ReGen III Corp.

Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2023
(Unaudited)
(Expressed in Canadian dollars)

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For the Three and Nine Months Ended September 30, 2023 **Page**

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

	September 30, 2023	December 31, 2022
	$	$
ASSETS		
Current		
Cash	437,671	718,398
Accounts receivable	21,489	26,990
Prepaid expenses	150,450	144,528
Investment in sublease (note 3)	110,797	-
	720,407	889,916
Property	8,328	8,328
Investments	47,846	38,276
Investment in sublease (note 3)	62,705	-
Right-of-use assets (note 4)	198,156	295,251
Total assets	**1,037,442**	**1,231,771**
LIABILITIES AND DEFICIT		
Current		
Accounts payable (note 5)	456,563	514,474
Accrued liabilities (note 5)	1,213,103	1,080,704
Lease liabilities (note 4)	185,335	125,711
Term loan	40,000	40,000
Accrued tax provision	240,000	230,000
	2,135,001	1,990,889
Deferred rent liability	11,783	-
Lease liabilities (note 4)	223,639	211,959
Total liabilities	2,370,423	2,202,848
Shareholders' deficit		
Share capital (note 6)	101,320,784	98,689,674
Contributed surplus	14,459,571	13,234,699
Accumulated deficit	(117,161,182)	(112,933,726)
Accumulated other comprehensive income		
Unrealized gain on investments	47,846	38,276
Total shareholders' deficit	(1,332,981)	(971,077)
Total liabilities and shareholders' deficit	**1,037,442**	**1,231,771**

Nature of operations and going concern (note 1)
Commitments (notes 4 and 9)
Subsequent events (note 11)

Approved on behalf of the Board of Directors:

"Greg Clarkes" ***"Larry Van Hatten"***

Greg Clarkes, Director Larry Van Hatten, Director

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

ReGen III Corp.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Expense				
Amortization of right-of-use assets (note 4)	19,414	34,067	87,549	102,202
General and administration	174,987	98,459	370,489	301,825
Investor relations	22,449	11,775	102,565	90,164
Plant engineering and design	91,210	131,165	221,178	5,967,631
Professional fees	356,199	406,175	747,592	1,440,238
Salaries and benefits (note 5)	547,403	484,903	1,701,309	1,529,151
Share-based payments (note 6)	285,746	180,131	997,193	1,362,372
Travel and accommodation	7,501	1,702	24,306	29,113
	1,504,909	1,348,377	4,252,181	10,822,696
Other (income) expense				
Interest income	(12,682)	(18,105)	(49,343)	(40,405)
Rent income	(3,213)	(3,429)	(7,784)	(10,286)
Finance income from lease – head office premises (note 3)	(3,064)	-	(3,064)	-
Finance costs of lease – head office premises (note 4)	9,834	11,728	28,167	37,765
Write-off due to sublease (notes 3 and 4)	7,299	-	7,299	-
Foreign exchange (gain) loss	19,830	(16,093)	-	(28,457)
	18,004	(25,899)	(24,725)	(41,383)
Net loss for the period	1,522,913	1,322,478	4,227,456	10,781,313
Other comprehensive gain				
Unrealized gain on investments	(5,742)	(3,827)	(9,570)	-
Total comprehensive loss for the period	1,517,171	1,318,651	4,217,886	10,781,313
Loss per share – basic and diluted	0.01	0.01	0.04	0.09
Weighted average number of shares outstanding – basic and diluted	118,355,547	114,412,175	117,332,671	113,536,429

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

ReGen III Corp.
Condensed Consolidated Interim Statements of Changes in Equity (Deficit)
(Unaudited)
(Expressed in Canadian dollars)

