CIELO WASTE SOLUTIONS CORP.

Financial Statements

For the Year ended April 30, 2019

(Expressed in Canadian dollars)

UNIT 114B (2nd Floor) – 8988 FRASERTON COURT
BURNABY, BC V5J 5H8

T: **604.239.0868**
F: **604.239.0866**

A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of Cielo Waste Solutions Corp.

Opinion
We have audited the financial statements of Cielo Waste Solutions Corp. (the "Company"), which comprise the statements of financial position as at April 30, 2019 and April 30, 2018, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in shareholders' equity for the years ended April 30, 2019 and April 30, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and April 30, 2018, and its financial performance and its cash flow for the years ended April 30, 2019 and April 30, 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net comprehensive loss of $2,766,170 during the year ended April 30, 2019 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $19,018,120 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in this independent auditors' report is Anthony Chan, CPA, CA.

"A Chan & Company LLP"
Chartered Professional Accountant

Unit# 114B (2nd floor) – 8988 Fraserton Court
Burnaby, BC, Canada V5J 5H8
August 28, 2019

Cielo Waste Solutions Corp.

Statements of financial position

(Expressed in Canadian Dollars)

	Note	April 30, 2019	April 30, 2018
Assets			
Current Assets			
Cash		354,258	560,891
GST and other receivable		128,688	51,324
Prepaid expenses		328,291	156,622
Inventory	5	209,754	-
Total Current Assets		1,020,991	768,837
Non Current Assets			
Property, plant and equipment	6	10,905,980	4,703,885
Intellectual property assets	7	1	1
Total Non Current Assets		10,905,981	4,703,886
Total Assets		11,926,972	5,472,723
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	15	2,970,231	538,679
Accrued liabilities		787,611	123,381
Short-term loans payable	8&15	400,912	567,756
Current portion of long term loans payable	8	1,010,999	504,295
Current portion of convertible debentures	9	655,715	-
		5,825,468	1,734,111
Long Term Liabilities			
Royalty payable	10	747,498	-
Long term loans payable	8	2,355,258	2,818,686
Convertible debentures	9	-	556,124
		8,928,224	5,108,921
Shareholders' Equity			
Share capital	11	15,866,131	11,110,880
Contributed surplus	12&13	6,150,737	5,504,872
Deficit		(19,018,120)	(16,251,950)
Total Shareholders' Equity		2,998,748	363,802
Total Liabilities and Shareholders' Equity		11,926,972	5,472,723

Nature and continuance operation and basis of presentation (Note 1 and 2)
Subsequent events (Note 19)
Approved and authorized for issue by the Board of Directors on August 28, 2019

Signed: "Don Allan"
Don Allan, President, CEO and Director

Signed: "Robin Ray"
Director

See accompanying notes to financial statements.

Cielo Waste Solutions Corp.

Statements of loss and comprehensive loss

(Expressed in Canadian Dollars)

Year ended April 30

		2019		2018
Incidental sales	$	3,000	$	-
Cost of Sales		3,000		-
Gross Profit		-		-
Expense				
Advertising and Promotion		59,427		38,095
Amortization on deferred financing charges		66,822		47,956
Amortization on property, plant and equipment (Note 6)		167,898		170,667
Bad Debt		6,725		4,186
Bank Charges		1,143		826
Consulting		232,915		323,802
Development Expense		476,408		-
Finance Expense		-		3,300,206
Interest and accretion expenses (Note 8 and 9)		593,370		400,743
Management Fees (Note 13)		405,582		188,693
Office and administrative expenses		139,542		139,590
Professional fees		322,027		419,715
Share based compensation		-		948,447
Salaries and benefits (Note15)		482,916		220,548
Transfer agent and filing fees		44,032		30,476
Travel		37,738		27,716
Net Loss before other items		(3,036,545)		(6,261,666)
Write-off of payables		-		11,698
Gain (Loss) on settlement of debt with shares		270,375		(175,721)
Net loss and comprehensive loss for the year	$	(2,766,170)	$	(6,425,689)
Loss per share, basic and diluted	$	(0.021)	$	(0.051)
Weighted average number of outstanding common shares		160,006,212		125,409,292

See the accompanying notes to the financial statements

Cielo Waste Solutions Corp.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars except for number of shares)

	Number of shares	Share Capital	Contributed Surplus: Options, RSU's and Warrants	Contributed Surplus: Other	Deficit	Total shareholders' equity
		$	$	$	$	$
Balance April 30, 2017	102,655,588	7,335,414	953,305	71,482	(9,826,261)	(1,466,060)
Shares issued for private placements (Note 11)	8,500,000	879,000	-	-	-	879,000
Shares issued on debt conversion (Note 11)	1,250,000	125,000	-	-	-	125,000
Shares issued on debt conversion (Note 11)	105,125	10,513	-	-	-	10,513
Shares issued for private placements (Note11)	5,500,000	550,000	-	-	-	550,000
Shares issued for private placements (Note 11)	8,832,360	1,030,530	-	-	-	1,030,530
Shares issued on debt conversion (Note 11)	625,000	62,500	-	-	-	62,500
Shares issued on debt conversion (Note 11)	162,833	19,540	-	-	-	19,540
Shares issued for private placements (Note 11)	9,900,000	990,000	-	-	-	990,000
Shares issued for private placements (Note 11)	1,538,461	200,000	-	-	-	200,000
Shares issued on debt conversion (Note 11)	1,122,916	112,292	-	-	-	112,292
Share based compensation	-	-	948,447	-	-	948,447
Warrants issued for financing	-	-	3,300,206	-	-	3,300,206
Fair values of finders' warrants (Note 10)	-	-	42,739	-	-	42,739
RSU vesting (Note 13)	-	-	188,693	-	-	188,693
Share issuance costs	-	(203,909)	-	-	-	(203,909)
Net loss for the year	-	-	-	-	(6,425,689)	(6,425,689)
Balance April 30, 2018	140,192,283	11,110,880	5,433,390	71,482	(16,251,950)	363,802
Balance April 30, 2018	140,192,283	11,110,880	5,433,390	71,482	(16,251,950)	363,802
Shares issued on warrant conversion (Note 11)	2,000,000	400,000	-	-	-	400,000
Shares issued on warrant conversion (Note 11)	875,000	175,000	-	-	-	175,000
Shares issued on warrant conversion (Note 11)	162,500	32,500	-	-	-	32,500
Shares issued on debt conversion (Note 11)	1,960,781	392,156	-	-	-	392,156
Shares issued on warrant conversion (Note11)	7,125,000	1,425,000	-	-	-	1,425,000
Shares issued on debt conversion (Note 11)	477,363	114,567	-	-	-	114,567
Shares issued on exercise of broker warrants and warrants (Note 11)	1,461,500	292,753	(2,853)	-	-	289,900
Shares issued on exercise of warrants (Note 11)	50,000	10,000		-	-	10,000
Shares issued on exercise of broker warrants (Note 11)	608,000	121,926	(41,126)	-	-	80,800
Shares issued on debt conversion (Note 11)	228,918	57,230	-	-	-	57,230
Shares issued on exercise of warrants (Note 11)	900,000	180,000	-	-	-	180,000
Shares issued on exercise of warrants (Note 11)	941,180	188,235	-	-	-	188,235
Shares issued on debt conversion (Note 11)	2,826,025	367,383	-	-	-	367,383
Shares issued on debt conversion (Note 11)	3,029,167	393,792	-	-	-	393,792
Shares and warrants issued for private placements (Note 11)	3,300,000	363,000	66,000	-	-	429,000
Shares and warrants issued for private placements and debt conversion (Note 11)	3,426,200	376,882	68,524	-	-	445,406
Shares and warrants issued for private placements (Note 11)	2,076,923	228,462	41,538	-	-	270,000
Shares and warrants issued for private placements (Note 11)	2,730,077	273,008	81,902	-	-	354,910
Shares and warrants issued for private placements (Note 11)	692,307	69,231	20,769	-	-	90,000
Shares and warrants issued for private placements (Note 11)	423,500	42,350	12,705	-	-	55,055
Shares issued on debt conversion (Note 11)	46,289	4,861	-	-	-	4,861
Shares issued on exercise of warrants (Note 11)	40,000	10,200	(6,200)	-	-	4,000
Shares and warrants issued on debt conversion (Note 11)	113,998	8,550	6,269	-	-	14,819
Warrant expiry - share issuance costs	-	28,520	(28,520)	-	-	-
Fair values of finders' warrants - share issuance costs (Note 12)	-	(21,275)	21,275	-	-	-
RSU vesting (Note 13)	-	-	405,582	-	-	405,582
Royalty payable – share issuance costs (Note 10)	-	(662,189)	-	-	-	(662,189)
Share issuance costs (Note 11)	-	(116,891)	-	-	-	(116,891)
Net loss for the year	-	-	-	-	(2,766,170)	(2,766,170)
Balance April 30, 2019	175,687,011	15,866,131	6,079,255	71,482	(19,018,120)	2,998,748

