ReGen III Corp.

Consolidated Financial Statements
For the Year Ended December 31, 2022
(Expressed in Canadian dollars)

For the Year Ended December 31, 2022

Management's Report

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

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

(Signed) Greg Clarkes

Chief Executive Officer

(Signed) Steve Martin

Chief Financial Officer

Vancouver, British Columbia, Canada

April 28, 2023

Independent auditor's report

To the Shareholders of
ReGen III Corp.

Opinion

We have audited the consolidated financial statements of **ReGen III Corp.** [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity (deficit) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 of the consolidated financial statements, which indicates that for the year ended December 31, 2022, the Company had a total comprehensive loss of $12,471,706, and as at December 31, 2022, had a working capital deficit of $1,100,973 and accumulated deficit of $112,933,726. As stated in note 1, these events, or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material uncertainty related to going concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young LLP

Vancouver, Canada
April 28, 2023

Chartered Professional Accountants

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

	December 31, 2022	December 31, 2021
	$	$
ASSETS		
Current		
Cash	718,398	7,734,986
Accounts receivable	26,990	32,033
Prepaid expenses	144,528	258,118
	889,916	8,025,137
Property (note 4)	8,328	8,328
Investments (note 5)	38,276	42,104
Right-of-use assets (note 6)	295,251	431,520
Total assets	**1,231,771**	**8,507,089**
LIABILITIES AND EQUITY		
Current		
Accounts payable (note 8)	514,474	165,919
Accrued liabilities (note 8)	1,080,704	307,663
Lease liabilities (note 6)	125,711	89,815
Term loan (note 7)	40,000	-
Accrued tax provision	230,000	237,000
	1,990,889	800,397
Non-current		
Lease liabilities (note 6)	211,959	368,560
Term loan (note 7)	-	38,061
Total liabilities	2,202,848	1,207,018
Shareholders' (deficit) equity		
Share capital (note 9)	98,689,674	95,888,452
Contributed surplus	13,234,699	11,835,363
Accumulated deficit	(112,933,726)	(100,465,848)
Accumulated other comprehensive income		
Unrealized gain on investments (note 5)	38,276	42,104
Total shareholders' (deficit) equity	(971,077)	7,300,071
Total liabilities and shareholders' (deficit) equity	**1,231,771**	**8,507,089**

Nature of operations and going concern (note 1)
Commitments (notes 6, 7 and 12)
Subsequent events (note 15)

Approved on behalf of the Board of Directors:

"Greg Clarkes" ***"Larry Van Hatten"***

Greg Clarkes, Director Larry Van Hatten, Director

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

ReGen III Corp.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	2022 $	2021 $
Expense		
Amortization of right-of-use assets (note 6)	136,269	381,775
General and administration	407,536	412,786
Investor relations	98,250	52,999
Plant engineering and design	6,096,014	3,832,897
Professional fees	2,342,355	1,139,782
Salaries and benefits (note 8)	1,982,525	1,572,123
Share-based payments (note 9)	1,471,685	2,520,173
Travel and accommodation	38,071	19,091
	12,572,705	9,931,626
Other (income) expense		
Interest income	(52,927)	(42,476)
Rent income	(13,714)	(13,714)
Finance cost for lease – plant site (note 6)	-	834,363
Finance costs of lease – head office premises (note 6)	48,498	61,232
Foreign exchange (gain) loss	(86,684)	44,266
Loss on shares for debt settlement (note 8)	-	138,634
Gain on extinguishment of plant site lease liability (note 6)	-	(6,226,118)
	(104,827)	(5,203,813)
Net loss for the year	12,467,878	4,727,813
Other comprehensive loss		
Unrealized loss on investments (note 5)	3,828	7,655
Total comprehensive loss for the year	12,471,706	4,735,468
Loss per share – basic and diluted	0.11	0.04
Weighted average number of shares outstanding – basic and diluted	113,769,987	105,597,787