	Share capital	Contributed surplus	Accumulated deficit	Unrealized gain (loss) on investments	Total
	$	$	$	$	$
Balance as at December 31, 2021	95,888,452	11,835,363	(100,465,848)	42,104	7,300,071
Issuance of share capital (note 6)	2,963,666	(72,349)	-	-	2,891,317
Share issuance costs (note 6)	(162,444)	-	-	-	(162,444)
Share-based payments (note 6)	-	1,362,372	-	-	1,362,372
Loss for the period	-	-	(10,781,313)	-	(10,781,313)
Balance as at September 30, 2022	98,689,674	13,125,386	(111,247,161)	42,104	610,003
Share-based payments (note 6)	-	109,313	-	-	109,313
Loss for the period	-	-	(1,686,565)	-	(1,686,565)
Other comprehensive loss	-	-	-	(3,828)	(3,828)
Balance as at December 31, 2022	98,689,674	13,234,699	(112,933,726)	38,276	(971,077)
Issuance of share capital (note 6)	193,721	(67,721)	-	-	126,000
Issuance of units (note 6)	2,473,976	295,400	-	-	2,769,376
Share issuance costs (note 6)	(36,587)	-	-	-	(36,587)
Share-based payments (note 6)	-	997,193	-	-	997,193
Loss for the period	-	-	(4,227,456)	-	(4,227,456)
Other comprehensive gain	-	-	-	9,570	9,570
Balance as at September 30, 2023	101,320,784	14,459,571	(117,161,182)	47,846	(1,332,981)

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

ReGen III Corp.
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended September 30, 2023 and 2022
(Unaudited)
(Expressed in Canadian dollars)

	2023	2022
	$	$
Operating activities		
Net loss for the period	(4,227,456)	(10,781,313)
Adjustments for items not involving cash		
Amortization of right-of-use assets (note 4)	87,549	102,202
Share-based payments (note 6)	997,193	1,362,372
Accretion of government grant	-	1,441
Finance income from lease – head office premises (note 3)	(3,064)	-
Lease interest – head office premises (note 4)	28,167	37,765
Write-off due to sublease (notes 3 and 4)	7,299	-
	(3,110,312)	(9,277,533)
Net change in non-cash working capital		
Accounts receivable	5,501	10,958
Prepaid expenses	(5,922)	133,397
Accounts payable	(57,911)	391,996
Accrued liabilities	132,399	16,195
Accrued tax provision	10,000	2,000
Deferred rent liability	11,783	-
Net cash flows used in operating activities	(3,014,462)	(8,722,987)
Financing activities		
Deferred transactions costs	-	(31,526)
Payment of lease liabilities (note 4)	(155,019)	(122,868)
Issuance of share capital (note 6)	2,895,376	2,891,317
Share issuance costs (note 6)	(36,587)	(162,444)
Net cash flows from financing activities	2,703,770	2,574,479
Investing activities		
Investment in sublease (note 3)	29,965	-
Net cash flows from investing activities	29,965	-
Decrease in cash during the period	(280,727)	(6,148,508)
Cash, beginning of the period	718,398	7,734,986
Cash, end of the period	437,671	1,586,478

Supplemental cash flow information (note 10)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

