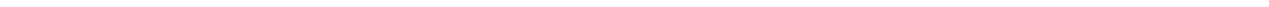


Gen III Oil Corporation (formerly PNG Gold Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2017

As at April 16, 2018



Gen III Oil Corporation (formerly PNG Gold Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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Gen III Oil Corporation (formerly PNG Gold Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

April 16, 2018

Introduction

Gen III Oil Corporation (formerly PNG Gold 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 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 barrels per day (“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 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, leaving a production shortfall of 15,200 bpd. The new Gen III production is expected to fill approximately 9% of that shortfall.

At the current 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 today’s 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 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 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 April 16, 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”). All monetary amounts referred to herein are in Canadian dollars unless otherwise stated.

Gen III Oil Corporation (formerly PNG Gold Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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.

Projects

Re-refining Used Oil

On July 7, 2014, the Company entered into an agreement with VeroLube Inc. and its subsidiary, VeroLube Bowden Plant Inc. (collectively, "VeroLube") to loan \$140,000 to VeroLube Bowden Plant Inc. On November 28, 2014, the Company and VeroLube entered into a new loan agreement for \$500,000 ("VeroLube Loan") that included the previous \$140,000 loaned. These loans were 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 would be at liberty 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 would then be 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 repay the VeroLube Loan by the agreed upon date of December 31, 2016.

Gen III Oil Corporation (formerly PNG Gold Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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 following: 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.

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 ReGen™ 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™ technology is technically sound and commercially viable.
- (d) Was further investigated by 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 Engineering is approximately \$90 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 previously modelled second stage design capability of the ReGen™ technology to produce 45% to 53% Group III base oil from UMO feedstock in addition to Group II base oil, ultralow sulphur diesel fuel, and asphalt flux from the other two stages in the ReGen™ process.

On March 29, 2017, the Company announced the following conclusions, subject to the assumptions and parameters set out therein, were reached in the engineering reports from Stantec and WSP:

- (a) The ReGen™ UMO re-refining process is technically sound. Stantec's report concluded "Having completed the Pre-FEED study and based upon the samples provided, it is Stantec's opinion that the Company's ReGen™

Gen III Oil Corporation (formerly PNG Gold Corporation)

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

technology is technically viable and capable of producing high quality base oils meeting requirements of American Petroleum Institute PI 1509 Groups II and III. Furthermore, Stantec has concluded, after having conferred with the major manufacturers of the process equipment required to construct and operate the proposed 2,800 barrel per day re-refinery, that the project is feasible as proposed."

Similarly, WSP concluded "Having completed the pre-FEED study it is WSP's opinion that the Company's ReGen™ refining technology process is technically sound and construction and operation of the proposed re-refinery should provide finished products equivalent or greater than those contained in previous engineering studies."

- (b) The finished product stream generated from a ReGen™ re-refining process ("ReGen™") is reported to be of high quality and high quantity. Stantec reported 75% recovery of Group II and Group III base lubricating oils, of which 55% of the plant output was estimated to be Group III base oil. WSP's preliminary computer modeling showed 78% recovery of Group II and Group III base lubricating oil.
- (c) The 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™ re-refinery in Bowden, Alberta was projected by Stantec to be approximately \$89.4 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 27.5%* 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) The patents that are granted or are pending by, or for, the Company are considered to be current and valid.
- (h) 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 \$199.7 million. This revenue is projected to produce recurring annual EBITDA of approximately \$112.5million*. EBITDA is a non GAAP measure*.

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For the year ended December 31, 2017

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 secures 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 ReGen™ Re-refinery in Bowden, Alberta was projected by Stantec to be approximately \$90 million. The assumptions used by Stantec were based on a complete equipment listing derived by Stantec with quotes from major equipment manufactures. Labour and incidentals were factored based on engineering industry standards. The assumption was made that a final lease will be successfully negotiated for the Bowden site.

The cost of feedstock supplied to the Bowden plant, projected to be 27.5% 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 financing costs, depreciation and income taxes. Financing costs are currently projected to be \$5.4 million, amortization is calculated to be \$5.48 million, and income taxes are projected to be \$23.5 million, which leaves a net income of approximately \$70.6 million, which is a GAAP measure. This does not include 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.

