Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2020

As at November 25, 2020

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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.

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 25, 2020 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019, 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 eight (8) 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 seven (7) other ReGen™ patent applications world-wide that are pending. These ReGen™ patents provide protection over the ReGen™ technology.

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 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 to re-refine used motor oil ("UMO") to produce Group III base lubricating oil (synthetic grade oil). 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 51% premium to Group II.

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 5,300 bpd. The Company’s proposed refinery in Alberta 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 14,160 bpd.

At an estimated price of CDN $5.10 per gallon for Group III and escalated at 2% inflation rate per year, projected Group III revenues at the Alberta 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 an estimated price of CDN $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. Based on a 2016 study commissioned by the British Columbia Used Oil Management Association, the Company believes that an Alberta plant could reduce greenhouse gas (“GHG”) equivalent emissions by more than 360,000 tonnes per year, versus the burning or disposal of used motor oil the Company expects to re-refine annually. The Company may receive GHG equivalent credits for up to 360,000 tonnes per year and based on recent market pricing, may expect to generate additional annual revenues. Based on a review of the Environmental Protection Agency’s greenhouse gas equivalency calculator, the carbon credits that are projected to be generated by the Company represent the equivalent of taking 76,000 internal combustion powered cars off the road annually.

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 ReGenTM 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 (“Mustang”) 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 capital cost of constructing a ReGen™ re-refinery in Alberta was projected by Stantec to be approximately $90 million*.

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 the then current prices, the cost of feedstock supply to an Alberta plant would represent 32%* of the projected revenue when operating at steady state production.

(c) Market research shows a 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) Carbon credits could provide substantial additional revenue for the Company.

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 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 cost of feedstock supplied to the Alberta 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 were based on the then current offtake discussions, 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, amortization 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 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) Key management personnel for the project;

(b) Environmental consultants to quantify the greenhouse gas credits that could be generated by the plant, and;

(c) UMO feedstock suppliers for the plant.

Offtake Agreements

On October 27, 2020, the Company signed a Letter of Intent ("LOI") with a super major international energy company ("SM") for the offtake of all of the Company's future production of Group II+ and Group III base oils from a proposed 5,600 bpd marine terminal facility in or near Houston, Texas. SM will also have rights related to all future production of the Company's Group II+ and Group III base oils from additional facilities constructed by the Company globally. The LOI covers a minimum five-year period with further extension options. The Company is currently working with SM to expedite a definitive agreement, further detailing the commercial relationship.

On September 12, 2017, the Company entered into a purchase and sale agreement ("PSA") with Elbow River Marketing Ltd. ("Elbow River") for the majority of the Company's finished products from a proposed rerefinery 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. As of June 1, 2018, the agreement may be terminated by Elbow River acting reasonably by notice in writing. No notice has been received to date. 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. As construction of the Bowden plant has not started, the Company has not yet advised Elbow River of the projected commercial operations date and due to the nature and timing of these costs, it is not practicable to estimate such reimbursable costs at this time.

Site Preparation and Pre-Construction Activities

The Company is proposing a full-scale facility to be located in Alberta, with targeted production commencing 18 months after the requisite financing is obtained. The Alberta 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 competed 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 Alberta 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. Final contract negotiations with the preferred bidder is expected to follow notice of project funding.

The Company is also proposing a facility in the United States Gulf Coast as contemplated in the LOI signed with SM.

Front-End Engineering and Design study work is essentially complete for Stages 1 and 3. 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 a 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 March 2019 KMPS completed solvent extraction production pilot testing. This round of testing built off the pilot test completed in August 2018 and produced a high-quality and low-quality base oil stream. The low-quality base oil sample has been sent to Process Dynamics Inc. for Stage 3 hydrotreatment piloting which is expected to occur in early 2021.

The Company shipped a sample of its Group III base oil to one of the top four global petroleum additives manufacturers. The purpose was to pursue the American Petroleum Institute's ("API") API SN Plus and ILSAC GF-5 certifications for three passenger car motor oil ("PCMO") formulations namely, 5W-20, 5W-30 and 10W-30. The petroleum additives firm subsequently informed the Company that the Company's Group III based 5W-30 formulation would qualify for API certification. The 5W-20 and 10W-30 PCMO formulations were completed in late September 2019.