See accompanying notes to the financial statements.

Cielo Waste Solutions Corp.

Statements of Cash Flows

(Expressed in Canadian Dollars)

Year ended April 30,	2019	2018
Cash (used in) provided by:	**$**	$
Operating activities		
Loss for the year	(2,766,170)	(6,425,689)
Adjustments for:		
Amortization of property, plant and equipment	167,898	170,667
Bad debt expense	6,725	4,186
(Gain) loss on settlement of debts with shares	(270,375)	175,721
Finance expense	-	3,300,206
Stock based compensation	-	948,447
RSU vesting	405,582	188,693
Amortization of deferred financing costs	66,822	47,956
Accrued interest and accretion expenses	173,010	119,731
	(2,216,508)	(1,458,384)
Changes in non-cash operating working capital		
Other receivable	(77,364)	(39,112)
Prepaid expenses	(171,669)	(145,872)
Inventory	(209,754)	-
Accounts payable and accrued liabilities	4,314,288	499,815
Cash provided by (used in) operating activities	1,638,993	(1,143,553)
Financing activities		
Short term loans	427,333	(336,370)
Long term loans and convertible debt	-	3,353,576
Repayments on long term debt	-	(1,971,744)
Share issuance for cash	3,922,485	2,525,000
Share issuance costs	(116,891)	(161,170)
Warrant issuance for cash	291,438	-
Cash provided by financing activities	4,524,367	3,409,292
Investing activities		
Purchase of property plant and equipment	(6,369,993)	(1,810,958)
Cash used in investing activities	(5,672,840)	(1,810,958)
Increase (decrease) in cash	(206,633)	454,781
Cash, beginning of year	560,891	106,110
Cash, end of year	354,258	560,891
Supplemental items:	$	$
Interest paid in cash	420,747	239,098
Tax paid in cash	-	-
Non-cash activities:	$	$
Shares issued for debt conversion	-	310,305
Fair value of shares issued for debt settlements	1,554,420	1,144,070
Fair value of warrants issued for financing	-	3,300,206
Fair value of royalty payable charged as share issuance costs	662,189	-
Fair value of broker warrants issued	21,275	42,739
Accrual for fair value of restricted share units not yet vested	405,582	188,693

See accompanying notes to the financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Cielo Waste Solutions Corp. (“Cielo” or the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on February 2, 2011 as a wholly owned subsidiary of Arris Holdings Inc. (“AHI”). Pursuant to an arrangement agreement with AHI dated March 1, 2011 and the supplement to the arrangement agreement dated June 9, 2011, (collectively the “Arrangement Agreement”), the Company spun out from AHI and became a reporting issuer after the Arrangement Agreement became effective on June 9, 2011 (“Effective Date’). Commencing August 3, 2011, the Company’s common shares started trading on Canadian Stock Exchange (“CSE”) under the symbol CMC.

The principal and registered office of the Company is located at #101 – 1500 Howe Street, Vancouver BC V6Z 2N1.

Originally a mineral property acquisition and development company, a change in the board of directors in June 2013 resulted in a new direction for the Company. The Company's strategic focus has turned to the refining of municipal and construction waste into a renewable diesel fuel. The Company changed its name from Cielo Waste Solutions Corp. on August 12, 2013 to more clearly identify its focus on renewable diesel and waste solutions.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At April 30, 2019, the Company had not yet achieved profitable operations, had accumulated losses of $19,018,120 since its inception, and had a working capital deficit of $(4,804,477), which may not be sufficient to sustain operations over the foreseeable future. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In the year ended April 30, 2019, the Company converted 10,162,500 warrants for gross proceeds of $2,032,500 as part of the early warrant incentive program designed to encourage the early exercise of these warrants. The Company completed private placement offerings of 9,008,741 common shares for gross proceeds of $1,639,829 in form of conversion of debt to shares. The Company also completed warrant conversions of 4,000,680 common shares for gross proceeds of $572,936 cash and $180,000 in form of conversion of debt to shares and warrants. The Company completed private placement offerings of 12,322,807 units, each unit consisting of one common share and one share purchase warrant, for gross proceeds of $1,601,965. The Company’s operations, as intended, and its financial success may be dependent upon the successful commercial start-up of its renewable diesel refinery and the economic viability of developing refineries based on the Company’s technology, and its ability to ensure sufficient financing is obtained to complete such start-up.

In the year ended April 30, 2019, the Company has also begun to agree to potential future joint venture arrangements for the expansion of the Company’s business. On October 31, 2018 the Company executed a Binding Memorandum of Understanding (“GP MOU”) with Renewable U Energy Inc. (“Renewable U”), a privately-owned Alberta corporation. The MOU provides the framework for the Company to enter into a joint venture agreement (“JV Agreement”) with Renewable U to build, commission and operate (“Project”) one refinery initially (“JV Refinery”), with a right of first refusal to enter into further agreements for potential follow-on refineries (together with the JV Refinery, collectively “JV Refineries”) in Grande Prairie, Alberta.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Pursuant to the terms of the GP MOU, Renewable U acquired an option to enter into a second Memorandum of Understanding with the Company for Medicine Hat, Alberta (the "MH Option"). On February 21, 2019, Renewable U exercised the MH Option and entered into another similar Memorandum of Understanding ("MH MOU") with the Company to build another JV Refinery in the city of Medicine Hat, Alberta.

On February 21, 2019 the Company also entered into an option agreement with Renewable U, pursuant to which the Company granted to Renewable U an option to enter into another memorandum of understanding ("Brooks MOU") with the Company to build a follow-on joint venture renewable diesel refinery in the City of Brooks AB, on substantially the same or similar terms to the contemplated joint venture refineries in Grande Prairie and Medicine Hat. Renewable U exercised this option and entered into the Brooks MOU with the Company on March 29, 2019. Pursuant to the terms of the agreements, Renewable U has advanced to the Company a deposit of $250,000 for each of the GP MOU, MH MOU and the Brooks MOU.