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For the year ended December 31, 2017

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 Properties

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 and Evaluation Expenditure

Exploration expenditures during the year ended December 31, 2017 amounted to \$24,007 (2016 - \$256,692).

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

Gen III Oil Corporation (formerly PNG Gold Corporation)

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	Papua New Guinea		
	Normanby	Sehulea	Total
	\$	\$	\$
Exploration expense:			
Administration	61,397	4,103	65,500
Assaying	18,011	8,612	26,623
Consulting	11,480	6,555	18,035
Equipment	30,146	29,344	59,490
Legal	6,652	6,652	13,304
Transportation	7,022	2,341	9,363
Travel	1,298	433	1,731
Wages	52,581	10,065	62,646
Year ended December 31, 2016	188,587	68,105	256,692
Cumulative to December 31, 2015	25,329,630	2,397,342	27,726,972
Cumulative to December 31, 2016	25,518,217	2,465,447	27,983,664

Operations Update and Outlook

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™ 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 at the end Q1 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 all 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™ process; to undertake additional patent work regarding the ReGen™ process; to provide a deposit to secure a potential plant site in Western Canada; to pay compensation to certain directors and officers of the Company; to pay commissions to finders in connection with the financings; to pay the expenses of 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 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

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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.

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.

Annual and Fourth Quarter Financial Results

Variance Analysis

The following table sets forth selected (Income)/Expense items that have significant variances between the three months and years ended December 31, 2017 and 2016.

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
General and administration	124,054	59,085	543,497	228,820
Investor relations	10,407	8,570	66,081	18,063
Professional fees	523,101	198,825	2,592,155	475,350
Salaries and benefits	393,786	244,722	1,154,308	786,292
Share-based payments	54,557	-	611,899	-
Travel and accommodation	51,173	8,985	152,221	10,690
Interest income	(22,539)	(44,743)	(49,494)	(175,306)
Foreign exchange loss (gain)	96	39	330,045	(1,179)
Gain on sale of subsidiary	-	-	(747,836)	-
Loss on shares for debt settlement	-	-	630,167	-

General and administration – In May 2017, the corporate head office resumed full time operations in Vancouver. As such, the Company incurred various setup and rent costs. Furthermore, in June 2017, \$150,000 was paid to Parkland in connection with the lease.

Investor relations - The increase was mainly due to increased investor communications and filing fees as the Company completed financings and changed its principal business to an industrial oil company this year.

Professional fees – Professional fees depend on the timing of the services being rendered and will vary from period to period. The increase was mainly due to the services of legal counsel and external consultants engaged to investigate opportunities and design work relating to the ReGen™ technology and to prepare the filings with respect to the change of business.

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 year compared to the same period last year.

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Share-based payments – During 2017, the Company granted an aggregate of 4,405,000 stock options to its employees, consultants and directors. The fair value of the stock options was estimated at the grant date using the Black-Scholes Option Pricing Model. No stock options were granted in 2016.

Travel and accommodation –Travel costs were incurred for meetings with lawyers, investors, engineers and various potential service providers relating to the evaluation and development of the Company's business using the ReGen™ technology.

Interest income – Interest income comprised of interest accrued on the VeroLube Loan and interest from cash deposits in the bank. The VeroLube loan was extinguished on January 30, 2017 when the forbearance agreement expired and the Company became the owners of the ReGen™ technology. As the result, there was a decrease in interest income.

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 holds 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 (2016 - \$nil). As a result of the sale, the Company realized a foreign exchange loss of \$328,715.

Loss on shares for debt settlement - 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.

Selected Annual Financial Information

The following table summarizes selected financial data reported by the Company for the periods indicated. The information set forth in the table should be read in conjunction with the audited consolidated financial statements and notes, prepared in accordance with IFRS for the periods indicated.