ReGen III Corp. (the "Company" or "ReGen III") was incorporated under the laws of British Columbia and continued its incorporation into Alberta on December 6, 2017. The Company's wholly owned subsidiaries, ReGen III (Alberta) Inc., was incorporated under the provincial laws of Alberta on November 1, 2017 and ReGen III (USGC) Corporation, was incorporated in Delaware, USA on October 29, 2021. The Company's indirect subsidiaries, RG3 Texas Holdings LLC was incorporated in Delaware, USA on March 16, 2022 is wholly owned by ReGen III (USGC) Corporation and RG3 Texas LLC was incorporated in Delaware, USA on March 16, 2022 is wholly owned by RG3 Texas Holdings LLC. The Company holds patents to the ReGen™ technology and plans to use the technology to recycle used motor oil into high quality base lubricating oils. The Company's address is Suite 1245 - 200 Granville St., Vancouver, B.C., V6C 1S4, Canada.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At September 30, 2023, the Company had a working capital deficit of $1,414,594, 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, 2023, the Company reported a net loss of $4,227,456 and total comprehensive loss of $4,217,886 and as at September 30, 2023, had an accumulated deficit of $117,161,182. The Company has not generated revenues, and it is dependent on debt and equity financings to fund its development operations. Management of the Company believes that the current level of funds is not sufficient to pay for expected cash expenditures over the next 12 months. The recoverability of the underlying value of the Company's assets is entirely dependent on the Company's ability to obtain the necessary financing to complete development of the ReGen™ technology and future profitable production. Significant amounts of capital expenditures are required for the Company to execute its business plan and there are no assurances that the Company will have sufficient funds for this purpose. In the event that sufficient financing is not completed, the Company will be required to scale back its planned activities and expenditures, including general and administrative expenditures. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's condensed consolidated interim financial statements for the nine months ended September 30, 2023 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting period ending December 31, 2023. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies applied are the same as those applied in the Company's most recent annual financial statements which are filed under the Company's profile on SEDAR+ at www.sedarplus.ca. The results for interim periods are not necessarily indicative of results for the entire year. The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. As a result, actual amounts may differ from those estimates.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current period.

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 were approved and authorized for issue by the Board of Directors on November 27, 2023.

(b) Principles of Consolidation

The condensed consolidated interim financial statements include the financial statements of the Company, and its subsidiaries as indicated in the table below.

Subsidiary	Incorporation jurisdiction	Functional currency	Ownership %	
			2023	2022
ReGen III (Alberta) Inc.	Alberta	Canadian dollar	100%	100%
ReGen III (USGC) Corporation	Delaware	Canadian dollar	100%	100%
RG3 Texas Holdings LLC	Delaware	US dollar	100%	100%
RG3 Texas LLC	Delaware	US dollar	100%	100%

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for investments that have been measured at fair value.

(c) New and Amended Standards and Interpretations

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

3. INVESTMENT IN SUBLEASE

The Company entered into an agreement effective on August 22, 2023, to sublease its previous office premises for a term that expires on February 28, 2025. As a result, the Company recognized an investment in sublease on August 22, 2023. As at August 22, 2023, the total future sublease payments of $222,596 over the sublease term was discounted at the Company's incremental borrowing rate of 15% and the Company recorded an investment in sublease of $200,403. Set out below, are the carrying amounts of the Company's investment in sublease and the movements during the period:

	Investment in Sublease $
Future sublease payments as at August 22, 2023	222,596
Incremental borrowing rate as at August 22, 2023	15%
Discounted future sublease payments as at August 22, 2023	200,403
Prepaid rent	(25,684)
Interest accretion	3,064
Sublease payments received	(4,281)
Balance, as at September 30, 2023	173,502

(Expressed in Canadian dollars)

3. INVESTMENT IN SUBLEASE (continued)

	Investment in Sublease $
Current portion of investment in sublease	110,797
Long-term portion of investment in sublease	62,705
Balance, as at September 30, 2023	173,502

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company entered into a sublease agreement effective on September 1, 2023, for the sublease of its new office premises for a term that expires on September 30, 2026. The Company has recorded this sublease as a right-of-use asset and lease liability on September 1, 2023. As at September 1, 2023, the total future sublease payments of $244,494 over the sublease term was discounted at the Company's incremental borrowing rate of 15% and the Company recorded a lease liability and right-of-use-asset of $198,156. As a result of subleasing the Company's previous office premises and subleasing its new office premises, the Company derecognized $207,702 (2022 - $nil) of right-of-use assets for the previous office premises and recognized $200,403 right-of-use assets for its new office premises. This resulted in a $7,299 (2022 - $nil) net write off recorded for the nine months ended September 30, 2023 (see note 3).

