Gen III Oil Corporation

Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2018
(Unaudited)
(Expressed in Canadian dollars)

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

	March 31, 2018	December 31, 2017
	$	$
ASSETS		
Current		
Cash and cash equivalents	4,815,851	6,284,891
Accounts receivable	191,786	100,428
Prepaid expenses	821,447	183,062
	5,829,084	6,568,381
Property (note 3)	8,328	8,328
Investments	38,276	57,415
Total assets	**5,875,688**	**6,634,124**
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 5)	1,717,021	900,490
Accrued tax provision	172,000	161,000
	1,889,021	1,061,490
Non-current		
Deferred rent liability (note 7)	25,306	-
Total liabilities	1,914,327	1,061,490
Shareholders' Equity		
Share capital (note 6)	75,351,282	74,796,282
Contributed surplus	8,265,630	8,181,029
Accumulated deficit	(79,693,827)	(77,462,092)
Accumulated other comprehensive income		
Unrealized gain on investments	38,276	57,415
Total shareholders' equity	3,961,361	5,572,634
Total liabilities and shareholders' equity	**5,875,688**	**6,634,124**

Nature of operations (note 1)
Commitments (note 7)
Subsequent events (note 12)

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

Gen III Oil Corporation
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2018 and 2017
(Unaudited)
(Expressed in Canadian dollars)

	2018	2017
	$	$
Expense		
Exploration (note 4)	-	24,007
General and administration	410,685	56,481
Investor relations	73,761	34,546
Professional fees	1,082,159	382,584
Salaries and benefits (note 5)	452,980	220,992
Share-based payments (note 6)	84,601	463,044
Supplies	103,452	-
Travel and accommodation	46,879	15,130
	2,254,517	1,196,784
Other (income) expense		
Interest income (note 5)	(22,360)	(17,340)
Foreign exchange (gain) loss	(422)	328,715
Impairment loss (note 5)	-	15,481
Gain on disposal of subsidiary (note 10)	-	(747,836)
	(22,782)	(420,980)
Net loss for the period	2,231,735	775,804
Other comprehensive (income) loss		
Other comprehensive (income) loss to be reclassified to profit or loss in subsequent periods:		
Unrealized loss (gain) on investments	19,139	(65,070)
Reallocation of exchange difference on translating foreign operations	-	(352,384)
	19,139	(417,454)
Total comprehensive loss for the period	2,250,874	358,350
Loss per share – basic and diluted	0.04	0.02
Weighted average number of shares outstanding - basic and diluted	63,140,765	31,813,797

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) Equity
(Unaudited)
(Expressed in Canadian dollars)

				Accumulated other comprehensive income (loss)		
	Share capital	Contributed surplus	Accumulated deficit	Cumulative translation adjustments	Unrealized gain (loss) on investments	Total
	$	$	$	$	$	$
Balance as at December 31, 2016	64,041,965	7,374,187	(72,139,561)	(352,384)	30,621	(1,045,172)
Issuance of share capital (note 6)	2,949,750	-	-	-	-	2,949,750
Share issuance costs (note 6)	(238,325)	-	-	-	-	(238,325)
Share-based payments (note 6)	-	463,044	-	-	-	463,044
Loss for the period	-	-	(775,804)	-	-	(775,804)
Other comprehensive income	-	-	-	352,384	65,070	417,454
Balance as at March 31, 2017	66,753,390	7,837,231	(72,915,365)	-	95,691	1,770,947
Issuance of share capital (note 6)	9,068,984	-	-	-	-	9,068,984
Share issuance costs (note 6)	(1,026,092)	194,943	-	-	-	(831,149)
Share-based payments (note 6)	-	148,855	-	-	-	148,855
Loss for the period	-	-	(4,546,727)	-	-	(4,546,727)
Other comprehensive income (loss)	-	-	-	-	(38,276)	(38,276)
Balance as at December 31, 2017	74,796,282	8,181,029	(77,462,092)	-	57,415	5,572,634
Issuance of share capital (note 6)	555,000	-	-	-	-	555,000
Share issuance costs (note 6)	-	-	-	-	-	-
Share-based payments (note 6)	-	84,601	-	-	-	84,601
Loss for the period	-	-	(2,231,735)	-	-	(2,231,735)
Other comprehensive income (loss)	-	-	-	-	(19,139)	(19,139)
Balance as at March 31, 2018	75,351,282	8,265,630	(79,693,827)	-	38,276	3,961,361

