

**ReGen III Corp.**

Condensed Consolidated Interim Financial Statements  
For the Three Months Ended March 31, 2023  
(Unaudited)  
(Expressed in Canadian dollars)

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(Unaudited)

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**For the Three Months Ended March 31, 2023****Page**

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

	March 31, 2023	December 31, 2022
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	2,669,525	718,398
Accounts receivable	26,940	26,990
Prepaid expenses	126,647	144,528
	2,823,112	889,916
<b>Property</b>	8,328	8,328
<b>Investments</b>	34,449	38,276
<b>Right-of-use assets (note 3)</b>	261,184	295,251
<b>Total assets</b>	<b>3,127,073</b>	<b>1,231,771</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable (note 4)	523,671	514,474
Accrued liabilities (note 4)	1,147,541	1,080,704
Lease liabilities (note 3)	131,274	125,711
Term loan	40,000	40,000
Accrued tax provision	234,000	230,000
	2,076,486	1,990,889
<b>Lease liabilities (note 3)</b>	169,419	211,959
<b>Total liabilities</b>	2,245,905	2,202,848
<b>Shareholders' (deficit) equity</b>		
<b>Share capital (note 5)</b>	101,320,784	98,689,674
<b>Contributed surplus</b>	13,898,773	13,234,699
<b>Accumulated deficit</b>	(114,372,838)	(112,933,726)
<b>Accumulated other comprehensive income</b>		
Unrealized gain on investments	34,449	38,276
<b>Total shareholders' equity (deficit)</b>	881,168	(971,077)
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>3,127,073</b>	<b>1,231,771</b>

Nature of operations and going concern (note 1)  
Commitments (notes 3, and 8)

Approved on behalf of the Board of Directors:

*"Greg Clarkes"*

Greg Clarkes, Director

*"Larry Van Hatten"*

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 and Comprehensive Loss

For the three months ended March 31, 2023 and 2022

(Unaudited)

(Expressed in Canadian dollars)

	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Expense</b>		
Amortization of right-of-use assets (note 3)	34,067	34,067
General and administration	96,661	99,888
Investor relations	26,639	33,337
Plant engineering and design	50,153	4,752,409
Professional fees	264,117	564,361
Salaries and benefits (note 4)	526,575	535,661
Share-based payments (note 5)	436,395	917,554
Travel and accommodation	7,166	12,856
	<b>1,441,773</b>	<b>6,950,133</b>
<b>Other (income) expense</b>		
Interest income	(10,952)	(8,886)
Rent income	(3,429)	(3,429)
Finance costs of lease – head office premises (note 3)	9,706	13,342
Foreign exchange loss (gain)	2,014	(23,994)
	<b>(2,661)</b>	<b>(22,967)</b>
<b>Net loss for the period</b>	<b>1,439,112</b>	<b>6,927,166</b>
<b>Other comprehensive loss</b>		
Unrealized loss on investments	3,827	-
<b>Total comprehensive loss for the period</b>	<b>1,442,939</b>	<b>6,927,166</b>
<b>Loss per share – basic and diluted</b>	<b>0.01</b>	<b>0.06</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>115,252,823</b>	<b>112,000,898</b>

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 loss on investments	Total
	\$	\$	\$	\$	\$
<b>Balance as at December 31, 2021</b>	95,888,452	11,835,363	(100,465,848)	42,104	7,300,071
Issuance of share capital (note 5)	472,383	(57,383)	-	-	415,000
Share-based payments (note 5)	-	917,554	-	-	917,554
Loss for the period	-	-	(6,927,166)	-	(6,927,166)
<b>Balance as at March 31, 2022</b>	96,360,835	12,695,534	(107,393,014)	42,104	1,705,459
Issuance of share capital (note 5)	2,491,283	(14,966)	-	-	2,476,317
Share issuance costs (note 5)	(162,444)	-	-	-	(162,444)
Share-based payments (note 5)	-	554,131	-	-	554,131
Loss for the period	-	-	(5,540,712)	-	(5,540,712)
Other comprehensive loss	-	-	-	(3,828)	(3,828)
<b>Balance as at December 31, 2022</b>	98,689,674	13,234,699	(112,933,726)	38,276	(971,077)
Issuance of share capital (note 5)	193,721	(67,721)	-	-	126,000
Issuance of units (note 5)	2,473,976	295,400	-	-	2,769,376
Share issuance costs (note 5)	(36,587)	-	-	-	(36,587)
Share-based payments (note 5)	-	436,395	-	-	436,395
Loss for the period	-	-	(1,439,112)	-	(1,439,112)
Other comprehensive loss	-	-	-	(3,827)	(3,827)
<b>Balance as at March 31, 2023</b>	101,320,784	13,898,773	(114,372,838)	34,449	881,168

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 three months ended March 31, 2023 and 2022  
(Unaudited)  
(Expressed in Canadian dollars)