The Company and Renewable U intend to form three incorporated joint venture companies for each of the GP MOU, MH MOU (each an "MOU") and the Brooks MOU respectively, each to be owned 50.1% by the Company and 49.9% by Renewable U, unless otherwise agreed. In consideration for the opportunity to enter into the JV Agreements with the Company and undertake the respective projects (each a "Project"), Renewable U has paid to the Company a fee of $250,000.00 fee (each a "Fee") with respect to each MOU to secure each Grande Prairie, Medicine Hat and Brooks, Alberta and the area surrounding each, in each case encompassing a 250 km radius. The terms of the GP MOU, MH MOU and the Brooks MOU provide that in the event the Company does not execute the JV Agreements for each of Grande Prairie, Medicine Hat or Brooks, Alberta, within certain agreed upon reasonable times, the Company agreed, subject to applicable laws and policies, to issue Renewable U common shares of the Company in lieu of returning the Fee, valued at the greater of: $0.25 and the average closing price of the Company's shares during the 5 trading days prior to these shares issuances. See Note 19 for more information on the current status of the foregoing.

The general terms to be incorporated into each JV Agreement include the following:

a. Renewable U will be solely responsible for financing 100% of the costs associated with acquiring the land, building and commissioning the initial refinery to be built in each of Grande Prairie, Medicine Hat and Brooks, Alberta (in each case the "Project Costs", respectively).
b. The Company will manage each Project overall, overseeing the planning, construction, commissioning and operation of each of the JV Refineries and will receive a management fee for the construction of each JV Refinery equal to 7% of the Project Costs for such JV Refinery subject to certain exclusions, and will continue to receive management fees once operations begin based on industry standards.
c. For each initial JV Refinery, profits will be split 30%in favour of the Company and 70% in favour of Renewable U, until Renewable U has received profits equaling100% of the Project Costs for that JV Refinery. Thereafter profits will be split on the basis of 50.1% for the Company, 49.9% for Renewable U, reflecting the respective interests/ownership of the parties.

On or about November 22, 2018, the Company entered into a memorandum of understanding ("Calgary MOU") with Seymour Capital Incorporated ("Seymour") on substantially the same terms as the foregoing MOUs for the territory of Calgary, including the grant of an option to Seymour on substantially the same terms as the Calgary MOU for a territory in Ontario outside of the Greater Toronto Area. Seymour also paid a Fee of $250,000 to the Company to secure the territory of Calgary.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance and compliance with International Financial Reporting as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of preparation

These financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. These financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates 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 judgements and estimates. The financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the 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 the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, 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 following:

<u>Going concern</u>
The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements.

<u>Present value of long-term liabilities</u>
In assessing the fair value of long-term liabilities without interest or interest rate below market or with conversion features using effective interest rate method, management has to exercise judgment to determine the effective interest rate based on market and risk.

<u>Income taxes</u>
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

<u>Share-based payments</u>
The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the expected volatility of its own shares, the expected life of stock options granted, the estimated number of stock options expected to vest and the expected time of exercise of those stock options. The model used by the Company is the Black-Scholes option pricing valuation model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Cash equivalents

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at April 30, 2019 and 2018, there were no cash equivalents.

b) Inventories

Inventories are stated at the lower of cost and net realizable value, with due consideration of obsolescence. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the average costing principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

c) The Company records property, plant and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Construction in Progress	no amortization until completion
Computer	30% declining balance
Equipment	10% declining balance
Building	4% declining balance

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

d) Shared-based payments

Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company has a restricted share unit ("RSU") plan (the "RSU Plan") for certain directors, officers, consultants and employees of the Company. The equity-settled share-based compensation is measured at the fair value of the Company's common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU Plan. The fair value determined at the grant date is charged to income on a straight line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares by the holder or payable in cash to the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Shared-based payments (continued)

holder at the Company's option, as applicable, with a corresponding increase in equity (share-based compensation reserve). As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates. On the vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested. The impact of the revision of estimates, if any, is recognized in income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based compensation reserve.

e) Deferred income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

f) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

g) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

h) Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Earnings (loss) per share (continued)

of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted losses per share are the same for the periods presented.

i) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the statements of loss and comprehensive loss.

<u>Financial Assets</u>

The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Debt Instruments
There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses).
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Financial Assets (continued)

Equity Instruments
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial Liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period. The Company's liabilities classified as other financial liabilities, which include accounts payable and accrued liabilities, short-term loan payable, long term loan, convertible debentures and royalty payable, are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	FVTPL
Other receivable	Amortized cost
Accounts payable & accrued liabilities	Amortized cost
Short-term and long-term loans payable	Amortized cost
Royalty payable	Amortized cost
Convertible debentures	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Convertible debentures

Convertible debentures with both a liability and an equity component from the Company's perspective are accounted for and presented separately according to their substance based on the definitions of liability and equity. The split is made at issuance and not revised for subsequent changes in market interest rates, share prices, or other event that changes the likelihood that the conversion option will be exercised. A financial liability represents the Company's contractual obligation to pay cash, and the other is an equity instrument, represents the holder's option to convert into common shares. When the initial carrying amount of a compound financial instrument is required to be allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

k) Impairment

i) Non-financial assets
The carrying amounts of the Company’s non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets’ recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the “cash-generating unit”).

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cost flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

ii) Financial assets
The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment (continued)

ii) Financial assets (continued)
estimated future cash flows of the investment have been affected. When impairment has incurred, the cumulative loss is recognized in the statements of loss and comprehensive loss. For financial assets carried at cost or amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the recoverable amount, determined as the higher of the estimated fair value and the discounted future cash flows generated from use. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of comprehensive loss in the year. Impairment losses may be reversed in subsequent years.

l) Intangible assets

Intangible assets are amortized over the estimated useful life of each asset unless the life is determined to be indefinite. An intangible asset with an indefinite life is not amortized but will be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An impairment loss is recognized when the carrying value of intangible asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis.

m) Provisions

Provisions are recorded when a present legal or constructive obligation exists because of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

n) Research and development expenditures

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria are met: i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, ii) its intention to complete the intangible asset and use or sell it, iii) its ability to use or sell the intangible asset, iv) how the intangible asset will generate probable future economic benefits, v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise they are expensed as incurred. The Company assesses whether it has met the relevant criteria for deferral and amortization at each reporting date.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Revenue recognition

Revenue from Contracts with Customers
The Company completed its assessment of the effect of IFRS 15 and determined the method of revenue recognition will remain unchanged. The Company's assessment included an examination of contracts for all revenue streams which includes the JV Fee charged on the MOUs and the sale of diesel produced from the plant.

Revenues associated with the deposits charged on the MOUs will only be recognized when there is persuasive evidence that an arrangement exists which is the JV Agreements have been entered into with the various MOU parties. The Company has already received the deposits of $1,000,000 plus GST from the four joint venture parties and the amounts are included in the accounts payable as at April 30 2019.

Revenues associated with the sale of diesel produced from the plant are recognized when there is persuasive evidence that an arrangement exists, the products are completed and delivered, the price is fixed or determinable and when the ultimate collection is reasonably assured. Interest income, if any, is recognized as received. During the year ended April 30, 2019, the Company only produced incidental diesel products for sale as the Company is still in process of commencing the commercializing process.

p) Changes in accounting policies and recent accounting pronouncements

(a) The following standards have been adopted effective May 1, 2018:

Financial Instruments
IFRS 9 financial instruments ("IFRS 9") replaced IAS 39, Financial Instruments: recognition and Measurement. IFRS 9 includes guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedging requirements.

<u>i. Classification and measurement of financial assets and financial liabilities</u>

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL. IFRS 9 permit entities to elect into an irrevocable option for equity instruments to report changes in fair value in other comprehensive income.

