

Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2018

As at April 29, 2019

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April 29, 2019

Introduction

Gen III Oil Corporation (the “Company”) was incorporated under the laws of British Columbia, Canada and continued its incorporation into Alberta on December 6, 2017.

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 April 29, 2019 and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018, 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 1750 - 400 Burrard St. Vancouver, B.C., V6C 3A6, 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 reprocessing (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 seven (7) 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 nine (9) other ReGen™ patent applications world-wide that are pending. These ReGen™ patents provide protection over the ReGen™ technology.

In the context of the opportunity represented by the ReGen™ technology, on March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp, which indirectly held the Company’s assets and mineral interests in Papua New Guinea.

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; the anticipated annual recurring revenue and EBITDA derived from those operations; and statements regarding expectations to enter into the oil re-refining 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

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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 - Re-refining Used Motor Oil

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). Group III base lubricating oil sells for approximately 26% 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 demand for Group III oil has increased by an average 5% per year over the past 4 years. By comparison, most re-refiners produce only Group I or Group II base oils, which are used in the formulation of standard grade motor oils for use in older and lower performance vehicles. Group III base oil currently sells at an approximate 26% premium to Group II. The Company therefore believes that its technology is valuable and it plans to build an initial re-refining plant in Bowden, Alberta with an expected capacity of 924,000 barrels ("bbl") per year and production of 508,200 bbl per year of Group III base oil.

Today, the North American consumption of Group III base oil is in excess of 20,000 barrels per day ("bpd"), while the total current North American production is roughly 4,800 bpd. The Company's proposed refinery in Bowden, Alberta, expected to be constructed in 2019 and commissioned in the second quarter of 2020, is designed to produce 1,540 bpd of Group III base oil, by which time the total North American demand is expected to be in excess of 21,000 bpd, still leaving an overall North American production shortfall of 14,660 bpd.

At the recent actual price of \$5.10 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 approximately \$108.8 million per year. By comparison, the Group II revenue from that same 1,540 bpd production, at current production standards and recent actual price of \$4.04 per gallon, escalated at the same 2% per year, would only generate \$86.2 million in revenue.

The Company also expects the ReGen™ technology to qualify for greenhouse gas credits in Alberta. The Company will submit an application to the Alberta Government to receive carbon credit revenue. The Company believes that it will qualify for Alberta carbon credits of 360,000 tonnes per year, and thereby, based on recent market pricing, expects to generate additional annual revenues of approximately \$9 million. Based on an analysis prepared for the Company, the carbon credits that are projected to be generated by the Company represent the equivalent of taking 76,000 gasoline powered cars off the road.

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.

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- (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 Engineering ("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.

In December 2016, the Company entered into contracts for engineering pre-FEED studies with Stantec and WSP to validate the prototype plant findings and in particular, 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 from 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 the Company'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 the Company'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 \$89.5 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 32%* 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) Based on the project product output contained in the engineering reports and the current posted commodity pricing, in the first full year of steady state production following commissioning of the first ReGen™ re-refinery, the Company projects recurring annual revenue of approximately \$170 million. This revenue is projected to produce recurring annual EBITDA of approximately \$85 million*. EBITDA is a non GAAP measure*.

Notes:

**Material Factors and Assumptions*

Material factors and assumptions used to develop forward-looking information is as follows. The capital cost of constructing a ReGen™ Re-refinery in Bowden, Alberta was projected by Stantec to be approximately \$89.5 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 cost of feedstock supplied to the Bowden plant, projected to be 32% of projected revenue was based on the proposed nameplate capacity of 2,800 barrels per day and was derived from actual market prices provided by third-party consultants in July 2018, 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. Actual market prices provided by third-party consultants in July 2018, along with Argus US Products Report dated January 2, 2019, Argus Americas Asphalt report dated December 28, 2018, converted into Canadian dollars at the average posted exchange rate in 2018 were used to calculate projected gross revenue.

Net income, a GAAP measure, would reduce projected EBITDA, a non-GAAP measure, by depreciation and income taxes. Depreciation is calculated to be \$4.5 million, and income taxes are projected to be \$19 million, which leaves a net income of approximately \$61 million, which is a GAAP measure. This includes 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 lease with Parkland Refining Limited ("Parkland") for the portion of their property in Bowden, Alberta;

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- (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) Key management personnel for the project;
- (d) Environmental consultants to quantify the greenhouse gas credits that could be generated by the plant, estimated to be approximately \$9 million per year, based on recent market pricing, and;
- (e) UMO feedstock suppliers for the plant.