	Year ended December 31,		
	2017	2016	2015
	\$	\$	\$
Consolidated Statements of Comprehensive Loss:			
Expense	5,144,168	1,775,907	2,130,988
Other expense	178,363	377,068	1,242,456
Loss before income taxes and loss for the year	5,322,531	2,152,975	3,373,444
Other comprehensive (income) loss	(379,178)	1,568	(15,812)
Total comprehensive loss for the year	4,943,353	2,154,543	3,357,632
Loss per share – basic and diluted	0.11	0.08	0.13
Consolidated Statements of Financial Position:			
Mineral interests	-	-	216,819
Total assets	6,634,124	587,685	1,686,193
Total liabilities	1,061,490	1,632,857	1,078,554

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Expense – The variance between periods was due to the changes in the Company’s operations. In 2015, the Company was engaged in exploration activities in Papua New Guinea. In 2016, there was a reduction of drilling activities and a reduction of full time employees and general and administrative costs at the head office. In 2017, the corporate head office resumed full time operations. As such, the Company hired additional full time employees and incurred various setup and rent costs. During 2017, the Company changed its principal business to an industrial oil company. Legal counsel and external consultants were engaged to investigate opportunities relating to the evaluation and development of the Company’s business using the ReGen™ technology and to prepare the filings with respect to the Change of Business. As a result, there was an increase in professional fees.

Other expense – The difference between periods was mainly due to impairment losses, net gain and foreign exchange loss recognized on the sale of the subsidiary and loss recognized on shares for debt settlement as noted in the following table.

	Year ended December 31		
	2017	2016	2015
	\$	\$	\$
VeroLube loan	15,481	164,375	747,006
Investment in VeroLube	-	-	45,880
Accounts receivable from VeroLube	-	-	13,533
Computer, equipment and furniture	-	-	34,132
Drilling equipment	-	95,881	595,097
Mineral interest	-	216,819	-
Total impairment loss	15,481	477,075	1,435,648
Gain on disposal of subsidiary	(747,836)	-	-
Foreign exchange loss on disposal of subsidiary	328,715	-	-
Loss on shares for debt settlement	630,167	-	-
	226,527	477,075	1,435,648

Other comprehensive income (loss) – The fluctuation between periods was due to the exchange difference on translating the foreign operation balances and results from its functional currency (PNG Kina) into the reporting currency (Canadian dollar) as the exchange rate fluctuated from period to period. Since the subsidiary was sold in 2017, the foreign exchange loss was reallocated from other comprehensive loss to other expense. The fluctuation is also related to the fair value movements of available-for-sale investments. Unrealized gains and losses are recognized in other comprehensive income (loss). When the losses are considered other than temporary, they are reclassified to net loss as an impairment loss.

Mineral interests – Mineral interests include the acquisition cost on the exploration licenses, foreign exchange gains or losses less impairment loss. Since the Company lost its exploration rights and ownership of the mineral interests, the amount was \$nil as at December 31, 2017 and 2016.

Total assets – The decrease in total assets in 2016 was due to cash used during the year and impairment loss recognized on property and equipment, loans and investments. The increase in 2017 was due to cash proceeds received from the private placements completed and warrants exercised during the year.

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For the year ended December 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			
	December 31, 2017 \$	September 30, 2017 \$	June 30, 2017 \$	March 31, 2017 \$
Financial Results:				
Expense	1,157,078	1,602,861	1,187,445	1,196,784
Other (income) expense	(22,443)	(4,736)	626,522	(420,980)
Net loss	1,134,635	1,598,125	1,813,967	775,804
Basic and diluted loss per share	0.02	0.03	0.04	0.02

	For the Quarters Ended			
	December 31, 2016 \$	September 30, 2016 \$	June 30, 2016 \$	March 31, 2016 \$
Financial Results:				
Expense	551,028	216,169	341,329	667,381
Other (income) expense	76,215	312,171	(4,023)	(7,295)
Net loss	627,243	528,340	337,306	660,086
Basic and diluted loss per share	0.02	0.00	0.00	0.03

Liquidity, Capital Resources, Commitments and Contingencies

Working Capital and Cash

During the year ended December 31, 2017, cash and cash equivalents increased by \$5,842,228. The increase was mainly due to net cash of \$9,973,517 raised in the private placements during 2017, partially offset by cash used in operations of \$4,130,691.