Classification and measurement of financial assets is dependent on the entity's business model for managing the financial assets and related contractual cash flows. IFRS 9 retains most of the requirements of IAS 39 related to classification and measurement of financial liabilities.

The following table summarizes the impact of the adoption of IFRS 9 on the classification of the Company's financial assets and liabilities:

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash	FVTPL	FVTPL
Other receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities at amortized cost	Amortized cost
Short term loan	Other liabilities at amortized cost	Amortized cost
Long term loan	Other liabilities at amortized cost	Amortized cost
Convertible debentures	Other liabilities at amortized cost	Amortized cost
Royalty payable	Other liabilities at amortized cost	Amortized cost

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Changes in accounting policies and recent accounting pronouncements (continued)

(a) The following standards have been adopted effective May 1, 2018 (continued):

Financial Instruments (continued)
ii. Impairment
IFRS 9 introduces a three stage expected credit loss ("ECL") model for determining impairment of financial assets. The expected credit loss model does not require the occurrence of a triggering event before an entity recognizes credit losses. IFRS 9 requires an entity to recognize expected credit losses upon initial recognition of a financial asset and to update the quantum of expected credit losses at the end of each reporting period to reflect changes to credit risk of the financial asset. The adoption of the ECL model does not have a material impact on the Company's consolidated financial statements.

Revenue recognition
IFRS 15 Revenue from Contracts with Customers, ("IFRS 15") replaced all pre-existing guidance, including, but not limited to IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 15 Agreements for the Construction of Real Estate in IFRS and IFRIC 13 Customer Loyalty Programmes related to revenue. IFRS 15 contains a single control based model (the "model") that applies to contracts with customers and allows entities to recognize revenue at a point in time or over time. The model consists of a 5 step analysis of transactions to determine whether, how much, and when revenue is recognized. IFRS 15 also includes additional requirements for revenue accounted for under the standard.

The Company adopted IFRS 15 effective May 1, 2018 and used the cumulative effect transition method; thus, the Company did not apply the requirements of IFRS 15 to the comparative period presented. The effect of applying IFRS 15 initially would have been recognized at May 1, 2018.

b) Future accounting changes

IFRS 16, "Leases" is a new standard that sets out the principle for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, IFRS 16 carries forward the lessor accounting requirement in IAS 17, with an enhanced disclosure requirement that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. The Company intends to adopt the new standard on the required effective date of May 1, 2019 without restatement of comparative information.

4. CASH

	April 30, 2019	April 30, 2018
Cash	354,258	560,891
	354,258	560,891

There is no cash equivalent as at April 30, 2019 and 2018.

(Expressed in Canadian dollars)

5. INVENTORY

	April 30, 2019	April 30, 2018
Raw Materials	185,660	-
Semi-processed Product	24,094	-
	209,754	-

All inventory is subject to general security agreements related to a loan from BJK Holdings Ltd. (see Note 8) and outstanding secured convertible debentures (see Note 9).

6. PROPERTY, PLANT AND EQUIPMENT

	April 30, 2019			April 30, 2018		
	Costs	Accumulated Amortization	Total	Costs	Accumulated Amortization	Total
Land	755,841	-	755,841	755,841	-	755,841
Building	931,499	73,406	858,093	931,499	37,652	893,847
Computer	24,126	12,063	12,063	24,126	-	24,126
Equipment	672,339	129,606	542,733	672,339	69,303	603,036
Construction in progress	8,199,244	-	8,199,244	1,829,251	-	1,829,251
Plant	699,868	161,862	538,006	699,868	102,084	597,784
	11,282,917	376,937	10,905,980	4,912,924	209,039	4,703,885

The Company completed the purchase of land with an existing idle bio-diesel refinery located on it in High River, Alberta (“High River Property”) from XR in April 2017. The purchase price consisted of 5,000,000 common shares of the Company (issued) at a fair value of $200,000, a vendor take-back mortgage of $1,500,000 (the “Mortgage”) and $500,000 cash payments (paid). The Mortgage was subject to interest, at a rate of 12% per annum, calculated monthly, and a General Security Agreement against the High River Property, including all physical improvements but excluding intellectual property. During the year ended April 30, 2018, the Mortgage was repaid.

7. INTELLECTUAL PROPERTY ASSETS

As at April 30, 2016, the Company concluded that, due to certain intellectual assets it had acquired being in an idle stage waiting for further development, the intellectual property has been impaired, and the value should have been written down to $1. The impairment evaluation as at April 30, 2019 remains the same.

(Expressed in Canadian dollars)

8. SHORT-TERM AND LONG-TERM LOANS PAYABLE

Short-term Loan: The balance of short-term loans payable as at April 30, 2019 is comprised of the following:

$23,156 in loans from arm's length third parties (2018-$30,138). These are unsecured and due on demand with interest at prime rate plus 10% to 12% per annum. A total of $3,005 (2018-$735) in interest on these loans has been accrued as at April 30, 2019.

$377,756 in loans from related parties as below:

	April 30, 2019	**April 30, 2018**
Due to (from) 1888711 Alberta Inc.	$ (23,200)	$ 45,817
Don Allan	386,893(1)	381,291(1)
Don Allan – Note payable matures, due on demand, at annual interest of 5% starting from May 1, 2016	14,063(1)	110,509(1)
	$ 377,756	$ 537,617

(1) See section entitled "Subsequent Events" for details regarding the repayment by the issuance of convertible debenture units.

These loans are/were unsecured, non-interest bearing and due on demand except for the $14,063 loan, which is 5% interest bearing. A total of $14,063 (2018-$10,509) in interest on these related party loans has been accrued as at April 30, 2019 (converted into Convertible Debenture Units on July 16, 2019 – see section entitled "Subsequent Events"). 1888 is related by common officers and/or directors.

These short-term loans were presented at their carrying amount because they are due on demand and their amortized costs are not measurable without fixed terms. The short-term loan presented at its carrying amount because it is due within the next twelve months and the fair value is approximately the principle with the interest payable amount.

On November 30, 2018, the Company issued Don Allan 500,000 common shares to settle short term debt of $100,000. The accrued interest of $14,063 on this debt remains outstanding at April 30, 2019.

Long-term loans: The balance of long-term loans payable as at April 30, 2019 is comprised of the following:

	April 30, 2019	April 30, 2018
A Secured interest bearing loan, at annual rate of 12%, to be matured on June 1, 2022 (Note 8(a)).	$3,500,000	$3,500,000
Total long-term loans payable	3,500,000	3,500,000
Less: deferred financing costs	(133,743)	(177,019)
Less: current portion of long-term loans payable	(1,010,999)	(504,295)
Long-term portion of loans payable	$2,355,258	2,818,686

Principal payments on note payables are due as follows:

2020	$1,010,999
2021	1,103,329
2022	1,385,672
	$3,500,000

(Expressed in Canadian dollars)

8. SHORT-TERM AND LONG-TERM LOANS PAYABLE (continued)

On November 2, 2017 the Company entered into a loan agreement (the "Loan Agreement") with BJK Holdings Ltd (the "Lender"), which matures on June 1, 2022. The Loan Agreement permitted the Company to draw up to $3,500,000 (the "Credit Facility") until September 30, 2018, to be used by the Company primarily for the conversion of its first commercial refinery (the "Commercial Refinery") on its property in High River, Alberta (the "Property"). The Credit Facility is structured as a non-revolving line of credit with security held by the Lender over all assets, including the Property and all other real property of the Company, subordinating and postponing the indebtedness of all other lenders of the Company. The Credit Facility bears simple interest at 12% annually.