Site Preparation and Pre-Construction Activities

The Company’s first full-scale facility will be located in Bowden, Alberta, 100 km north of Calgary, with targeted production commencing in the second quarter of 2020. With a fully executed off-take marketing agreement in hand with Elbow River Marketing Ltd., a subsidiary of Parkland Fuel Corporation, the Company has in place agreements for the sale of a majority of its finished products when commercial production begins at its Bowden facility. The Bowden facility is being designed to process 2,800 barrels per day of used motor oil into a range of base stocks and related petroleum products.

Thurber Engineering has completed a comprehensive soils investigation study and geotechnical report which has been presented to the design team and will form the basis of foundation design.

JADA Solutions (HSE) Inc. has completed a semi-destructive pre-demolition hazardous abatement assessment for the Bowden facility. Tendering for site demolition has been completed. All tenders received from the pre-qualified bidders were in line with budget and schedule expectations. The Company is currently reviewing accepted submissions to ensure that both commercial and technical requirements are satisfied.

Front-End Engineering and Design study work remains on schedule. Stage 1 (Stantec Consulting Ltd.) and Stage 3 (Process Dynamics Inc.) design packages (“PDP’s”) were completed ahead of schedule in August 2018 and are currently undergoing edits prior to final sign off along with the completion of ancillary supporting documentation. The Company continues to finalize its Bowden facility licensing agreement with Process Dynamics for the use of any Stage 3 proprietary technology.

Koch Modular Process Systems (“KMPS”) has completed additional pilot tests during August 2018, which have enabled it to finalize the Stage 2 solvent ratio and Group III yield offtakes. These results form the design basis of Stage 2 and KMPS’s process guarantee. The tests were successful and indicate Group III offtake yields of between 70 percent and 75 percent of Stage 2 input, which confirms final yields of 55% of Group III base oil.

In August 2018, KMPS presented the Company with a preliminary design costing proposal (including transportation and installation) with a +/- 30% expense tolerance, that remains within budget. Manufacturing, fabrication, transportation and installation figures will be refined in the coming months to within a +/- 15% tolerance.

Project Costing

PCL Industrial Management Inc. (“PCL”), the Company’s Engineering, Procurement and Construction (“EPC”) contractor, presented the Company with an updated firm contract price proposal which outlines a project capex of \$114.8 million. This is an estimated \$5.2 million improvement over budget estimates.

Railcar Study

Expert Rail Systems (“ERS”) confirmed the number for railcars needed to maintain and support the Company’s operations and validated a proposed three spur additional rail design ladder. The final ERS report was submitted and approved by the Company in May 2018.

Environmental Permitting

Stantec Consulting Ltd. was retained to complete an application to Alberta Environment and Parks (“AEP”) for an Environmental Protection and Enhancement Act (“EPEA”) Industrial Approval for the Bowden facility. Stantec/the Company have submitted the application and anticipate receipt of the project environmental permit in Q2 2019.

Used Motor Oil Feedstock Supply

The Company has secured letters of intent (“LOIs”) in excess of the full UMO feedstock requirement of 150,000,000 litres/annual. Negotiations will continue with each of the interested vendors in parallel with ongoing financing discussions in order to turn the LOIs into binding, take or pay contracts.

Application for Carbon Credits

The Company has engaged Cap-Op Energy Inc. (“Cap-Op”) to provide support in the development of a government-approved Carbon Offset Quantification. Cap-Op reviewed the document in the context of project objectives and found no material issues. Cap-Op will begin work on a technical carbon model.

Future Facilities, Joint Ventures and Licensing of IP

The Company is actively engaged in discussions with parties in the USA and Europe for additional re-refining projects.

Financial Update

From the fourth quarter of 2016 to the first quarter of 2019, the Company raised gross proceeds of approximately \$14.1 million primarily to complete engineering studies to assess the viability of the ReGen™ process; to undertake additional patent work regarding the ReGen™ process; to pay engineering consultants for design work on the Bowden facility; to provide deposit and rental payments for the Bowden Facility; to pay compensation to employees, directors and officers of the Company; to pay commissions to finders and other expenses in connection with the financings; and for working capital and general corporate purposes.

Management and the Board of Directors decided earlier this year the goal of project financing was to minimize/eliminate dilution to shareholders of the public Company. The Company is actively working with private equity, family offices and strategic partners to finance the Project at the Gen III Oil (Alberta) Inc. (“Gen III Alberta”) level. Currently, ten commercial entities have entered into non-disclosure agreements with the Company and have been granted access to the Company’s data room to conduct financing due diligence.