As at December 31, 2017, the Company had working capital of \$5,506,891 comprised of cash and cash equivalents of \$6,284,891, accounts receivable of \$100,428 and prepaid expenses of \$183,062 offset by accounts payable and accrued liabilities of \$1,061,490. During the year ended December 31, 2017, the Company reversed \$139,000 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 provide a deposit to secure a potential plant site in Western Canada; to pay compensation to certain directors and officers of the Company; to pay commissions to finders in connection with the financings; to pay the expenses of the financings; and for working capital and general corporate purposes.

Going Concern

The Company's consolidated financial statements for the year ended December 31, 2017 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

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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 year ended December 31, 2017, the Company reported a comprehensive loss of \$4,943,353 and as at December 31, 2017, had an accumulated deficit of \$77,462,092. The Company has not generated revenues from operations. The Company is dependent on equity financings to fund its operations. Based on its current plans, committed expenditures, cash requirements, and recent financings, the Company has sufficient cash to finance its current plans for the next 12 months. 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 \$74,796,282 and no long-term debt as at December 31, 2017. 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 gross office lease commitments as at December 31, 2017 are shown in the table below.

Year	Total office lease commitment \$	Amount recovered from sublease \$	Total office lease commitment, net of recovery \$
2018	419,894	(98,463)	321,431
2019	344,046	(100,515)	243,531
2020	90,061	(50,258)	39,803
	854,001	(249,236)	604,765

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The Company entered into a lease agreement dated January 11, 2018 with Parkland for a portion of their property in Bowden, Alberta. The lease commences 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. 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 \$3,100,000, of which \$1,490,000 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 \$187,000 to be incurred in 2018 and 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.

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.

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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.

	Year ended December 31,	
	2017	2016
	\$	\$
Salaries to Key Management personnel	634,500	702,905
Payments for consulting services to a company controlled by current President (George Davidson)	167,500	-
Payments for consulting services to a company controlled by former Chief Operating Officer (Angelo Battiston)	49,875	-
Payments for consulting services to a company controlled by Chief Financial Officer (Rick Low)	20,462	-
Professional fees to company controlled by Director (Larry Van Hatten)	101,000	60,000
Share-based payments	507,708	-
Total	1,481,045	762,905

Included in accounts payable and accrued liabilities as at December 31, 2017 is \$165,000 (December 31, 2016 - \$268,128) of accrued directors' fees, \$11,062 (December 31, 2016 - \$50,400) of accrued salaries payable to officers and a director and \$13,053 (December 31, 2016 - \$4,000) of accrued expense reimbursements payable to officers and a director.

On November 7, 2016, the Company sold its drilling equipment for net proceeds of \$229,935 and recorded a loss on sale of \$76,478 for the year ended December 31, 2016. The sale of the drilling equipment was made to a related party of the Company, which had two common directors (John Detmold and Bryan Nethery) with the Company.

On Feb 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 consists 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.

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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:

<u>Creditor</u>	<u>Debt Amount</u>	<u>Number of Shares</u>	<u>Nature of Debt</u>
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 consists 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.

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.

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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

Fair Value of Financial Instruments

The Company's financial instruments at December 31, 2017 include cash and cash equivalents, accounts receivable, Investment in Coppermoly Ltd. ("COY"), and accounts payables and accrued liabilities.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their immediate or short-term nature, unless otherwise noted.

The fair value of COY shares was based on the closing prices of those shares on Australian Stock Exchange.

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Fair Value Hierarchy

Financial instruments recorded at fair value on the Consolidated Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

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

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the highest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value or at fair value which approximates the carrying amount in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

Asset	Level 1 \$	Level 2 \$	Level 3 \$
December 31, 2017:			
Cash and cash equivalents	6,284,891	-	-
Investment in Coppermoly Ltd.	57,415	-	-
December 31, 2016:			
Cash and cash equivalents	442,663	-	-
Investment in Coppermoly Ltd.	30,621	-	-

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

Credit risk – is the risk of a financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company's cash is largely held in a Canadian financial institution and management believes that the credit risk with respect to financial instruments recorded on the Consolidated Statement of Financial Position at December 31, 2017 is minimal.