On June 17, 2019, the Company entered into a lease agreement for the lease of its office premises for an initial term of five years commencing on March 1, 2020. The Company has recorded this lease as a right-of-use asset and lease liability on March 1, 2020. As at March 1, 2020, the total future lease payments of $896,169 over the initial lease term was discounted at the Company's incremental borrowing rate of 12% and the Company recorded a lease liability and right-of-use-asset of $681,347.

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-Use-Assets $	Lease Liabilities $
Balance, as at December 31, 2021	431,520	458,375
Amortization	(136,269)	-
Interest accretion – head office premises	-	48,498
Lease payments	-	(169,203)
Balance, as at December 31, 2022	295,251	337,670
Discounted future lease payments	198,156	198,156
Prepaid rent	-	(13,583)
Amortization	(87,549)	-
Write-off due to sublease	(207,702)	-
Interest accretion – head office premises	-	28,167
Lease payments	-	(141,436)
Balance, as at September 30, 2023	198,156	408,974

(Expressed in Canadian dollars)

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

	Right-of-Use-Assets $	Lease Liabilities $
Current portion of lease liabilities	-	185,335
Long-term portion of lease liabilities	-	223,639
Head office premises	198,156	-
Balance, as at September 30, 2023	198,156	408,974

The Company's outstanding lease payments on a calendar year basis as at September 30, 2023 are shown in the table below.

	2023 $	2024 $	2025 $	2026 $
Office lease payments	67,318	273,176	84,014	55,488

During the three and nine months ended September 30, 2023, the Company made $21,200 and $63,600 (2022 - $20,450 and $61,350), respectively of variable lease payments consisting of property maintenance expenses. In addition to basic rent, the Company pays monthly property maintenance expenses during the term of the office leases. All of these costs are recognized in general and administration expenses.

5. RELATED PARTY TRANSACTIONS

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2023 **$**	**2022** **$**	**2023** **$**	**2022** **$**
Salaries to Key Management personnel	446,850	381,908	1,335,952	1,154,050
Professional fees to company controlled by a Director	8,000	15,000	35,500	48,500
Share-based payments to Key Management personnel	261,803	180,132	973,250	1,116,751
Total	716,653	577,040	2,344,702	2,319,301

Included in accounts payable as at September 30, 2023 is $19,060 (December 31, 2022 - $11,475) of directors' fees, $3,150 (December 31, 2022 - $2,625) of professional fees payable to officers and directors and $10,232 (December 31, 2022 - $5,023) of expense reimbursements payable to officers and directors.

Included in accrued liabilities as at September 30, 2023 is $5,241 (December 31, 2022 - $21,005) of financial advisory consulting fees payable to a director.

On January 5, 2022, 300,000 common shares were issued to a former officer for the exercise of 300,000 stock options for gross proceeds of $75,000.

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS (continued)

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

On May 11, 2022, the Company imposed a trading blackout on its shares on all employees and the board of directors of the Company pending a news release. As such and in accordance with the terms of the Company's stock option plan, the expiry date of the options with an expiry date of June 2, 2022 was extended to August 11, 2022. On July 27, 2022, the blackout was lifted and the Company issued 180,000 common shares and received gross proceeds of $36,000 for the exercise of 180,000 options by an officer of the Company (note 6).

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

Number of options expired unexercised	Exercise price per share	Expiry Date
2,000,000	$0.63	February 2, 2023
1,080,000	$0.70	March 13, 2023
750,000	$0.85	March 19, 2023
2,200,000	$0.80	April 1, 2023
600,000	$1.23	August 25, 2023
600,000	$1.79	September 20, 2023

The following stock options were granted to related parties:

Date of grant	Number of options granted	Exercise price per share	Expiry Date	Terms
January 10, 2022	675,000	$1.77	January 10, 2024	Stock options granted to a director and officer. The stock options vest 90 days from date of grant.
April 19, 2022	200,000	$1.64	April 19, 2024	Stock options granted to an officer. 100,000 stock options vest on January 19, 2023 and 100,000 vest on October 19, 2023.
February 6, 2023	2,000,000	$0.77	February 6, 2028	Stock options granted to directors that vest 90 days from date of grant.
July 17, 2023	500,000	$0.75	July 17, 2028	Stock options granted to an officer, 250,000 of which vest upon signing of a base oils offtake agreement, 125,000 of which vest on July 17, 2024 and 125,000 of which vest on July 17, 2025.
August 29, 2023	6,480,000	$0.75	August 29, 2028	Stock options granted to directors and officers that vest 90 days from date of grant.