On November 7, 2018 the Company announced that it has received a term sheet from Export Development Canada (“EDC”), a financial Crown corporation, for a term loan for up to \$72 million (the “Senior Credit Facility”) to finance up to 50% of a base oil re-refinery in Bowden, Alberta (the “Project”). The required equity is to be fully contributed prior to the first disbursement of the Senior Credit Facility. To date, the Company has contributed approximately \$8.6 million to the Project. The borrower of the Senior Credit Facility will be the Company’s wholly-owned subsidiary, Gen III Oil Alberta with the Company guaranteeing the loan. No securities of the Company, or Gen III Alberta, are contemplated to be issued in connection with the Senior Credit Facility. The Senior Credit Facility may only be used to fund costs associated with the design, engineering, procurement, development, construction, commissioning and

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operational ramp-up of the Project, including, funding of a debt service reserve account, cost overrun account, interest payments, lender fees and expenses, professional fees and expenses, insurance premia, taxes, the cost of obtaining permits and other agreed upon costs and expenses incurred in connection with the Project. Closing of the Senior Credit Facility is subject to various conditions, including the completion of satisfactory due diligence by the parties and execution and delivery of definitive loan documents.

On April 3, 2019, the Company signed a non-exclusive advisory agreement with New York based StormHarbour Securities LP, to assist with corporate and institutional investors.

Annual and Fourth Quarter Financial Results

Variance Analysis

The following table sets forth selected (Income)/Expense items that have significant variances between the three and years ended December 31, 2018 and 2017.

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
General and administration	60,693	124,054	661,176	393,497
Investor relations	5,152	10,407	239,687	111,081
Professional fees	272,534	523,101	3,187,488	2,547,155
Salaries and benefits	345,389	393,786	1,697,726	1,154,308
Share-based payments	47,555	54,557	334,046	611,899
Site rent	337,959	-	1,239,183	150,000
Supplies	-	-	147,568	-
Travel and accommodation	58,702	51,173	294,429	152,221
Foreign exchange (gain) loss	(4,326)	96	(6,508)	330,045
(Gain) loss on shares for debt settlement	-	-	(15,874)	630,167
Gain on disposal of subsidiary	-	-	-	(747,836)

General and administration – The decrease in the current quarter was due to the project financing costs being reclassified to accounts receivable. Approximately \$81,000 was refunded to the Company subsequent to year end. The year-to-date increase was mainly due to rent of office space and related expenses in the corporate office as the Company was more active. In May 2017, the corporate head office resumed full time operations in Vancouver.

Investor relations - The increase for the year ended December 31, 2018 was mainly due to the services of an investor relations firm. The service was terminated in the second quarter and resulted in a decrease for the quarter ended December 31, 2018.

Professional fees – The increase for the year ended December 31, 2018 in professional fees was mainly due to the services of engineering consultants engaged to design the Bowden plant and construct a test pilot plant relating to the ReGen™ technology. These engineering services were nearing completion during the current quarter resulting in a decrease for the quarter ended December 31, 2018.

Salaries and benefits – Since the corporate head office resumed full time operations and the Company changed its principal business to an industrial oil company, additional full-time employees were hired resulting in increased expenses for this year compared to last year. Beginning in the third quarter of 2018, an officer reduced his

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involvement in the Company and a staff member changed his employment status from employee to consultant. Therefore, there was a decrease in expenses for the current fourth quarter compared to the same period last year.

Share-based payments – Share-based payments was lower for the current period compared to the same period last year due to the timing, number and vesting periods of options granted. The current year-to-date amount was lower compared to the prior year due to immediate vesting on the grant date in the prior year. The fair value of the stock options was estimated at the grant date using the Black-Scholes Option Pricing Model.

Site rent - The lease payments to Parkland commenced in February 2018 and is for Parkland's Bowden facility on which the Company intends to construct its new UMO re-refinery plant. In the same period last year, \$150,000 was paid to Parkland in connection with a Letter of Intent to lease the Parkland facility.

Supplies – During the current year, various supplies were used at a pilot plant that was constructed to test the ReGen™ technology.

Travel and accommodation – Travel costs were incurred for meetings with lawyers, investors, engineers and various service providers relating to the evaluation and development of the Company's business using the ReGen™ technology. These activities increased for the current period compared to the same period last year.