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, 2018 and 2017
(Unaudited)
(Expressed in Canadian dollars)

	2018	2017
	$	$
Operating activities		
Net loss for the period	(2,231,735)	(775,804)
Adjustments for items not involving cash		
Deferred rent liability (note 7)	25,306	-
Share-based payments (note 6)	84,601	463,044
Accrued interest income	(7,539)	(16,849)
Foreign exchange loss	-	328,715
Impairment loss (note 5)	-	15,481
Gain on disposal of subsidiary (note 10)	-	(747,836)
Effect of foreign exchange on cash	-	23,669
	(2,129,367)	(709,580)
Net change in non-cash working capital		
Accounts receivable	(83,819)	(177,285)
Prepaid expenses	(638,385)	7,260
Accounts payable and accrued liabilities	816,531	177,986
Accrued tax provision	11,000	46,532
Net cash flows used in operating activities	(2,024,040)	(655,087)
Financing activities		
Issuance of share capital (note 6)	555,000	2,949,750
Share issuance costs (note 6)	-	(238,325)
Net cash flows from financing activities	555,000	2,711,425
Investing activities		
Cash disposed in sale of subsidiary (note 10)	-	(598)
Net cash used in investing activities	-	(598)
(Decrease) increase in cash and cash equivalents during the period	(1,469,040)	2,055,740
Cash and cash equivalents, beginning of the period	6,284,891	442,663
Cash and cash equivalents, end of the period	4,815,851	2,498,403

Supplemental cash flow information (note 8)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Gen III Oil Corporation (formerly PNG Gold Corporation) (the "Company" or "Gen III Oil") is incorporated under the laws of British Columbia and is extra provincially registered in Alberta.

On January 15, 2017, VeroLube Inc. ("VeroLube") assigned the patents for the ReGen™ technology to the Company. The Company currently holds four (4) ReGen™ patents that have been issued 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, including one (1) provisional patent application in the United States to encompass the technological advancements in hydro-treating technology since the patent applications were filed by the original inventor. These ReGen™ patents provide protection over the ReGen™ technology. The Company's patented ReGen™ 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, 100km 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.

On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp, which indirectly held the Company's 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.

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 March 31, 2018, the Company had working capital of $3,940,063, 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, 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.

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting period ending December 31, 2018. 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

2. BASIS OF PREPARATION (continued)

year ended December 31, 2017, 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. The results for interim periods are not necessarily indicative of results for the entire year. The preparation of these unaudited 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, 2018 were approved and authorized for issue by the Board of Directors on May 28, 2018.

(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 existing under the provincial laws of Alberta on November 1, 2017, NMC Mining Corp, a corporation existing under the federal laws of Canada, which in turn wholly owns NMC Mining (Barbados) Corp. and Normanby Mining Corp., corporations existing under the laws of Barbados, Normanby Mining PNG Limited ("Normanby PNG"), a corporation existing under the laws of Papua New Guinea (collectively, the "Group") up to March 31, 2017. The Company sold NMC Mining Corp and its subsidiaries on March 31, 2017.

(c) New Accounting Pronouncements

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

IFRS 15, Revenue from Contracts with Customers – On May 28, 2014, the IASB issued IFRS 15 that provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has not generated any revenues but expects to generate revenues after its Bowden plant becomes operational in the second half of 2019. The adoption of this standard did not have any impact on the Company's financial position as at March 31, 2018 and results of operations for the three months ended March 31, 2018. The Company will account for revenues under this standard when revenues are generated.