The Company then submitted its first Group III based 5W-30 PCMO formulation and ReGen™ product to API's Engine Oil Licensing and Certification System ("EOLCS"). The API EOLCS is a voluntary licensing and certification program that authorizes engine oil marketers that meet specified requirements to use the API Engine Oil Quality Marks globally.

The Company achieved API certification and licensing for its SAE Viscosity Grade 5W-30 formulation in August 2019. The Company may now utilize the Resource Conserving, SN Plus and ILSAC GF-5 designations on its ReGen™ product. The Company is now listed on the API Directory of Licensees. In October 2019, the Company was successful in licensing its 5W-20 and 10W-30 PCMO formulations with API.

This is a significant milestone for the Company and is the culmination of several years' work. API licensing and certification will lead to higher prices for the Company's base oil offtakes over uncertified PCMO fomulations' base oils. Working with a petroleum additives firm will enhance the Company's product marketing efforts, introducing blenders from around North America to the Company's ReGen™ base oil. The Company's management believes these recent developments will significantly enhance the value of the Company's offtake from the perspective of potential institutional investors.

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 for an Alberta plant 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

Application was made to Alberta Environmental and Parks ("AEP") for an Environmental and Enhancement Act Industrial Approval for the Alberta facility in July 2018. AEP granted approval to advance the requisite 30-day public notice period which subsequently ended on June 30, 2019. On November 26, 2019, the Company secured approval (Permit No. 421401-00-00) from the AEP for the construction, operation and reclamation of the Alberta ReGen™ chemical manufacturing plant and waste management facility.

Alberta Tank Design & Integration Project

Under the terms of the lease agreement for the Alberta facility, in November of 2019, three engineering firms were engaged to begin a Front-End Engineering and Design study of the Alberta tank farm and rail spur siding. VTEK, Prolium, and Tri-Innovations were selected through a competitive Request for Proposal ("RFP") process to understand the project costs associated with modifying, repairing and expanding the existing infrastructure to support the Alberta facility. The main deliverable from this project will be a Class 4 estimate for the infrastructure improvements. If determined to be suitable, the Company may enter into a separate agreement for the use of the Alberta tank farm and rail spur siding.

Used Motor Oil Feedstock Supply

The Company has secured letters of intent (“LOIs”) and continues to negotiate further LOI’s in excess of the full UMO feedstock requirement of 150,000,000 litres annually. Negotiations will continue with each of the interested vendors in parallel with ongoing financing discussions in order to turn the LOIs into binding contracts.

Application for Carbon Credits

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

Future Facilities, Joint Ventures and Licensing of IP

In addition to the Alberta facility, 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 third quarter of 2020, the Company raised gross proceeds of approximately \$17.5 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 Alberta facility; to provide deposit and rental payments for the Alberta 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 that 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“), a wholly owned subsidiary of the Company. To date, twenty-one 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 non-binding 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 Alberta (the “Project”). On April 1, 2019, EDC extended its non-binding term sheet to expire on March 31, 2020. On March 31, 2020, the Company subsequently secured an extension of the EDC term sheet until March 31, 2021. 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 \$9.2 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.

The Company is working with the team at SM to expand upon and finalize the terms previously outlined in the LOI signed on October 27, 2020. These include and are not limited to, terms relating to product quality, viscosity, quantity, availability, delivery methodology, site safety and payment terms, amongst others. These terms will be incorporated into a definitive agreement.

The Company has also undertaken Group III base oil testing at the facility of another SM. Verbal communications received regarding preliminary test results have been positive and remain in line with the Company's expectations.

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. On July 19, 2019, the Company announced that it had received a non-binding, non-exclusive, indicative term sheet from a private debt group for up to 83% of total project financing. The structure also contemplated a 5% loan bonus warrant, as defined by the TSXV Exchange policies.

Due to the jobs the Company expects to create during the final engineering, fabrication and construction phases of the project, the Company is working with different levels and departments of government towards pandemic related stimulus funds and emissions reduction related grants. Discussions with several banks and private equity groups are simultaneously underway for the Company's projects and the Company continues to build its syndicate of First Nations for the Alberta project. On July 28, 2020, the Company announced it is working to build a syndicate of First Nations to secure a minimum of $20 million in order to complete the equity component of the financing. Due diligence is ongoing and there is no guarantee of reaching a binding agreement.