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

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

	Share capital	Contributed surplus	Accumulated deficit	Unrealized 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 9)	14,978,038	(227,181)	-	-	14,750,857
Share issuance costs (note 9)	(1,067,983)	-	-	-	(1,067,983)
Share issuance costs – compensation options (note 9)	(333,995)	333,995	-	-	-
Share-based payments (note 9)	-	2,520,173	-	-	2,520,173
Loss for the year	-	-	(4,727,813)	-	(4,727,813)
Other comprehensive loss	-	-	-	(7,655)	(7,655)
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 9)	2,963,666	(72,349)	-	-	2,891,317
Share issuance costs (note 9)	(162,444)	-	-	-	(162,444)
Share-based payments (note 9)	-	1,471,685	-	-	1,471,685
Loss for the year	-	-	(12,467,878)	-	(12,467,878)
Other comprehensive loss	-	-	-	(3,828)	(3,828)
Balance as at December 31, 2022	98,689,674	13,234,699	(112,933,726)	38,276	(971,077)

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

ReGen III Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	2022 $	2021 $
Operating activities		
Net loss for the year	(12,467,878)	(4,727,813)
Adjustments for items not involving cash		
Amortization of right-of-use assets (note 6)	136,269	381,775
Share-based payments (note 9)	1,471,685	2,520,173
Accretion of government grant (note 7)	1,939	1,845
Lease interest – plant site (note 6)	-	834,363
Lease interest – head office premises (note 6)	48,498	61,232
Loss on shares for debt settlement (note 8)	-	138,634
Gain on extinguishment of plant lease liability (note 6)	-	(5,756,795)
	(10,809,487)	(6,546,586)
Net change in non-cash working capital		
Accounts receivable	5,043	114,628
Prepaid expenses	113,590	(184,278)
Accounts payable	348,555	(203,669)
Accrued liabilities	773,041	14,045
Accrued tax provision	(7,000)	6,000
Net cash flows used in operating activities	(9,576,258)	(6,799,860)
Financing activities		
Payment of lease liabilities (note 6)	(169,203)	(165,385)
Issuance of share capital (note 9)	2,891,317	14,411,973
Share issuance costs (note 9)	(162,444)	(1,067,983)
Net cash flows from financing activities	2,559,670	13,178,605
(Decrease) increase in cash during the year	(7,016,588)	6,378,745
Cash, beginning of the year	7,734,986	1,356,241
Cash, end of the year	718,398	7,734,986

Supplemental cash flow information (note 13)

The accompanying notes are an integral part of these consolidated 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 consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At December 31, 2022, the Company had a working capital deficit of $1,100,973, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2022, the Company reported a net loss of $12,467,878 and total comprehensive loss of $12,471,706 and as at December 31, 2022, had an accumulated deficit of $112,933,726. The Company has not generated revenues, and it is dependent on debt and equity financings to fund its development operations. Management of the Company believes that the current level of funds is not sufficient to pay for expected cash expenditures over the next 12 months. The recoverability of the underlying value of the Company's assets is entirely dependent on the Company's ability to obtain the necessary financing to complete development of the ReGen™ technology and future profitable production. 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 consolidated financial statements for the year ended December 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.

2. BASIS OF PREPARATION

Statement of Compliance

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

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

These consolidated financial statements for the year ended December 31, 2022 were approved and authorized for issue by the Board of Directors on April 28, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated 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.

(b) Foreign Currency Translation

The financial statements of each company within the consolidated group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the Canadian dollar. The functional currency of the Company's subsidiaries is indicated in the table in note 3 (a). These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Transactions and balances:

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

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

(c) Cash

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

(d) Deferred transaction costs

Deferred transaction costs consist of costs incurred to evaluate potential financings, and are recorded as financing costs included in the carrying value of debt and equity upon completion of related financings, and otherwise expensed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property and Equipment

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

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

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

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

(f) Impairment of Non-Financial Assets

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

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

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

(g) Financial Instruments

Financial Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

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

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

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

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

Financial Liabilities

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

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

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

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

Impairment of Financial Assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

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

(h) Rehabilitation Provision

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

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

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. As at December 31, 2022 the Company has not incurred any legal or constructive obligations that require a rehabilitation provision.