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

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

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

IFRS 16, Leases - On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted. The Company has office leases and has entered into a plant lease for the Bowden plant in January 2018. Upon adoption of this standard, the Company will account for such leases on its balance sheet as right-of-use assets and lease liabilities with corresponding interest expense in its results of operations.

3. PROPERTY

The Company's property consists of land it owns in British Columbia, Canada.

4. MINERAL INTERESTS

On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp, which indirectly held the Company's mineral interests in Papua New Guinea. Consequently, the Company did not incur any exploration expenses subsequent to March 31, 2017. The cumulative exploration expense on the Company's mineral interest properties are 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

(Expressed in Canadian dollars)

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 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	45,000	32,500
Payments for consulting services to a company controlled by former Chief Operating Officer	10,688	-
Payments for consulting services to a company controlled by Chief Financial Officer	-	7,350
Professional fees to company controlled by a Director	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 directors.

On February 9, 2017, the Chief Executive Officer and a director 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 of directors and officers compensation in exchange for 1,873,679 common shares at a deemed price of $0.17 per share.

On September 27, 2017, the Company's former Chief Operating Officer purchased 75,000 units of the Company's private placement described in note 6 (b).

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.

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS (continued)

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:

Debt Amount	Number of Shares	Nature of Debt
$21,907	31,295	2017 directors' and committee fees less statutory deductions
$28,751	41,072	2017 directors' and committee fees less statutory deductions
$18,778	26,825	2017 directors' fees less statutory deductions
$21,562	30,803	2017 directors' fees less statutory deductions
$30,000	42,857	2017 directors' fees less statutory deductions
$120,998	172,852	**Total**

The following were the 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 served as 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	-

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS (continued)

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 rights.

6. 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, 2016	31,783,657	64,041,965
Private placements	23,469,572	9,485,700
Debt settlement (note 5)	2,032,797	975,743
Exercise of warrants	4,150,000	1,245,000
Broker commissions and fees settled by issuance of shares	446,128	312,291
Share issuance costs	-	(1,264,417)
December 31, 2017	61,882,154	74,796,282
Exercise of warrants (note 5)	1,850,000	555,000
March 31, 2018	63,732,154	75,351,282

6. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued):

On December 13, 2016, the Company closed the first tranche of a non-brokered private placement that was announced on November 29, 2016 (the "Offering") and subsequently amended to raise up to $1.2 million. The closing consisted of the issuance of a total of 5,550,000 Units at a price of $0.10 per Unit for gross proceeds of $555,000. 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 December 12, 2017. 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. In connection with the closing of the first tranche of the Offering, the Company paid an aggregate amount of $23,600 in cash finder's fees to eligible arm's length finders and incurred $29,668 in legal fees. All of these Warrants were exercised at $0.30 per share during the fourth quarter of 2017 and the Company received gross proceeds of $832,500.

On February 9, 2017, the Company closed the final tranche of the Offering consisting of 6,450,000 Units at a price of $0.10 per Unit for gross proceeds of $645,000. The 3,225,000 Warrants issued for this final tranche expire on February 6, 2018. In connection with the closing of the final tranche of the Offering, the Company paid an aggregate amount of $36,500 in cash finder's fees to eligible arm's length finders and incurred $4,629 in legal fees. During 2017, 1,375,000 Warrants were exercised at $0.30 per share and the Company received gross proceeds of $412,500. 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 March 13, 2017, the Company closed a non-brokered private placement of common shares at a price of $0.30 per share. Under the private placement, the Company issued 7,682,500 shares for gross proceeds of $2,304,750. In connection with the closing of the private placement, the Company paid an aggregate amount of $184,380 in cash finder's fees to eligible arm's length finders and incurred $12,816 in legal fees.

