Gen III Oil Corporation (formerly PNG Gold Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2017

As at November 21, 2017

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Introduction

Gen III Oil Corporation (formerly PNG Gold Corporation) (the "Company") is incorporated under the laws of British Columbia, Canada and is extra provincially registered in Alberta.

The Company currently holds four (4) ReGen™ patents that have been issued in North America and two (2) other ReGen™ patents that have been issued in India and Singapore. The Company also holds twelve (12) other ReGen™ patent applications world-wide that have either been allowed, are pending, are under review or are in the process of being resurrected from abandoned status. In addition, The Company has also filed one (1) provisional patent application in the United States to encompass the technological advancements in hydro-treating technology since the patent applications were filed by the original inventor. These ReGen™ patents provide protection over the ReGen™ technology.

The Company's ReGen™ technology is the first known re-refining technology that is capable of producing Group III base lubricating oil from used motor oil feedstock. Group III base lubricating oil is a synthetic grade oil that is the major component in high performance engine oils that are rapidly increasing in use. By comparison, most current re-refiners produce Group II base oils, which are used in the formulation of standard grade motor oils used in older manufactured vehicles. Group III base oil sells at a 78% premium as compared to Group II.

Today, the North American consumption of Group III base oil is in excess of 16,000 barrels per day ("bpd"), while the total current North American production is only 4,800 bpd. The Company's proposed refinery in Bowden, Alberta expected to be constructed in 2018 and commissioned in Q1/2019 is designed to produce 1,400 bpd of Group III base oil, by which time the total North American demand will be in excess of 17,000 bpd, leaving a production shortfall of 12,200 bpd. The new Gen III production is expected to fill approximately 11% of that shortfall.

At the current market price of $5.92 per gallon for Group III and escalated at 2% per year, projected Group III revenues at the Bowden refinery when in full production is expected to be more than $119 million per year. By comparison, the Group II revenue from that same 1,400 bpd production, at current production standards and today's market price of $3.33 per gallon, escalated at the same 2% per year, would only generate $64.6 million in revenue.

The Company also projects the ReGen™ technology may qualify for greenhouse gas credits in Alberta and is in the process of submitting an application to the Alberta Government to receive carbon credit revenue. Current estimates predict the Company could qualify for Alberta carbon credits of 360,000 tonnes per year, generating expected additional annual revenues for the Company of approximately $9 million if its application is approved by the Alberta Government. Based on an economic analysis report prepared for the Company, the carbon credits that are projected to be generated by the Company represent the equivalent of taking 76,000 cars off the road on an annual basis.

On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp, which indirectly held all of the Company's assets and mineral interests in Papua New Guinea.

On May 11, 2017, the Company changed its name to Gen III Oil Corporation and on October 17, 2017, the TSX Venture Exchange approved the Company's change of business to become an industrial oil company. The Company's shares are listed on the TSX Venture Exchange and trade under the symbol "GIII."

This Management Discussion & Analysis ("MD&A") of the Company has been prepared by management as of November 21, 2017 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2017, which have been prepared in accordance with

International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board effective for the Company's reporting period ending December 31, 2017. All monetary amounts referred to herein are in Canadian dollars unless otherwise stated.

The Company's address is Suite 910 – 1050 West Pender Street, Vancouver, B.C. V6E 3S7, Canada.

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: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. Forward-looking statements include, but are not limited to, the quantity and quality of the re-refined products that might be produced; the cost of construction of the first ReGen™ re-refinery; raising sufficient capital to support the business plan; the estimated operating costs for the refinery; the market for the finished products; negotiating off-take agreements for those finished products; and the anticipated annual recurring revenue and EBITDA derived from those operations, statements regarding expectations to enter into the oil re-refining business, expectations to minimize capital expenditures and manage cash balances by scaling operations as circumstances dictate.

Forward-looking information is subject to a variety or 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.

Projects

Re-refining Used Oil

On July 7, 2014, the Company entered into an agreement with VeroLube Inc. and its subsidiary, VeroLube Bowden Plant Inc. (collectively, "VeroLube") to loan $140,000 to VeroLube Bowden Plant Inc. On November 28, 2014, the Company and VeroLube entered into a new loan agreement for $500,000 ("VeroLube Loan") that included the previous $140,000 loaned. These loans were not repaid and on April 4, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with VeroLube. Under the Forbearance Agreement, the Company agreed to forbear from exercising its rights and remedies under the loan documents, conditionally upon VeroLube assigning the patents for its ReGen™ technology to the Company and issuing 305,875 common shares of VeroLube to the Company on or before May 31, 2016. If VeroLube did not fulfill those conditions, the Company would be at liberty to exercise its rights and remedies under the loan documents as it saw fit. The Forbearance Agreement provided that if VeroLube did fulfill those conditions, it would then be required to repay the loans on or before December 31, 2016.

If VeroLube did repay the loans by that date, then the Company would reassign the Patents to VeroLube, and VeroLube would grant the Company a non-exclusive, perpetual license to use the ReGen™ technology worldwide. If VeroLube did not repay the loans by that date, the Company would retain ownership of the patents and would be able to exercise any and all remedies and recourses which were available to it against VeroLube. VeroLube did not repay the VeroLube Loan by the agreed upon date of December 31, 2016.