Results of Operations

Variance Analysis

The following table sets forth selected expense items that have significant variances between the three and nine months ended September 30, 2020 and 2019.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
General and administration	102,418	132,577	317,903	441,760
Professional fees	114,908	213,288	348,725	947,742
Salaries and benefits	149,904	350,955	810,980	1,095,661
Share-based payments	37,464	57,283	166,640	605,807
Travel and accommodation	-	19,173	7,712	131,942

General and administration – The decrease was mainly due to the termination of a month-to-month lease and a decrease in advertising expense.

Professional fees – The decrease was mainly due to the reduction of services of engineering consultants engaged to design the Alberta plant and construct a test pilot plant relating to the ReGen™ technology. These engineering activities were substantially completed in 2019.

Salaries and benefits – The decrease in the current quarter was due to the reversal of accrued directors' fees. Upon the resignation of two directors, they agreed to forgive the amount of accrued directors' fees. The year-to-date decrease was also due to the reduction in staff and a payroll subsidy received from the National Research Council of Canada's Industrial Research Assistance Program.

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

Travel and accommodation – Travel costs were incurred for meetings with investors, engineers and various service providers relating to the evaluation and development of the Company's business using the ReGen™ technology. These activities decreased for the current period compared to the same period last year partly due to the Covid-19 pandemic.

The Company adopted IFRS 16 Leases with the date of initial application of January 1, 2019. For the three and nine months ended September 30, 2020, the Company recognized the following other income and other expense in its consolidated statement of comprehensive loss:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Rent income	-	(10,776)	(21,551)	(32,327)
Finance income from lease – head office premises	-	(1,332)	(686)	(5,112)
Finance cost for lease - plant site	407,810	285,544	1,178,773	857,834
Finance cost for lease – head office premises	17,758	3,254	43,379	13,613

For the nine months ended September 30, 2020, the Company recorded government grant of $4,772 (2019 - $nil) representing a Covid-19 related grant received from the Government of Canada.

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, 2020	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**
	$	**$**	**$**	**$**
Financial Results:				
Expense	580,253	713,021	899,160	796,920
Other expense	721,437	384,565	389,577	544,810
Net loss	1,301,690	1,097,586	1,288,737	1,341,730
Basic and diluted loss per share	0.01	0.01	0.02	0.02

	For the Quarters Ended			
	September 30, 2019 $	**June 30, 2019 $**	**March 31, 2019 $**	**December 31, 2018 $**
Financial Results:				
Expense	954,972	1,515,932	1,329,327	1,127,984
Other loss (income)	273,658	278,702	270,754	(12,636)
Net loss	1,228,630	1,794,634	1,600,081	1,115,348
Basic and diluted loss per share	0.02	0.03	0.02	0.02

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the three months ended September 30, 2020, cash and cash equivalents increased by $18,990. The increase was mainly due to $490,546 net cash received from issuance of share capital, offset by $427,302 of cash used in operating activities and payment of $44,254 for lease liabilities. During the nine months ended September 30, 2020, cash and cash equivalents decreased by $455,771. The decrease was mainly due to $1,263,373 of cash used in operating activities, payment of $119,811 for lease liabilities, offset by $863,469 net cash received from issuance of share capital, $40,000 grant received from the Government of Canada, $23,944 rent received.

As at September 30, 2020, the Company had a working capital deficit of $4,094,820 comprised of cash and cash equivalents of $276,915, accounts receivable of $65,231 and prepaid expenses of $92,707, offset by accounts payable and accrued liabilities of $867,798, lease liabilities of $3,433,875 and accrued withholding tax provision of $228,000.

From the fourth quarter of 2016 to the third quarter of 2020, the Company raised gross proceeds of approximately $17.5 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 Alberta facility; to provide deposit and rental payments for the Alberta 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.