On October 1, 2018 the Company signed a loan repayment extension agreement to delay payments of interest only payable until February 1, 2019, at which time regular monthly payments of $112,000 of principal together with interest will become payable until the loaned monies owing under the Credit Facility mature in June 2022. The principal repayment extension has been further delayed to September 1, 2019.

As at April 30, 2019, the Company has drawn the full $3,500,000 available amount of the Credit Facility. As partial consideration for the Credit Facility, the Company has issued 25,000,000 bonus warrants (the "Warrant(s)") to the Lender, each Warrant exercisable to purchase one common share of the Company at an exercise price of $0.20 (the "Exercise Price"), subject to adjustments for any reorganizations or dilutive events during the term of the Warrants. (See Note 11).

A total of $24,703 (2018 - $51,225) in interest on this long-term loan has been accrued as at April 30, 2019.

9. CONVERTIBLE DEBENTURES

	April 30, 2019	April 30, 2018
Convertible debts at an interest rate of 15.0%	500,000	500,000
Deferred financing costs	(6,833)	(30,379)
Accrued interest	162,548	86,503
	655,715	556,124
Less current portion	(655,715)	-
	-	556,124

During the year-ended April 30, 2017, the Company issued a total of $610,000 of secured convertible debentures (the "2017 Convertible Debentures"). The 2017 Convertible Debentures mature three (3) years from the date of issuance, carry an interest rate of 15% per annum, and are convertible at the option of the holder at a price of $0.10 per common share of the Company. Unconverted 2017 Convertible Debentures were subordinated and postponed on November 2, 2017 pursuant to the terms of the Credit Facility. The term was extended to the date of repayment of the Credit Facility, up to June 2022. Holders may continue to convert the 2017 Convertible Debentures at any time during the term upon notice.

During the year ended April 30, 2018, $110,000 of the 2017 Convertible Debentures and $150,000 of convertible debentures issued prior to the year ended April 30, 2017, and $50,304 of interest accrued on the foregoing, were converted to 3,103,041 common shares in aggregate.

During the year ended April 30, 2019, no 2017 Convertible Debentures were converted to common shares.

The 2017 Convertible Debentures are secured by general security agreements, which are subordinated to the general security agreement issued in favor of BJK Holdings Ltd. (see Note 8(a)).

(Expressed in Canadian dollars)

9. CONVERTIBLE DEBENTURES (continued)

Accretion expenses on the 2017 Convertible Debentures of $nil was charged to the operation during the year ended April 30, 2019 (2018 - $1,060 – convertible debentures issued prior to the year ended April 30, 2017).

Interest expenses on the 2017 Convertible Debentures of $76,045 was charged to the operation during the year ended April 30, 2019 (2018 - $57,650).

Total deferred financing costs of $Nil were incurred for the year ended April 30, 2019 (2018 - $nil) and $23,546 was charged to the operation during the year ended April 30, 2019 (2018 - $26,614).

10. ROYALTY PAYABLE

	April 30, 2019	April 30, 2018
Royalties Payable	889,219	-
Discount on Royalties payable	(141,721)	-
	747,498	-

On June 6, 2018 the Company announced the implementation of an early warrant exercise incentive program (the "Program") designed to encourage the early exercise of up to 16,366,180 unlisted warrants. On July 4, 2018, the Company announced that it had closed the Program. The Company received gross proceeds of $2,032,500 as a result of the exercise of 10,162,500 warrants. Each participant is entitled to receive $0.0875 per warrant exercised as a fixed rate royalty which will be paid out prorata over an estimated period of two years or less, at the discretion of management. Once production begins, the Company will allocate 10% of gross sales to the payment of the royalties.

The Company recorded the royalty payable of $889,219. The amortized cost of the long-term liability component was accounted for using the effective interest rate method at 15% per annum. The discount recorded of $227,030 will be amortized to accretion expense over the period of two years. The net amount of 662,189 was recorded as a share issuance cost.

For the year ended April 30, 2019 the Company amortized $85,309 to accretion expense.

11. SHARE CAPITAL

a. Authorized:
- unlimited number of Class A common shares without par value; and
- unlimited number of Class B preferred shares without par value (none issued and outstanding).

b. Issued and Outstanding:

(i) On July 17, 2017, the Company issued 8,500,000 common shares through a non-brokered private placement offering of units, each unit consisting of one common share and one half of one share purchase warrant, at a subscription price of $0.10 per unit. 2,700,000 of these shares were issued for cash and 5,800,000 shares were issued at a fair value of $0.105 per unit to settle debts of $580,000. A loss of $29,000 resulted from these debt settlements. Warrants were assigned a value of $Nil based on the residual value method.

(ii) On July 17, 2017, the Company issued 1,250,000 common shares as the result of the conversion of convertible debentures of $100,000 and accrued interest of $25,000.

11. SHARE CAPITAL (continued)

(iii) On August 3, 2017, the Company issued 105,125 common shares as the result of the conversion of convertible debentures of $10,000 and accrued interest of $513.

(iv) On August 31, 2017, the Company issued 5,500,000 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of $0.10 per unit. All shares were issued for cash of $550,000. Warrants were assigned a value of $Nil based on the residual value method. The Company paid an 8% cash and warrant commission ($42,400 cash and 424,000 finders' warrants (Note 12)).

(v) On September 21, 2017, the Company issued 8,832,360 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of $0.10 per unit. 5,150,000 of these shares were issued for cash of $515,000 and 3,682,360 shares were issued to settle debts of $368,236. Using the trading value on the same date, a loss of $147,294 resulted from these debt settlements. Warrants were assigned a value of $Nil based on the residual value method (Notes 12 and 15).

(vi) On October 6, 2017, the Company issued 625,000 common shares as the result of the conversion of convertible debentures of $50,000 and accrued interest of $12,500.

(vii) On October 6, 2017, the Company issued 162,833 common shares at a price of $0.12 per share to settle debts to a related party (Note 15) of $19,540. Using the trading value on the same date, no gain or loss resulted from these debt settlements.

(viii) On November 8, 2017, the Company issued 9,900,000 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of $0.10 per unit. All of the units were issued for cash of $990,000. Warrants were assigned a value of $Nil based on the residual value method. The Company paid cash commissions totaling $84,076.

(ix) On December 12, 2017, the Company issued 1,538,461 common shares through a non-brokered private placement issuance of common shares, at a subscription price of $0.13 per share. All of the common shares were issued for cash of $200,000.

(x) On January 25, 2018, the Company issued 1,122,916 common shares as the result of the conversion of convertible debentures of $100,000 and accrued interest of $12,292.

(xi) On June 7, 2018, the company issued 2,000,000 common shares through the exercise of 2,000,000 warrants which were eligible for an early warrant incentive program at the price of $0.20 per share. Each participant is entitled to receive $0.0875 per warrant exercised (Note 10-Royalty payable). These shares were issued for cash of $400,000.

(xii) On June 15, 2018, the Company issued 875,000 common shares through the exercise of 875,000 warrants which were eligible for an early warrant incentive program at the price of $0.20 per share. Each participant is entitled to receive $0.0875 per warrant exercised, (Note 10-Royalty payable). These shares were issued for cash of $175,000.

(xiii) On June 22, 2018, the Company issued 162,500 common shares through the exercise of 162,500 warrants which were eligible for an early warrant incentive program at the price of $0.20 per share. Each participant is entitled to receive $0.0875 per warrant exercised, (Note 10- Royalty payable). These shares were issued for cash of $32,500.