Currency risk – currency risk arises due to fluctuations in the exchange rates. The Company's equity financings are sourced in Canadian dollars and the normal day-to-day expenditures are incurred in Canadian dollars. As at December 31, 2017, the Company's holdings in foreign currencies is not material and exposure to currency risk is minimal.

Interest rate risk – is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest income is subject to bank deposit interest rates. During 2017, the Company received \$26,453 of interest income from banks and accrued \$15,481 of interest income. A 1% change in interest rate would affect income (loss) before tax of approximately \$63,000.

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Liquidity risk – is the risk that the Company will be unable to meet its obligations as they become due. The Company manages its liquidity risk by implementing a budget, forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2017, the Company had \$6,284,891 in cash and cash equivalents, \$1,061,490 in current liabilities and no long-term liabilities.

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

Price risk – the Company is exposed to price risk with respect to commodity and equity pricing, and the investment in COY. The Company is exposed to changes in market prices and a sensitivity analysis suggests that a 10% change in COY share prices would affect other comprehensive income or loss by approximately \$5,700 before tax.

Outstanding Share Data

As at April 16, 2018, the following shares are outstanding:

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

- Issued and outstanding: 63,732,154 common shares

- Stock options outstanding:
 - 200,000 with an exercise price of \$0.72 per option and an expiry date of April 18, 2018
 - 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 of \$0.61 per option and an expiry date of March 26, 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.

Effective November 11, 2016, the Company consolidated its share capital, stock options, on a 5-to-1 basis. In accordance with IAS 10 and IAS 33, the Company's basic and diluted loss per share presented in its consolidated statements of loss and comprehensive loss for the year ended December 31, 2016, has been computed based on the post consolidated weighted average number of common shares outstanding.

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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 (the "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 ("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. All securities issued under the Offering are subject to a four month hold period expiring on April 13, 2017.

On February 8, 2017, the Company granted of an aggregate of 3,075,000 stock options to employees, consultants and directors at an exercise price of \$0.17, expiring on the date that is 2 years from the date of the grant. These stock options fully vested on the date of grant. All stock options were subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

On February 9, 2017, the Company closed the final tranche of 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. All securities issued under the final tranche were subject to a four month hold period expiring on June 9, 2017.

In total under the Offering, the Company issued 12,000,000 Units for aggregate gross proceeds of \$1,200,000. Certain finder's received a cash fee of up to 8% of the proceeds Offering.

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. All securities issued under the private placement were subject to a four month hold period from the date of issuance. Certain finders received a cash fee equal to 8% of the proceeds of the private placement.

On April 1, 2017, the Company granted of an aggregate of 300,000 stock options to an officer at an exercise price of \$0.46, expiring on April 19, 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.

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On April 19, 2017, the Company settled \$345,576 in debt ("Debt") in exchange for 2,032,797 common shares (the "Shares") at a deemed price of \$0.17 per Share as follows:

<u>Creditor</u>	<u>Debt Amount</u>	<u>Number of Shares</u>	<u>Nature of Debt</u>
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	

The remaining 159,118 Shares was issued to an arm's length creditor to settle \$27,050 in Debt. All Shares issued is subject to a four-month hold period. The Shares for Debt transactions in the table above are each a related party transaction.

On April 24, 2017, 250,000 warrants, at an exercise price of \$0.30 per warrant, were exercised for gross proceeds of \$75,000.

On May 16, 2017, 250,000 warrants, at an exercise price of \$0.30 per warrant, were exercised for gross proceeds of \$75,000.

On May 17, 2017, the Company granted an aggregate of 180,000 stock options to employees and consultants at an exercise price of \$0.72, expiring on May 17, 2019. On the grant date, 40,000 options vested and 140,000 options will vest on November 1, 2017. All stock options will be subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

On June 1, 2017, the Company granted an aggregate of 300,000 stock options to an officer at an exercise price of \$0.72, expiring on June 1, 2019 with 100,000 options vesting on each of September 1, 2017, December 1, 2017 and June 1, 2018. All stock options will be subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

On September 18, 2017, 500,000 warrants, at an exercise price of \$0.30 per warrant, were exercised for gross proceeds of \$150,000.