On January 3, 2017, the Company announced that it had granted a limited 30-day extension to its Forbearance Agreement with VeroLube. The extension, from December 31, 2016 to January 30, 2017, was granted subject to certain conditions being met by VeroLube, including the following: delivery to the Company of three originally executed copies of the patent license agreement, and delivery to the Company of such documents as it may require to effect absolute assignment of the patents, both as provided for in the Forbearance Agreement. All other terms and conditions of the Forbearance Agreement remained in full force and effect. On January 15, 2017, VeroLube assigned the patents for the ReGen™ technology to the Company.

On February 3, 2017, the Company issued a demand to VeroLube for repayment of all outstanding loan amounts and accrued and unpaid interest. The Company also provided notice to VeroLube that it was proceeding to enforce its security over the VeroLube patents and personal property. VeroLube failed to repay the outstanding loan amounts and the Company fully exercised its rights.

The Company currently holds four (4) ReGen™ patents that have been granted in North America and two (2) other ReGen™ patents that have been issued in India and Singapore. The Company also holds twelve (12) other ReGen™ patent applications world-wide that have either been allowed, are pending, are under review or are in the process of being resurrected from abandoned status. These ReGen™ patents provide protection over the ReGen™ technology.

The Company believes the ReGen™ technology was the first in the world to re-refine used motor oil ("UMO") to produce Group III base lubricating oil (synthetic grade oil) in marketable quantities. Group III base lubricating oil sells for approximately 50% more than current re-refinery produced Group II products. The ReGen™ process utilizes common technologies in use throughout the world, but in a unique configuration and at specific temperature and pressure settings.

The patented ReGen™ re-refining technology:

(a) Has been successfully tested in a 5 barrel per day prototype plant that ran for several thousand hours proving the technology from concept to a full working scale model.

(b) Was extensively reviewed by the US Department of Energy's independent consultant Oakridge Laboratories, who reported the ReGen™ technology is derived from proven existing technologies and can successfully produce a re-refined Group III synthetic grade base lubricating oil from UMO at a lower cost than current refining operations.

(c) Was subsequently reviewed by Wood Group Mustang Engineering and Tetra Tech Engineering who independently concluded the ReGen™ technology is technically sound and commercially viable.

(d) Was further investigated by ILF, Stantec Engineering ("Stantec") and WSP Canada Inc. ("WSP") who independently updated a preliminary construction cost estimate prepared by Mustang to reflect the cost of construction of a refinery if built in a specifically selected site in Alberta. The average all-in construction price as estimated by ILF, Stantec and WSP Engineering is approximately $90 million for a 2,800 bpd plant.

In December 2016, the Company entered into contracts for engineering pre-FEED studies with Stantec and WSP to validate the previously modelled second stage design capability of the ReGen™ technology to produce 45% to 53% Group III base oil from UMO feedstock in addition to Group II base oil, ultralow sulphur diesel fuel, and asphalt flux from the other two stages in the ReGen™ process.

On March 29, 2017, the Company announced the following conclusions, subject to the assumptions and parameters set out therein, were reached in the engineering reports form Stantec and WSP:

(a) The ReGen™ UMO re-refining process is technically sound. Stantec's report concluded "Having completed the Pre-FEED study and based upon the samples provided, it is Stantec's opinion that PNG's ReGen™ technology is technically viable and capable of producing high quality base oils meeting requirements of American Petroleum Institute PI 1509 Groups II and III. Furthermore, Stantec has concluded, after having conferred with the major manufacturers of the process equipment required to construct and operate the proposed 2,800 barrel per day re-refinery, that the project is feasible as proposed."

Similarly, WSP concluded "Having completed the pre-FEED study it is WSP's opinion that PNG's ReGen™ refining technology process is technically sound and construction and operation of the proposed re-refinery should provide finished products equivalent or greater than those contained in previous engineering studies."

(b) The finished product stream generated from a ReGen™ re-refining process ("ReGen™") is reported to be of high quality and high quantity. Stantec reported 75% recovery of Group II and Group III base lubricating oils, of which 55% of the plant output was estimated to be Group III base oil. WSP's preliminary computer modeling showed 78% recovery of Group II and Group III base lubricating oil.

(c) The preliminary operating costs using current market prices were projected by WSP to be 7% of the Company's projected revenue.

(d) The capital cost of constructing a ReGen™ re-refinery in Bowden, Alberta was projected by Stantec to be approximately $89.4 million*. The numerous cost advantages associated with existing infrastructure in addition to the large storage tank farm located at the Bowden site were highlighted in the WSP report. Namely, rail and truck loading and unloading; existing concrete foundations; existing pipe rack; existing water supply; existing gas and electricity utilities; and the space to facilitate a modular construction strategy.

From additional research conducted by the Company, it was further determined:

(a) Only 50% of the UMO collected in North America is estimated to be actually re-refined into Group I and Group II base lubricating oils, with the balance primarily being sold as low grade burner fuel.