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.

6. SHARE CAPITAL

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

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(b) Issued and outstanding:

	Number of common shares	$
December 31, 2021	111,407,565	95,888,452
Issuance of share capital	1,435,480	2,440,316
Exercise of options (note 4)	1,620,000	523,350
Share issuance costs	-	(162,444)
December 31, 2022	114,463,045	98,689,674
Issuance of units	3,692,502	2,473,976
Exercise of options	200,000	193,721
Share issuance costs	-	(36,587)
September 30, 2023	118,355,547	101,320,784

The Company closed the first and second tranches of a non-brokered private placement on April 8, 2022 and April 11, 2022, respectively. In aggregate, the Company issued 1,435,480 shares at a price of $1.70 per share for gross proceeds of $2,440,316. The Company paid a cash finder's fee of $89,515.

On March 16, 2023, the Company closed a non-brokered private placement financing (the "Offering"). The Company issued an aggregate of 3,692,502 units (the "Units") of the Company at a price of $0.75 per Unit for gross proceeds of $2,769,376. Pursuant to the Offering, each Unit consists of one common share of the Company and one-half of one common share purchase warrant (note 6(d)). Each whole warrant is exercisable at a price of $1.25 per share until March 16, 2025. In connection with the closing of the Offering, the Company paid aggregate cash finders' fees of $3,330 for subscriptions processed through arm's length brokerage houses.

The Company also issued common shares for the following:

Date	Gross proceeds received	Shares issued	Exercise price per share	Description
January 2022	$75,000	300,000	$0.25	Exercise of 300,000 stock options (note 5).
February 2022	$40,000	140,000	$0.20 & $0.80	Exercise of 120,000 stock options at $0.20 (note 5) and 20,000 stock options at $0.80.
March 2022	$300,000	1,000,000	$0.30	Exercise of 1,000,000 stock options.
July 2022	$36,000	180,000	$0.20	Exercise of 180,000 stock options (note 5).
January 2023	$126,000	200,000	$0.63	Exercise of 200,000 stock options

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payments

Stock options granted during the nine months ended September 30, 2023 and the year ended December 31, 2022, were as follows:

Date of grant	Number of options granted	Exercise price	Expiry date	Terms
January 6, 2022	200,000	$1.80	January 6, 2024	Stock options granted to a consultant that vest on the date of grant.
January 10, 2022	600,000	$1.77	January 10, 2024	Stock options granted to a director that vest on April 10, 2022 (note 5).
January 10, 2022	75,000	$1.77	January 10, 2024	Stock options granted to an officer that vest on April 10, 2022 (note 5).
April 19, 2022	200,000	$1.64	April 19, 2024	Stock options granted to an officer. 100,000 stock options vest on January 19, 2023 and 100,000 vest on October 19, 2023 (note 5).
February 6, 2023	2,000,000	$0.77	February 6, 2028	Stock options granted to directors that vest 90 days from date of grant (note 5).
July 17, 2023	500,000	$0.75	July 17, 2028	Stock options granted to an officer, 250,000 of which vest upon signing of a base oils offtake agreement, 125,000 of which vest on July 17, 2024 and 125,000 of which vest on July 17, 2025 (note 5).
August 29, 2023	6,810,000	$0.75	August 29, 2028	Stock options granted to directors, employees and non-employees that vest 90 days from date of grant (note 5).