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.

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

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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.

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.

On November 3, 2017, 250,000 warrants, at an exercise price of \$0.30 per warrant, were exercised for gross proceeds of \$75,000. On December 12, 2017, 2,775,000 warrants, at an exercise price of \$0.30 per warrant, were exercised for gross proceeds of \$832,500. On February 6, 2018, 3,225,000 warrants, at an exercise price of \$0.30 per warrant, were exercised for gross proceeds of \$967,500.

Subsequent to year end, certain employees and officers resigned or were terminated. As such, 25,000 options expired and 380,000 options were forfeited.

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 the proposed shares-for-debt settlement transactions in which Gen III would issue up to 172,852 common shares in the capital of the Corporation at a deemed price of \$0.70 per common share to the directors of the Corporation in connection with the settlement of an aggregate of \$120,998 of debt owed to such Directors relating to director's fees. The transaction is subject to approval from the TSX Venture Exchange.

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.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the valuation of equity instruments.

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, and dividend yield and making assumptions about them.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The determination of impairment of available-for-sale financial assets. The Company determined that certain of its investments were impaired during the current and prior years.

Recent Accounting Pronouncements

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 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 Q1 2019. The Company will adopt this standard on January 1, 2018 and will account for revenues under this standard.

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 Company will adopt this standard on January 1, 2018 and does not expect it to have any material impact on its 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

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corresponding interest expense in its results of operations.

Risks and Uncertainties

The Company's expectation to enter into the oil re-refining business involves a significant degree of risk. The risk factors set out below should be considered. It should be noted that the risks discussed below are not exhaustive and that other risks may apply.

Financing ability

The Company's ability to enter into the oil re-refining business will be largely reliant on its continued attractiveness to equity investors. The Company will incur operating losses as it continues to expend funds to enter into the oil re-refining business. There is no guarantee that the Company will be able to successfully enter into the oil re-refining business. Furthermore, should the Company require additional capital, failure to raise such capital could result in delay or indefinite postponement of the Company's business activities. From time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards.

Dependence on key personnel

The Company depends on a relatively small number of key qualified personnel, key senior management and other employees. As the Company's business grows, the Company may recruit additional management and other personnel. There is no assurance that the key qualified personnel will continue to provide services to the Company or will honour the agreed terms and conditions of their employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for the Company's future operations and development could have a material adverse effect on the Company's business and results of operations. The Company does not have key person insurance on these individuals.

Volatile stock price

The stock price of the Company is expected to be highly volatile and will be drastically affected by operating results. The Company cannot predict the results of its future business activities. The success or failure of the Company's re-refining oil business will inevitably affect the Company's decisions and will likely trigger major changes in the trading price of the Company's shares.

Potential conflicts of interest

Some of the directors or officers of the Company are also directors, officers and/or promoters of other reporting and non-reporting issuers. Situations may arise where the directors and/or officers of the Company may be in competition with the Company. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company.

No dividends

Any payments of dividends will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's board of directors may consider appropriate in the circumstances. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

Risk management and internal control systems.

The Company's directors together with its senior management are responsible for overseeing the Company's internal control policies and procedures. The Company has established risk management and internal control systems consisting of policies, procedures and risk management methods that the Company believes are appropriate for the Company's business operations. However, due to the inherent limitations in the design and implementation of these

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systems, there is a risk that these systems will not be sufficiently effective in identifying and preventing a deficiency in internal controls. In addition, as some of the risk management and internal control policies and procedures are relatively new, the Company may need to establish and implement additional policies and procedures to further improve the Company's systems from time to time. Since the Company's risk management and internal controls depend on implementation by Company employees, there is a risk that such implementation will involve human errors or mistakes. If the Company fails to implement its policies and procedures in a timely manner, or fails to identify risks that affect the Company's business, results of operations and financial condition could be materially and adversely affected.