(b) Based on current prices, the cost of feedstock supply to the Bowden plant would represent 28%* of the projected revenue when operating at steady state production.

(c) Market research shows a significant demand for Group III oil in Canada and the United States.

(d) The current economic conditions in Alberta provide an excellent opportunity to attract quality fabrication contractors, with short production lead times, to manufacture the plant equipment modules at very attractive pricing.

(e) The current exchange rate between the Canadian and US dollar provides a significant lift to the profitability of a Canadian built refinery.

(f) Carbon credits available in Alberta could provide substantial additional revenue for the Company.

(g) The patents that are granted or are pending by, or for, the Company are considered to be current and valid.

(h) Based on the project product output contained in the engineering reports and the current commodity pricing, in the first full year of steady state production following commissioning of the first ReGen^{TM} re-refinery, the Company projects recurring annual revenue of approximately $168 million. This revenue is projected to produce recurring annual EBITDA of approximately $99 million*. EBITDA is a non GAAP measure*.

As a result of these reports and research, the Company's management made the following recommendation to the Company's Board of Directors. The Board of Directors of the Company accepted all of management's recommendations and the Company is proceeding accordingly.

(a) The Company changed its business and become an industrial oil listed company, along with changing its name to Gen III Oil Corporation.

(b) The Company accepts the bid for FEED and detailed engineering as submitted by Stantec Consulting Ltd. and immediately proceed with the next phase of development. That includes, completion of detailed engineering design, obtaining of all necessary refining permits, and ordering of long lead order equipment targeting a spring 2018 start of construction in Bowden, subject to available financing.

(c) The Company immediately pursue the next stage of development of this re-refinery to avail itself of market conditions for Group II and Group III base oil to leverage the advantages currently available to the Company in terms of availability of construction labour and inexpensive equipment manufacture and fabrication.

(d) Immediately following commencement of construction of Bowden, the Company secures additional re-refining sites to export the technology elsewhere around the world.

Notes:

**Material Factors and Assumptions*

Material factors and assumptions used to develop forward-looking information is as follows. The capital cost of constructing a ReGenTM Re-refinery in Bowden, Alberta was projected by Stantec to be approximately $90 million. The assumptions used by Stantec were based on a complete equipment listing derived by Stantec with quotes from major equipment manufactures. Labour and incidentals were factored based on engineering industry standards. The assumption was made that a final lease will be successfully negotiated for the Bowden site.

The cost of feedstock supplied to the Bowden plant, projected to be 28% of projected revenue was based on the proposed nameplate capacity of 2,800 barrels per day and was derived from the US Energy Information Administration pricing dated December 31, 2016, compared to current output revenue projections from computer modelling contained in both engineering reports.

Projected revenue was calculated by multiplying the projected plant output of Group II and Group III base lubricating oils, as well as ultra-low sulphur diesel, asphalt flux and naphtha, in the volumes predicted in the engineering studies, by the projected plant nameplate capacity of 2,800 barrels per day, operating 330 days per year. Gulf coast spot pricing of those commodities as reported in Lubes & Greases base oil report on June 7, 2017, along with OPIS International Feedstocks Intelligence report dated April 6, 2017, Poten and Partners, Asphalt Weekly Monitor dated February 5, 2017 and the US Energy Information Administration dated May 30, 2017, converted into Canadian dollars at the average posted exchange rate on June 7, 2017 were used to calculate projected gross revenue.

Net income, a GAAP measure, would reduce projected EBITDA, a non-GAAP measure, by financing costs, depreciation and income taxes. Financing costs are currently projected to be $5.4 million, amortization is calculated to be $5.48 million, and income taxes are projected to be $23.5 million, which leaves a net income of approximately $70.6 million, which is a GAAP measure. This does not include potential greenhouse gas credits.

Future Oriented Financial Information

The information in respect of the anticipated capital costs of constructing the re-refinery in Bowden, Alberta, the cost of feedstock supply as a percentage of projected revenue, the recurring annual revenue and the recurring annual EBITDA, contains Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's proposed activities and potential results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed above under the heading "Material Factors and Assumptions". The actual results of the Company's proposed operations and the projected financial results may vary from the amounts set forth herein, and such variations may be material. Management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

The Company has identified:

(a) A currently permitted refinery site in central Alberta and has entered into a letter of intent ("LOI") for a Lease with Parkland Refining Limited ("Parkland") for the portion of their property in Bowden, Alberta. The transactions contemplated by the LOI are subject to customary conditions, including completion of due diligence, receipt of all required third party approvals for the Lease and related matters and corporate approvals of each of Parkland and the Company;

(b) Elbow River Marketing Ltd. ("Elbow River") as an off-take agreement partner and on September 12, 2017 entered into a purchase and sale agreement with Elbow River to market the majority of all of the products produced by the Company at the Bowden, Alberta site for an initial five (5) year period.