(Gain) loss on shares for debt settlement – In the current year and last year, the Company settled debt in exchange for common shares at a deemed price per share. The fair value of the shares was recorded at the closing price of the shares on the TSX Venture Exchange on the date of settlement. The difference between the deemed price and the fair value, less legal costs, was recognized as a gain or loss on shares for debt settlement on the statement of comprehensive 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 held 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 and realized a foreign exchange loss of \$328,715 for the three months ended March 31, 2017.

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,		
	2018	2017	2016
	\$	\$	\$
Consolidated Statements of Comprehensive Loss:			
Expense	7,801,303	5,144,168	1,775,907
Other (income) expense	(93,623)	178,363	377,068
Loss before income taxes and loss for the year	7,707,680	5,322,531	2,152,975
Other comprehensive loss (income)	30,621	(379,178)	1,568
Total comprehensive loss for the year	7,738,301	4,943,353	2,154,543
Loss per share – basic and diluted	0.12	0.11	0.08
Consolidated Statements of Financial Position:			
Total assets	2,468,011	6,634,124	587,685
Total liabilities	1,957,439	1,061,490	1,632,857

Expense – The variance between periods was due to the changes in the Company’s operations. In 2016, the Company scaled down its exploration activities in Papua New Guinea (“PNG”) and reduced its full-time employees and general and administrative (“G&A”) costs at the head office. In the fourth quarter of 2016, the Company lost its exploration rights and ownership of the mineral interests in PNG. During 2017, the Company changed its principal business to an industrial oil company. Legal counsel and external consultants were engaged to investigate opportunities relating to the evaluation and development of the Company’s business using the ReGen™ technology and to prepare the filings with respect to the Change of Business. As a result, there was an increase in professional fees. In May 2017, the corporate head office resumed full time operations. As such, the Company hired additional full-time employees and incurred various setup and rent costs. Salaries and G&A costs increased in 2018 since there were twelve months of full-time operations in 2018 compared to only seven months of full-time operations in 2017. The increase in professional fees in 2018 was mainly due to the services of engineering consultants engaged to design the Bowden plant and construct a test pilot plant relating to the ReGen™ technology.

Other expense – The difference between periods was mainly due to impairment losses, net gain and foreign exchange loss recognized on the sale of the subsidiary and gain and loss recognized on shares for debt settlement as noted in the following table.

	Year ended December 31		
	2018	2017	2016
	\$	\$	\$
VeroLube loan	-	15,481	164,375
Drilling equipment	-	-	95,881
Mineral interest	-	-	216,819
Total impairment loss	-	15,481	477,075
Gain on disposal of subsidiary	-	(747,836)	-
Foreign exchange loss on disposal of subsidiary	-	328,715	-
(Gain) loss on shares for debt settlement	(15,874)	630,167	-
	(15,874)	226,527	477,075

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Other comprehensive loss (income) – The fluctuation between periods was due to the exchange difference on translating the foreign operation balances and results from its functional currency (PNG Kina) into the reporting currency (Canadian dollar) as the exchange rate fluctuated from period to period. Since the subsidiary was sold in 2017, the foreign exchange loss was reallocated from other comprehensive loss to other expense. The fluctuation was also related to the fair value movements of investments. Unrealized gains and losses were recognized in other comprehensive loss (income).

Total assets – The decrease in total assets in 2016 was due to cash used during the year and impairment loss recognized on property and equipment, loans and investments. The increase in 2017 was due to cash proceeds received from the private placements completed and warrants exercised during the year. The decrease in 2018 was due to cash used in operations as the Company increased spending on the development of the Bowden plant and ReGen™ technology.

Total liabilities – The Company's liabilities arose as a result of project and corporate expenses and site rent accruals.

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, 2018 \$	September 30, 2018 \$	June 30, 2018 \$	March 31, 2018 \$
Financial Results:				
Expense	1,127,984	1,762,767	2,656,035	2,254,517
Other (income) expense	(12,636)	(6,302)	(51,903)	(22,782)
Net loss	1,115,348	1,756,465	2,604,132	2,231,735
Basic and diluted loss per share	0.02	0.03	0.04	0.04

	For the Quarters Ended			
	December 31, 2017 \$	September 30, 2017 \$	June 30, 2017 \$	March 31, 2017 \$
Financial Results:				
Expense	1,157,078	1,602,861	1,187,445	1,196,784
Other (income) expense	(22,443)	(4,736)	626,522	(420,980)
Net loss	1,134,635	1,598,125	1,813,967	775,804
Basic and diluted loss per share	0.02	0.03	0.04	0.02

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the year ended December 30, 2018, cash and cash equivalents decreased by \$4,168,923. The decrease for the year ended December 30, 2018 was mainly due to \$6,416,047 of cash used in operating activities and offset by net cash of \$2,247,124 received from the private placements.

