ReGen III Corp.

MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2023

As at April 26, 2024

TABLE OF CONTENTS

Page

Introduction ... 1
Forward Looking Information ... 1
ReGen^{TM} Technology – Recycling Used Motor Oil ... 2
Annual and Fourth Quarter Results ... 11
Selected Annual Financial Information ... 13
Summary of Quarterly Financial Results ... 14
Liquidity, Capital Resources, Commitments and Contingencies ... 15
Off-Balance Sheet Arrangements ... 17
Transactions with Related Parties ... 18
Financial Instruments and Risk Management ... 20
Outstanding Share Data ... 22
Critical Accounting Estimates ... 22
Recent Accounting Pronouncements ... 23
Risks and Uncertainties ... 24

April 26, 2024

Introduction

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

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

This Management Discussion & Analysis ("MD&A") of the Company has been prepared by management as of April 26, 2024 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts referred to herein are in Canadian dollars unless otherwise stated.

The Company's address is Suite 1245 - 200 Granville St., Vancouver, B.C. V6C 1S4, Canada.

The Company acquired, on an exclusive basis in February 2017, technology ("ReGen™ technology") that enables the production of Group II and Group III base oils from the recycling (also known as "re-refining") of used motor oil. Group III oil is also known as "synthetic" motor oil and is used in higher-performance internal combustion and gas turbine engines. The Company currently holds eleven (11) ReGen™ patents that have been granted in North America, six (6) other ReGen™ patents that have been issued in India, Singapore and Malaysia, and two (2) patents that have been accepted in Egypt and Saudi Arabia. The Company also holds thirteen (13) additional ReGen™ patent applications worldwide that are pending.

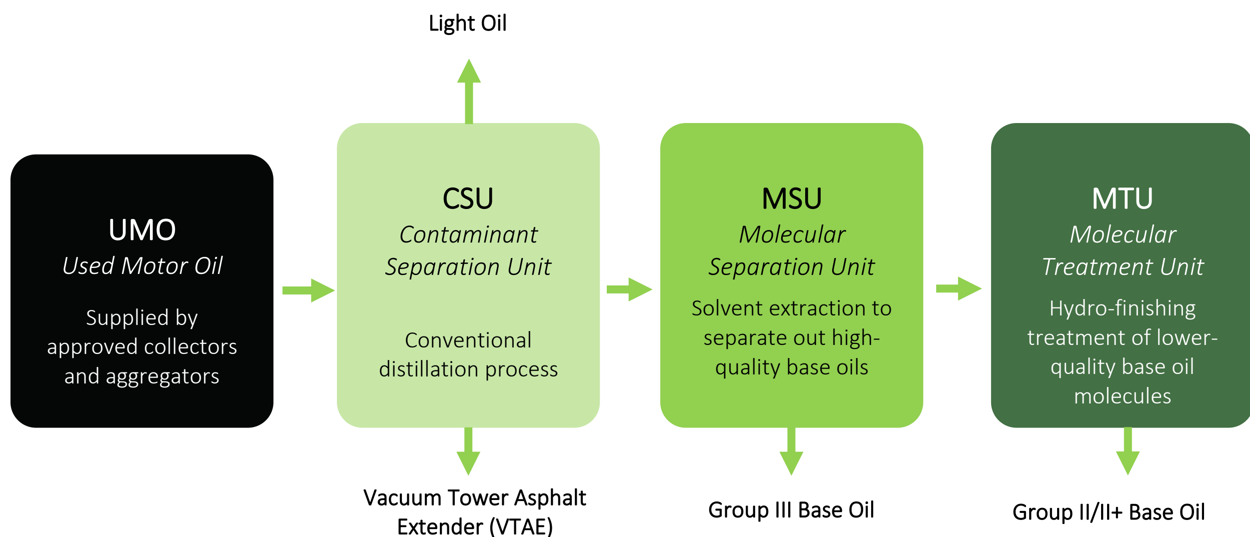
Forward Looking Information

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning applicable to Canadian legislation. These statements relate to future events or the future activities or performance of the Company, statements that involve financial projections, substantial known and unknown risks and uncertainties, certain of which are beyond the control of the Company. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are typically identified by words such as: may, would, could, will, likely, believe, expect, anticipate, intend, plan, estimate, postulate and similar expressions or which by their nature refer to future events and the negative form thereof. Forward-looking statements include, but are not limited to, the quantity and quality of the recycled products that might be produced; the cost of construction of the ReGen™ recycling facility; raising sufficient capital to support the business plan; the estimated operating costs for the facilities; the market for the finished products; the anticipated annual recurring revenue derived from those operations; and statements regarding expectations to enter into the oil recycling business.

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

or local government legislation or regulations regarding environmental factors, royalties, taxation or foreign investment, political or economic instability, terrorism, inflation, changes in currency exchange rates, fluctuations in commodity prices, delays in the development of projects, shortage of personnel with the requisite knowledge and skills, dependency on equity market financings to fund programs. In addition, forward-looking information is based on various assumptions including, among other things, the expectations and beliefs of management, the assumed long-term price of various commodities, the availability of permits and access to financing, equipment and labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or others.

ReGen™ Technology – Recycling Used Motor Oil



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

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

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

The ReGen™ technology recycles UMO to produce base oils (Group III synthetic grade and Group II and Group II+ base lubricating oil), light oil and vacuum tower asphalt extender ("VTAE") used in the roofing and road asphalt industries. Recycling UMO into base oils can be done repeatedly because the base oils used in passenger car motor oil formulations do not break down and are not consumed by an internal combustion engine, unlike UMO that is recycled into vacuum gas oil or other fuels.

The Company intends to use the ReGen™ process to recycle UMO into Group III (synthetic grade) base lubricating oils, which based on current US Gulf Coast ("USGC") domestic spot prices, sell for approximately 50% more than Group II base lubricating oils.

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

The ReGen™ technology process is a combination of traditional refining industry standard operations, combined in what the Company believes is a unique configuration, at specific design temperature and pressure settings, that results in the production of recycled base lubricating oils. The ReGen™ technology is capable of producing Group III (synthetic grade) motor oil in a commercial scale recycling operation. Traditional recycling facilities typically utilize a two-stage recycling process to produce Group I and Group II base lubricating oils. Hydrotreating is used extensively, which is energy intensive and consumes more hydrogen than a recycling process that utilizes the ReGen™ technology.