The aggregate fair value of the stock options granted during the three and nine months ended September 30, 2023 was $741,459 and $1,364,733 (2022 - $nil and $903,103), respectively. The fair value of the stock options granted to employees and directors was estimated at the grant date using the Black-Scholes Option Pricing Model. In some cases, the Company is unable to reliably estimate the fair value of the goods and services received for stock options granted to non-employees because the fees charged by those non-employees are at market rates with no allowance for stock options granted. In these cases, the Company estimated the fair value of the stock options granted to those non-employees using the Black-Scholes Option Pricing Model.

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

	Three months ended September 30,		Nine months ended September 30,	
Inputs	**2023**	**2022**	**2023**	**2022**
Risk free interest rate	3.90% - 4.74%	N/A	3.90% - 4.74%	1.07% - 2.52%
Expected dividend yield	nil	N/A	nil	nil
Expected annual volatility	82% - 99%	N/A	75% - 99%	83% - 98%
Expected life	2.47 – 5 years	N/A	1.96 - 5 years	1.95 - 2 years
Forfeiture rate	14% - 15%	N/A	0% - 15%	0% - 16%

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

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

A summary of the status of the Company's stock options as at September 30, 2023 and changes during the period are as follows:

	Number of options	Weighted average exercise price $
Outstanding – December 31, 2021	10,712,000	0.83
Options granted	1,075,000	1.75
Options - exercised	(1,620,000)	0.28
Outstanding – December, 2022	10,167,000	1.02
Options granted	9,310,000	0.75
Options – exercised	(200,000)	0.63
Options - expired	(8,292,000)	0.89
Outstanding – September 30, 2023	10,985,000	0.90

The following stock options were outstanding as at September 30, 2023:

Number of options	Exercise price per option $	Expiry date
600,000	1.69	October 7, 2023
200,000	1.80	January 6, 2024
675,000	1.77	January 10, 2024
200,000	1.64	April 19, 2024
2,000,000	0.77	February 6, 2028
500,000	0.75	July 17, 2028
6,810,000	0.75	August 29, 2028
10,985,000		

(d) Warrants

On March 16, 2023, the Company closed the Offering. The Company issued an aggregate of 3,692,502 units (the "Units") of the Company at a price of $0.75 per Unit for gross proceeds of $2,769,376. Pursuant to the Offering, each Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of $1.25 per share until March 16, 2025.

The Company used the residual value method to allocate the cash consideration received. Of the total proceeds, $2,473,976 was allocated to the shares being the fair value based on the trading price as at March 16, 2023 of the shares ($0.67 per share) and the residual of $295,400 was allocated to the warrants.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(d) Warrants (continued)

A summary of the status of the Company's warrants as at September 30, 2023 and 2022 and changes during the period are as follows:

	Number of Warrants outstanding	**Weighed average exercise price $**
Outstanding – December 31, 2022	-	-
Warrants granted	1,846,251	1.25
Outstanding – September 30, 2023	1,846,251	1.25

(e) Reserves

Contributed surplus
Share-based payments and warrant values, if any, are recognized in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount in contributed surplus is reclassified to share capital, adjusted for any consideration paid.

Cumulative translation adjustments
Unrealized gain on investments is classified as fair value changes through other comprehensive income. Financial assets classified as fair value changes through other comprehensive income are measured at fair value with unrealized gains and losses being recognized in other comprehensive loss.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The Company's financial instruments at September 30, 2023 include cash, accounts receivable, investments, accounts payable and accrued liabilities and term loan.