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As at December 31, 2018, the Company had working capital of \$614,631 comprised of cash and cash equivalents of \$2,115,968, accounts receivable of \$135,256 and prepaid expenses of \$181,665 offset by accounts payable and accrued liabilities of \$1,635,658 and \$182,600 of accrued tax provision.

From the fourth quarter of 2016 to the first quarter of 2019, the Company raised gross proceeds of approximately \$14.1 million primarily to complete engineering studies to assess the viability of the ReGen™ process; to undertake additional patent work regarding the ReGen™ process; to pay engineering consultants for design work on the Bowden facility; to provide deposit and rental payments for the Bowden Facility; to pay compensation to employees, directors and officers of the Company; to pay commissions to finders and other expenses in connection with the financings; and for working capital and general corporate purposes.

Project Financing

On November 7, 2018 the Company announced that it has received a term sheet from EDC for a term loan for up to \$72 million to finance up to 50% of the Project. The required equity is to be fully contributed prior to the first disbursement of the Senior Credit Facility. To date, the Company has contributed approximately \$8.6 million to the Project. The borrower of the Senior Credit Facility will be Gen III Oil Alberta with the Company guaranteeing the loan. No securities of the Company, or Gen III Alberta, are contemplated to be issued in connection with the Senior Credit Facility. The Senior Credit Facility may only be used to fund costs associated with the design, engineering, procurement, development, construction, commissioning and operational ramp-up of the Project, including, funding of a debt service reserve account, cost overrun account, interest payments, lender fees and expenses, professional fees and expenses, insurance premia, taxes, the cost of obtaining permits and other agreed upon costs and expenses incurred in connection with the Project. Closing of the Senior Credit Facility is subject to various conditions, including the completion of satisfactory due diligence by the parties and execution and delivery of definitive loan documents.

On April 3, 2019, the Company signed a non-exclusive advisory agreement with New York based StormHarbour Securities LP, to assist with corporate and institutional investors.

The Company is actively working with private equity, family offices and strategic partners to finance the Project at the Gen III Alberta level. Currently, ten commercial entities have entered into non-disclosure agreements with the Company and have been granted access to the Company's data room to conduct financing due diligence.

Going Concern

The Company's consolidated financial statements for the year ended December 31, 2018 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 year ended December 31, 2018, the Company reported a net loss of \$7,707,680 and a comprehensive loss of \$7,738,301 and as at December 31, 2018, had an accumulated deficit of \$85,169,772. The Company has not generated revenues from operations. The Company is dependent on debt and equity financings to fund its 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. 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 year ended December 31, 2018 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 share capital of \$77,106,600 and \$139,181 of long-term debt as at December 31, 2018. 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 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's lease commitments as at December 31, 2018 are shown in the table below.

	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$
Total office lease commitment	344,046	90,061	-	-	-
Parkland lease	1,200,000	1,200,000	1,200,000	1,200,000	1,296,000
Total lease commitment	1,544,046	1,290,061	1,200,000	1,200,000	1,296,000

The Parkland lease agreement commenced on February 1, 2018 and is for an initial term of 20 years. Annual basic rent is \$1,200,000 with an increase of the greater of 2% or the Alberta Consumer Price Index on each fifth anniversary of the lease term. For accounting purposes, the aggregate amount of the rent payments for the 20-year lease term is recognized as rent expense on a straight-line basis over 20 years. As at December 31, 2018, this establishes a deferred liability of \$139,181, which will be drawn down in the later years of the lease when the cash payments exceed the rent expense recorded for accounting purposes. The Company intends to construct its new motor oil re-refinery plant on the existing process pads at Parkland's Bowden facility. The lease agreement requires the Company to decommission the existing Bowden plant facility before construction of the new oil re-refinery plant. The Company estimates that the cost of this decommission work to be approximately \$3.5 million. In addition, the lease agreement requires the Company to provide a security deposit of \$2 million before commencement of any work on the Bowden facility.

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. The Company has not yet advised Elbow River of such date and due to the nature timing and uncertainty of these costs, it is not practicable to estimate such reimbursable costs at this time.

Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

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 Executive Vice President, the former Chief Operating Officer, the Executive Vice President, Corporate Finance, the Chief Financial Officer, and the Directors.