On April 19, 2017, the Company settled $345,576 in debt in exchange for 2,032,797 common shares at a deemed price of $0.17 per share. The fair value of the shares was recorded as $0.48 per share, which was the April 19, 2017 closing price of the shares on the TSX Venture Exchange. The difference between $0.48 and $0.17, $630,167, was recognized as loss on shares for debt settlement.

On September 27, 2017, the Company issued an aggregate of 9,337,072 units at a price of $0.70 per unit for aggregate gross proceeds of $ 6,535,950. Each unit consisted 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 any time until September 27, 2019 at an exercise price of $1.00 per common share. In connection with the offering, the Company entered into an agency agreement with the agent dated effective September 27, 2017. At closing, the Company paid to the agent an aggregate of $397,226 cash, representing a portion of the agent's commission and all of the agent's related expenses (including legal fees). The agent elected to receive the agent's corporate finance fee and the balance of the agent's commission in units, and at closing the Company issued to the agent 446,128 units at a price of $0.70 per unit. In addition, the agent also subscribed for 322,211 units at a price of $0.70 per unit under the offering. The Company also issued to the agent 653,595 broker warrants of the Company. Each broker warrant entitles the agent 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 agent to purchase one common share at an exercise price of $1.00 at any time until September 27, 2019.

6. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payments

Stock options granted during the three months ended March 31, 2018 and the year ended December 31, 2017 to the Company's officers, directors and consultants were as follows:

(1) On February 8, 2017, 3,075,000 options were granted at an exercise price of $0.17, expiring on February 8, 2019. These stock options were fully vested on the date of grant.

(2) On April 1, 2017, 300,000 stock options were granted at an exercise price of $0.46, expiring on April 1, 2019. On April 30, 2017, 200,000 of the unvested stock options were forfeited due to the termination of the officer's employment. The remaining 100,000 vested options were not exercised and expired on July 29, 2017.

(3) On May 17, 2017, the Company granted an aggregate of 180,000 stock options at an exercise price of $0.72, expiring on May, 17, 2019. 40,000 options vested on the date of grant. 140,000 options vested on November 1, 2017. 50,000 options were forfeited upon resignations of employees. 25,000 vested options expired unexercised on February 22, 2018 due to the termination of an employee.

(4) On June 1, 2017, the Company granted an aggregate of 300,000 stock options at an exercise price of $0.72, expiring on June 1, 2019. On January 16, 2018, 100,000 of the unvested stock options were forfeited due to the termination of the officer's employment. The remaining 200,000 vested options were not exercised and expired on April 18, 2018.

(5) On September 20, 2017, the Company granted 500,000 stock options at an exercise price of $0.70, expiring on September 20, 2019. The options will vest in two equal tranches on March 20, 2018 and September 20, 2018.

(6) On October 3, 2017, the Company granted 50,000 stock options at an exercise price of $0.74, expiring on October 3, 2019. The options will vest in two equal tranches on April 3, 2018 and October 3, 2018. 30,000 options were forfeited upon resignations of an employee.

(7) 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.

(8) 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 Company; 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 Company's re-refinery plant being constructed in Bowden, Alberta.

(9) On March 26, 2018, the Company granted 500,000 stock options to an investor relations firm at an exercise price of $0.61, expiring on March 26, 2020. The options will vest quarterly in equal installments beginning on June 26, 2018.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payments

The aggregate fair value of the stock options granted during the three months ended March 31, 2018 was $657,427 (2017 - $463,044), of which $71,825 (2017 - $463,044) was recognized as share-based payments for the three months ended March 31, 2018. The fair value of the stock options 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	Three months ended March 31, 2018	Three months ended March 31, 2017
Risk free interest rate	1.77% - 1.90%	0.69%
Expected dividend yield	nil	nil
Expected annual volatility	70% - 80%	73%
Expected life	2 years – 3 years	1 year
Forfeiture rate	0% - 16%	0%