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the period	(1,439,112)	(6,927,166)
Adjustments for items not involving cash		
Amortization of right-of-use assets (note 3)	34,067	34,067
Share-based payments (note 5)	436,395	917,554
Accretion of government grant	-	469
Lease interest – head office premises (note 3)	9,706	13,342
	(958,944)	(5,961,734)
Net change in non-cash working capital		
Accounts receivable	50	1,106
Prepaid expenses	17,881	112,328
Accounts payable	9,197	501,726
Accrued liabilities	66,837	(75,161)
Accrued tax provision	4,000	3,000
Net cash flows used in operating activities	(860,979)	(5,418,735)
<b>Financing activities</b>		
Payment of lease liabilities (note 3)	(46,683)	(30,196)
Share subscription (note 5)	-	340,000
Issuance of share capital (note 5)	2,895,376	415,000
Share issuance costs (note 5)	(36,587)	-
Net cash flows from financing activities	2,812,106	724,804
Increase (decrease) in cash during the period	1,951,127	(4,693,931)
Cash, beginning of the period	718,398	7,734,986
<b>Cash, end of the period</b>	<b>2,669,525</b>	<b>3,041,055</b>

Supplemental cash flow information (note 9)

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

## ReGen III Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

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### 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 March 31, 2023, the Company had a working capital of \$746,626, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the three months ended March 31, 2023, the Company reported a net loss of \$1,439,112 and total comprehensive loss of \$1,442,939 and as at March 31, 2023, had an accumulated deficit of \$114,372,838. 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 condensed consolidated interim financial statements for the three months ended March 31, 2023 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, 2023. 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, 2022, 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](http://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.

## ReGen III Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

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### 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 months ended March 31, 2023 were approved and authorized for issue by the Board of Directors on May 26, 2023.

#### (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 %	
			2023	2022
ReGen III (Alberta) Inc.	Alberta	Canadian dollar	100%	100%
ReGen III (USGC) Corporation	Delaware	Canadian dollar	100%	100%
RG3 Texas Holdings LLC	Delaware	US dollar	100%	100%
RG3 Texas LLC	Delaware	US dollar	100%	100%

The condensed consolidated interim 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

There are no significant recent accounting pronouncements applicable to the Company.

### 3. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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.



**ReGen III Corp.**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2023 and 2022**

(Expressed in Canadian dollars)

**3. 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, 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
Amortization	(34,067)	-
Interest accretion – head office premises	-	9,706
Lease payments	-	(46,683)
Balance, as at March 31, 2023	261,184	300,693

  

	Right-of-Use-Assets \$	Lease Liabilities \$
Current portion of lease liabilities	-	131,274
Long-term portion of lease liabilities	-	169,419
Head office premises	261,184	-
Balance, as at March 31, 2023	261,184	300,693

The Company's outstanding lease payments on a calendar year basis as at March 31, 2023 are shown in the table below.

	2023 \$	2024 \$	2025 \$
Office lease payments	142,131	192,978	2,082

During the three months ended March 31, 2023, the Company made \$21,200 (2022 - \$20,450) 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.

**4. 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.

**ReGen III Corp.**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2023 and 2022**

(Expressed in Canadian dollars)

**4. RELATED PARTY TRANSACTIONS (continued)**

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Salaries to Key Management personnel	379,049	398,901
Professional fees to company controlled by a Director	15,500	17,500
Share-based payments to Key Management personnel	436,395	684,985
<b>Total</b>	<b>830,944</b>	<b>1,101,386</b>

Included in accounts payable as at March 31, 2023 is \$11,484 (December 31, 2022 - \$11,475) of directors' fees, \$8,400 (December 31, 2022 - \$2,625) of professional fees payable to officers and directors and \$nil (December 31, 2022 - \$5,023) of expense reimbursements payable to officers and directors.

Included in accrued liabilities as at March 31, 2023 is \$26,335 (December 31, 2022 - \$21,005) of professional fees payable to a director.

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.

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 5).

The following stock options were granted to related parties:

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

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

**5. SHARE CAPITAL**

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

**ReGen III Corp.**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2023 and 2022**

(Expressed in Canadian dollars)

**5. SHARE CAPITAL (continued)**

(b) Issued and outstanding (continued):

	Number of common shares	\$
December 31, 2021	111,407,565	95,888,452
Issuance of share capital	1,435,480	2,440,316
Exercise of options (note 4)	1,620,000	523,350
Share issuance costs	-	(162,444)
December 31, 2022	114,463,045	98,689,674
Issuance of units	3,692,502	2,473,976
Exercise of options	200,000	193,721
Share issuance costs	-	(36,587)
March 31, 2023	118,355,547	101,320,784

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.

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.

The Company also issued common shares for the following:

Date	Gross proceeds received	Shares issued	Exercise price per share	Description
January 2022	\$75,000	300,000	\$0.25	Exercise of 300,000 stock options (note 4).
February 2022	\$40,000	140,000	\$0.20 & \$0.80	Exercise of 120,000 stock options at \$0.20 (note 4) 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 4).
January 2023	\$126,000	200,000	\$0.63	Exercise of 200,000 stock options

**ReGen III Corp.**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2023 and 2022**

(Expressed in Canadian dollars)

**5. SHARE CAPITAL (continued)**

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

Stock options granted during the three months ended March 31, 2023 and the year ended December 31, 2022, were as follows:

Date of grant	Number of options granted	Exercise price	Expiry date	Terms
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 4).
January 10, 2022	75,000	\$1.77	January 10, 2024	Stock options granted to an officer that vest on April 10, 2022 (note 4).
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 4).
February 6, 2023	2,000,000	\$0.77	February 6, 2028	Stock options to directors that vest 90 days from date of grant (note 4).