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

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

In December 2016, the Company entered into contracts for engineering studies with Stantec Consulting Ltd. ("Stantec") and WSP Canada Inc. ("WSP") to validate the prototype plant findings and in particular, the previously

modelled second stage design capability of the ReGen™ technology to produce approximately 45% to 53% Group III (synthetic grade) base oils from UMO feedstock in addition to Group II base lubricating oils, light oil and asphalt flux from the other two stages in the ReGen™ process.

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

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

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

Texas Facility

The Company reviewed and short-listed a number of properties along the Gulf Coast of the United States as the proposed site for the development and construction of a UMO recycling facility to use the ReGen™ technology. The Company selected a property in Texas City, Texas for its proposed facility (the "Texas Facility"). Based on a facility design capacity of 5,600 bpd of UMO, the Company estimates an output design capacity of 4,200 bpd to 4,400 bpd of base oil production from the proposed Texas Facility. This will amount to approximately 82 million US gallons of used lubricating oils processed per year.

On July 5, 2021, the Company entered into a non-binding letter of intent (the "Advario LOI") with Advario North America, LLC (formerly Oiltanking North America, LLC) ("Advario") with respect to the Texas Facility, setting forth the conceptual terms to guide further discussions between the Company and Advario regarding the provision of land and logistical assets for the construction and operation of the Texas Facility at the Advario Galveston County Terminal site ("AGAL"). At AGAL, Advario handles specialty chemicals and petrochemicals with more than 87,000 cubic meters of storage capacity on over 200 acres, providing ample room for expansion opportunities. The Company received a Letter of Readiness ("LOR") from Advario to proceed with the design and development of storage and logistics assets for used motor oil recycling at the Texas Facility. Advario has successfully completed work on the front-end loading ("FEL") FEL-2 engineering validation and received the final independent report from its engineers, Burns & McDonnell. Advario confirmed there will be no changes to the fees outlined in the LOI. Based upon the preliminary findings, Advario has notified the Company of its readiness to proceed to FEL-3.

The Company continues to advance contractual arrangements with Advario. Advario's FEL-3 engineering will progress equipment design and layout to develop a final cost estimate, a schedule estimate, and any critical decisions influencing the final design of the storage tanks, truck, rail and marine loading/unloading facilities and other logistics assets (collectively, the "Advario Assets"). Advario will effectively design, construct, operate, and maintain the Advario Assets to support the UMO recycling facility.

The LOI outlines:

- Advario developing the Advario Assets;
- Advario and ReGen III entering into a Terminal Services Agreement; and
- Advario and ReGen III entering a long-term ground lease for the UMO recycling facility.

The development of the Texas Facility is expected to take place once a final investment decision ("FID") is made. The preliminary steps planned prior to FID are outlined below and constitute FEL-2 and FEL-3 activities. FEL-2 is complete, and the Company is currently in the process of defining the FEL-3 budget and remaining scope, pursuing financing opportunities, and evaluating engineering, procurement and construction quotes to complete FEL-3. FID may be made prior to the completion of the preliminary steps.

Preliminary Steps	
FEL-2 for Stage 1	Completed
FEL-2 for Stage 2	Completed
FEL-2 for Stage 3	Completed
Front end engineering design for balance of plant and utilities (FEL-2 and FEL-3)	FEL-2 - Complete FEL-3 - Initiated
Geotech, survey, and other site services	Initiated
Permitting consultants	Ongoing
Project management, support, and execution services	Ongoing
Site enabling and approvals activities	Ongoing

The Company engaged Koch Project Solutions, LLC ("KPS") to complete engineering and design work. FEL-1 and FEL-2 of the process are complete, and a Value Engineering review has been conducted. KPS and the Company have prepared an interim project cost estimate, which will be used as the basis for the final project cost estimate prepared at the end of FEL-3. The execution plan for resumption of FEL-3 is being finalized.

At the end of FEL-3 and subject to a final agreement, an engineering, procurement and construction ("EPC") contractor is anticipated to lead the Company's engineering, construction, and vendor teams through the completion of detailed design, construction, commissioning, and start-up. The Company intends to wrap all elements of project delivery under an EPC contractor, providing the Company with a single point of responsibility for engineering, construction, commissioning, and start-up.

Other Facilities

Concurrent with development of the Texas Facility, the Company is exploring opportunities to develop ReGen™ UMO recycling facilities at other locations in Canada, the United States, Mexico, South America, Europe, Australia, and other markets. The Company is also investigating opportunities to license the ReGen™ technology to access non-core markets and to accelerate market penetration of ReGen™.

Offtake Agreement

On October 27, 2020, the Company signed a Letter of Intent ("BP LOI") with BP for the offtake of all of the Company's future production of Group II+ and Group III base oils from the proposed Texas Facility. On May 1, 2021, the Company entered into a definitive, multi-year offtake agreement with BP (the "BP Offtake Agreement"), superseding the BP LOI, whereby BP agreed to purchase 100% of the Texas Facility's Group III Base Oil production and to purchase, accept, and market 100% of the Texas Facility's Group II Base Oil. Based on a facility design capacity of 5,600 bpd of UMO, the Company estimates an output design capacity of 4,200 bpd to 4,400 bpd of base oil production from the proposed Texas Facility.

On April 3, 2023, BP notified the Company that it had terminated the BP Offtake Agreement due to BP's internal procedures and the Company not closing project financing by March 31, 2023. BP was permitted to terminate the BP Offtake Agreement if either: (i) the Company has not secured financing by December 31, 2021 which was extended to June 30, 2022 and then to March 31, 2023, for the total amount required to construct the Texas Facility; or (ii) commercial operations have not occurred within two years of the date by which the Company is required to secure the total amount of financing to construct the Facility.

The Company's Group III base oil has successfully passed rigorous testing by Afton Chemicals, Castrol, several majors, super-majors and global blenders. The Company's recycled products meet or exceed American Petroleum Institute standards. Since the end of Q1 2023 and in addition to the Company's own outreach, the Company has been approached by a broad spectrum of super-majors, majors, globally recognized lubricant blenders and international traders interested in advancing commercial base oils and ancillary by-products offtake arrangements and/or potential strategic equity investments at the project level. The Company has entered into non-disclosure agreements ("NDAs") with these parties and physical samples of ReGen III's Group III base oils have been sent to a number of these entities for in-house laboratory testing. The Company is continuing to receive positive test results, confirming Group III synthetic base oil status, from previous sample recipients and has not received notifications of any negative test results.