A summary of the status of the Company's stock options as at March 31, 2018 and changes during the period are as follows:

	Number of options	Weighted average exercise price $
Outstanding and fully vested – December 31, 2016	520,000	1.70
Options granted	4,405,000	0.32
Options forfeited	(250,000)	0.51
Options expired	(620,000)	1.54
Outstanding – December 31, 2017	4,055,000	0.30
Options granted	2,300,000	0.68
Options forfeited	(130,000)	0.72
Options expired	(25,000)	0.72
Outstanding – March 31, 2018	6,200,000	0.43

(d) Warrants

Of the 6,000,000 warrants issued in connection with the Offering, 4,150,000 were exercised as at December 31, 2017 and the remaining 1,850,000 remain were exercised as at March 31, 2018.

As at March 31, 2018 and December 31, 2017, for the warrants issued in connection with the private placement on September 30, 2017, there were 4,891,598 warrants outstanding. Each warrant entitles the holder to purchase one common share at any time until September 27, 2019 at an exercise price of $1.00 per common share. The Company used the residual value method to allocate all of the value received to shares and therefore, no value was allocated to the warrants.

6. SHARE CAPITAL (continued)

(d) Warrants (continued)

A summary of the status of the Company's warrants as at March 31, 2018 and changes during the period are as follows:

	Number of Warrants outstanding	**Weighted average exercise price $**
Outstanding – December 31, 2016	2,775,000	0.30
Warrants granted	8,116,598	0.72
Warrants exercised	(4,150,000)	0.30
Outstanding – December 31, 2017	6,741,598	0.81
Warrants exercised	(1,850,000)	0.30
Outstanding – March 31, 2018	4,891,598	1.00

As at March 31, 2018 and December 31, 2017, for the broker warrants issued in connection with the private placement on September 30, 2017, there were 653,595 broker warrants outstanding. Each broker warrant 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. The aggregate fair value of the broker warrants issued was $194,943, which was recognized as share issue costs for the year ended December 31, 2017. The fair value of the broker warrants was estimated at the issue date using the Black-Scholes Option Pricing Model. The inputs for the Black-Scholes Option Pricing Model are as follows:

Risk free interest rate	1.58%
Expected dividend yield	nil
Expected annual volatility	78%
Expected life	2 years

(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
The exchange difference on translating the foreign operation from its functional currency (PNG Kina) into the reporting currency (Canadian dollar) is recognized in cumulative translation adjustment. When the subsidiary was sold on March 31, 2017, the foreign exchange loss was reallocated from other comprehensive loss to other expense.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(e) Reserves (continued)

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) except for losses in value that are considered other than temporary.

7. COMMITMENTS

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 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. 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 and timing 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.

(Expressed in Canadian dollars)

7. COMMITMENTS (continued)

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 to purchase common shares of the Company 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.

8. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31, 2018 $	2017 $
Operating activities		
Interest income received from banks	22,620	729

9. GEOGRAPHICAL AREA INFORMATION

	Canada $	Papua New Guinea $	Total $
March 31, 2018			
Property	8,328	-	8,328
Total assets	5,875,688	-	5,875,688
December 31, 2017			
Property	8,328	-	8,328
Total assets	6,634,124	-	6,634,124

	Three month ended March 31, 2018 $	2017 $
Net loss – Canada	2,231,735	748,245
Net loss – Papua New Guinea	-	27,559
Total net loss	2,231,735	775,804

10. GAIN ON DISPOSAL OF SUBSIDIARY

On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp 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 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.

11. PROPOSED TERM LOAN FACILITY

On February 20, 2018, the Company announced that it has signed a 60-day exclusive 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.

No securities of the Company are contemplated to be issued in connection with the Facility. 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.

12. SUBSEQUENT EVENTS

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

(b) On May 1, 2018 the Company completed the shares-for-debt settlement transaction described in note 5 wherein the Company issued 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 to settle an aggregate of $120,998 of debt.

(c) 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.