	Year ended December 31,	
	2018	2017
	\$	\$
Salaries to Key Management personnel	1,228,695	634,500
Fees for consulting services to a company controlled by the Executive Vice President (George Davidson)	118,500	167,500
Fees for consulting services to a company controlled by the former Chief Operating Officer (Angelo Battiston)	10,688	49,875
Fees for consulting services to a company controlled by Chief Financial Officer (Rick Low)	-	20,462
Professional fees to company controlled by a Director (Larry Van Hatten)	66,500	101,000
Share-based payments to Key Management personnel	267,984	570,708
Total	1,692,367	1,544,045

Included in salaries to Key Management personnel for the year ended December 31, 2018, is \$194,000 in bonuses paid (2017 - \$nil) for achieving financing milestones.

Included in accounts payable and accrued liabilities as at December 31, 2018 is \$165,000 (December 31, 2017 - \$165,000) of accrued directors' fees, \$11,878 (December 31, 2017 - \$11,062) of professional fees payable to officers and directors and \$25,772 (December 31, 2017 - \$13,053) of accrued expense reimbursements payable to officers and a director.

On February 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 consisted 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. All of the Warrants were exercised by the Chief Executive Officer and director by the expiry date and the Company received gross proceeds of \$232,500.

Gen III Oil Corporation**MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended December 31, 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:

<u>Creditor</u>	<u>Debt Amount</u>	<u>Number of Shares</u>	<u>Nature of Debt</u>
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	

On March 13, 2018, the Company announced a proposed shares-for-debt settlement transaction in which the Company would issue up to 172,852 common shares in the capital of the Company at a deemed price of \$0.70 per common share to the directors of the Company in connection with the settlement of an aggregate of \$120,998 of debt owed to such directors. On May 1, 2018, the Company issued shares to the following related parties in settlement of their debt:

<u>Creditor</u>	<u>Debt Amount</u>	<u>Number of Shares</u>	<u>Nature of Debt</u>
Gregory Clarkes	\$21,907	31,295	2017 directors' and committee fees less statutory deductions
Larry Van Hatten	\$28,751	41,072	2017 directors' and committee fees less statutory deductions
Paul Dipasquale	\$18,778	26,825	2017 directors' fees less statutory deductions
Bryan Nethery	\$21,562	30,803	2017 directors' fees less statutory deductions
John Detmold	\$30,000	42,857	2017 directors' fees less statutory deductions
Total	\$120,998	172,852	

Gen III Oil Corporation**MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended December 31, 2018

On November 16, 2018, members of the Company's Board of Directors purchased an aggregate of 1,275,000 units of the Company's non-brokered private placement at \$0.40 per unit for gross proceeds of \$510,000 as follows:

<u>Name</u>	<u>Amount</u>	<u>Number of Units</u>
Gregory Clarkes	\$300,000	750,000
Paul Dipasquale	\$80,000	200,000
Bryan Nethery	\$30,000	75,000
John Detmold	\$100,000	250,000
Total	\$510,000	1,275,000

During the first quarter of 2019, members of the Company's Board of Directors exercised 2,700,000 options at an exercise price of \$0.17 per share as follows:

<u>Name</u>	<u>Amount</u>	<u>Number of Options</u>
Gregory Clarkes	\$289,000	1,700,000
Larry Van Hatten	\$68,000	400,000
Paul Dipasquale	\$34,000	200,000
Bryan Nethery	\$34,000	200,000
John Detmold	\$34,000	200,000
Total	\$459,000	2,700,000

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.

During 2014, the Company entered into agreements with VeroLube to loan funds to VeroLube Bowden Plant Inc. The Company's Chief Executive Officer and director (Greg Clarkes) served as a director of VeroLube Inc. until January 23, 2017. These loans have been impaired and the following provides information on the outstanding amounts of the VeroLube Loan.

	<u>\$</u>
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 December 31, 2017 and 2018	-

Financial Instruments and Risk Management

Fair Value of Financial Instruments

The Company's financial instruments at December 31, 2018 include cash and cash equivalents, accounts receivable, Investment in COY, and accounts payables and accrued liabilities.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their immediate or short-term nature, unless otherwise noted.

The fair value of COY shares was based on the closing prices of those shares on Australian Stock Exchange.