Building on prior, successful pilot study work completed by Koch Modular Process Systems ("Koch Modular"), in February 2024, Koch Modular commenced additional pilot testing at its Texas facilities. Koch Modular is a joint venture with Koch-Glitsch LP, one of the world's most prominent suppliers of mass transfer equipment. Koch-Glitsch's parent company is Koch Industries, one of the largest privately held corporations in the United States.

The primary purpose of this work is to generate samples of modified base oil products requested by major offtake purchasers. The pilot study is expected to be concluded in May 2024, at which time, the Company expects to deliver additional samples to interested offtake parties. In addition to generating more samples, Koch Modular's pilot studies on the MSU are expected to further validate feedstock properties, optimize yields of critical offtake products, and re-confirm the API properties of the Company's base oil products, all of which will be critical to the Company's ongoing discussions with offtake parties.

While the Company believes these discussions should lead to a material outcome, the completion of an offtake agreement or strategic equity investment will be subject to satisfactory sample testing, due diligence review and the negotiation/execution of a definitive agreement. There can be no assurance that a transaction will be completed.

UMO Supply

The Company prepared and secured non-binding UMO feedstock supply letters of intent (each, a "UMO LOI") in excess of 44 million gallons annually and continues to negotiate further UMO LOIs in excess of the full UMO feedstock requirements of the Texas Facility. These UMO LOIs provide supply coverage of UMO feedstock for periods of two to five years per supplier and outline key commercial terms, including UMO specifications, pricing terms, and delivery terms. Commercially sensitive and confidential negotiations are ongoing and are expected to continue with each of the interested vendors pursuant to the UMO LOIs in parallel with ongoing financing discussions, with the intention to enter into binding feedstock supply contracts on terms that are agreeable to the Company. The Company does not yet have any formal supply agreements in place.

GHG Credits

Based on conversations with the Company's greenhouse gas qualification consultants, Radicle (formerly Carbon Credit Solutions Inc.), GHD Group PTY Ltd. ("GHD"), and ClearBlue Markets ("ClearBlue"), the Company expects that the ReGen™ technology may qualify for greenhouse gas credits. In June 2022, GHD completed its Lifecycle Assessment study ("LCA") for the Company's proposed 5,600 bpd Texas Facility. In its report, GHD used greenhouse gas ("GHG") lifecycle analysis to compare the global warming impact of ReGen III's process to the production and end of life scenarios of base oils. Based on GHD's Scope 1-3 emissions analysis, GHD concluded that the lifecycle of carbon dioxide equivalent ("CO_2e") emissions from the Company's ReGen™ process are expected to be 82% lower than traditionally refined base oils combusted at end of life. Furthermore, GHD stated that using the ReGen™ process may reduce up to 903,000 mt CO_2e / year from entering the atmosphere by preventing combustion at end-of-life and by producing base oils more efficiently than the equivalent production from virgin crude oil. This would be the equivalent of removing 195,000 passenger vehicles from the road for a year based on the United States Environmental Protection Agency's GHG equivalency calculator.

Based on these findings, the Company continues to explore opportunities to monetize GHG credits from its Texas facility; in February 2024, ReGen III engaged ClearBlue Markets, an award-winning environmental consultancy firm, to complete an initial feasibility study on ReGen III's eligibility for voluntary greenhouse gas offset credits. As part of its feasibility assessment, ClearBlue evaluated applicable methodologies, conducted high-level additionality tests, and estimated potential GHG credit volumes under various methodologies. Based on its analysis, ClearBlue concluded that the monetization of GHG credits is feasible at present and prepared a framework outlining the high-level steps to monetize voluntary GHG credits.

Financing Update

Equity and Debt Financing

The Company closed the first and second tranches of a non-brokered private placement on April 8, 2022 and April 11, 2022, respectively. In aggregate, the Company issued 1,435,480 shares at a price of $1.70 per share for gross proceeds of $2,440,316.

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.

On November 17, 2023 and December 20, 2023, the Company closed the first tranche of 2,355 Convertible Debenture Units (the "Units") and second tranche of 645 Units at a price of $1,000 per Unit for aggregate gross proceeds of $3,000,000, pursuant to its non-brokered private placement (the "Placement") announced on October 30, 2023 for up to $5,000,000 of Units. The Company paid finder fees of $117,750 in cash.

Each Unit consists of $1,000 in principal amount of unsecured convertible debenture (a "Debenture") and 1,000 common share purchase warrants (a "Warrant"). Each Warrant is exercisable to purchase one common share at a price of $0.55 for a period of 24 months after closing.

The Debentures have a term of 24 months and will accrue interest at a rate of 14% per annum, payable in arrears on a semi-annual basis, and on maturity. After 12 months, the Company may, subject to the prior approval of the TSX Venture Exchange (the "Exchange"), elect to pay outstanding interest in common shares ("Interest Shares") at a price per share equal to the greater of (i) the volume weighted average price of the common shares on the Exchange for the five (5) trading days prior to the date such interest is due, and (ii) the Discounted Market Price (as defined by the Exchange) at that time.

The Debentures will be convertible at the option of the holder into common shares at a price of $0.55 per common share. After four (4) months, the Company may redeem the Debentures in whole or in part by payment of 115% of the principal amount being redeemed, in cash, together with payment of any accrued but unpaid interest on the principal amount being redeemed, in cash or Interest Shares or a combination thereof.

Brad White, a director of the Company, acquired ownership or control of 145 Units, and which if immediately converted and exercised respectively as of closing, would result in the issue of 408,636 common shares of the Company.

Project Financing

a) <u>Export Development Canada</u>

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

On March 24, 2022, the Company entered into an agreement with EDC to engage independent engineering consultants to complement its in-house technical team's due diligence process for the proposed EDC loan. The Company, in conjunction with EDC, has also selected an independent market advisor.

b) Private Equity Firm

On February 3, 2022, the Company announced that the Company and a U.S. based multi-billion-dollar, green energy infrastructure focused, private equity firm ("PE Firm"), subject to the signing of the definitive agreements, had reached an equity agreement for the development, construction, financing and ownership of the Company's Texas used lubricating oils recycling facility and a partnership framework for financing future projects. According to the terms of a non-binding letter of intent signed on July 26, 2022, the PE Firm's designated affiliate will commit a minimum of US$75 million up to a maximum of US$150 million in the Company's Texas recycling project. In return, the PE Firm will receive a 14.4% preferred return on funds invested plus 50% ownership in the project (the "Project-Level Financing"). Upon closing of the Project-Level Financing, the PE Firm's affiliate will appoint a yet to be determined number of directors to the Texas project holding company.

