Gen III Oil Corporation

MANAGEMENT DISCUSSION AND ANALYSIS
For the three months ended March 31, 2018

As at May 28, 2018

TABLE OF CONTENTS

	Page
Introduction	1
Forward Looking Information	2
Re-refining Used Oil	2
Operations Update and Outlook	6
Results of Operations	7
Summary of Quarterly Financial Results	8
Liquidity, Capital Resources, Commitments and Contingencies	9
Off-Balance Sheet Arrangements	10
Transactions with Related Parties	11
Financial Instruments and Risk Management	14
Outstanding Share Data	14
Critical Accounting Estimates	15
Recent Accounting Pronouncements	15
Risks and Uncertainties	16

May 28, 2018

Introduction

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

The Company acquired on an exclusive basis in February, 2017 technology ("ReGen™ technology") that enables the production of 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 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 60% 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 462,000 bbl per year of Group III base oil.

Today, the North American consumption of Group III base oil is in excess of 18,000 bpd, while the total current North American production is only 4,800 bpd. The Company's proposed refinery in Bowden, Alberta expected to be constructed in 2018 and commissioned in the second half of 2019 is designed to produce 1,400 bpd of Group III base oil, by which time the total North American demand will be in excess of 19,000 bpd, still leaving a production shortfall of 12,800 bpd.

At the recent market price of $6.53 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 $126.7 million per year. By comparison, the Group II revenue from that same 1,400 bpd production, at current production standards and recent market price of $3.98 per gallon, escalated at the same 2% per year, would only generate $77.2 million in revenue.

The Company also expects the ReGen™ technology to qualify for greenhouse gas credits in Alberta. It 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.

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.

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 May 28, 2018 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2018, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board effective for the Company's

reporting period ending December 31, 2018. 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.

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.

Re-refining Used Oil

The Company currently holds four (4) ReGen™ patents that have been granted in North America and two (2) other ReGen™ patents that have been issued in India and Singapore. The Company also holds ten (10) other ReGen™ patent applications world-wide that are pending. These ReGen™ patents provide protection over the ReGen™ technology.

The Company believes the ReGen™ technology was the first in the world to re-refine used motor oil ("UMO") to produce Group III base lubricating oil (synthetic grade oil). Group III base lubricating oil sells for approximately 60% more than current re-refinery produced Group II products. The ReGen™ process utilizes common technologies in use throughout the world, but in a unique configuration and at specific temperature and pressure settings.

The patented ReGen™ re-refining technology:

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

(b) Was extensively reviewed by the US Department of Energy's independent consultant Oakridge Laboratories, who reported the 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 and Tetra Tech Engineering who independently concluded the ReGen^{TM} 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. The average all-in construction price as estimated by ILF, Stantec and WSP is approximately $89.5 million for a 2,800 bpd plant.

In December 2016, the Company entered into contracts for engineering pre-FEED studies with Stantec and WSP to validate the prototype plant findings and in particular, the previously modelled second stage design capability of the ReGen^{TM} 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^{TM} 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^{TM} 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^{TM} 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^{TM} 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^{TM} re-refining process (“ReGen^{TM}”) 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^{TM} 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 28%* of the projected revenue when operating at steady state production.

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

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

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

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

(g) Based on the project product output contained in the engineering reports and the current commodity pricing, in the first full year of steady state production following commissioning of the first ReGen™ re-refinery, the Company projects recurring annual revenue of approximately $204 million. This revenue is projected to produce recurring annual EBITDA of approximately $116 million*. EBITDA is a non GAAP measure*.