(i) Income Taxes

(i) Current income tax

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

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

(ii) Deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income Taxes (continued)

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Share Capital

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

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

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

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

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

(k) Loss Per Share

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

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

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

(l) Share-based Payments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Share-based Payments (continued)

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

When the value of goods or services received in exchange for the share-based payment cannot be reliably

estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

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

(m) Segmented Reporting

The Company operates in one segment, being the used motor oil refining business.

(n) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company has an office lease and had a plant lease for the Bowden plant (see note 6).

- <u>Right-of-use assets</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

- Lease liabilities

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

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

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

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

(o) Significant Accounting Estimates and Judgments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Significant Accounting Estimates and Judgments (continued)

Critical accounting estimates

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

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

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

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

Significant accounting judgements for Leases

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company applies significant judgments in determining its incremental borrowing rate used in calculating the present value of lease payments. The Company takes into account factors such as interest rates in borrowings that are similar in nature and term to its leases. The Company compares its incremental borrowing rate to the rate incurred by similar market participants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New and Amended Standards and Interpretations

The new and amended standards and interpretations that are issued and adopted, 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.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37.

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New and Amended Standards and Interpretations (continued)

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.

4. PROPERTY

The Company owns land with a carrying value of $8,328 as at December 31, 2022 and 2021.

5 INVESTMENTS

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

	$
December 31, 2020	49,759
Unrealized loss	(7,655)
December 31, 2021	42,104
Unrealized loss	(3,828)
December 31, 2022	38,276

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company had 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. These lease payments are discounted using a discount rate of 12%, which is the Company's incremental borrowing rate.

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

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

On February 1, 2018, the Company entered into a 20-year lease for the previously anticipated facility in Alberta (the "Parkland Lease"). Pursuant to a surrender and acceptance agreement between the Company and the lessor dated June 16, 2021 (the "Settlement Agreement"), the Parkland Lease was terminated, and the lease liability was extinguished. Material terms of the Settlement Agreement are as follows: (i) the Parkland Lease was immediately terminated; (ii) no further payments will be due or payable under the Parkland Lease, and any outstanding accrued payments have ceased to be payable; (iii) The lessor retained an initial $150,000 deposit paid by the Company, and returned to the Company $525,000 (including $25,000 GST) in respect of all other payments previously made under the Parkland Lease; (iv) the concurrent termination of the a purchase and sale agreement with Elbow River Marketing Ltd. for the majority of the Company's finished products from the previously anticipated facility in Alberta, with no further payments owing by either party thereto; and (v) the lessor and the Company providing mutual releases to each other in respect of the Parkland Lease. Accordingly, for the year ended December 31, 2021, the Company recorded a gain on extinguishment of plant site lease liability of $6,226,118 net of legal costs and finance charge of $30,677, and inclusive of a $500,000 cash settlement received.

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	(136,269)	-
Interest accretion – head office premises	-	48,498
Lease payments	-	(169,203)
Balance, as at December 31, 2022	295,251	337,670

	Right-of-Use-Assets $	Lease Liabilities $
Current portion of lease liabilities	-	125,711
Long-term portion of lease liabilities	-	211,959
Head office premises	295,251	-
Balance, as at December 31, 2022	295,251	337,670

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

The Company's outstanding lease payments on a calendar year basis as at December 31, 2022 are shown in the table below.

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

During the year ended December 31, 2022, the Company made $81,801 (2021 - $80,884) 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.

7. TERM LOAN

On June 11, 2020, the Company obtained an unsecured and interest free $40,000 term loan from the Government of Canada that was available for drawdown until December 31, 2020. On June 11, 2020, the Company drew down $40,000 of the term loan. As the term loan was not repaid by December 31, 2021, it was converted to a 2-year

unsecured and interest free term loan to be repaid by December 31, 2023. On December 31, 2023, the Company has the option to convert the term loan into a 3-year unsecured term loan at an annual interest rate of 5%. The remaining balance is to be paid in full no later than December 31, 2025. The balance of the loan may be repaid less a 25% forgiveness if repaid in full by December 31, 2023.

