL

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

(b) Issued and outstanding:

	Number of common shares	$
December 31, 2020	92,636,665	82,312,392
Issuance of share capital (note 5)	14,914,284	13,499,999
Shares for debt settlement (note 5)	513,460	338,883
Exercise of warrants (note 5)	1,443,156	446,655
Exercise of options (note 5)	1,900,000	692,501
Share issuance costs – share capital and units	-	(1,067,983)
Share issuance costs – compensation options	-	(333,995)
December 31, 2021	111,407,565	95,888,452
Issuance of share capital	1,435,480	2,440,316
Exercise of options (note 5)	1,440,000	472,383
Share issuance costs	-	(162,444)
June 30, 2022	114,283,045	98,638,707

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

On February 3, 2021, the Company settled $200,250 of accrued directors' fees, net of statutory deductions, in exchange for 513,460 common shares at a deemed price of $0.39 per share (note 5).

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

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 $2,440,316. The Company paid a cash finder's fee of $89,515.

The Company also issued common shares for the following:

Date	Gross proceeds received	Shares issued	Exercise price per share	Description
January 2021	$25,973	173,156	$0.15	Exercise of 173,156 warrants.
February to March 2021	$220,000	550,000	$0.40	Exercise of 550,000 stock options (note 5).
March 2021	$150,000	750,000	$0.20	Exercise of 750,000 stock options (note 5).
July 2021	$60,000	300,000	$0.20	Exercise of 300,000 stock options (note 5).
March 2021 to September 2021	$381,000	1,270,000	$0.30	Exercise of 1,270,000 warrants (note 5).
November 2021	$75,000	300,000	$0.25	Exercise of 300,000 stock options (note 5).
January 2022	$75,000	300,000	$0.25	Exercise of 300,000 stock options (note 5).
February 2022	$40,000	140,000	$0.20 & $0.80	Exercise of 120,000 stock options at $0.20 (note 6) and 20,000 stock options at $0.80.
March 2022	$300,000	1,000,000	$0.30	Exercise of 1,000,000 stock options.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payments

On February 1, 2021, the board of directors approved the amendment of the vesting date for 1,080,000 stock options granted on March 13, 2018 with an exercise price of $0.70 per share to vest immediately on February 1, 2021 from a contingent vesting. On March 8, 2021, the expiry date of these stock options was extended to March 13, 2023 from March 13, 2021 (note 5).

On March 29, 2021, TSX Venture Exchange approved the extension of the expiry date of 2,500,000 stock options, originally granted on April 1, 2019, from April 1, 2021, to April 1, 2023, and to reprice the exercise price from $0.40 per option to $0.80 per option (note 5).

Stock options granted during the six months ended June 30, 2022 and the year ended December 31, 2021 were as follows:

Date of grant	Number of options granted	Exercise price	Expiry date	Terms
February 2, 2021	2,200,000	$0.63	February 2, 2023	Stock options granted to directors that fully vest on the grant date (note 7).
March 19, 2021	750,000	$0.85	March 19, 2023	Stock options granted to a new director. The stock options vest 90 days from date of grant (note 10).
March 23, 2021	200,000	$0.80	March 23, 2023	Stock options granted to a consultant. The stock options vest 90 days from date of grant.
June 22, 2021	507,000	$1.25	June 22, 2023	Compensation stock options granted to underwriters for the June 22, 2021 financing that vest on the grant date.
August 25, 2021	600,000	$1.23	August 25, 2023	Stock options granted to an officer. 300,000 stock options vest on August 25, 2022 and 300,000 vest on February 25, 2023.
September 15, 2021	75,000	$1.39	September 15, 2023	Stock options granted to an employee. The stock options vest 9 months from date of grant.
October 7, 2021	600,000	$1.69	October 7, 2023	Stock options granted to a director that vest on January 5, 2022.
October 19, 2021	600,000	$1.79	October 19, 2023	Stock options granted to an officer. 300,000 stock options vest on October 19, 2021 and 300,000 vest on April 19, 2023.
January 6, 2022	200,000	$1.80	January 6, 2024	Stock options granted to a consultant that vest on the date of grant.
January 10, 2022	600,000	$1.77	January 10, 2024	Stock options granted to a director that vest on April 10, 2022 (note 5).
January 10, 2022	75,000	$1.77	January 10, 2024	Stock options granted to an officer that vest on April 10, 2022 (note 5).
April 19, 2022	200,000	$1.64	April 19, 2024	Stock options granted to an officer. 100,000 stock options vest on January 19, 2023 and 100,000 vest on October 19, 2023 (note 5).