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

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

At the conclusion of the technical due diligence process, five draft definitive agreements were received from the PE Firm. Final terms have not yet been agreed to on a handful of remaining clauses contained in the draft Definitive Agreements. In order to provide efficient corporate structures for debt and equity investments at the Texas project level, the Company established two US subsidiaries: (1) the Texas project operations unit, RG3 Texas LLC; and (2) the investment holding unit, RG3 Texas Holdings LLC, where project-level funding from the Company, the PE Firm and the debt providers will be contributed.

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

c) National Bank Financial Inc.

National Bank Financial Inc. has been engaged on a non-exclusive basis to provide financial advisory and investment banking services in support of existing and proposed project-level financing structures. National Bank Financial Inc. will also advise and assist the Company with the evaluation and execution of other strategic opportunities. National Bank Financial Inc. is a wholly owned subsidiary of National Bank of Canada, a leading, full service Canadian financial institution.

d) Raymond James

The Company has engaged Raymond James & Associates Inc. ("Raymond James"), a subsidiary of Raymond James Financial, Inc. to assist the Company in identifying and pursuing acquisition opportunities and may provide other financial advisory services in connection with such acquisitions as requested by the Company and 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 services to be provided by Raymond James are over and above the existing debt proposals the Company received from lenders such as EDC.

Following a detailed pre-application consultation process between August 2023 and February 2024, ReGen III, on behalf of its subsidiary RG3 Texas LLC, submitted its Part I application to the U.S. Department of Energy (“DOE”) Loan Programs Office (“LPO”) under the Title 17 Clean Energy Financing Program (“Title 17”). With funding available through the Inflation Reduction Act (“IRA”) of 2022, LPO can finance projects in the United States that support clean energy deployment and energy infrastructure reinvestment to reduce greenhouse gas emissions and air pollution. Following its Part I submission, the Company received and responded to multiple rounds of follow-up questions from LPO, whose review is ongoing. Should RG3 Texas LLC’s Part I application be accepted, the submission and acceptance of a Part II application would be required to proceed to lender due diligence.

In addition to the LPO, the Company is exploring other incentives available to clean technology projects.

Annual and Fourth Quarter Results

Variance Analysis

The following table sets forth selected expense items that have significant variances between the three months and year ended December 31, 2023 and 2022.

	Three months ended December 31,		Year ended December 31	
	2023	2022	2023	2022
	$	$	$	$
General and administration	135,657	105,711	506,146	407,536
Plant engineering and design	68,776	128,383	289,954	6,096,014
Professional fees	134,145	902,117	881,737	2,342,355
Salaries and benefits	501,120	453,374	2,202,429	1,982,525
Share-based payments	428,113	109,313	1,425,306	1,471,685

General and administration – The year-to-date increase was mainly due to commission fees paid to realtors, various costs related to the move to the new head office premises, and property maintenance fees for both of the old and new head office premises. The former head office was subleased and the recovery of the property maintenance fees was recognized in other income.

Plant engineering and design – Since the activities for FEL-2 were completed, the fees in the current periods were lower than the fees in the comparative periods.

Professional fees – The decrease in professional fees was mainly due to the decrease in consulting and legal fees for the proposed USGC facility.

Salaries and benefits – The increase was mainly due to the addition of a new staff and a new director.

Share-based payments – The variance was due to the timing, number and vesting periods of options granted. The fair value of the stock options was estimated at the grant date using the Black-Scholes Option Pricing Model, or if determinable, the fair value of the services provided.

For the three months and year ended December 31, 2023 and 2022, the Company recognized the following other income and other expense in its consolidated statement of comprehensive loss:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
	$	$	$	$
Interest income	(16,417)	(12,522)	(65,760)	(52,927)
Forgiveness of government grant	(10,000)	-	(10,000)	-
Rent income	(28,916)	(3,428)	(36,700)	(13,714)
Finance income from lease – head office premises	(6,173)	-	(9,237)	-
Finance cost of lease – head office premises	13,024	10,733	41,191	48,498
Write-off due to sublease	7,299	-	7299	-
Foreign exchange gain	(23,505)	(58,227)	(23,505)	(86,684)
Interest on convertible debentures	42,051	-	42,051	-
Transaction costs	130,524	-	130,524	-
Loss on fair value re-measurement of convertible debentures	159,836	-	159,836	-

Use of Proceeds from Financings

On June 22, 2021, the Company completed a short form prospectus financing of 9,200,000 shares at a price of $1.25 per common share and received cash proceeds of $10,719,840 compared to $9,456,250 that was expected before the overallotment option exercised by the underwriters of the financing. This resulted in the receipt of an additional $1,263,590 in cash. The table below provides an update of the use of funds as at March 31, 2024.

Description	**Original Expected Use ($)**	**Actual Spent ($)**
Texas Facility		
Engineering for Contaminant Separation Unit (Stage 1)	1,412,000	538,638
Engineering for Molecular Separation Unit (Stage 2)	1,312,100	1,185,375
Engineering for Molecular Treatment Unit (Stage 3)	749,760	696,396
Front end engineering design for process support infrastructure	2,499,200	3,923,847
Geotech, survey, and other site services	187,440	176,248
Permitting consultants	124,960	68,353
Project management, support, and execution services	1,191,140	1,880,662
Site enabling and approvals activities	162,400	8,188
Corporation's Engineering Oversight Team	400,000	1,024,304
Site agreements and legal services	250,000	7,155
Offering expenses	300,000	269,806
Selling, General & Administrative Expenses	867,250	184,939
Cash received from the exercise of overallotment option	1,263,590	-
Total	**$10,719,840**	**$9,963,911**

FEL-2 is complete and, based on the additional engineering completed, the Company is in the process of negotiating an updated budget for the completion of FEL-3. Due to design scope changes identified during FEL-2, it is anticipated the budget for completion of FEL-3 will be increased and incorporated in ongoing financing initiatives.

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. The net proceeds of $2,732,789 are to be used for advancing on FEL-3, supporting the Company's ongoing due diligence processes being undertaken by various equity and debt providers and for general working capital and other corporate purposes. To date, the Company has spent $69,847 for plant engineering and design, and $2,662,942 for general corporate purposes.