As the term loan is interest free, the Company recorded the present value of term loan using a discount rate of 5%, which is the implicit interest rate of the term loan. Accordingly, on June 11, 2020, the Company recorded $35,228 as the estimated fair value of the term loan and recognized $4,772 as government grant. Interest on the term loan will be accreted using the effective interest method with an interest rate of 5%. During the year ended December 31, 2022, the Company recognized $1,939 (2021 - $1,845) of accreted interest in general and administration. If the Company repays the term loan by December 31, 2023, the Company will recognize the difference between the carrying value of the loan and the amount repaid as government grant.

8. 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.

	Year ended December 31,	
	2022	**2021**
	$	**$**
Salaries to Key Management personnel	1,539,742	1,315,752
Professional fees to company controlled by a Director	57,500	88,000
Share-based payments to Key Management personnel	1,226,065	2,406,625
Total	2,823,307	3,810,377

Included in salaries to Key Management personnel for the year ended December 31, 2022, is $nil in bonuses paid (2021 - $150,000) for achieving financing milestones.

8. RELATED PARTY TRANSACTIONS (continued)

Included in accounts payable and accrued liabilities as at December 31, 2022 is $11,475 (December 31, 2021 - $7,500) of accrued directors' fees, $23,630 (December 31, 2021 - $14,963) of wages and professional fees payable to officers and directors and $5,023 (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, the 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.

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.

8. RELATED PARTY TRANSACTIONS (continued)

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.

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. 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 (note 9).

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.

9. SHARE CAPITAL

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

9. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued):

	Number of common shares	$
December 31, 2020	92,636,665	82,312,392
Issuance of share capital (note 8)	14,914,284	13,499,999
Shares for debt settlement (note 8)	513,460	338,883
Exercise of warrants (note 8)	1,443,156	446,655
Exercise of options (note 8)	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 8)	1,620,000	523,350
Share issuance costs	-	(162,444)
December 31, 2022	114,463,045	98,689,674

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 8).

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 8).
March 2021	$150,000	750,000	$0.20	Exercise of 750,000 stock options (note 8).
July 2021	$60,000	300,000	$0.20	Exercise of 300,000 stock options (note 8).
March 2021 to September 2021	$381,000	1,270,000	$0.30	Exercise of 1,270,000 warrants (note 8).
November 2021	$75,000	300,000	$0.25	Exercise of 300,000 stock options (note 8).
January 2022	$75,000	300,000	$0.25	Exercise of 300,000 stock options (note 8).
February 2022	$40,000	140,000	$0.20 & $0.80	Exercise of 120,000 stock options at $0.20 (note 9) and 20,000 stock options at $0.80.
March 2022	$300,000	1,000,000	$0.30	Exercise of 1,000,000 stock options.
July 2022	$36,000	180,000	$0.20	Exercise of 180,000 stock options (note 8).

9. 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 8).

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 8).

Stock options granted during the year ended December 31, 2022, and 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 8).
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 8).
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 (note 8).
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 (note 8).
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 (note 8).
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 8).
January 10, 2022	75,000	$1.77	January 10, 2024	Stock options granted to an officer that vest on April 10, 2022 (note 8).
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 8).

The aggregate fair value of the stock options granted during the year ended December 31, 2022 was $903,103 (2021 - $3,158,132). The fair value of the compensation stock options granted for the June 22, 2021 financing was $333,995 (2022 - $nil). The fair value of the stock options granted to employees was estimated at the grant date using the Black-Scholes Option Pricing Model. The fair value of the stock options granted to a non-employee, was recorded at the fair value of the goods and services received based on the reduction in the rate that the non-employee charged to the Company. In some cases, the Company is unable to reliably estimate the fair value of the goods and services received for stock options granted to other non-employees because the fees charged by those non-employees are at market rates with no allowance for stock options granted. In this case, the Company estimated the fair value of the stock options granted to those non-employees using the Black-Scholes Option Pricing Model.

