

## **Gen III Oil Corporation**

Condensed Consolidated Interim Financial Statements  
For the Three Months Ended March 31, 2020  
(Unaudited)  
(Expressed in Canadian dollars)

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Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in Canadian dollars)

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**For the Three Months Ended March 31, 2020****Page**

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**Gen III Oil Corporation**  
Condensed Consolidated Interim Statements of Financial Position  
(Unaudited)  
(Expressed in Canadian dollars)

	March 31, 2020	December 31, 2019
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	244,745	732,686
Accounts receivable	61,812	80,787
Prepaid expenses	74,460	124,900
Investment in sublease (note 3)	9,714	23,944
	390,731	962,317
<b>Deferred transaction costs</b> (note 4)	379,481	318,207
<b>Property</b>	8,328	8,328
<b>Investments</b>	15,310	26,794
<b>Right-of-use assets</b> (note 5)	10,164,864	9,649,864
<b>Total assets</b>	<b>10,958,714</b>	<b>10,965,510</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 6)	906,421	680,474
Lease liabilities (note 5)	2,590,347	2,148,642
Accrued tax provision	222,000	211,000
	3,718,768	3,040,116
<b>Non-current</b>		
Lease liabilities (note 5)	10,602,616	10,039,482
<b>Total liabilities</b>	<b>14,321,384</b>	<b>13,079,598</b>
<b>Shareholders' Deficit</b>		
<b>Share capital</b> (note 7)	79,954,317	79,954,317
<b>Contributed surplus</b>	8,952,106	8,900,467
<b>Accumulated deficit</b>	(92,284,403)	(90,995,666)
<b>Accumulated other comprehensive income</b>		
Unrealized gain on investments	15,310	26,794
<b>Total shareholders' deficit</b>	<b>(3,362,670)</b>	<b>(2,114,088)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>10,958,714</b>	<b>10,965,510</b>

Nature of operations (note 1)  
Commitments (notes 5 and 8)  
Subsequent event (note 10)

Approved on behalf of the Board of Directors:

*"Greg Clarkes"*

Greg Clarkes, Director

*"Larry Van Hatten"*

Larry Van Hatten, Director

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

**Gen III Oil Corporation**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Expense</b>		
Amortization of right-of-use assets (note 5)	166,347	165,935
General and administration	114,692	170,792
Investor relations	22,657	28,540
Professional fees	146,022	467,738
Salaries and benefits (note 6)	390,675	381,907
Share-based payments (note 7)	51,639	63,908
Travel and accommodation	7,128	50,507
	<b>899,160</b>	<b>1,329,327</b>
<b>Other (income) expense</b>		
Interest income	(2,343)	(11,529)
Rent income	(10,776)	(10,228)
Finance income from lease – head office premises (note 3)	(548)	(2,072)
Finance cost for lease – plant site (note 5)	378,702	286,341
Finance cost for lease – head office premises (note 5)	6,984	5,810
Foreign exchange loss	17,558	2,432
	<b>389,577</b>	<b>270,754</b>
<b>Net loss for the period</b>	<b>1,288,737</b>	<b>1,600,081</b>
<b>Other comprehensive loss</b>		
Unrealized loss on investments	11,484	3,828
<b>Total comprehensive loss for the period</b>	<b>1,300,221</b>	<b>1,603,909</b>
<b>Loss per share – basic and diluted</b>	<b>0.02</b>	<b>0.02</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>82,291,756</b>	<b>70,472,034</b>

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

**Gen III Oil Corporation**

Condensed Consolidated Interim Statements of Changes in Deficit

(Unaudited)

(Expressed in Canadian dollars)