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

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

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

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

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

Notes:

**Material Factors and Assumptions*

Material factors and assumptions used to develop forward-looking information is as follows. The capital cost of constructing a ReGenTM Re-refinery in Bowden, Alberta was projected by Stantec to be approximately $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 28% of projected revenue was based on the proposed nameplate capacity of 2,800 barrels per day and was derived from the Lubes'n'Greases gulf coast spot pricing dated February 28, 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. Gulf coast spot pricing of those commodities as reported in Lubes'n'Greases base oil report on February 28, 2018, along with OPIS International Feedstocks Intelligence report dated February 20, 2018, Argus Americas Asphalt report dated February 16, 2018 and the

US Energy Information Administration website with spot price of February 28, 2018, converted into Canadian dollars at the average posted exchange rate on March 1, 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 $28 million, which leaves a net income of approximately $83.5 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;

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

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

(d) Key management personnel for the project;

(e) Environmental consultants to quantify the greenhouse gas credits that could be generated by the plant, estimated to be approximately $9 million per year and;

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

Mineral Property Exploration and Evaluation Expenditure

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

Exploration expenditures for the three months ended March 31, 2017 amounted to $24,007.
The cumulative exploration expense on the Company's mineral interest properties is set out in the tables below.

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

Operations Update and Outlook

On October 17, 2017, the TSX Venture Exchange approved the Company's change of business to become an industrial oil company. The Company's patented ReGen^{TM} technology process combines proven refining technologies into a proprietary process that is able to extract a higher quantity of high quality base lubricating oils than traditional re-refineries, including greater than 50% Group III production of synthetic grade motor oil in a commercial scale re-refining operation. The Company's first full-scale facility is currently under development in Bowden, Alberta, 100 km north of Calgary, with targeted production commencing in the second half of 2019. 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.

Financial Update

From the fourth quarter of 2016 to the first quarter of 2018, the Company raised gross proceeds of approximately $11.8 million primarily to complete engineering studies to assess the viability of the ReGen^{TM} process; to undertake additional patent work regarding the ReGen^{TM} 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.

On February 20, 2018, the Company announced that it has signed a 60-day exclusive term sheet ("Term Sheet") for a $72 million senior secured term loan credit facility (the "Facility") for the Company's wholly owned subsidiary, Gen III Oil (Alberta) Inc. (the "Gen III Alberta") from an arm's length third party commercial lender (the "Lender"). The net proceeds of the Facility are intended to be used to: fund the design and construction of a re-refinery of used motor oil in Alberta by Gen III Alberta (the "Project"), fund pre-commercial operations working capital, fund an interest and contingency reserve for the Facility and pay the fees and expenses in connection with the closing of the Facility. As contemplated, the Facility will be guaranteed by subsidiaries of the Company and the subsidiaries will grant as security

for the Facility registered security interests over their respective assets in favour of the Lender. The Facility will be subject to certain prepayment restrictions and prepayment premiums to be further set out in the definitive agreements respecting the Facility. The Facility is also subject to certain affirmative covenants by Gen III Alberta including having the Project operating within a prescribed period following commencement of construction and compliance with customary financial covenants to be further set out in the definitive agreement respecting the Facility.

The Term Sheet is non-binding and contains a list of key terms and conditions precedent for the establishment of commercial arrangements between the parties. Closing of the Facility is subject to customary conditions precedent, including: completion of satisfactory due diligence by the parties, execution and delivery of the definitive loan documents, receipt of all requisite third-party consents and applicable regulatory approvals, grant of security interests for the Facility, funding of a contingency reserve and closing of an equity financing by the Company. The Lender is currently conducting their due diligence.

Under the Term Sheet, the Company agrees to grant the Lender warrants to acquire up to 4% of the common equity of Gen III Alberta and reimburse the Lender all of its costs and expenses relating to the Facility and the transactions contemplated thereby.

Results of Operations

Variance Analysis

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

	Three months ended March 31,	
	2018	2017
	$	$
General and administration	410,685	56,481
Investor relations	73,761	34,546
Professional fees	1,082,159	382,584
Salaries and benefits	452,980	220,992
Share-based payments	84,601	463,044
Supplies	103,452	-
Travel and accommodation	46,879	15,130
Foreign exchange (gain) loss	(422)	328,715
Gain on disposal of subsidiary	-	(747,836)

General and administration – The increase was mainly due to rent. In May 2017, the corporate head office resumed full time operations in Vancouver. Furthermore, the lease payments to Parkland commenced in February 2018.