Fair Value Hierarchy

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

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

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

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

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

Asset	Level 1 \$	Level 2 \$	Level 3 \$
December 31, 2018:			
Cash and cash equivalents	2,115,968	-	-
Investment in Coppermoly Ltd.	26,794	-	-
December 31, 2017:			
Cash and cash equivalents	6,284,891	-	-
Investment in Coppermoly Ltd.	57,415	-	-

Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

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, 2018 is minimal. The Company's accounts receivable consists of GST receivable from the government, interest income from a Canadian financial institution and a receivable from another financial institution. 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 normal day-to-day expenditures are incurred in Canadian dollars. As at December 31, 2018, 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 2018, the Company received \$55,754 of interest income from banks and accrued \$3,873 of interest income. 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, 2018, the Company had \$2,115,968 in cash and cash equivalents, \$1,818,258 in current liabilities and \$139,181 in long-term 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 30 to 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 \$2,700 before tax.

Outstanding Share Data

As at April 29, 2019, the following shares are outstanding:

- Authorized: Unlimited common shares without par value
Unlimited number of preferred shares without par value
- Issued and outstanding: 71,384,256 common shares
- Stock options outstanding:
 - 65,000 with an exercise price of \$0.72 per option and an expiry date of May 17, 2019
 - 600,000 with an exercise price of \$0.68 per option and an expiry date of January 5, 2020
 - 500,000 with an exercise price of \$0.70 per option and an expiry date of May 6, 2020
 - 300,000 with an exercise price of \$0.70 per option and an expiry date of September 1, 2020
 - 250,000 with an exercise price of \$0.70 per option and an expiry date of January 10, 2021
 - 1,142,500 with an exercise price of \$0.70 per option and an expiry date of March 13, 2021
 - 3,750,000 with an exercise price of \$0.40 per option and an expiry date of April 1, 2021

Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

- Warrants outstanding:

4,891,598 with an exercise price of \$1.00 per warrant and an expiry date of September 27, 2019

1,883,375 with an exercise price of \$0.70 per warrant and an expiry date of November 16, 2019

318,750 with an exercise price of \$0.70 per warrant and an expiry date of December 5, 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.

On February 9, 2017, the Company closed the final tranche of the non-brokered private placement that was announced on November 29, 2016 (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. The remaining 1,850,000 warrants issued with the Offering were all exercised by the expiry date of February 6, 2018 and the Company received gross proceeds of \$555,000.

On January 5, 2018, the Company granted 600,000 stock options at an exercise price of \$0.68, expiring on January 5, 2020. The options will vest in two equal tranches on May 31, 2018 and upon commissioning of the Bowden plant.

On March 13, 2018, the Company granted 1,200,000 stock options at an exercise price of \$0.70, expiring on March 13, 2021. The options will vest on the earlier of: (a) a Change of Control of the Corporation; or (b) the "Commercial Operations Date" (as such term is defined in the Purchase and Sale Agreement between Gen III and Elbow River Marketing Ltd. dated September 12, 2017) of the Corporation's re-refinery plant being constructed in Bowden, Alberta.

On March 13, 2018, the Company announced a proposed shares-for-debt settlement transaction in which the Company would issue up to 172,852 common shares in the capital of the Company at a deemed price of \$0.70 per common share to the directors of the Company in connection with the settlement of an aggregate of \$120,998 of debt owed to such directors. On May 1, 2018, the Company issued shares to the following related parties in settlement of their debt:

<u>Creditor</u>	<u>Debt Amount</u>	<u>Number of Shares</u>	<u>Nature of Debt</u>
Gregory Clarkes	\$21,907	31,295	2017 directors' and committee fees less statutory deductions
Larry Van Hatten	\$28,751	41,072	2017 directors' and committee fees less statutory deductions
Paul Dipasquale	\$18,778	26,825	2017 directors' fees less statutory deductions
Bryan Nethery	\$21,562	30,803	2017 directors' fees less statutory deductions
John Detmold	\$30,000	42,857	2017 directors' fees less statutory deductions
Total	\$120,998	172,852	

Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

On March 26, 2018, the Company granted 500,000 stock options to an investor relations firm at an exercise price of 0.61, expiring on March 26, 2020. The options were to vest quarterly in equal installments beginning on June 26, 2018. Due to the cancellation of services with the investor relations firm, 375,000 unvested stock options were forfeited. The remaining 125,000 vested options were not exercised and expired on September 24, 2018.

On May 6, 2018, the Company granted 500,000 stock options to an employee to purchase shares at an exercise price of \$0.70 per share. The options are valid for a period of two years. The options will vest in two equal tranches, one-half on December 31, 2018, and one-half upon commissioning of the Company's Bowden facility.