(xiv) On July 3, 2018, the Company issued 1,960,781 common shares through a non-brokered private placement offering of units at a subscription price of $0.16 per share. These shares were issued to settle debts of $313,725. Using the trading value on the same date, a loss of $78,431 resulted from these debt settlements.

11. SHARE CAPITAL (continued)

(xv) On July 3, 2018, the Company issued 7,125,000 common shares through the exercise of 7,125,000 warrants which were eligible for an early warrant incentive program at the price of $0.20 per share. Each participant is entitled to receive $0.0875 per warrant exercised, (Note 10- Royalty payable). These shares were issued for cash of $1,425,000.

(xvi) On August 2,2018 the Company issued 477,363 common shares at a fair value of $114,567 using the closing trade price on the same date, to settle debt of $100,246 which resulted in a loss of $14,321.

(xvii) On August 3, 2018, the Company issued 24,000 shares through the exercise of 24,000 finders warrants at the price of $0.10 per share. The shares were issued for the warrants and cash of $2,400. $2,853 was reallocated from reserve to share capital as a result of the warrants conversion.

(xviii) On August 3, 2018, the Company issued 1,437,500 shares through the exercise of 1,437,500 warrants at the price of $0.20 per share. The shares were issued for the warrants and cash of $287,500.

(xix) On August 16, 2018, the Company issued 50,000 shares through the exercise of 50,000 warrants at the price of $0.20. The shares were issued for the warrants and cash of $10,000.

(xx) On August 31, 2018, the Company issued 408,000 shares through the exercise of 408,000 finders warrants at the price of $0.10 per share. The shares were issued for the warrants and cash of $40,800. $41,126 was reallocated from reserve to share capital as a result of the warrants conversion.

(xxi) On August 31, 2018, the Company issued 200,000 shares through the exercise of 200,000 warrants at the price of $0.20 per share. The shares were issued for the warrants and cash of $40,000.

(xxii) On September 13, 2018, the Company issued 228,918 common shares at a fair value of $57,230 using the closing trade price on the same date, to settle debt of $45,784 which resulted in a loss of $11,446.

(xxiii) On September 13, 2018, the Company issued 900,000 shares through the exercise of 900,000 warrants at the price of $0.20 per share. The shares were issued for the warrants and debt conversion of $180,000.

(xxiv) On September 21, 2018, the Company issued 941,180 shares through the exercise of 941,180 warrants at the price of $0.20. The shares were issued for the warrants and cash of $188,236.

(xxv) On November 30, 2018 the Company issued 2,826,025 common shares at a fair value of $367,383 using the closing trade price on the same date, to settle debt of $508,684 which resulted in a gain of $141,301.

(xxvi) On November 30, 2018 the Company issued 3,029,167 common shares at a fair value of $393,792 using the closing trade price on the same date, to settle debt of $605,833 which resulted in a gain of $212,041.

(xxvii) On December 17, 2018, the Company issued 6,726,200 common shares through a non-brokered private placement offering of units, each unit consisting of one common share and one share purchase warrant, at a subscription price of $0.13 per unit. 6,400,000 shares were issued for cash of $832,000 and 326,200 common shares were issued to settle debt of $42,406 resulting in no gain or loss. Warrants were assigned a value of $134,524 based on the residual value method. The Company paid a 7% cash and warrant commission ($30,300 cash and 231,000 finders' warrants (Note 12)).

11. SHARE CAPITAL (continued)

(xxviii) On December 20, 2018, the Company issued 2,076,923 common shares through a non-brokered private placement offering of units, each consisting of one common share and one share purchase warrant, at a subscription price of $0.13 per unit. All shares were issued for cash of $270,000. Warrants were assigned a value of $41,538 based on the residual value method (Note 12).

(xxix) On February 11, 2019, the Company issued 3,845,884 common shares through a non-brokered private placement offering of units, each consisting of one common share and one share purchase warrant, at a subscription price of $0.13 per unit. All shares were issued for cash of $499,965. Warrants were assigned a value of $115,377 based on the residual value method (Note 12).

(xxx) On February 11, 2019, the Company issued 46,289 common shares at a fair value of $4,860 using the closing trade price on the same date, to settle debt of $8,332 which resulted in a gain of $3,472.

(xxxi) On April 18, 2019, the Company issued 40,000 shares through the exercise of 40,000 finders warrants at the price of $0.10 per share. The shares were issued for the warrants and cash of $4,000. $6,200 was reallocated from reserve to share capital as a result of the warrants conversion.

(xxxii) On April 18, 2019, the Company issued 113,998 common shares through a non-brokered private placement offering of units, each unit consisting of one common share and one share purchase warrant, at a subscription price of $0.13 per unit. 113,998 common shares were issued to settle debt of $14,280 resulting in no gain or loss. Warrants were assigned a value of $6,270 based on the residual value method.

12. WARRANTS

On July 17, 2017, the Company issued 4,250,000 warrants through a non-brokered private placement offering of 8,500,000 units, each unit comprised of one common share and one half of one share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share with an expiry date of July 17, 2018 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $Nil based on the residual value method.

On August 31, 2017, the Company issued 2,750,000 warrants through a brokered placement offering of 5,500,000 units, each unit comprised of one common share and one half of one share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share with an expiry date of August 31, 2018 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $Nil based on the residual value method.

On August 31, 2017, the Company issued 424,000 finders' share purchase warrants related to the August 31, 2017 non-brokered private placements (Note 11). Each finder warrant entitles the holder to purchase one common share at a price of $0.10 per common share with an expiry date of August 31, 2018. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $42,739. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.26%; expected life – 1 year; expected volatility – 178.08%; and expected dividends – nil. The fair value of $42,739 for finders' warrants was allocated to share issuance costs as a reduction in the statements of shareholders' equity for the year ended April 30, 2019.

12. WARRANTS (continued)

On September 21, 2017, the Company issued 4,416,180 warrants through a non-brokered private placement offering of 8,832,360 units, each unit consisting of one common share and one half of one share purchase warrant (Note 11). Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share with an expiry date of September 21, 2018 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $Nil based on the residual value method.

On November 2, 2017, the company issued 25,000,000 warrants to BJK Holdings Ltd. (the "Lender") pursuant to the terms of a loan agreement dated November 2, 2017 (Note 8(a)). At the time of issuance, each warrant was exercisable to purchase one common share of the Company at an exercise price of $0.20, subject to adjustments for any reorganizations or dilutive events during the term of the Warrants (each such adjusted price being the "Exercise Price"). In accordance with the terms of the warrants, in the event that the Company issues additional common shares at a price (or convertible securities with an exercise price) lower than the Exercise Price or the market price at the time, whichever is higher, the Lender will be entitled to receive additional securities at a slightly decreased price, subject to the maximums and terms imposed by the Canadian Securities Exchange. As a result, the Lender had 26,110,757 Warrants as at April 30, 2019 with an Exercise Price of $0.1915. The Warrants expire on the earlier of (i) November 2, 2022 and (ii) the later of (A) November 2, 2019 and (B) 6 months following full repayment of the corresponding loan, but not later than 5 years from the issuance date. The fair value of the warrants, which was calculated using the valuation technique, the Black Scholes Option Pricing Model, was $3,300,206. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.64%; expected life – 5 year; expected volatility – 248.35%; and expected dividends – nil. The fair value of $3,300,206 for the warrants was charged to finance expense in the statements of loss and comprehensive loss for the year ended April 30, 2019.