(c) Federal and Provincial government loans and grants, which could cover a portion of the cost (estimated to be up to $10 million) for the construction of the plant;

(d) Key management personnel for the project;

(e) Environmental consultants to quantify the greenhouse gas credits that could be generated by the plant, estimated to be approximately $10 million per year and;

(f) UMO feedstock suppliers for the plant. Feedstock is readily available from the more than 50% of currently collected UMO that is sold in North America today as low cost burner fuel.

Mineral Properties

On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp, to 0804077 BC Ltd. for gross proceeds of one dollar plus future recoveries that are contingent upon certain future events occurring. NMC Mining Corp indirectly held the Company's assets and mineral properties in Papua New Guinea**.** Consequently, the Company did not incur any exploration expenses subsequent to March 31, 2017.

Exploration and Evaluation Expenditure

Exploration expenditures during the nine months ended September 30, 2017 amounted to $24,007 (2016 - $225,851).

The cumulative exploration expense on the Company's mineral interest properties is set out in the tables below.

	Papua New Guinea		
	Normanby	Sehulea	Total
	$	$	$
Exploration expense:			
Administration	10,693	164	10,857
Consulting	561	-	561
Transportation	620	207	827
Wages	10,167	1,595	11,762
Three months ended March 31, 2017	22,041	1,966	24,007
Cumulative to December 31, 2016	25,518,217	2,465,447	27,983,664
Cumulative to March 31, 2017	25,540,258	2,467,413	28,007,671

	Papua New Guinea		
	Normanby	Sehulea	Total
	$	$	$
Exploration expense:			
Administration	52,223	4,779	57,002
Assaying	18,011	8,612	26,623
Consulting	10,954	6,555	17,509
Equipment	30,052	29,313	59,365
Legal	4,169	4,169	8,338
Transportation	6,020	2,007	8,027
Travel	1,141	380	1,521
Wages	39,631	7,835	47,466
Nine months ended September 30, 2016	162,201	63,650	225,851
Cumulative to December 31, 2015	25,329,630	2,397,342	27,726,972
Cumulative to September 30, 2016	25,491,831	2,460,992	27,952,823

Operations Update and Outlook

October 17, 2017, the TSX Venture Exchange approved the Company's change of business to become an industrial oil company. The Company intends to pursue the next stage of development of this re-refinery to avail itself of market conditions for Group II and Group III base oil to leverage the advantages currently available to the Company in terms of availability of construction labour and inexpensive equipment manufacture and fabrication.

Financial Update

From the fourth quarter of 2016 to the third quarter of 2017, the Company raised gross proceeds of approximately $10 million primarily to complete engineering studies to assess the viability of the ReGen™ process; to undertake additional patent work regarding the ReGen™ process; to provide a deposit to secure a potential plant site in Western Canada; to pay compensation to certain directors and officers of the Company; to pay commissions to finders in connection with the financings; to pay the expenses of the financings; and for working capital and general corporate purposes.

Results of Operations

Variance Analysis

The following table sets forth selected (Income)/Expense items that have significant variances between the three and nine months ended September 30, 2017 and 2016.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
General and administration	83,696	28,253	419,443	169,735
Investor relations	10,524	320	55,674	9,493
Professional fees	1,211,153	77,000	2,069,054	276,525
Salaries and benefits	215,110	60,902	760,522	541,570
Share-based payments	55,855	-	557,342	-
Travel and accommodation	26,523	663	101,048	1,705
Interest income	(4,969)	(42,330)	(26,955)	(130,563)
Foreign exchange loss (gain)	213	(474)	329,949	(1,218)
Gain on sale of subsidiary	-	-	(747,836)	-
Loss on shares for debt settlement	-	-	630,167	-

General and administration – In May 2017, the corporate head office reopened and resumed full time operations in Vancouver. As such, the Company incurred various setup and rent costs. Furthermore, in June 2017, $150,000 was paid to Parkland in connection with the LOI.

Investor relations - The increase was mainly due to the engagement of an investor relations consultant, increased investor communications and filing fees as the Company completed financings this year.

Professional fees – Professional fees depend on the timing of the services being rendered and will vary from period to period. The increase was mainly due to the services of legal counsel and external consultants engaged to investigate opportunities relating to the ReGen™ technology and to prepare the filings with respect to the Change of Business.

Salaries and benefits – Since the corporate head office resumed operations and the Company is in the process of changing its principal business to an industrial oil company, additional full time employees were hired resulting in increased expenses for this year compared to the same period last year.

Share-based payments – On February 8, 2017, April 1, 2017, May 17, 2017, June 1, 2017 and September 20, 2017, the Company granted an aggregate of 4,355,000 stock options to its employees, consultants and directors. The fair value of the stock options was estimated at the grant date using the Black-Scholes Option Pricing Model.

Travel and accommodation – Year-to-date travel costs were incurred for meetings with lawyers, investors, engineers and various potential service providers relating to the ReGen™ technology.

Interest income – Interest income comprised of interest accrued on the VeroLube Loan and interest from cash deposits in the bank. The VeroLube loan was extinguished on January 30, 2017 when the forbearance agreement expired and the Company became the owners of the ReGen™ technology. As the result, there was a decrease in interest income.