On September 1, 2018, the Company granted 300,000 stock options to a consultant at an exercise price of \$0.70 per share, expiring on September 1, 2020. 150,000 options will vest on November 30, 2018. 75,000 options will vest upon the consultant securing letters of intent with used motor oil ("UMO") suppliers amounting to 25,000,000 US Gallons of UMO in the aggregate. 75,000 options will vest upon commencement and commissioning of the Bowden facility or facility at another location should the decision be made to build elsewhere.

On October 31, 2018, the Company announced a non-brokered private placement at \$0.40 per unit for gross proceeds of up to \$3,000,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable at a price of \$0.70 per share for a period of one year from closing, subject to acceleration if the common shares trade at or greater than \$1.00 per share for a period of five (5) consecutive trading days after the date that is four months from closing. On November 16, 2018, the Company closed the first tranche of this private placement for total gross proceeds of \$1,506,700. The Company paid finders' fees consisting of cash fees in the aggregate of \$47,100. Members of the Company's board of directors purchased an aggregate of 1,275,000 units. On December 5, 2018, the Company closed the second tranche of the non-brokered private placement consisting of 637,500 for total gross proceeds of \$255,000.

During the year ended December 31, 2018, 822,500 of the unvested stock options were forfeited due to the departure/termination of employees and the resignation of consultants and 610,000 options expired unexercised due to the departure/termination of employees, the resignation of consultants and the termination of services of an independent investor relations firm.

On January 10, 2019, the Company granted 250,000 stock options to a consultant at an exercise price of \$0.70 per share, expiring on January 10, 2021. 125,000 options will vest on April 10, 2019. 62,500 options will vest upon the Company securing letters of intent with used UMO suppliers amounting to 117,000,000 US Gallons of UMO in the aggregate. 62,500 options will vest upon commencement and commissioning of the Bowden facility.

During the first quarter of 2019, 3,075,000 stock options were exercised at \$0.17 per share, in advance of their expiry on February 8, 2019. The exercise resulted in the issuance of 3,075,000 common shares and gross proceeds to the Company of \$522,750.

On April 1, 2019, the Company granted 3,750,000 stock options to directors, officers, employees and consultants at an exercise price of \$0.40 per share, expiring on April 1, 2021. All of the options vested on April 1, 2019.

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.

Recent Accounting Pronouncements

The following are standards that the Company adopted on January 1, 2018 and the impact they have on the Company's financial position and results of operations:

IFRS 15, Revenue from Contracts with Customers – On May 28, 2014, the IASB issued IFRS 15 that provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has not generated any revenues but expects to generate revenues after its Bowden plant becomes operational in the second quarter of 2020. The adoption of this standard did not have any impact on the Company's financial position as at December 31, 2018 and results of operations for the year ended December 31, 2018. The Company will account for revenues under this standard when revenues are generated.

IFRS 9, Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of this standard on January 1, 2018 did not have any material impact on its financial position and results of operations. The Company made an election to continue to measure the fair value changes in other comprehensive income (loss).

The following are standards not yet in effect and the impact they will have on the Company's financial position and results of operations:

IFRS 16, Leases - On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. The Company has office leases and has entered into a plant lease for the Bowden plant in

January 2018. Upon adoption of this standard on January 1, 2019, the Company expects to record right-of-use assets with a corresponding amount in lease liabilities on its statement of financial position. The right-of-use assets will be depreciated over the lesser of their useful lives or lease term. Interest expense on the lease liability will be charged to results of operations.

Risks and Uncertainties

The Company's expectation to enter into the oil re-refining 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.

Financing ability

The Company's ability to enter into the oil re-refining business will be largely reliant on its continued attractiveness to equity investors. The Company will incur operating losses as it continues to expend funds to enter into the oil re-refining business. There is no guarantee that the Company will be able to successfully enter into the oil re-refining business. Furthermore, should the Company require additional capital, failure to raise such capital could result in delay or indefinite postponement of the Company's business activities. From time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards.

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.

Volatile stock price

The stock price of the Company is expected to be highly volatile and will be drastically affected by operating results. The Company cannot predict the results of its future business activities. The success or failure of the Company's re-refining oil business will inevitably affect the Company's decisions and will likely trigger major changes in the trading price of the Company's shares.

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 the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such

terms. 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.

No dividends

Any payments of dividends will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's board of directors may consider appropriate in the circumstances. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

Gen III Oil Corporation**MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended December 31, 2018

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.