Investor relations - The increase was mainly due to the services of an investor relations firm.

Professional fees – The increase 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.

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 period 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 higher number of options granted and immediate vesting on the grant date in the prior period. The fair value of the stock options was estimated at the grant date using the Black-Scholes Option Pricing Model.

Supplies – During the current period, 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 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.

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			
	March 31, 2018 $	December 31, 2017 $	September 30, 2017 $	June 30, 2017 $
Financial Results:				
Expense	2,254,517	1,157,078	1,602,861	1,187,445
Other (income) expense	(22,782)	(22,443)	(4,736)	626,522
Net loss	2,231,735	1,134,635	1,598,125	1,813,967
Basic and diluted loss per share	0.04	0.02	0.03	0.04

	For the Quarters Ended			
	March 31, 2017 $	December 31, 2016 $	September 30, 2016 $	June 30, 2016 $
Financial Results:				
Expense	1,196,784	551,028	216,169	341,329
Other (income) expense	(420,980)	76,215	312,171	(4,023)
Net loss	775,804	627,243	528,340	337,306
Basic and diluted loss per share	0.02	0.02	0.00	0.00

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the three months ended March 31, 2018, cash and cash equivalents decreased by $1,469,040. The decrease was mainly due to $2,024,040 of cash used in operating activities and partially offset by net cash of $555,000 received from the exercise of warrants.

As at March 31, 2018, the Company had working capital of $3,940,063 comprised of cash and cash equivalents of $4,815,851, accounts receivable of $191,786 and prepaid expenses of $821,447 offset by accounts payable and accrued liabilities of $1,717,021 and $ 172,000 of accrued tax provision.

From the fourth quarter of 2016 to the first quarter of 2018, the Company raised gross proceeds of approximately $11.8 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.

Going Concern

The Company's consolidated financial statements for the three months ended March 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 three months ended March 31, 2018, the Company reported a comprehensive loss of $2,250,874 and as at March 31, 2018, had an accumulated deficit of $79,693,827. The Company has not generated revenues from operations. The Company is dependent on equity financings to fund its operations. Based on its committed expenditures, the Company has sufficient cash to finance its operations for the next 12 months from March 31, 2018. However, actual results could be materially different than those expected or budgeted and the Company expects to continually monitor spending and assess results on an ongoing basis and make appropriate changes to expenditures as required. Management continues to explore alternative financing sources in the form of equity, debt or a combination thereof; however, the current economic uncertainty and financial market volatility make it difficult to predict success.

Capital Management

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company had share capital of $75,351,282 and no long-term debt as at March 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 one year or less which can be liquidated at any time without penalties.

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

Contractual Obligations

The Company's lease commitments as at March 31, 2018 are shown in the table below.

	2018 $	2019 $	2020 $	2021 $	2022 $
Total office lease commitment	318,471	344,046	90,061	-	-
Amount recovered from sublease	(74,565)	(100,515)	(50,258)	-	-
Total office lease commitment, net of recovery	243,906	243,531	39,803	-	-
Parkland lease	900,000	1,200,000	1,200,000	1,200,000	1,200,000
Total lease commitment	1,143,906	1,443,531	1,239,803	1,200,000	1,200,000

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 March 31, 2018, this establishes a deferred liability of $25,306, 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 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. Due to the nature timing and uncertainty of these costs, it is not practicable to estimate such reimbursable costs at this time.

The Company entered into agreements with engineering consulting firms to provide engineering consulting services estimated to total approximately $3,374,000, of which $2,526,000 has been incurred and the remainder expected to be incurred in 2018 and 2019. The charges from these consulting agreements are based on work performed by the engineering consultants and are not fixed amount contracts. One of the agreements is subject to a bonus based on the amount by which the total estimated cost of plant construction is reduced.

The Company entered into agreements with an investor relations firm to provide investor relations services for a total fixed cost of approximately $185,000 to be incurred in 2018 and has issued 500,000 stock options at an exercise price of $0.61, expiring on March 26, 2020. The options will vest quarterly in equal installments beginning on June 26, 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 includes the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, and the Directors.