	Share capital	Contributed surplus	Accumulated deficit	Unrealized gain (loss) on investments	Total
	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2019</b>	77,106,600	8,546,950	(85,030,591)	26,794	649,753
Issuance of share capital (note 7)	985,844	(463,094)	-	-	522,750
Share-based payments (note 7)	-	63,908	-	-	63,908
Loss for the period	-	-	(1,600,081)	-	(1,600,081)
Other comprehensive loss	-	-	-	(3,828)	(3,828)
<b>Balance as at March 31, 2019</b>	78,092,444	8,147,764	(86,630,672)	22,966	(367,498)
Issuance of share capital (note 7)	2,181,500	-	-	-	2,181,500
Issuance of warrants (note 7)	(109,075)	109,075	-	-	-
Share issuance costs – share capital (note 7)	(168,265)	-	-	-	(168,265)
Share issuance costs – broker warrants (note 7)	(42,287)	42,287	-	-	-
Share-based payments (note 7)	-	601,341	-	-	601,341
Loss for the period	-	-	(4,364,994)	-	(4,364,994)
Other comprehensive gain	-	-	-	3,828	3,828
<b>Balance as at December 31, 2019</b>	79,954,317	8,900,467	(90,995,666)	26,794	(2,114,088)
Share-based payments (note 7)	-	51,639	-	-	51,639
Loss for the period	-	-	(1,288,737)	-	(1,288,737)
Other comprehensive loss	-	-	-	(11,484)	(11,484)
<b>Balance as at March 31, 2020</b>	79,954,317	8,952,106	(92,284,403)	15,310	(3,362,670)

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

**Gen III Oil Corporation**  
Condensed Consolidated Interim Statements of Cash Flows  
For the three months ended March 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the period	(1,288,737)	(1,600,081)
Adjustments for items not involving cash		
Amortization of right-of-use assets (note 5)	166,347	165,935
Share-based payments (note 7)	51,639	63,908
Accrued interest income	-	(3,534)
Lease interest – plant site (note 5)	378,702	286,341
Lease interest – head office premises (note 5)	6,984	5,810
	(685,065)	(1,081,621)
Net change in non-cash working capital		
Accounts receivable	18,975	57,301
Prepaid expenses	19,550	24,600
Accounts payable and accrued liabilities	164,673	163,624
Accrued tax provision	11,000	15,400
Net cash flows used in operating activities	(470,867)	(820,696)
<b>Financing activities</b>		
Payment of lease liabilities (note 5)	(31,304)	(49,660)
Issuance of share capital (note 7)	-	522,750
Net cash flows (used in) from financing activities	(31,304)	473,090
<b>Investing activities</b>		
Investment in sublease (note 3)	14,230	12,705
Net cash flows from investing activities	14,230	12,705
Decrease in cash and cash equivalents during the period	(487,941)	(334,901)
Cash and cash equivalents, beginning of the period	732,686	2,115,968
<b>Cash and cash equivalents, end of the period</b>	<b>244,745</b>	<b>1,781,067</b>

Supplemental cash flow information (note 9)

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

## Gen III Oil Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Gen III Oil Corporation (the “Company” or “Gen III Oil”) was incorporated under the laws of British Columbia and continued its incorporation into Alberta on December 6, 2017. The Company holds patents to the ReGen™ technology and plans to use the technology to re-refine used motor oil into high quality base lubricating oils.

These consolidated 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 March 31, 2020, the Company had a working capital deficit of \$3,328,037 had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the three months ended March 31, 2020, the Company reported a net loss of \$1,288,737 and comprehensive loss of \$1,300,221 and as at March 31, 2020, had an accumulated deficit of \$92,284,403. 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 consolidated financial statements for the three months ended March 31, 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, there have been significant stock market declines, and the movement of people and goods has become restricted. The lubricating oils sector has and is expected to be impacted as many local and regional governments have issued public health orders in response to Covid-19, including restricting the movement of people. The worldwide demand for lubricating oils and the resulting generation of used lubricating oils has declined as a result of decreased manufacturing production, decreased transportation and a decreased demand for products and materials in general. Prices for new and used lubricating oils have declined and continues to fluctuate as a result of uncertainties caused by the pandemic.

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.

As the Company does not currently have production activities or revenues, the ability to fund ongoing operations is affected primarily by its access to capital. Due to market uncertainty the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable. However, they may have a material impact on the Company’s financial position, results of operations and cash flows in future periods. In particular, there may be heightened risk of asset impairment and liquidity or going concern uncertainty. As a result, impairment indicators for the Company’s assets and/or a decline in their fair value could arise in 2020 if current conditions persist.

The Company’s address is Suite 1750 - 400 Burrard St. Vancouver, B.C., V6C 3A6, Canada.

## Gen III Oil Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

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### 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, 2020. 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, 2019, 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.sedar.com](http://www.sedar.com). 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.

These condensed consolidated interim financial statements for the three months ended March 31, 2020 were approved and authorized for issue by the Board of Directors on May 29, 2020.