On November 17, 2023 and December 20, 2023, the Company completed the Placement for gross proceeds of $3,000,00. The Company intends to use the net proceeds of $2,882,250 from the placement to advance the Company's plant engineering and design, including consulting studies, for general working capital, and to evaluate potential mergers and acquisitions. To date, the Company has spent $47,477 for plant engineering and design, and $2,241,231 for general corporate purposes.

Selected Annual Financial Information

The following table summarizes selected financial data reported by the Company for the periods indicated. The information set forth in the table should be read in conjunction with the audited consolidated financial statements and notes, prepared in accordance with IFRS for the periods indicated.

	Year ended December 31,		
	2023	**2022**	**2021**
	$	**$**	**$**
Consolidated Statements of Comprehensive Loss:			
Expense	5,576,087	12,572,705	9,931,626
Other expense (income)	235,699	(104,827)	(5,203,813)
Loss before income taxes	5,811,786	12,467,878	4,727,813
Deferred income tax recovery	(161,501)	-	-
Net loss for the year	5,650,285	12,467,878	4,727,813
Other comprehensive (income) loss	(3,828)	3,828	7,655
Total comprehensive loss for the year	5,646,457	12,471,706	4,735,468
Loss per share – basic and diluted	0.05	0.11	0.04
Consolidated Statements of Financial Position:			
Total assets	2,683,651	1,231,771	8,507,089
Total liabilities	4,613,072	2,202,848	1,207,018

Expense – The increase in expense in 2022 was mainly due to costs for plant engineering, consulting and legal services for the proposed USGC facility. Since the activities for FEL-2 were completed, there was a decrease in expense in 2023. The fluctuation in expense was also due to the timing, number and vesting of options granted and amended in the year.

Other expense (income) – The Company adopted IFRS 16 Leases with the date of initial application of January 1, 2019. As a result, the Company recorded rent income, finance income from lease – head office premises, finance cost for lease – plant site and head office premises in other expense since the adoption. In connection with the convertible debentures, the Company recognized accrued interest of $42,051, transaction costs of $130,524 and a loss on fair value re-measurement of $159,836 in 2023. Pursuant to the Settlement Agreement in 2021, the Parkland Lease was terminated. The Company recorded a gain on extinguishment of plant site lease liability of $6,226,118 in 2021 net of legal costs and finance charge of $30,677, and inclusive of a $500,000 cash settlement received.

Deferred income tax recovery – Deferred income tax recovery was recognized on the equity components of the convertible debentures.

Other comprehensive (income) loss – The fluctuation was related to the fair value movements of investments. Unrealized gains and losses were recognized in other comprehensive (income) loss.

Total assets – The increase in 2023 was mainly due to cash inflow from financing and the investment in sublease. The decrease in 2022 was mainly due to cash used for the proposed USGC facility and for general corporate purposes,

offset by cash inflow from financing. Pursuant to the Settlement Agreement in 2021, the Parkland Lease was terminated resulting in a reduction of $8,850,050 in right-of-use assets.

Total liabilities – The increase in 2023 was mainly due to the convertible debentures. The increase in 2022 was due to accruals and accounts payable outstanding at year end.

Summary of Quarterly Financial Results

The following table provides selected financial information of the Company for each of the last 8 quarters presented in accordance with IFRS.

	For the Quarters Ended			
	December 31, 2023 $	September 30, 2023 $	June 30, 2023 $	March 31, 2023 $
Financial Results:				
Expense	1,323,906	1,504,909	1,305,499	1,441,773
Other (income) expense	260,424	18,004	(40,068)	(2,661)
Loss before income taxes	1,584,330	1,522,913	1,265,431	1,439,112
Deferred income tax recovery	(161,501)	-	-	-
Net loss	1,422,829	1,522,913	1,265,431	1,439,112
Basic and diluted loss per share	0.01	0.01	0.01	0.01

	For the Quarters Ended			
	December 31, 2022 $	September 30, 2022 $	June 30, 2022 $	March 31, 2022 $
Financial Results:				
Expense	1,750,009	1,348,377	2,524,186	6,950,133
Other (income) expense	(63,444)	(25,899)	7,483	(22,967)
Net loss	1,686,565	1,322,478	2,531,669	6,927,166
Basic and diluted loss per share	0.01	0.01	0.02	0.06

The decrease in expenses for the quarter ended December 31, 2023 was due to the decrease in professional fees for the proposed Texas Facility. The increase in expenses for the quarter ended September 30, 2023 was due to the increase in professional fees for the proposed Texas Facility. The decrease in the expenses for the quarter ended June 30, 2023 was due to the decrease in consulting and professional fees for the proposed Texas Facility, offset by the increase in accrued wages to a former officer as per an employee settlement agreement. The decrease in the expenses for the quarter ended March 31, 2023 was due to the decrease in professional fees for the proposed Texas Facility. The increase in expenses for the quarter ended December 31, 2022 was due to transaction costs related to potential financings that was expensed in accordance with the Company's accounting policy. The decrease in expenses for the quarters ended September 30, 2022 and June 30, 2022 was mainly due to the decrease in engineering and consulting services for the proposed Texas Facility. The increase in expenses for the quarter ended March 31, 2022 was mainly due to engineering and consulting services for the proposed Texas Facility. In addition, there were increases in financial advisory and business development services, accounting and audit fees and legal fees.

The increase in other expenses for the quarter ended December 31, 2023 was due to the convertible debentures (accrued interest payable, transaction costs and loss on fair value re-measurement). Other expenses increased for the September 30, 2023 quarter mainly due to lower bank interest income and higher foreign exchange loss. Other

income increased for the December 31, 2022 quarter mainly due to foreign exchange gains compared to foreign exchange losses for the March 31, 2023 quarter.

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the three months ended December 31, 2023, cash increased by $1,711,675. The increase was mainly due to net cash of $2,967,369 received from the Placement, cash received from investment in sublease of $38,526 and cash received from deferred rent liability of $24,363 offset by $1,227,912 of cash used in operating activities, payment of $60,671 for lease liabilities, and payment of term loan of $30,000. During the year ended December 31, 2023, cash increased by $1,430,948. The increase was due to net cash proceeds from issuance of share capital of $2,858,789, net cash proceeds of $2,967,369 from the Placement, cash received from investment in sublease of $68,491 and cash received from deferred rent liability of $36,146 offset by $4,254,157 of cash used in operating activities, payment of $215,690 for lease liabilities, and payment of term loan of $30,000.