On June 11, 2020 the Company obtained an unsecured and interest free $40,000 term loan from the Government of Canada and on June 11, 2020, the Company drew down $40,000 of the LOC. If the LOC is not repaid by December 31, 2020, the LOC will be converted to a 2-year unsecured and interest free term loan to be repaid by December 31, 2022. On December 31, 2022, the Company has the option to convert the loan into a 3-year unsecured term loan at an annual interest rate of 5%. The remaining balance is to be paid in full no later than December 31, 2025.The balance of the loan may be repaid less a 25% forgiveness of the repayment amount if repaid by December 31, 2022.

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 $9.2 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. The EDC term sheet is non-binding and expired on March 31, 2020. On March 31, 2020, the Company subsequently secured an extension of the EDC term sheet until March 31, 2021.

On October 27, 2020, the Company signed the LOI with SM for the offtake of all of the Company's future production of Group II+ and Group III base oils from a proposed 5,600 bpd marine terminal facility in or near Houston, Texas. SM will also have rights related to all future production of the Company's Group II+ and Group III base oils from additional facilities constructed by the Company globally. The LOI covers a minimum five-year period with further extension options. The Company is currently working with SM to expedite a definitive agreement, further detailing our commercial relationship. The SM is a multi-billion-dollar, international producer of fuels and lubricants, which has stated its intention to become a net-zero carbon emitter. While there is no guarantee of a successful outcome, nor of the timeframe in which this might occur, things are rapidly moving in the right direction. The Company has also initiated Group III base oil sample testing at the formulations' facility of another super-major and is waiting on the final analysis.

Due to the jobs the Company expects to create during the final engineering, fabrication and construction phases of the project, the Company is working with different levels and departments of government towards pandemic related stimulus funds and emissions reduction related grants. Discussions with several banks and private equity groups are simultaneously underway for the Company's projects and the Company continues to build its syndicate of First Nations for the Alberta project. On July 28, 2020, the Company announced it is working to build a syndicate of First Nations to secure a minimum of $20 million in order to complete the equity component of the financing. Due diligence is ongoing and there is no guarantee of reaching a binding agreement.

The Company is actively working with private equity, family offices and strategic partners to finance the Project at the Gen III Alberta level. To date, several 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 18, 2020, the Company engaged Blue Deer Capital Partners for an initial term expiring December 31, 2021, to provide non-exclusive financial advisory services for a monthly fee. The Company has also agreed to issue one million fully vested stock options to Blue Deer Capital Partners, with an exercise price of 30 cents per common share and expiry date of May 18, 2022.

Going Concern

The Company's condensed consolidated interim financial statements for the three months and nine ended September 30, 2020 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. At September 30, 2020, the Company had a working capital deficit of $4,094,820, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the nine months ended September 30, 2020, the Company reported a net loss of $3,688,013 and a comprehensive loss of $3,649,737 and as at September 30, 2020, had an accumulated deficit of $94,683,679. 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. The Company's ability to obtain financing may be subject to additional risks brought on by the current Covid-19 pandemic such as, but not limited to, temporary business closures, travel restrictions, quarantines, the general market uncertainty and reduced economic activity. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 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.

Covid-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic related to the virus known as Covid-19. The expected impacts on global commerce are anticipated to be far reaching. To date, the movement of people and goods has become restricted.

As the duration of the Covid-19 pandemic and its continuing effect on the economy is unknown at this time, the Company continues to gather information and assess the impact of this pandemic on the future of its development plans.

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 $80,752,704 and $15,072,485 of total liabilities as at September 30, 2020. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Planning, annual budgeting, monitoring, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

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

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

Contractual Obligations and Contingencies

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Salaries to Key Management personnel	87,750	252,750	609,135	758,250
Fees for consulting services to a company controlled by the former Executive Vice President (George Davidson)	-	-	-	5,000
Professional fees to a company controlled by a Director (Larry Van Hatten)	18,000	19,000	51,000	52,000
Share-based payments to Key Management personnel	40,598	33,288	163,764	551,362
Total	146,348	305,038	823,899	1,366,612

Included in salaries to Key Management personnel for the three and nine months ended September 30, 2020, is $15,885 in bonuses paid (2019 - $nil) for achieving financing milestones.

Included in accounts payable and accrued liabilities as at September 30, 2020 is $288,750 (December 31, 2019 - $330,000) of accrued directors' fees, $155,000 (December 31, 2019 - $4,935) of wages and professional fees payable to officers and directors and $6,764 (December 31, 2019 - $12,735) of accrued expense reimbursements payable to officers and directors.