#### (b) Principles of Consolidation

The condensed consolidated interim financial statements include the financial statements of the Company, and its wholly owned subsidiary, Gen III Oil (Alberta) Inc., a corporation incorporated under the provincial laws of Alberta on November 1, 2017.

#### (c) New 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.

### 3. INVESTMENT IN SUBLEASE

Set out below, are the carrying amounts of the Company’s investment in sublease and the movements during the period:

	Investment in Sublease
	\$
As at January 1, 2019	81,925
Prepaid rent	(4,926)
Interest accretion	6,057
Lease payments received	(59,112)
As at December 31, 2019	23,944
Interest accretion	548
Lease payments received	(14,778)
As at March 31, 2020	9,714

## Gen III Oil Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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### 4. DEFERRED TRANSACTION COSTS

Deferred transaction costs consist of consulting costs incurred to evaluate potential financing for the Company's Bowden plant and will be recorded as financing costs upon successful completion of the financing. These costs will be expensed if financing is not successful.

### 5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company has recorded these leases as a right-of-use assets and lease liability in the statement of financial position as at December 31, 2019. On January 1, 2019, the lease liability was measured at the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 12%, which is the Company's incremental borrowing rate.

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 January 1, 2019	10,395,525	10,395,525
Unpaid rent	-	600,000
Prepaid rent	-	(36,257)
Investment in sublease	(81,925)	-
Amortization	(663,736)	-
Interest accretion – plant site	-	1,411,963
Interest accretion – head office premises	-	15,532
Lease payments	-	(198,639)
Balance, as at December 31, 2019	9,649,864	12,188,124
New operating lease	681,347	681,347
Prepaid rent	-	(30,890)
Amortization	(166,347)	-
Interest accretion – plant site	-	378,702
Interest accretion – head office premises	-	6,984
Lease payments	-	(31,304)
Balance, as at March 31, 2020	10,164,864	13,192,963
Current portion of lease liabilities	-	2,590,347
Long-term portion of lease liabilities	-	10,602,616
Head office premises	669,991	-
Plant site	9,494,873	-
Balance, as at March 31, 2020	10,164,864	13,192,963

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 in the statement of financial position as at March 31, 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.

## Gen III Oil Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian dollars)

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

The Company's outstanding lease payments on a calendar year basis as at March 31, 2020 are shown in the table below.

	2020	2021	2022	2023	2024	Thereafter
	\$	\$	\$	\$	\$	\$
Total office lease payments	132,759	165,385	169,203	188,813	192,978	2,082
Parkland lease payments	3,363,000	1,200,000	1,200,000	1,288,000	1,296,000	18,552,672
Total lease payments	3,495,759	1,365,385	1,369,203	1,476,813	1,488,978	18,554,754

During the three months ended March 31, 2020, the Company made \$15,600 (2019 - \$25,713) 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.

The Company has a short-term lease and a month-to-month lease with a total amount of \$14,708 and \$nil (2019 - \$14,366 and \$8,400) expensed for the three months ended March 31, 2020, respectively. On August 1, 2019, the short-term lease was renewed for a one-year term with total remaining commitment of \$58,832 up to July 31, 2020. The month-to-month lease was terminated on August 31, 2019.

The Parkland lease agreement commenced on February 1, 2018 and is for an initial term of 20 years. The Company and landlord may mutually agree to extend the lease term for an additional two terms, one for 10 years and the other for five 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. Currently, the landlord may cancel the Parkland lease agreement if rent payments are in arrears and if the Company does not rectify after receiving 30 days written notice. 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, provided that the landlord completes certain pre-construction work, which to-date has not been completed. The Company estimates that the cost of this decommission work to be approximately \$3.5 million. In addition, the Company is required to provide a security deposit of \$2 million before commencement of any work on the Bowden facility, which to-date has not commenced.

## Gen III Oil Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian dollars)

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

	Three months ended	
	March 31,	
	2020	2019
	\$	\$
Salaries to Key Management personnel	268,635	252,750
Fees for consulting services to a company controlled by the former Executive Vice President	-	5,000
Professional fees to company controlled by a Director	16,500	15,500
Share-based payments to Key Management personnel	48,351	49,880
<b>Total</b>	<b>333,486</b>	<b>323,130</b>

Included in salaries to Key Management personnel for the three months ended March 31, 2020, is \$15,885 in bonuses paid (2019 - \$nil) for achieving financing milestones.