The aggregate fair value of the stock options granted during the three and six months ended June 30, 2022 was $125,499 and $903,103 (2021 - $nil and $1,782,704), respectively. The fair value of the stock options granted to employees was estimated at the grant date using the Black-Scholes Option Pricing Model. The fair value of the stock options granted to a non-employee, was recorded at the fair value of the goods and services received based on the reduction in the rate that the non-employee charged to the Company. In some cases, the Company is unable to reliably estimate the fair value of the goods and services received for stock options granted to other non-employees because the fees charged by those non-employees are at market rates with no allowance for stock options granted. In this case, the Company estimated the fair value of the stock options granted to those non-employees using the Black-Scholes Option Pricing Model.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

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

The inputs for the Black-Scholes Option Pricing Model are as follows:

Inputs	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Risk free interest rate	2.52%	0.42%	1.07% - 2.52%	0.15% - 0.42%
Expected dividend yield	nil	nil	nil	nil
Expected annual volatility	83%	115%	83% - 98%	115% - 120%
Expected life	1.95 years	2 years	1.95 - 2 years	2 years
Forfeiture rate	15%	0%	0% - 16%	0% - 20%

A summary of the status of the Company's stock options as at June 30, 2022 and changes during the period are as follows:

	Number of options	Weighted average exercise price $
Outstanding – December 31, 2020	7,330,000	0.39
Options granted	5,532,000	1.04
Options - exercised	(1,900,000)	0.27
Options expired	(250,000)	0.70
Outstanding – December, 2021	10,712,000	0.83
Options granted	1,075,000	1.75
Options - exercised	(1,440,000)	0.29
Outstanding – June 30, 2022	10,347,000	1.01

The following stock options were outstanding as at June 30, 2022:

Number of options	Exercise price per option $	Expiry date
180,000	0.20	June 2, 2022 (note 11)
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		

6. SHARE CAPITAL (continued)

(d) Reserves

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

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

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The Company's financial instruments at June 30, 2022 include cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and term loan.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their immediate or short-term nature, unless otherwise noted. The fair value of COY shares was based on the closing prices of those shares on Australian Stock Exchange.

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

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the highest level of the hierarchy for which a significant input has been considered in measuring fair value. The following table presents the financial instruments recorded at fair value in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

Financial Instruments	Level 1 $	Level 2 $	Level 3 $
June 30, 2022:			
Cash and cash equivalents	3,011,487	-	-
Accounts receivable	34,482	-	-
Investment in Coppermoly Ltd.	38,277	-	-
Accounts payable and accrued liabilities	1,840,475	-	-
Term loan	-	-	39,011
December 31, 2021:			
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 at June 30, 2022 is minimal. The Company's accounts receivable consists of amounts receivable from the government. Management believes that the credit risk with respect to accounts receivable is minimal.

Currency risk – currency risk arises due to fluctuations in the exchange rates. The Company's equity financings are sourced in Canadian dollars and the majority of expenditures are expected to be incurred in US dollars. As at June 30, 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 six months ended June 30, 2022, the Company received $22,300 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 does not carry an interest rate.

Liquidity risk – is the risk that the Company will be unable to meet its obligations as they become due. The Company manages its liquidity risk by implementing a budget, forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at June 30, 2022, the Company had $3,011,487 in cash and cash equivalents, $2,198,522 in current liabilities and $331,844 in non-current liabilities.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's current liabilities arose as a result of corporate expenses and accruals. Payment due dates for corporate expenses varies from invoice date to between 30 and 60 days from date of the invoices.

Price risk – the Company is exposed to price risk with respect to commodity and equity pricing, and the investment in COY. The Company is exposed to changes in market prices and a sensitivity analysis suggests that a 10% change in COY share prices would affect other comprehensive income or loss by approximately $3,827 before tax.

8. CAPITAL MANAGEMENT

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company had share capital of $98,638,707 and $331,844 of non-current liabilities as at June 30, 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, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

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

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

9. COMMITMENTS AND CONTINGENCIES

The Company engaged Koch Project Solutions, LLC ("KPS") to complete front end engineering and design of its proposed site for the development and construction of a UMO recycling facility (the "USGC Facility") to use the ReGen^{TM} technology in Gulf Coast of the United States. Phase 1 of this effort was complete in June 2021. 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. 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 Export Development Canada ("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 a private equity firm ("PE Firm"), the Company is obligated to reimburse the PE Firm expenses for its ongoing technical due diligence process.

(Expressed in Canadian dollars)

9. COMMITMENTS AND CONTINGENCIES (continued)

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.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2022 $	2021 $	2022 $	2021 $
Operating activities				
Interest income received from banks	13,414	5,381	22,300	9,397
Total lease payments paid	66,786	65,516	117,432	115,239

11. SUBSEQUENT EVENT

On May 11, 2022, the Company imposed a trading blackout on its shares on all employees and the board of directors of the Company pending a news release. As such and in accordance with the terms of the Company's stock option plan, the expiry date of the options with an expiry date of June 2, 2022 was extended to August 11, 2022 (note 6). On July 27, 2022, the blackout was lifted and the Company issued 180,000 common shares and received gross proceeds of $36,000 for the exercise of 180,000 options by an officer of the Company.