	Three months ended March 31,	
	2018	2017
	$	$
Salaries to Key Management personnel	486,538	131,250
Payments for consulting services to a company controlled by Executive Vice President (George Davidson)	45,000	32,500
Payments for consulting services to a company controlled by former Chief Operating Officer (Angelo Battiston)	10,688	-
Payments for consulting services to a company controlled by Chief Financial Officer (Rick Low)	-	7,350
Professional fees to company controlled by Director (Larry Van Hatten)	21,000	45,000
Share-based payments to Key Management personnel	75,816	451,751
Total	639,042	667,851

Included in accounts payable and accrued liabilities as at March 31, 2018 is $206,250 (December 31, 2017 - $165,000) of accrued directors' fees, $9,437 (December 31, 2017 - $11,062) of accrued professional fees payable to officers and directors and $15,086 (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.

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

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

On September 27, 2017, the Company's former Chief Operating Officer (Angelo Battiston) purchased 75,000 units of the Company's private placement (the "Offering"). The Offering consisted of the issuance of a total of 9,337,072 units (the "Units") at a price of $0.70 per Unit for gross proceeds of $6,535,950. 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 $1.00 per share until September 27, 2019.

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:

Creditor	Debt Amount	Number of Shares	Nature of Debt
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	

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.

The following were transactions with VeroLube:

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

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

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

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

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

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

On February 3, 2017, the Company issued a demand to VeroLube for repayment of all outstanding loan amounts and accrued and unpaid interest. The Company also provided notice to VeroLube that it was proceeding to enforce its

security over the VeroLube patents and personal property. VeroLube failed to repay the outstanding loan amounts and the Company fully exercised its security rights. The Company currently owns the ReGen™ re-refining technology.

Financial Instruments and Risk Management

The Company's financial instruments at March 31, 2018 include cash and cash equivalents, accounts receivable, Investment in Coppermoly Ltd. ("COY"), and accounts payables and accrued liabilities. There were no material changes to the Company's financial instruments and risk exposures for the three months ended March 31, 2018 from those as reported in the Company's MD&A for the year ended December 31, 2017.

Outstanding Share Data

As at May 28, 2018, the following shares are outstanding:

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

- Issued and outstanding: 63,905,006 common shares

- Stock options outstanding:
  250,000 with an exercise price of $0.70 per option and an expiry date of July 4, 2018
  3,075,000 with an exercise price of $0.17 per option and an expiry date of February 8, 2019
  105,000 with an exercise price of $0.72 per option and an expiry date of May 17, 2019
  20,000 with an exercise price of $0.74 per option and an expiry date of October 3, 2019
  600,000 with an exercise price of $0.68 per option and an expiry date of January 5, 2020
  1,200,000 with an exercise price of $0.70 per option and an expiry date of March 13, 2021
  500,000 with an exercise price o $0.61 per option and an expiry date of March 26, 2020
  500,000 with an exercise price of $0.70 per option and an expiry date of May 6, 2020

- Warrants outstanding:
  4,891,598 with an exercise price of $1.00 per warrant and an expiry date of September 27, 2019

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

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:

Creditor	Debt Amount	Number of Shares	Nature of Debt
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	

On March 26, 2018, the Company granted 500,000 stock options at an exercise price of 0.61, expiring on March 26, 2020. The options will vest quarterly in equal installments beginning on June 26, 2018.

Subsequent to March 31, 2018, 250,000 options were cancelled and 200,000 options expired unexercised due to the departure of employees.

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.

Critical Accounting Estimates

There were no material changes to the Company's critical accounting estimates and judgments for the three months ended March 31, 2018 from those as reported in the Company's MD&A for the year ended December 31, 2017.

Recent Accounting Pronouncements

The Company's adoption of recent accounting pronouncements is described in note 2(c) of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018, which is filed on SEDAR at www.sedar.com.

Risks and Uncertainties

There were no material changes to the Company's risks and uncertainties for the three months ended March 31, 2018 from those as reported in the Company's MD&A for the year ended December 31, 2017.