As at December 31, 2023, the Company had a working capital of $547,325 comprised of cash of $2,149,346, accounts receivable of $26,805 prepaid expenses of $134,276 and investment in sublease of $115,650, offset by accounts payable of $279,093, accrued liabilities of $1,135,821, lease liabilities of $200,475, deferred rent liability of $24,363 and accrued tax provision of $239,000.

On March 16, 2023, the Company issued an aggregate of 3,692,502 Units of the Company at a price of $0.75 per Unit for gross proceeds of $2,769,376. 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 paid aggregate cash finders' fees of $3,330 for subscriptions processed through arm's length brokerage houses.

On November 17, 2023 and December 20, 2023, the Company closed the first tranche of 2,355 Units and second tranche of 645 Units at a price of $1,000 per Unit for aggregate gross proceeds of $3,000,000. The Company paid finder fees of $117,750 in cash.

Each Unit consists of $1,000 in principal amount of Debenture and 1,000 Warrants. Each Warrant is exercisable to purchase one common share at a price of $0.55 for a period of 24 months after closing.

The Debentures have a term of 24 months and will accrue interest at a rate of 14% per annum, payable in arrears on a semi-annual basis, and on maturity. After 12 months, the Company may, subject to the prior approval of the Exchange, elect to pay outstanding interest in Interest Shares at a price per share equal to the greater of (i) the volume weighted average price of the common shares on the Exchange for the five (5) trading days prior to the date such interest is due, and (ii) the Discounted Market Price (as defined by the Exchange) at that time.

The Debentures will be convertible at the option of the holder into common shares at a price of $0.55 per common share. After four (4) months, the Company may redeem the Debentures in whole or in part by payment of 115% of the principal amount being redeemed, in cash, together with payment of any accrued but unpaid interest on the principal amount being redeemed, in cash or Interest Shares or a combination thereof.

Going Concern

The Company's consolidated financial statements for the year ended December 31, 2023 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, 2023, the Company had a working capital of $547,325, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2023, the Company reported a net loss of $5,650,285 and a total comprehensive loss of $5,646,457 and as at December 31, 2023, had an accumulated deficit of $118,584,011. 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 for the Company to execute its business plan and there are no assurances that the Company will have sufficient funds for this purpose. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's consolidated financial statements for the year ended December 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.

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 $2,734,319 of non-current liabilities, share capital of $101,320,784 and accumulated deficit of $118,745,512 as at December 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, monitoring, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

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

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

Contractual Obligations and Contingencies

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

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

The Company has engaged Raymond James & Associates Inc. ("Raymond James"), a subsidiary of Raymond James Financial, Inc. to assist the Company in identifying and pursuing project-level acquisition opportunities and may provide other financial advisory services in connection with such acquisitions as requested by the Company and 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 obligated to reimburse Raymond James for expenses incurred in connection with the services provided.

The Company has engaged National Bank Financial Inc. to provide financial advisory and investment banking services in support of existing and proposed project-level financing structures, National Bank Financial Inc. will also advise and assist the Company with the evaluation and execution of other strategic opportunities. The Company is obligated to reimburse expenses incurred by National Bank Financial Inc. for its services.

On August 11, 2023, the Company entered into an agreement to sublease its existing office premises for 1.5 years where the Company will receive $12,842 as monthly basic rent commencing on September 21, 2023. The Company currently pays $15,792 monthly basic rent increasing to $16,139 commencing in March 2024. The Company also entered into an agreement to sublease its new office premises for three years commencing on October 1, 2023 where the Company will pay a monthly basic rent of $6,647 in year one, $6,792 in year two and $6,936 in year three. The Company will also pay and receive its proportionate share of monthly common area costs in connection with these subleases.

The Company's commitments for leases and Debentures on a calendar year basis as at December 31, 2023 are provided in the table below.

	2024	2025	2026	Total
	$	$	$	$
Office lease payments	273,176	84,014	55,488	412,678
Debentures	-	3,000,000	-	3,000,000
Total	273,176	3,084,014	55,488	3,412,678

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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

	Year ended December 31,	
	2023	**2022**
	$	**$**
Salaries to Key Management personnel	1,793,121	1,539,742
Professional fees to company controlled by a Director (Larry Van Hatten)	44,500	57,500
Share-based payments to Key Management personnel	1,392,766	1,226,065
Total	3,230,387	2,823,307

Included in accounts payable as at December 31, 2023 is $31,215 (December 31, 2022 - $11,475) of directors' fees, $2,625 (December 31, 2022 - $2,625) of professional fees payable to officers and directors and $30,061 (December 31, 2022 - $5,023) of accrued expense reimbursements payable to officers and directors (see table below).

Related Party Accounts Payable	**December 31, 2023**	**December 31, 2022**
	$	**$**
Jose Luis Salinas Lanfranco – Director's fee	7,417	7,616
Catherine Banat – Director's fee	2,475	2,505
Catherine Banat – Committee fee	1,323	1,354
Brad White – Director's fee	20,000	-
Total directors' fees payable	31,215	11,475

Related Party Accounts Payable	**December 31, 2023**	**December 31, 2022**
	$	**$**
Larry Van Hatten – Consulting fees	2,625	2,625
Total professional fees payable to officers and directors	2,625	2,625

Related Party Accounts Payable	December 31, 2023	December 31, 2022
	$	$
Greg Clarkes (Chief Executive Officer)	28,290	644
Larry Van Hatten (Director)	1,771	999
Kimberly Hedlin (Vice President Corporate Finance)	-	3,380
Total expense reimbursements payable to officers and directors	30,061	5,023

Included in accrued liabilities as at December 31, 2023 is $21,280 (December 31, 2022 - $21,005) of professional fees payable to a director (Catherine Banat).

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

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

On July 27, 2022, 180,000 common shares were issued to Mark Redcliffe, President, for the exercise of stock options for gross proceeds of $36,000.

On November 17, 2023, the Company closed the first tranche of 2,355 Units and on December 20, 2023, the second tranche of 645 Units. Brad White, a director of the Company, acquired ownership or control of 145 Units, and which if immediately converted and exercised respectively as of closing, would result in the issue of 408,636 common shares of the Company.