9. SHARE CAPITAL (continued)

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

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

Inputs	Year ended December 31, 2022	2021
Risk free interest rate	1.07% - 2.52%	0.15% - 0.83%
Expected dividend yield	nil	nil
Expected annual volatility	83% - 98%	105% - 120%
Expected life	1.95 - 2 years	2 years
Forfeiture rate	0% - 16%	0% - 20%

A summary of the status of the Company's stock options as at December 31, 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	(1,620,000)	0.28
Outstanding – December 31, 2022	10,167,000	1.02

The following stock options were outstanding as at December 31, 2022:

Number of options	Exercise price per option $	Expiry date
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
10,167,000		

9. SHARE CAPITAL (continued)

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

The Company has the following stock options outstanding and exercisable:

December 31, 2022				
Options Outstanding			Options Exercisable	
Number of options at December 31, 2022	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price $	Number of options at December 31, 2022	Weighted Average Exercise Price $
10,167,000	0.40	1.02	9,367,000	0.98

December 31, 2021				
Options Outstanding			Options Exercisable	
Number of options at December 31, 2021	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price $	Number of options at December 31, 2021	Weighted Average Exercise Price $
10,712,000	1.17	0.83	8,837,000	0.68

(d) Warrants

On May 29, 2020, the Company completed a non-brokered private placement (the "Offering"). In connection with the closing of the Offering, the Company issued an aggregate of 2,773,659 Shares at a price of $0.15 per Share for gross proceeds of $416,049. The Company paid aggregate finder's fees of $26,873 and issued 173,156 Finder's Warrants in connection with subscriptions from subscribers introduced to the Offering by the finders. Each Finder's Warrant is exercisable to acquire one Share in the capital of the Company at an exercise price of $0.15 per Share until May 29, 2021, which is 12 months from the date of issuance. The fair value of $14,282 for the Finder's warrants was estimated at the grant date using the Black-Scholes Option Pricing Model.

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

Inputs	May 29, 2020
Risk free interest rate	0.26%
Expected dividend yield	nil
Expected annual volatility	127%
Expected life	1 year
Forfeiture rate	0%

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

9. SHARE CAPITAL (continued)

(d) Warrants (continued)

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

The following warrants were exercised:

Date	Gross proceeds received	Shares issued	Exercise price per share	Description
January 2021	$25,973	173,156	$0.15	Exercise of 173,156 warrants from issuance dated May 29, 2020
March 2021 to September 2021	$381,000	1,270,000	$0.30	Exercise of 1,270,000 warrants from issuance dated September 17, 2020
Total	$406,973	1,433,156		

A summary of the status of the Company's warrants as at December 31, 2022 and 2021 and changes during the period are as follows:

	Number of Warrants outstanding	Weighed average exercise price $
Outstanding – December 31, 2020	1,443,156	0.28
Warrants exercised during 2021	(1,443,156)	0.28
Outstanding – December 31, 2022 and 2021	-	-

(e) Reserves

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

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

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The Company's financial instruments at December 31, 2022 include cash, accounts receivable, investments, accounts payable and accrued liabilities and term loan.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The fair value of cash, 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

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** $
December 31, 2022:			
Cash	718,398	-	-
Accounts receivable	26,990	-	-
Investment in Coppermoly Ltd.	38,276	-	-
Accounts payable	514,474	-	-
Accrued liabilities	1,080,704	-	-
Term loan	-	-	40,000
December 31, 2021:			
Cash	7,734,986	-	-
Accounts receivable	32,033	-	-
Investment in Coppermoly Ltd.	42,104	-	-
Accounts payable	165,919	-	-
Accrued liabilities	307,663	-	-
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 is largely held in a Canadian financial institution and management believes that the credit risk with respect to financial instruments recorded on the Consolidated Statement of Financial Position at December 31, 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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 December 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 year ended December 31, 2022, the Company received $52,927 of interest income from banks. A 1% change in interest rate would affect income (loss) before tax of approximately $7,000. The Company's term loan does not carry an interest rate.