The aggregate fair value of the stock options granted during the three months ended March 31, 2023 was \$623,274 (2022 - \$777,604). The fair value of the stock options granted to employees was estimated at the grant date using the Black-Scholes Option Pricing Model. In some cases, the Company is unable to reliably estimate the fair value of the goods and services received for stock options granted to other non-employees because the fees charged by those non-employees are at market rates with no allowance for stock options granted. In this case, the Company estimated the fair value of the stock options granted to those non-employees using the Black-Scholes Option Pricing Model.

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

Inputs	Three months ended March 31,	
	2023	2022
Risk free interest rate	3.94%	1.07% – 1.08%
Expected dividend yield	nil	nil
Expected annual volatility	75%	96% - 98%
Expected life	1.96 years	1.96 - 2 years
Forfeiture rate	0%	0% - 16%

**ReGen III Corp.**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2023 and 2022**

(Expressed in Canadian dollars)

**5. SHARE CAPITAL (continued)**

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

A summary of the status of the Company's stock options as at March 31, 2023 and changes during the period are as follows:

	Number of options	Weighted average exercise price \$
Outstanding – December 31, 2021	10,712,000	0.83
Options granted	1,075,000	1.75
Options - exercised	(1,620,000)	0.28
Outstanding – December, 2022	10,167,000	1.02
Options granted	2,000,000	0.77
Options – exercised	(200,000)	0.63
Options - expired	(4,010,000)	0.71
Outstanding – March 31, 2023	7,957,000	1.13

The following stock options were outstanding as at March 31, 2023:

Number of options	Exercise price per option \$	Expiry date
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
2,000,000	0.77	February 6, 2028
7,957,000		

**ReGen III Corp.**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2023 and 2022**

(Expressed in Canadian dollars)

**5. SHARE CAPITAL (continued)**

## (d) Warrants

On March 16, 2023, the Company closed 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.

The Company used the residual value method to allocate the cash consideration received. Of the total proceeds, \$2,473,976 was allocated to the shares being the fair value of the shares (\$0.67 per share) and the residual of \$295,400 was allocated to the warrants.

A summary of the status of the Company's warrants as at March 31, 2023 and 2022 and changes during the period are as follows:

	<b>Number of Warrants outstanding</b>	<b>Weighed average exercise price \$</b>
Outstanding – December 31, 2022	-	-
Warrants granted	1,846,251	1.25
Outstanding – March 31, 2023	1,846,251	1.25

## (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.

**6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

## Fair Value of Financial Instruments

The Company's financial instruments at March 31, 2023 include cash, accounts receivable, investments, accounts payable and accrued liabilities and term loan.

The fair value of cash, accounts receivable, accounts payable, accrued liabilities and term loan 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.

**ReGen III Corp.**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2023 and 2022**

(Expressed in Canadian dollars)

**6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

## Fair Value Hierarchy

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

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

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

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

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

Financial Instruments	Level 1 \$	Level 2 \$	Level 3 \$
<b>March 31, 2023:</b>			
Cash	2,669,525	-	-
Accounts receivable	26,940	-	-
Investment in Coppermoly Ltd.	34,449	-	-
Accounts payable	523,671	-	-
Accrued liabilities	1,147,541	-	-
Term loan	-	-	40,000
<b>December 31, 2022:</b>			
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

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 March 31, 2023 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 March 31, 2023, the Company's holdings in foreign currencies are not material and exposure to currency risk is minimal.

## ReGen III Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

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### 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

**Interest rate risk** – is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest income is subject to bank deposit interest rates. During the three months ended March 31, 2023, the Company received \$10,952 of interest income from banks. A 1% change in interest rate would affect income (loss) before tax of approximately \$27,000. 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 March 31, 2023, the Company had \$2,669,525 in cash, \$2,076,486 in current liabilities and \$169,419 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 \$3,400 before tax.

### 7. 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 \$101,320,784 and \$169,419 of non-current liabilities as at March 31, 2023. 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.



## ReGen III Corp.

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### 8. 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 has engaged Raymond James & Associates Inc. (“Raymond James”), a subsidiary of Raymond James Financial, Inc. to act as an initial purchaser or placement agent to the Company for debt instruments or debt obligations issued by the Company to finance the Company’s Texas recycling project. The placement of these debt instruments may include the participation of commercial lenders and/or certain United States governmental agencies. The Company is obligated to reimburse expenses incurred by Raymond James for its services. In addition, the Company is obligated to pay US\$100,000 if the Company terminates this agreement after Raymond James completes an application for financing with certain United States governmental agencies but prior to closing.

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.

### 9. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2023	2022
	\$	\$
Operating activities		
Interest income received from banks	10,952	8,886
Total lease payments paid	67,883	50,646