The following options that were granted to officers and directors expired unexercised:

Number of options expired unexercised	Exercise price per share	Expiry Date
2,000,000 (1,500,000 Greg Clarkes 500,000 Larry Van Hatten – directors)	$0.63	February 2, 2023
1,080,000 (720,000 Greg Clarkes 360,000 Larry Van Hatten – directors)	$0.70	March 13, 2023
750,000 Bob Rennie (director)	$0.85	March 19, 2023
2,200,000 (1,500,000 Greg Clarkes 700,000 Larry Van Hatten – directors)	$0.80	April 1, 2023
600,000 Tom Lawlor (Chief Operating Officer)	$1.23	August 25, 2023
600,000 (Stephen Martin – former Chief Financial Officer)	$1.79	September 20, 2023
600,000 (Jose Luis Salinas Lanfranco – director)	$1.69	October 7, 2023
675,000 (Catherine Banat, a director (600,000) and Christina Boddy, Corporate Secretary (75,000)	$1.77	January 10, 2024
200,000 (Kimberly Hedlin, Vice President, Corporate Finance)	$1.64	April 19, 2024

The following stock options were granted to related parties:

Date of grant	Number of options granted	Exercise price per share	Expiry Date	Terms
January 10, 2022	675,000	$1.77	January 10, 2024	Stock options granted to Catherine Banat, a director (600,000) and Christina Boddy, Corporate Secretary (75,000). The stock options vest 90 days from date of grant.
April 19, 2022	200,000	$1.64	April 19, 2024	Stock options granted to Kimberly Hedlin, Vice President, Corporate Finance, that vest in two equal tranches after nine and eighteen months from the date of grant.
February 6, 2023	2,000,000	$0.77	February 6, 2028	Stock options that fully vest 90 days from the grant date were granted to Greg Clarkes, director & officer (1,500,000), Larry Van Hatten, director (500,000).
July 17, 2023	500,000	$0.75	July 17, 2028	Stock options granted to Christine O'Grady, EVP, Supply, Origination and Business Development, 250,000 of which vest upon signing of a base oils offtake agreement, 125,000 of which vest on July 17, 2024 and 125,000 of which vest on July 17, 2025.
August 29, 2023	6,480,000	$0.75	August 29, 2028	Stock options granted to directors and officers that vest 90 days from date of grant. The following stock options were granted: Greg Clarkes — Director & officer — 2,420,000 Larry Van Hatten — Director — 860,000 Bob Rennie — Director — 750,000 Brad White — Director — 700,000 Mark Redcliffe — President — 750,000 Rick Low — CFO — 350,000 Kimberly Hedlin — Vice President, Corporate Finance — 50,000 Tom Lawler — COO — 600,000

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.

Financial Instruments and Risk Management

Fair Value of Financial Instruments

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

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 Coppermoly Ltd. ("COY") shares was based on the closing prices of those shares on Australian Stock Exchange. The fair value of Debentures is carried at their fair values.

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 Company's cash, accounts receivable, investment in Coppermoly Ltd., accounts payable and accrued liabilities in the Consolidated Statement of Financial Position for the years ended December 31, 2023 and 2022 are recorded at fair value and classified as Level 1. The following table presents the change in Debentures that are classified as Level 3 and recorded at fair value in the Consolidated Statement of Financial Position.

	2023 **$**	**2022** **$**
Balance, December 31, 2022	-	-
Fair value at issuances during the year	2,401,848	-
Increase in fair value during the year	159,836	-
Balance, December 31, 2023	2,561,684	-

The fair value of the Debentures is dependent on the credit spread between the market rate of interest and fixed rate of interest on the Debentures. A 5% change in the credit spread would affect income (loss) before tax by approximately $227,000.

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 December 31, 2023 is minimal. The Company's accounts receivable consists of amounts receivable from government and directors. Management believes that the credit risk with respect to accounts receivable is minimal.

Currency risk – currency risk arises due to fluctuations in the exchange rates. The Company's equity financings are sourced in Canadian dollars and the majority of expenditures are expected to be incurred in US dollars. As at December 31, 2023, 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, 2023, the Company received $65,760 of interest income from banks. A 1% change in interest rate would affect income (loss) before tax of approximately $21,000.

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, 2023, the Company had $2,149,346 in cash, $1,878,752 in current liabilities and $2,734,319 in non-current liabilities.

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

Price risk – the Company is exposed to price risk with respect to commodity and equity pricing, and the investment in COY. The Company is exposed to changes in market prices and a sensitivity analysis suggests that a 10% change in COY share prices would affect other comprehensive income or loss by approximately $4,200 before tax.

Outstanding Share Data

As at April 26, 2024, the following shares are outstanding:

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

- Issued and outstanding: 118,355,547 common shares

- Stock options outstanding:

Number of options	Exercise price per option $	Expiry date
2,000,000	0.77	February 6, 2028
500,000	0.75	July 17, 2028
6,810,000	0.75	August 29, 2028
9,310,000		

- Warrants outstanding:

Number of warrants	Exercise price per warrant $	Expiry date
1,846,251	1.25	March 16, 2025
2,355,000	0.55	November 17, 2025
645,000	0.55	December 20, 2025
4,846,251		

Critical Accounting Estimates

The preparation of the Company's 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.

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's convertible debentures are valued using the binomial lattice methodology. This method is based on underlying factors such as the current interest rate, and Company's ability to make all interest payments on a timely basis. Changes in the inputs to the calculation could impact the carrying value of the convertible debentures and the amount of unrealized gains or losses recognized in profit or loss.

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 and convertible debentures. The Company takes into account factors such as interest rates in borrowings that are similar in nature and term to its leases and debt. The Company compares its incremental borrowing rate to the rate incurred by similar market participants.

Recent Accounting Pronouncements

The new and amended standards and interpretations that are issued and adopted in the year ended December 31, 2023, are disclosed below.

Definition of Accounting Estimates

Amendments to International Accounting Standards ("IAS") 8 The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 (Making Materiality Judgements) provide 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 have had no impact on the Company's disclosures of accounting policies, and on the measurement, recognition or presentation of any items in the Company's financial statements when adopted on January 1, 2022.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's consolidated financial statements.

Risks and Uncertainties

The Company's expectation to enter into the oil recycling business involves a significant degree of risk. The risk factors set out below should be considered. It should be noted that the risks discussed below are not exhaustive and that other risks may apply. There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements related to the Company.