The fair value of cash, accounts receivable, accounts payable, accrued liabilities and term loan approximates their carrying value due to their immediate or short-term nature, unless otherwise noted. The fair value of the Coppermoly Limited ("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 Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

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

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

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

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

Financial Instruments	**Level 1** $	**Level 2** $	**Level 3** $
September 30, 2023:			
Cash	437,671	-	-
Accounts receivable	21,489	-	-
Investment in Coppermoly Ltd.	47,846	-	-
Accounts payable	456,563	-	-
Accrued liabilities	1,213,103	-	-
Term loan	-	-	40,000
December 31, 2022:			
Cash	718,398	-	-
Accounts receivable	26,990	-	-
Investment in Coppermoly Ltd.	38,276	-	-
Accounts payable	514,474	-	-
Accrued liabilities	1,080,704	-	-
Term loan	-	-	40,000

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk – is the risk of a financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company's cash is largely held in a Canadian financial institution and management believes that the credit risk with respect to financial instruments recorded on the Consolidated Statement of Financial Position at September 30, 2023 is minimal. The Company's accounts receivable consists of amounts receivable from the government. Management believes that the credit risk with respect to accounts receivable is minimal.

Currency risk – currency risk arises due to fluctuations in the exchange rates. The Company's equity financings are sourced in Canadian dollars and the majority of expenditures are expected to be incurred in US dollars. As at September 30, 2023, the Company's holdings in foreign currencies are not material and exposure to currency risk is minimal.

Interest rate risk – is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest income is subject to bank deposit interest rates. During the nine months ended September 30, 2023, the Company received $49,343 of interest income from banks. A 1% change in interest rate would affect income (loss) before tax of approximately $4,000. The Company's term loan does not carry an interest rate.

Liquidity risk – is the risk that the Company will be unable to meet its obligations as they become due. The Company manages its liquidity risk by implementing a budget, forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at September 30, 2023, the Company had $437,671 in cash, $2,135,001 in current liabilities and $235,422 in non-current liabilities.

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

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Price risk – the Company is exposed to price risk with respect to commodity and equity pricing, and the investment in COY. The Company is exposed to changes in market prices and a sensitivity analysis suggests that a 10% change in COY share prices would affect other comprehensive income or loss by approximately $4,800 before tax.

8. CAPITAL MANAGEMENT

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company had share capital of $101,320,784 and $235,422 of non-current liabilities as at September 30, 2023. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Planning, annual budgeting, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

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

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

9. COMMITMENTS AND CONTINGENCIES

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

In connection with the potential financing from a private equity firm ("PE Firm"), the Company is obligated to reimburse the PE Firm expenses for its ongoing technical due diligence process.

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

(Expressed in Canadian dollars)

9. COMMITMENTS AND CONTINGENCIES (continued)

to act as an initial purchaser or placement agent to the Company for debt instruments or debt obligations issued by the Company to finance the Company's Texas recycling project. The placement of these debt instruments may include the participation of commercial lenders and/or certain United States governmental agencies. The Company is obligated to reimburse expenses incurred by Raymond James for its services. In addition, the Company is obligated to pay US$100,000 if the Company terminates this agreement after Raymond James completes an application for financing with certain United States governmental agencies but prior to closing.

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

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.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Operating activities				
Interest income received from banks	12,682	18,105	49,343	40,405
Total lease receipts	6,559	-	6,559	-
Total lease payments paid	68,577	66,786	205,036	184,218

11. SUBSEQUENT EVENTS

(a) The following options granted to a director expired unexercised subsequent to September 30, 2023:

Number of options expired unexercised	**Exercise price per share**	**Expiry Date**
600,000	$1.69	October 7, 2023

11. SUBSEQUENT EVENTS (continued)

(b) On November 17, 2023, the Company closed the first tranche of 2,355 Convertible Debenture Units (the "Units") at a price of $1,000 per Unit for aggregate gross proceeds of $2,355,000, pursuant to its non-brokered private placement (the "Placement") announced on October 30, 2023 for up to $5,000,000 of Units. The Company paid finder fees of $87,750 in cash for the first tranche that closed.

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

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

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

A director of the Company acquired ownership or control over 100 Units issued in this first tranche, and which if immediately converted and exercised respectively as of closing would result in the issue of 281,818 common shares of the Company.