On November 8, 2017, the Company issued 4,950,000 warrants through a non-brokered private placement offering of 9,900,000 units, each unit consisting of one common share and one half of one share purchase warrant (Note 11). Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share with an expiry date of November 8, 2018 (subject to earlier termination in accordance with the terms of the warrants). Warrants were assigned a value of $Nil based on the residual value method.

On June 7, 2018 the Company had 2,000,000 warrants exercised. The warrants were eligible for an early warrant incentive program at the price of $0.20 per share. Each participant is entitled to receive $0.0875 fixed royalty per warrant exercised, (Note 10 - Royalty payable). The shares were issued for cash of $400,000.

On June 15, 2018 the Company had 875,000 warrants exercised. The warrants were eligible for an early warrant incentive program at the price of $0.20 per share. Each participant is entitled to receive $0.0875 fixed royalty per warrant exercised. (Note 10 - Royalty payable). The shares were issued for cash of $175,000.

On June 22, 2018 the Company had 162,500 warrants exercised. The warrants were eligible for an early warrant incentive program at the price of $0.20 per share. Each participant is entitled to receive $0.0875 fixed royalty per warrant exercised, (Note 10 - Royalty payable). The shares were issued for cash of $32,500.

12. WARRANTS (continued)

On July 3, 2018 the Company had 7,125,000 warrants exercised. The warrants were eligible for an early warrant incentive program at the price of $0.20 per share. Each participant is entitled to receive $0.0875 fixed royalty per warrant exercised, (Note 10 - Royalty payable). The shares were issued for cash of $1,425,000.

On August 3, 2018 the Company had 24,000 Finder's warrants exercised. The shares were issued for warrants and cash of $2,400.

On August 3, 2018 the Company had 1,437,500 warrants exercised. The shares were issued for warrants and cash of $287,500.

On August 16, 2018 the Company had 50,000 warrants exercised. The shares were issued for warrants and cash of $10,000.

On August 31, 2018 the Company had 408,000 Finder's warrants exercised. The shares were issued for warrants and cash of $40,800.

On August 31, 2018 the Company had 200,000 warrants exercised. The shares were issued for warrants and cash of $40,000.

On September 13, 2018 the Company had 900,000 warrants exercised. The shares were issued for warrants and debt conversion $180,000.

On September 21, 2018 the Company had 941,180 warrants exercised. The shares were issued for warrants and cash of $188,236.

On December 17, 2018, the Company issued 6,726,200 warrants through a brokered placement offering of 6,726,200 units, each unit consisting of one common share one share purchase warrant (Note 11). Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share with an expiry date of December 17, 2021 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $66,000 based on the residual value method.

On December 17, 2018, the Company issued 231,000 finders' share purchase warrants related to the December 17, 2018 brokered placements (Note 11). Each finder warrant entitles the holder to purchase one common share at a price of $0.20 per common share with an expiry date of December 21, 2021. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $21,275. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.95%; expected life – 3 year; expected volatility – 176.78%; and expected dividends – nil. The fair value of $21,275 for finders' warrants was allocated to share issuance costs as a reduction in the statements of shareholders' equity for the year ended April 30, 2019.

On December 20, 2018, the Company issued 2,076,923 warrants through a non-brokered private placement offering of 2,076,923 units, each unit consisting of one common share one share purchase warrant (Note 11). Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share with an expiry date of December 20, 2021 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $41,538 based on the residual value method.

(Expressed in Canadian dollars)

12. WARRANTS (continued)

On February 11, 2019, the Company issued 3,845,884 warrants through a non-brokered private placement offering of 3,845,884 units, each unit consisting of one common share one share purchase warrant (Note 11). Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share with an expiry date of February 11, 2022 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $115,337 based on the residual value method.

On April 18, 2019 the Company had 40,000 Finder's warrants exercised. The shares were issued for warrants and cash of $4,000.

On April 18, 2019, the Company issued 113,998 warrants through a non-brokered placement offering of 113,998 units, each unit consisting of one common share one share purchase warrant (Note 11). Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share with an expiry date of April 18, 2021, 2021 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $6,270 based on the residual value method.

Continuity of the Company's share purchase warrants (excluding broker/finder warrants) is as follows:

	Number	Weighted average exercise price
Balance, April 30, 2018	41,918,829	$0.20
Exercised - July 3, 2018	(10,162,500)	$0.20
Expired/cancelled - July 17, 2018	(600,000)	$0.20
Exercised - August 3, 2018	(1,437,500)	$0.20
Exercised - August 16, 2018	(50,000)	$0.20
Exercised - August 31, 2018	(200,000)	$0.20
Exercised - September 13, 2018	(900,000)	$0.20
Exercised - September 21, 2018	(941,180)	$0.20
Expired - November 7, 2019	(2,075,000)	$0.20
Issued - December 17, 2018	3,300,000	$0.20
Issued - December 17, 2018	3,426,200	$0.20
Issued - December 20, 2018	2,076,923	$0.20
Issued - February 11, 2019	3,845,884	$0.20
Issued - April 18, 2019	113,998	$0.20
*Adjustment April 30, 2019	558,108	$0.20
Balance, April 30, 2019	38,873,762	$0.20

*The warrant adjustment is an adjustment to the outstanding BJK warrants. The above warrants have a weighted average remaining life of 3.51 years.

(Expressed in Canadian dollars)

12. WARRANTS (continued)

As at April 30, 2019, the Company had share purchase warrants (excluding broker/finder warrants) outstanding enabling holders to acquire the following:

Number of warrants	Exercise Price per Share ($)	Expiry Date
6,726,200[1]	0.20	December 17, 2021
2,076,923[1]	0.20	December 20, 2021
3,845,884[1]	0.20	February 11, 2022
113,998[1]	0.20	April 18, 2022
26,110,757 [2,3]	0.20	November 2, 2022

Notes:
1 The warrant expiry date is subject to earlier termination in the event that the market price of the Company's common shares trading on the Canadian Securities Exchange remains at $0.40 or higher for a period of twenty (20) or more days, at the option of the Company.
2 The Warrants expire on the earlier of (i) November 2, 2022 and (ii) the later of (A) November 2, 2019 and (B) 6 month following full repayment of a credit facility to BJK Holdings Ltd. but not later than 5 years from the issuance date.
3 25,000,000 Warrants were issued to BJK Holdings Ltd. (the "Lender") on November 2, 2018, however as a result of dilutive events and in accordance with the terms of the Warrants, the Lender holds 26,110,757 Warrants as at April 30, 2019.

Continuity of the Company's finder/broker warrants is as follows:

	Number	Weighted average exercise price
Balance, April 30, 2018	656,000	$0.10
Exercised - August 3, 2018	(24,000)	$0.10
Exercised - August 31, 2018	(408,000)	$0.10
Issued - December 17, 2018	231,000	$0.20
Exercised - April 18, 2019	(40,000)	$0.10
Expired - March 31, 2019	(184,000)	$0.10
Balance, April 30, 2019	231,000	$0.20

The above broker warrants have a weighted average remaining life of 2.64 years.

As at April 30, 2019, the Company had finder/broker warrants outstanding enabling holders to acquire the following:

Number of warrants	Exercise Price per Share ($)	Expiry Date
231,000	0.20	December 20, 2021

(Expressed in Canadian dollars)

13. STOCK OPTIONS AND RESTRICTED SHARE UNITS

The Company adopted an incentive stock option plan (the "Option Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares of the Company. Following the Annual General and Special Meeting of the shareholders of the Company held on October 26, 2017 (the "AGSM"), pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 9.5% of the issued and outstanding common shares of the Company at the time of approval of the Option Plan. Options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Following the AGSM, the Company adopted a Restricted Share Unit plan (the "RSU Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable Restricted Share Units ("RSUs"). The maximum number of RSUs will not exceed 6.3% of the issued and outstanding common shares of the Company at the time of approval of the RSU Plan. Vesting terms will be determined at the time of grant by the Board of Directors but will in no event exceed three (3) years.