Liquidity risk – is the risk that the Company will be unable to meet its obligations as they become due. The Company manages its liquidity risk by implementing a budget, forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2022, the Company had $718,398 in cash, $1,990,889 in current liabilities and $211,959 in non-current liabilities.

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

Price risk – the Company is exposed to price risk with respect to commodity and equity pricing, and the investment in COY. The Company is exposed to changes in market prices and a sensitivity analysis suggests that a 10% change in COY share prices would affect other comprehensive income or loss by approximately $3,800 before tax.

11. 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 $98,689,674 and $211,959 of non-current liabilities as at December 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, 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 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.

12. 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™ 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 and 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.

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.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31,	
	2022	**2021**
	$	**$**
Operating activities		
Interest income received from banks	52,927	42,476
Total lease payments paid	251,004	246,270

14. INCOME TAX

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

	Year ended December 31, 2022	Year ended December 31, 2021
Canadian statutory tax rate	27.00%	27.00%
Loss for the year before tax	$ (12,467,878)	$(4,727,813)
Income tax recovery at statutory rates	(3,366,327)	(1,276,509)
Non-deductible (taxable) items	178,649	710,998
Deferred tax assets not recognized – change	2,696,559	237,635
Adjustment in respect of prior years	(80,477)	30,928
Difference in foreign tax rates	573,464	297,983
Other	(1,868)	(1,035)
Income tax recovery (expense)	$ -	$ -

The Company is utilizing the combined federal and British Columbia income tax rate of 27% as the applicable Canadian statutory tax rate for this fiscal year on the basis that this is the rate applicable to the Company, the combined Alberta income tax rate is no longer considered to be appropriate given the cancellation of the Alberta lease.

(b) Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits is dependent upon numerous factors, including the future profitability of operations in the jurisdictions in which the tax benefits arose. The Company derecognized certain capital losses in the year ended December 31, 2022.

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

	December 31, 2022	December 31, 2021
Non-capital losses	$ 36,956,081	$ 34,126,295
Capital losses	-	43,829,653
Other	19,004,591	9,647,716
	$ 55,960,672	$ 87,603,664

14. INCOME TAX (continued)

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

As at December 31, 2022, the Company has the following net operating losses, expiring in various years to 2042 and available to offset future taxable income in Canada.

2031	$ 1,200,000
2032	2,268,000
2033	2,412,000
2034	2,040,000
2035	1,868,000
2036	1,516,000
2037	4,655,000
2038	8,875,000
2039	4,913,000
2040	4,591,000
2041	-
2042	2,618,000
	$ 36,956,000

15. SUBSEQUENT EVENTS

(a) The Company received gross proceeds of $126,000 for the following:

Date	Gross proceeds received	Shares issued	Exercise price per share	Description
January 31, 2023	$126,000	200,000	$0.63	Exercise of 200,000 stock options

(b) The Company granted 2,000,000 stock options to the following:

Date of grant	Number of options granted	Exercise price per share	Expiry Date	Terms
February 6, 2023	2,000,000	$0.77	February 6, 2028	Stock options to directors that vest 90 days from date of grant.

15. SUBSEQUENT EVENTS (continued)

(c) The following options expired unexercised:

Number of options expired unexercised	Exercise price per share	Expiry Date
2,000,000	$0.63	February 2, 2023
1,080,000	$0.70	March 13, 2023
750,000	$0.85	March 19, 2023
200,000	$0.80	March 23, 2023
2,500,000	$0.80	April 1, 2023

(d) On March 16, 2023, the Company closed a non-brokered private placement financing (the "Offering"). The Company issued an aggregate of 3,692,502 units (the "Units") of the Company at a price of $0.75 per Unit for gross proceeds of $2,769,376. Pursuant to the Offering, each Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of $1.25 per share until March 16, 2025.

In connection with the closing of the Offering, the Company paid aggregate cash finders' fees of $3,330 for subscriptions processed through arm's length brokerage houses.

All securities issued in the Offering will be subject to a resale restriction expiring July 17, 2023, in accordance with applicable securities laws. The Offering was accepted by the TSX Venture Exchange on March 20, 2023.