Gain on sale of subsidiary and Foreign exchange loss - On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp, to 0804077 BC Ltd. for gross proceeds of one dollar plus future recoveries that are contingent upon certain future events occurring. NMC Mining Corp indirectly holds the Company's assets and mineral properties in Papua New Guinea. At the time of the sale, NMC Mining Corp had net liabilities of $747,835 and as a result, the Company recorded a gain of $747,836 for the nine months ended September 30, 2017 (2016 - $nil). As a result of the sale, the Company realized a foreign exchange loss of $328,715 for the nine months ended September 30, 2017.

Loss on shares for debt settlement - On April 19, 2017, the Company settled $345,576 in debt in exchange for 2,032,797 common shares at a deemed price of $0.17 per share. The fair value of the shares was recorded as $0.48 per share, which was the April 19, 2017 closing price of the shares on the TSX Venture Exchange. The difference between $0.48 and $0.17, $630,167, was recognized as loss on shares for debt settlement for the nine months ended September 30, 2017.

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			
	September 30, 2017 $	June 30, 2017 $	March 31, 2017 $	December 31, 2016 $
Financial Results:				
Expense	1,602,861	1,187,445	1,196,784	551,028
Other (income) expense	(4,736)	626,522	(420,980)	76,215
Net loss	1,598,125	1,813,967	775,804	627,243
Basic and diluted loss per share	0.03	0.04	0.02	0.02

	For the Quarters Ended			
	September 30, 2016 $	June 30, 2016 $	March 31, 2016 $	December 31, 2015 $
Financial Results:				
Expense	216,169	341,329	667,381	542,686
Other (income) expense	312,171	(4,023)	(7,295)	1,391,438
Net loss	528,340	337,306	660,086	1,934,124
Basic and diluted loss per share	0.00	0.00	0.03	0.01

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the three and nine months ended September 30, 2017, cash and cash equivalents increased by $5,012,572 and increased by $6,212,434, respectively. The increase for the three months ended September 30, 2017 was mainly due to net cash of $6,167,092 raised in the private placement in September 2017, partially offset by cash used in operations of $1,154,520. The increase for the nine months ended September 30, 2017 was mainly due to net cash of $9,028,517 raised in the private placements, partially offset by cash used in operations of $2,815,485.

As at September 30, 2017, the Company had working capital of $5,641,969 comprised of cash and cash equivalents of $6,655,097, accounts receivable of $80,613 and prepaid expenses of $78,857 offset by accounts payable and accrued liabilities of $1,172,598. During the three months ended September 30, 2017, the Company reversed $139,000 of accrued tax provision.

From the fourth quarter of 2016 to the third quarter of 2017, the Company raised gross proceeds of approximately $10 million primarily to complete engineering studies to assess the viability of the ReGen™ process; to undertake additional patent work regarding the ReGen™ process; to provide a deposit to secure a potential plant site in Western Canada; to pay compensation to certain directors and officers of the Company; to pay commissions to finders in connection with the financings; to pay the expenses of the financings; and for working capital and general corporate purposes.

Going Concern

The Company's consolidated financial statements for the three and nine months ended September 30, 2017 have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business. For the nine months ended September 30, 2017, the Company reported a comprehensive loss of $3,816,374 and as at September 30, 2017, had an accumulated deficit of $76,327,457. The Company has not generated revenues from operations. The Company is dependent on equity financings to fund its operations. Based on its current plans, budgeted expenditures, cash requirements, and recent financings, the Company has sufficient cash to finance its current plans for the next 12 months. However, actual results could be materially different than those expected or budgeted and the Company expects to continually monitor spending and assess results on an ongoing basis and make appropriate changes to expenditures as required. Management continues to explore alternative financing sources in the form of equity, debt or a combination thereof; however, the current economic uncertainty and financial market volatility make it difficult to predict success.

Capital Management

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company had share capital of $73,851,282 and no long-term debt as at September 30, 2017. 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 one year 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 spend its

existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Contractual Obligations

The Company has rented an office in Calgary on a month to month basis for $4,300 per month and increasing to $6,300 per month after November 2017.

On February 28, 2017 the Company announced that it has entered into a letter of intent ("LOI") for a Lease with Parkland Refining Limited ("Parkland") for the portion of their property in Bowden, Alberta. The Company paid a non-refundable payment of $150,000, which was expensed for the nine months ended September 30, 2017. The transactions contemplated by the LOI are subject to customary conditions, including completion of due diligence, receipt of all required third party approvals for the Lease and related matters and corporate approvals of each of Parkland and the Company.

On March 7, 2017, the Company entered into a 37 month lease agreement for its new corporate head office that has a total remaining commitment of $273,133. The remaining commitments for the years ending December 31, 2017, 2018, 2019 and 2020 are $23,897, $98,463, $100,515, $50,258, respectively.