Included in accounts payable and accrued liabilities as at March 31, 2020 is \$371,250 (December 31, 2019 - \$330,000) of accrued directors' fees, \$37,275 (December 31, 2019 - \$4,935) of professional fees payable to officers and directors and \$629 (December 31, 2019 - \$12,735) of accrued expense reimbursements payable to officers and directors.

Included in accounts receivable as at March 31, 2020 is \$18,166 (December 31, 2019 - \$18,166) of withholding taxes paid on behalf of directors.

On February 13, 2019 the Company announced the unanimous uptake of all 3,075,000 stock options priced at \$0.17 per option, in advance of their expiry on February 8, 2019. Of these, 2,700,000 options were exercised by directors of the Company. The exercise resulted in the issuance of 3,075,000 common shares and gross proceeds to the Company of \$522,750.

On September 30, 2019, members of the Company's board of directors purchased an aggregate of 900,000 units 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 September 30, 2020. Cash commission of \$94,605 was paid and 473,025 broker warrants were issued to one of the finder companies in which an officer of the Company is a director.

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.

## Gen III Oil Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian dollars)

### 7. SHARE CAPITAL

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

- (b) Issued and outstanding:

	Number of common shares	\$
December 31, 2018	68,309,256	77,106,600
Private placements (note 6)	10,907,500	2,181,500
Issuance of warrants (note 6)	-	(109,075)
Exercise of options (note 6)	3,075,000	985,844
Share issuance costs – share capital	-	(168,265)
Share issuance costs – broker warrants	-	(42,287)
December 31, 2019 and March 31, 2020	82,291,756	79,954,317

On September 30, 2019, the Company closed a non-brokered private placement at \$0.20 per unit for gross proceeds of \$2,181,500. 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 for a period of one year from closing. The Company paid finders' fees consisting of cash fees in the aggregate of \$135,105 and 665,525 broker warrants exercisable at a price of \$0.30 per share until September 30, 2020. Cash commission of \$94,605 was paid and 473,025 broker warrants were issued to one of the finder companies in which an officer of the Company is a director. Members of the Company's board of directors purchased an aggregate of 900,000 units.

- (c) Stock Options and Share-Based Payments

Stock options granted during the year ended December 31, 2019 and the three months ended March 31, 2020 to the Company's officers, directors, employees and consultants were as follows:

Date of grant	Number of options granted	Exercise price	Expiry date	Terms
2019-Jan-10	250,000	\$0.70	2021-Jan-10	Stock options granted to a consultant. 125,000 options vested on April 10, 2019. 62,500 options will vest upon the Company securing letters of intent with used UMO suppliers amounting to 117,000,000 US Gallons of UMO in the aggregate. 62,500 options will vest upon commencement and commissioning of the Bowden facility.
2019-Apr-01	3,750,000	\$0.40	2021-Apr-01	Stock options granted to directors, officers, employees and consultants of the Company. The options fully vested on April 1, 2019.
2019-Jul-19	200,000	\$0.40	2021-Jul-19	Stock options granted to an employee. All of the options vested 120 days from the date of grant.
2020-Feb-04	600,000	\$0.25	2022-02-04	Stock options granted to an employee of which 300,000 vest on May 31, 2020 and 300,000 vest upon commissioning of the Bowden plant.

**Gen III Oil Corporation**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2020 and 2019****(Unaudited)**

(Expressed in Canadian dollars)

**7. SHARE CAPITAL (continued)**

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

The aggregate fair value of the stock options granted during the three months ended March 31, 2020 was \$47,819 (2019 - \$9,817). The fair value of the stock options granted to employees was estimated at the grant date using the Black-Scholes Option Pricing Model. 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 non-employees are at market rates with no allowance for stock options granted. Accordingly, the Company estimated the fair value of the stock options granted to non-employees using the Black-Scholes Option Pricing Model. The inputs for the Black-Scholes Option Pricing Model are as follows:

Inputs	Three months ended March 31,	
	2020	2019
Risk free interest rate	0.62% - 1.58%	1.62% - 1.88%
Expected dividend yield	nil	nil
Expected annual volatility	109% - 111%	97% - 102%
Expected life	2 years	2 years
Forfeiture rate	18%	0%