Risks Associated with the Company's Common Shares

Liquidity and Capital Resources

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

Trading Price for the Company's Common Shares is Volatile

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

(a) issuances of the Company's common shares or debt securities by the Company;

(b) the Company's operating performance and the performance of competitors and other similar companies;

(c) the addition or departure of key management and other personnel;

(d) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;

(e) the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities; and

(f) changes in recommendations by research analysts who track the Company's common shares or the shares of other companies in the resource sector.

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

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

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

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

Holders of the Company's Common Shares may be diluted

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

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

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

Risks Relating to the Company

Negative Operating Cash Flow

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

Going concern risk

The Company's consolidated financial statements for the year ended December 31, 2023 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, 2023, the Company had a working capital of $547,325, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2023, the Company reported a net loss of $5,650,285 and a total comprehensive loss of $5,646,457 and as at December 31, 2023, had an accumulated deficit of $118,584,011. 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 for the Company to execute its business plan and there are no assurances that the Company will have sufficient funds for this purpose. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's consolidated financial statements for the year ended December 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.

Global Financial Conditions

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

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

The Company's future growth and operations may depend on its ability to timely and economically complete and operate the Texas Facility. If development of the Texas Facility is threatened for unexpected reasons, the Company's business may experience a substantial setback. Moreover, the occurrence of significant unforeseen conditions or events in connection with the construction of the Texas Facility may cause management to re-examine its business model. The Company may suffer significant delays or cost overruns as a result of a variety of factors, such as increases in the prices of raw materials, shortages of workers or materials, transportation constraints, adverse weather, equipment failures, fires, damage to or destruction of property and equipment, environmental damage, labour issues, any of which could prevent the Company from beginning or completing construction or commencing operations at the Texas Facility.

Risks related to the Texas Facility

The Company does not currently have the necessary funds to meet the anticipated capital expenditures for the development of the Texas Facility or to complete the FEL-3 engineering that would be required to further determine what those capital expenditures would be. In order to meet these costs, the Company has commenced discussions with potential investors to help finance the Texas Facility. There is a risk that the actual capital expenditures determined may deviate from what is currently anticipated, and that the Company will not be able to obtain the necessary funds to meet the expenses of the Texas Facility.

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

To date, the Company has conducted preliminarily development work in respect of the Texas Facility and has identified a site for the Texas Facility. Delays in the selection and development of the Texas Facility would likely have an adverse effect on the Company's business.

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

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

The condition of third parties may adversely affect the Company

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

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

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

imposed for violations of applicable laws or regulations. Changes to current laws and regulations may be unfavorable and have an adverse effect on the Company's current and anticipated operations.

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

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

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

The Company's success will depend in part on its ability to maintain or obtain and enforce patent rights and other intellectual property protection for its technologies, to preserve its trade secrets, and to operate without infringing upon the proprietary rights of third parties. The Company currently relies heavily on its ability to use ReGen™ technology. The failure to obtain or maintain patents or other intellectual property protection on the technologies underlying its technologies may have a material adverse effect on the Company's competitive position and business prospects. It is also possible that the Company's technologies may infringe on patents or other intellectual property rights owned by others. Management may have to defend an infringement action or challenge the validity of the patents in court. The Company may not prevail in any intellectual property litigation. Intellectual property litigation is costly and time consuming. If the Company is found liable for infringement or are not able to have such patents declared invalid, the Company may be liable for significant monetary damages and may encounter significant delays in bringing products to market.

Risks Relating to Potential Acquisitions

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

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

acquired property, the Company might be required to pay significant sums to settle it, which could adversely affect financial results and cash flow.

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

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

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

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

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

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

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

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

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

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

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

Fluctuations of Oil Prices

The Company's business involves buying UMO from suppliers who collect the UMO, recycling such UMO into base lubricating oils and other ancillary products and then selling both such recycled oil and other products from the

recycling process. Changes in the reported spot market prices of oil affect the prices at which the Company can sell those finished products.

Entrance into U.S. UMO Recycling Market

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

Receipt of UMO

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

Health, Safety, and Environment

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

Competition

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

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

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

Furthermore, the Company collects and stores sensitive data in the ordinary course of business, including personally identifiable information of employees as well as proprietary business information including that of customers,

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

Dependence on Key Personnel

The Company depends on a relatively small number of key qualified personnel, key senior management, and other employees. As the Company's business grows, the Company may recruit additional management and other personnel. There is no assurance that the key qualified personnel will continue to provide services to the Company or will honour the agreed terms and conditions of their employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for the Company's future operations and development could have a material adverse effect on the Company's business and results of operations. The Company does not have key person insurance on these individuals.

Disruption Due to Unexpected Disasters or Crises

Disruptions in the activities of the Company may be caused by natural disasters, effects of climate change and man-made activities, pandemics (including the COVID-19 pandemic), trade disputes and disruptions, war, terrorism, and any other forms of economic, health, or political disruptions. The Company's financial conditions are reliant on continued operations, and in circumstances where continued operations including, but not limited to, construction plans, construction in progress, supply of equipment, are not possible, the Company is likely to experience a decline in its revenue and may suffer additional disruptions in the form of lack of access to its workforce contractors, suppliers, engineering consultants, customers, technology, or other assets. The extent of the impact on the Company will vary with the extent of the disruption and cannot be adequately predicted in advance.

Potential Conflicts of Interest

Some of the directors or officers of the Company are also directors, officers and/or promoters of other reporting and non-reporting issuers. Situations may arise where the directors and/or officers of the Company may be in competition with the Company. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith, and in the best interest of the Company.

Risks related to financing any additional facilities

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

Risk related to financing the agreements with KPS and KMPS

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

Risk Management and Internal Control Systems

The Company's directors together with its senior management are responsible for overseeing the Company's internal control policies and procedures. The Company has established risk management and internal control systems consisting of policies, procedures and risk management methods that the Company believes are appropriate for the Company's business operations. However, due to the inherent limitations in the design and implementation of these systems, there is a risk that these systems will not be sufficiently effective in identifying and preventing a deficiency in internal controls. In addition, as some of the risk management and internal control policies and procedures are relatively new, the Company may need to establish and implement additional policies and procedures to further improve the Company's systems from time to time. Since the Company's risk management and internal controls depend on implementation by Company employees, there is a risk that such implementation will involve human errors or mistakes. If the Company fails to implement its policies and procedures in a timely manner or fails to identify risks that affect the Company's business, results of operations, and financial condition could be materially and adversely affected.