On September 12, 2017, the Company entered into a purchase and sale agreement (“PSA”) with Elbow River for the majority of the Company’s finished products from its first re-refinery being constructed in Bowden, Alberta. Under the terms of the PSA, Elbow River will purchase the majority of the Company’s Bowden plant production and provide rail and truck transportation from the Bowden plant to Elbow River's customers. The agreement is for an initial term of five years from commencement of commercial operations as defined in the agreement. Under the agreement, the Company has undertaken to reimburse reasonable set up costs incurred by Elbow River should the Company fail to deliver product by the projected commercial operations date that had been advised to Elbow River. Due to the nature timing and uncertainty of these costs, it is not practicable to estimate such reimbursable costs at this time.

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 includes the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, and the Directors.

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Salaries to Key Management personnel	168,750	47,663	443,750	369,198
Payments for consulting services to a company controlled by current President (George Davidson)	45,000	-	122,500	-
Payments for consulting services to a company controlled by Chief Operating Officer (Angelo Battiston)	21,375	-	28,500	-
Payments for consulting services to a company controlled by Chief Financial Officer (Rick Low)	-	-	20,462	-
Severance to former President	-	-	-	57,000
Professional fees to company controlled by Director (Larry Van Hatten)	16,500	-	86,500	-
Total	251,625	47,663	701,712	426,198

On Feb 9, 2017, the Chief Executive Officer (Greg Clarkes) and a director (Paul DiPasquale) purchased 1,300,000 and 250,000 units, respectively of the Company's second tranche of a non-brokered private placement (the "Offering"). The Offering consisted of the issuance of a total of 6,450,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $645,000. Each Unit consists of one common share and one-half of one warrant ("Warrant") with each whole Warrant entitling the holder to acquire one common share at a price of $0.30 per share until February 6, 2018.

On April 19, 2017, the Company settled $318,526 in debt in exchange for 1,873,679 common shares at a deemed price of $0. 17 per share with the following related parties:

Creditor	Debt Amount	Number of Shares	Nature of Debt
John Detmold, director	$150,000	882,353	60 months of directors' fees at $2,500 per month
Larry Van Hatten, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Larry Van Hatten, director	$8,747	51,453	10.5 months of fees as audit committee chair at $833 per month
Paul DiPasquale, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Brian Nethery, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Greg Clarkes, director and officer	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Greg Clarkes, director and officer	$4,379	25,759	10.5 months of fees as compensation committee chair at $417 per month
George Davidson, officer	$50,400	296,470	6 months unpaid compensation (inclusive of taxes)
Total	**$318,526**	**1,873,679**	

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.

On September 27, 2017, the Chief Operating Officer (Angelo Battiston) purchased 75,000 units of the Company's private placement (the "Offering"). The Offering consisted of the issuance of a total of 9,337,072 units (the "Units") at a price of $0.70 per Unit for gross proceeds of $6,535,950.50. Each Unit consists of one common share and one-half of one warrant ("Warrant") with each whole Warrant entitling the holder to acquire one common share at a price of $1.00 per share until September 27, 2019.

On July 7, 2014, the Company entered into an agreement with VeroLube to loan $140,000 to VeroLube Bowden Plant Inc. On November 28, 2014, The Company and VeroLube entered into the VeroLube Loan for $500,000 that included the previous $140,000 loaned. The Company's Chief Executive Officer and director (Greg Clarkes) served as a director of VeroLube Inc. until January 23, 2017.

On December 31, 2015, the Company performed an impairment assessment on the VeroLube Loan and the Investment in VeroLube Inc. taking into consideration VeroLube Inc.'s financial condition and the likelihood of VeroLube Inc. repaying the loan. The Company determined that expected future cash flow from these two financial instruments was $nil and consequently, the Company fully impaired the carrying value of the VeroLube loan ($747,006) and Investment in VeroLube Inc. ($45,880) for the year ended December 31, 2015.

The following provides information on the outstanding amounts of the VeroLube Loan.

	$
Balance as at December 31, 2014	471,829
Fair value of funds advanced	112,613
Accretion	162,564
Impairment	(747,006)
Balance as at December 31, 2015	-
Accretion	164,375
Impairment	(164,375)
Balance as at December 31, 2016	-
Accretion	15,481
Impairment	(15,481)
Balance as at September 30, 2017	-

The VeroLube Loan was not repaid and on April 4, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with VeroLube. Under the Forbearance Agreement, the Company agreed to forbear from exercising its rights and remedies under the loan documents, conditionally upon VeroLube assigning the patents for its ReGen™ technology to the Company and issuing 305,875 common shares of VeroLube to the Company on or before May 31, 2016. If VeroLube did not fulfill those conditions, the Company was free to exercise its rights and remedies under the loan documents as it saw fit. The Forbearance Agreement provided that if VeroLube did fulfill those conditions, it was required to repay the loans on or before December 31, 2016. If VeroLube did repay the loans by that date, then the Company would reassign the Patents to VeroLube, and VeroLube would grant the Company a non-exclusive, perpetual license to use the ReGen™ technology worldwide. If VeroLube did not repay the loans by that date, the Company would retain ownership of the patents and would be able to exercise any and all remedies and recourses which were available to it against VeroLube. VeroLube did not fulfilled these conditions.