Included in accounts receivable as at September 30, 2020 and December 31, 2019 is $16,966 of withholding taxes paid on behalf of directors.

On February 13, 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:

Name	Amount	Number of Options
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**

On September 30, 2019, members of the Company's board of directors purchased an aggregate of 900,000 units (Gregory Clarkes, 500,000; John Detmold, 250,000; Bryan Nethery, 150,000) of the Company's non-brokered private placement at $0.20 per unit for gross proceeds of $180,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.30 per share until December 30, 2020. Cash commission of $94,605 was paid and 473,025 broker warrants were issued to one of the finder companies in which Mark Redcliffe, Executive VP, Corporate Finance of the Company, is a director.

On May 29, 2020, the Company completed a non-brokered private placement and issued an aggregate of 2,773,659 shares at a price of $0.15 per share for gross proceeds of $416,049. The Company paid finder's fees of $25,973 in cash and issued 173,156 share purchase warrants to one of the finder companies in which Mark Redcliffe, Executive VP, Corporate Finance of the Company, is a director.

On September 17, 2020, the Company completed a non-brokered private placement of 2,540,000 units at a price of $0.20 per unit for gross proceeds of $508,000. Each unit consists of one common share in the capital of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant is exercisable to acquire one share at an exercise price of $0.30 per share until September 17, 2021. Paul DiPasquale, a director of the Company, purchased an aggregate of 250,000 units of the private placement for gross proceeds of $50,000.

On November 24, 2020, the Company announced to settle, subject to the approval of the TSX Venture Exchange, $200,250 in debt to directors of the Company in exchange for 513,460 common shares at a deemed price of $0.39 per share. The fair value of the shares was recorded as $0.39 per share, which was the November 24, 2020 closing price of the shares on the TSX Venture Exchange.

	Debt Amount	Number of Shares	Nature of debt
Greg Clarkes, director & officer	$ 57,750	148,077	33 months of directors' fees less statutory deductions
Greg Clarkes, director & officer	9,625	24,679	33 months of fees as compensation committee chair less statutory deductions
	$ 67,375	172,756	
Larry Van Hatten, director	$ 57,750	148,077	33 months of directors' fees less statutory deductions
Larry Van Hatten, director	19,250	49,358	33 months of fees as compensation committee chair less statutory deductions
	$ 77,000	197,435	
Paul DiPasqule, director	$ 55,875	143,269	33 months of directors' fees less statutory deductions
Total	**$ 200,250**	**513,460**	

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

Financial Instruments and Risk Management

The Company's financial instruments at September 30, 2020 include cash and cash equivalents, accounts receivable, Investment in Coppermoly Ltd., accounts payable and accrued liabilities and term loan. There were no material changes to the Company's financial instruments and risk exposures for the three and nine months ended September 30, 2020 from those as reported in the Company's MD&A for the year ended December 31, 2019.

Outstanding Share Data

As at November 25, 2020, the following shares are outstanding:

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

- Issued and outstanding: 87,605,415 common shares

- Stock options outstanding:

Number of options	Exercise price per option $	Expiry date
250,000	0.70	January 10, 2021
1,122,500	0.70	March 13, 2021
3,650,000	0.40	April 1, 2021
600,000	0.25	February 4, 2022
1,000,000	0.30	May 18, 2022
600,000	0.20	June 2, 2022
750,000	0.20	September 30, 2022
7,972,500		

- Warrants outstanding:

Number of warrants	Exercise price per warrant $	Expiry date
1,883,375	0.70	November 16, 2020
318,750	0.70	December 5, 2020
5,453,750	0.30	December 30, 2020
173,156	0.15	May 29, 2021
1,270,000	0.30	September 17, 2021
9,099,031		

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, 2020 from those as reported in the Company’s MD&A for the year ended December 31, 2019.

Recent Accounting Pronouncements

There are no new accounting pronouncements that are expected to have a significant impact on the Company’s financial position and results of operations.

Risks and Uncertainties

There were no material changes to the Company’s risks and uncertainties for the three and nine months ended September 30, 2020 from those as reported in the Company’s MD&A for the year ended December 31, 2019, except for the effects of the Covid-19 pandemic noted above.