A summary of the status of the Company's stock options as at March 31, 2020 and changes during the period are as follows:

	Number of options	Weighted average exercise price \$
Outstanding – December 31, 2018	5,722,500	0.41
Options granted	4,200,000	0.42
Options exercised	(3,075,000)	0.17
Options expired	(105,000)	0.72
Outstanding – December 31, 2019	6,742,500	0.52
Options granted	600,000	0.25
Options expired	(650,000)	0.66
Outstanding – March 31, 2020	6,692,500	0.52

The following stock options were outstanding as at March 31, 2020:

Number of options	Exercise price per option \$	Expiry date
500,000	0.70	May 6, 2020
300,000	0.70	September 1, 2020
250,000	0.70	January 10, 2021
1,142,500	0.70	March 13, 2021
3,700,000	0.40	April 1, 2021
200,000	0.40	July 19, 2021
600,000	0.25	February 4, 2022
6,692,500		

## Gen III Oil Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian dollars)

### 7. SHARE CAPITAL (continued)

#### (d) Warrants

On September 30, 2019, the Company closed a non-brokered private placement at \$0.20 per unit for gross proceeds of \$2,181,500. 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 September 30, 2020. The Company used the residual value method to allocate the cash consideration received. Of the total proceeds received, \$2,072,425 was allocated to the shares being the fair value of the shares (\$0.19 per share) and the residual of \$109,075 was allocated to the warrants.

In connection with the September 30, 2019 private placement, the Company issued 665,525 broker warrants exercisable at a price of \$0.30 per share until September 30, 2020. The fair value of \$42,287 for the broker warrants was estimated at the grant date using the Black-Scholes Option Pricing Model. The inputs for the Black-Scholes Option Pricing Model are as follows:

Inputs	September 30, 2019
Risk free interest rate	1.59%
Expected dividend yield	nil
Expected annual volatility	120%
Expected life	1 year
Forfeiture rate	0%

A summary of the status of the Company's warrants as at March 31, 2020 and changes during the period are as follows:

	Number of Warrants outstanding	Weighed average exercise price \$
Outstanding – December 31, 2018	7,093,723	0.91
Warrants granted	6,119,275	0.30
Warrants exercised	(4,891,598)	1.00
Outstanding – December 31, 2019 and March 31, 2020	8,321,400	0.41

On November 5, 2019, the Company extended the expiry dates of the 1,883,375 warrants to November 16, 2020 from November 16, 2019 and the 318,750 warrants to December 5, 2020 from December 5, 2019. The extension of these warrants did not result in any incremental value of the warrants.

The 8,321,400 warrants outstanding as at March 31, 2020 consist of the following:

Number of warrants	Exercise price per warrant \$	Expiry date
6,119,275	0.30	September 30, 2020
1,883,375	0.70	November 16, 2020
318,750	0.70	December 5, 2020
8,321,400		

## Gen III Oil Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian dollars)

### 7. SHARE CAPITAL (continued)

#### (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 (loss) on investments 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 income (loss).

### 8. COMMITMENTS

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

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

### 9. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2020	2019
	\$	\$
Operating activities		
Interest income received from banks	2,334	11,315
Total lease payments and operating expenses paid	46,904	75,373
Total lease receipts	21,532	21,532
Interest paid on lease liabilities	6,984	5,810
Financing activities		
Recognition of right-of-use assets	681,347	10,313,600
Recognition of lease liabilities	681,347	10,395,525
Investing activities		
Recognition of investment in sublease	-	81,925

## **Gen III Oil Corporation**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended March 31, 2020 and 2019**

**(Unaudited)**

(Expressed in Canadian dollars)

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### **10. SUBSEQUENT EVENT**

On May 29, 2020, the Company completed a non-brokered private placement (the "Offering"). In connection with the closing of the Offering, the Company issued an aggregate of 2,773,659 shares (the "Shares") at a price of \$0.15 per Share for gross proceeds of \$416,049. The Company will pay aggregate finder's fees of \$26,873 and 173,156 Share purchase warrants (the "Finder's Warrants") in connection with subscriptions from subscribers introduced to the Offering by Canaccord Genuity Corp. and Fieldhouse Capital Management Inc. Each Finder's Warrant is exercisable to acquire one Share in the capital of the Company at an exercise price of \$0.15 per Share until May 29, 2021, which is 12 months from the date of issuance.