On January 3, 2017, the Company announced that it had granted a limited 30-day extension to its Forbearance Agreement with VeroLube. The extension, from December 31, 2016 to January 30, 2017, was granted subject to certain conditions being met by VeroLube, including: the delivery to the Company of three originally executed copies of the patent license agreement, and delivery to the Company of such documents as it may require to effect absolute assignment of the patents, both as provided for in the Forbearance Agreement. All other terms and conditions of the Forbearance Agreement remained in full force and effect. On January 15, 2017, VeroLube assigned the patents for the ReGen™ technology to the Company.

On February 3, 2017, the Company issued a demand to VeroLube for repayment of all outstanding loan amounts and accrued and unpaid interest. The Company also provided notice to VeroLube that it was proceeding to enforce its security over the VeroLube patents and personal property. VeroLube failed to repay the outstanding loan amounts and the Company fully exercised its security rights. The Company currently owns the ReGen™ re-refining technology; and either has, or is in the process of, transferring ownership of the various ReGen patents to the Company.

On November 7, 2016, the Company sold its drilling equipment for net proceeds of $229,935 and recorded a loss on sale of $76,478 for the year ended December 31, 2016. The sale of the drilling equipment was made to a related party of the Company, which had two common directors (John Detmold and Bryan Nethery) with the Company.

Included in accounts payable and accrued liabilities as at September 30, 2017 is $123,750 (December 31, 2016 - $268,128) of accrued directors' fees, $nil (December 31, 2016 - $50,400) of accrued salaries payable to the current President (see Outstanding Share Data section) and $29,922 (December 31, 2016 - $4,000) of accrued expense reimbursements payable to officers (Greg Clarkes and Angelo Battiston) and a director (Larry Van Hatten).

Financial Instruments and Risk Management

The Company's financial instruments at September 30, 2017 include cash and cash equivalents, accounts receivable, Investment in Coppermoly Ltd., and accounts payables and accrued liabilities. There were no material changes to the Company's financial instruments and risk exposures for the three and nine months ended September 30, 2017 from those as reported in the Company's MD&A for the year ended December 31, 2016.

Outstanding Share Data

As at November 21, 2017, the following shares are outstanding:

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

- Issued and outstanding: 58,982,154 common shares

- Stock options outstanding:
  3,075,000 with an exercise price of $0.17 per option and an expiry date of February 8, 2019
  130,000 with an exercise price of $0.72 per option and an expiry date of May 17, 2019
  300,000 with an exercise price of $0.72 per option and an expiry date of June 1, 2019
  500,000 with an exercise price of $0.70 per option and an expiry date of September 20, 2019
  50,000 with an exercise price of $0.74 per option and an expiry date of October 3, 2019

- Warrants outstanding:
  1,525,000 with an exercise price of $0.30 per warrant and an expiry date of December 12, 2017
  3,225,000 with an exercise price of $0.30 per warrant and an expiry date of February 6, 2018
  4,891,601 with an exercise price of $1.00 per warrant and an expiry date of September 27, 2019

- Broker Warrants outstanding:
  653,595 with an exercise price of $0.70 per warrant and an expiry date of September 27, 2019. Each of the 653,595 broker warrants outstanding entitles the holder to purchase one unit at any time until September 27, 2019 at a price of $0.70 per unit and each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $1.00 at any time until September 27, 2019.

Effective November 11, 2016, the Company consolidated its share capital, stock options, on a 5-to-1 basis. In accordance with IAS 10 and IAS 33, the Company's basic and diluted loss per share presented in its condensed consolidated interim statements of loss and comprehensive loss for the three and nine months ended September 30, 2016, has been computed based on the post consolidated weighted average number of common shares outstanding.

On December 13, 2016, the Company closed the first tranche of a non-brokered private placement that was announced on November 29, 2016 (the "Offering") and subsequently amended to raise up to $1.2 million. The closing consisted of the issuance of a total of 5,550,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $555,000. Each Unit consists of one common share and one-half of one warrant ("Warrant") with each whole Warrant entitling the holder to acquire one common share at a price of $0.30 per share until December 12, 2017. In the event the common shares of the Company have a closing trading price of $0.30 or higher for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants to a date that is 30 days from the date the Company provides notice to the holders. In connection with the closing of the first tranche of the Offering, the Company paid an aggregate amount of $23,600 in cash finder's fees to eligible arm's length finders. All securities issued under the Offering are subject to a four month hold period expiring on April 13, 2017.

On February 8, 2017, the Company granted of an aggregate of 3,075,000 stock options to employees, consultants and directors at an exercise price of $0.17, expiring on the date that is 2 years from the date of the grant. These stock options fully vested on the date of grant. All stock options were subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

On February 9, 2017, the Company closed the final tranche of the Offering. Under the Offering, the Company closed upon 6,450,000 Units at a price of $0.10 per Unit for gross proceeds of $645,000. Each Unit consists of one common share and one-half of one Warrant with each whole Warrant entitling the holder to acquire one common share at a price of $0.30 per share until February 6, 2018. In the event the common shares of the Company have a closing trading price of $0.30 or higher for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants to a date that is 30 days from the date the Company provides notice to the holders. All securities issued under the final tranche were subject to a four month hold period expiring on June 9, 2017.

In total under the Offering, the Company issued 12,000,000 Units for aggregate gross proceeds of $1,200,000. Certain finder's received a cash fee of up to 8% of the proceeds Offering.

On March 13, 2017, the Company closed a non-brokered private placement of common shares at a price of $0.30 per share. Under the private placement, the Company issued 7,682,500 shares for gross proceeds of $2,304,750. All securities issued under the private placement were subject to a four month hold period from the date of issuance. Certain finders received a cash fee equal to 8% of the proceeds of the private placement.

On April 1, 2017, the Company granted of an aggregate of 300,000 stock options to an officer at an exercise price of $0.46, expiring on April 19, 2019. On April 30, 2017, 200,000 of the unvested stock options were forfeited due to the termination of the officer's employment. The remaining 100,000 vested options were not exercised and expired on July 29, 2017.

On April 19, 2017, the Company settled $345,576 in debt ("Debt") in exchange for 2,032,797 common shares (the "Shares") at a deemed price of $0. 17 per Share as follows:

Creditor	Debt Amount	Number of Shares	Nature of Debt
John Detmold, director	$150,000	882,353	60 months of directors' fees at $2,500 per month
Larry Van Hatten, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Larry Van Hatten, director	$8,747	51,453	10.5 months of fees as audit committee chair at $833 per month
Paul DiPasquale, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Brian Nethery, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Greg Clarkes, director and officer	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Greg Clarkes, director and officer	$4,379	25,759	10.5 months of fees as compensation committee chair at $417 per month
George Davidson, officer	$50,400	296,470	6 months unpaid compensation (inclusive of taxes)
Total	**$318,526**	**1,873,679**	

The remaining 159,118 Shares was issued to an arm's length creditor to settle $27,050 in Debt. All Shares issued is subject to a four-month hold period. The Shares for Debt transactions in the table above are each a related party transaction.

On April 24, 2017, 250,000 warrants, at an exercise price of $0.30 per warrant, were exercised for gross proceeds of $75,000.

On May 16, 2017, 250,000 warrants, at an exercise price of $0.30 per warrant, were exercised for gross proceeds of $75,000.

On May 17, 2017, the Company granted an aggregate of 180,000 stock options to employees and consultants at an exercise price of $0.72, expiring on May 17, 2019. On the grant date, 40,000 options vested and 140,000 options will vest on November 1, 2017. All stock options will be subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

On June 1, 2017, the Company granted an aggregate of 300,000 stock options to an officer at an exercise price of $0.72, expiring on June 1, 2019 with 100,000 options vesting on each of September 1, 2017, December 1, 2017 and June 1, 2018. All stock options will be subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

On September 18, 2017, 500,000 warrants, at an exercise price of $0.30 per warrant, were exercised for gross proceeds of $150,000.

On September 20, 2017, the Company granted 500,000 stock options at an exercise price of $0.70, expiring on September 20, 2019. The options will vest in two equal tranches on March 20, 2018 and September 20, 2018.

On September 27, 2017, the Company issued an aggregate of 9,337,072 units at a price of $0.70 per unit for aggregate gross proceeds of $ 6,535,950.50. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at any time until September 27, 2019 at an exercise price of $1.00 per common share. In connection with the offering, the Company entered into an agency agreement with the agent dated effective September 27, 2017. At closing, the Company paid to the agent an aggregate of $397,225.78 cash, representing a portion of the agent's commission and all of the agent's related expenses (including legal fees). The agent elected to receive the agent's corporate finance fee and the balance of the agent's commission in units, and at closing the Company issued to the agent 446,128 units at a price of $0.70 per unit. In addition, the agent also subscribed for 322,211 units at a price of $0.70 per unit under the offering. The Company also issued to the agent 653,595 broker warrants of the Company. Each broker warrant entitles the agent to purchase one unit at any time until September 27, 2019 at a price of $0.70 per unit and each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the agent to purchase one common share at an exercise price of $1.00 at any time until September 27, 2019.

On October 3, 2017, the Company granted 50,000 stock options at an exercise price of $0.74, expiring on October 3, 2019. The options will vest in two equal tranches on April 3, 2018 and October 3, 2018.

On November 3, 250,000 warrants, at an exercise price of $0.30 per warrant, were exercised for gross proceeds of $75,000.

Critical Accounting Estimates

There were no material changes to the Company's critical accounting estimates and judgments for the three and nine months ended September 30, 2017 from those as reported in the Company's MD&A for the year ended December 31, 2016.

Recent Accounting Pronouncements

The Company's adoption of recent accounting pronouncements is described in note 2(c) of the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017, which is filed on SEDAR at www.sedar.com.

Risks and Uncertainties

There were no material changes to the Company's risks and uncertainties for the three and nine months ended September 30, 2017 from those as reported in the Company's MD&A for the year ended December 31, 2016.