On November 7, 2016, the Company granted 5,500,000 stock options to employees, consultants, directors and officers under its Stock Option Plan at an exercise price of $0.10 per share exercisable at any time on or before November 7, 2019. The fair value of these stock options is determined to be $203,024 using the Black-Scholes option pricing model with the current assumptions of risk-free interest rate of 1.14%, expected life of 3 years, forfeiture rate of 0%, expected volatility of 225.74% and a dividend rate of 0%.

On January 12, 2018, the Company granted 4,740,000 stock options to employees, consultants, directors and officers under its Stock Option Plan at an exercise price of $0.25 per share exercisable at any time on or before January 12, 2021. The fair value of these stock options is determined to be $948,447 using the Black-Scholes option pricing model with the current assumptions of risk-free interest rate of 1.80%, expected life of 3 years, forfeiture rate of 0%, expected volatility of 263.82% and a dividend rate of 0%.

Continuity of the Company's option is as follows:

	Number	**Weighted Average exercise Price**
Balance April 30, 2018	10,240,000	$0.17
Balance April 30, 2019	10,240,000	$0.17

*Options exercisable as at April 30, 2019 – 10,240,000
The above stock options have a weighted average remaining life of 1.07 years.

As at April 30, 2019, the Company had options outstanding enabling holders to acquire the following:

Number of options	**Exercise Price per Share ($)**	**Expiry Date**
5,500,000	0.10	November 7, 2019
4,740,000	0.25	January 12, 2021

(Expressed in Canadian dollars)

13. STOCK OPTIONS AND RESTRICTED SHARE UNITS (continued)

On January 12, 2018, the Company issued 4,750,000 RSU's under its Restricted Share Unit ("RSU") plan as compensation to certain directors, officers and employees. On each applicable vesting date, each RSU allows the holder, at the option of the Company, to either acquire common shares of the Company equal to the value of the RSUs as at the date of vesting or be paid the monetary value of the RSUs as at the date of vesting, subject to applicable withholding taxes. At the time of grant, the outstanding RSUs were to vest over two or three years, depending on the holder. In the month of January, 2019, the Company and the holders agreed to amend the vesting schedule of the outstanding RSUs.

The amended vesting dates are as follows:

# of RSU	Vesting Date
2,375,000	January 12, 2020
2,375,000	January 12, 2021
4,750,000	

The grant date fair value of the RSUs is $973,750 and is based on the market price of the Company's common shares at the effective date of January 12, 2018. The amount originally calculated to be recognized proportionally over the full vesting period: year one $637,710, year two $261,877 and year three $74,163. With the amendment of the vesting dates, the amount of fair value of RSUs should be recognized as at April 30, 2019 was $594,275. With the amount of $188,693 of fair value of RSUs already recognized during the year ended of April 30, 2018, the amount of fair value of RSUs recognized during the year ended April 30, 2019 was $405,582. As at April 30, 2019, no common shares of the Company were issued and outstanding in respect to the RSUs.

14. INCOME TAX

	Year Ended April 30, 2019	Year Ended April 30, 2018
	$	$
Loss for the year	(2,766,170)	(6,425,689)
Expected income tax recovery at statutory rates of 27% (2018 - 27%)	(746,866)	(1,734,936)
Net adjustments for amortization, deductible and other non-deductible items	(169,112)	1,275,065
Effect of change in statutory tax rate	-	44,486
Current and prior tax attributes not recognized	915,978	415,385
	-	-

(Expressed in Canadian dollars)

14. INCOME TAX (continued)

	Year Ended April 30, 2019	Year Ended April 30, 2018
Deferred tax assets		
Non-capital losses and capital loss carried forward	2,226,631	1,511,233
Mineral properties and others	305,828	105,248
Less : Unrecognized deferred tax assets	(2,532,459)	(1,616,481)
Net deferred tax assets	-	-

At April 30, 2019, the Company has non capital losses carried forward for Canadian income tax purposes totalling approximately $8,011,000 which will expire from 2031 to 2039 and may be applied against future taxable income. The Company also has approximately $470,000 of capital losses that may be carried forward and applied against future capital gains. In addition, the Company has approximately $13,000 of exploration and development costs which are available for deduction against future income for tax purposes. At April 30, 2019, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

15. RELATED PARTY TRANSACTIONS

Management compensation for the executive management/officers and directors during the year ended April 30, 2018 and 2019 are disclosed as below:

Year ended April 30, 2019

		Consulting fees Paid	Gross Salaries Paid	Stock Options Shares Based Compensation	RSU Shares Based Compensation	Total
Don Allan	**CEO & Director**	**$ -**	**$ 325,246**	**$ -**	**$ 256,157**	**$ 581,403**
Shannon Wyzykoski	**CFO**	**$ 136,490**	**$ -**	**$ -**	**$ -**	**$ 136,490**
Chris Dovbniak	**Director**	**$ 5,787[(1)]**	**$ -**	**$ -**	**$ -**	**$ 5,787**
Doug Mackenzie	**Director**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Mel Angeltvedt	**Director**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Robin Ray	**Director**	**$ 4,000[(2)]**	**$ -**	**$ -**	**$ -**	**$ 4,000**
Michael Yeung	**Officer- VP-Business Development and Capital Markets**	**$ -**	**$ 120,462**	**$ -**	**$ 128,079**	**$ 248,541**
		$ 146,277	**$ 445,708**	**$ -**	**$ 384,236**	**$ 976,221**

(1) Technical consulting fees paid with respect to the construction in progress.
(2) Consulting fees paid with respect to filing corporate tax returns for the Company.

(Expressed in Canadian dollars)

15. RELATED PARTY TRANSACTIONS (continued)

Year ended April 30, 2018

		Consulting fees Paid	Gross Salaries Paid	Stock Options Shares Based Compensation	RSU Shares Based Compensation	Total
Don Allan	CEO & Director	$ -	$ 158,508	$ 450,212	$ 102,923	$ 711,643
Shannon Wyzykoski	CFO	$ 77,880	$ -	$ 20,009	$ -	$ 97,889
Chris Dovbniak	Director	$ -	$ -	$ 50,024	$ -	$ 50,024
Doug Mackenzie	Director	$ -	$ -	$ 50,024	$ -	$ 50,024
Mel Angeltvedt	Director	$ -	$ -	$ 50,024	$ -	$ 50,024
Robin Ray	Director	$ -	$ -	$ 50,024	$ -	$ 50,024
		$ 77,880	$ 158,508	$ 670,315	$ 102,923	$ 1,009,626

Office expense of $3,612 (2018 - $7,714), salaries and benefits of $50,976 (2018 - $34,537), rent expense of $11,304 (2018 - $19,377) and telephone expense of $829 (2018 - $2,234) were charged back to 1888711 Alberta Inc., a company related by officers and directors. A balance of $23,200 (2018 $nil) is owed by 1888711 Alberta Ltd and is included in short term loans payable (Note 8).

Transactions with related parties have been recorded at their exchange amounts, being the amounts agreed to and by the related parties.

Accounts payable and accrued liabilities balances at April 30, 2019 outstanding to the CEO of the Company in the amount of $45,188 (2018 - $nil).

Accounts payable and accrued liabilities balances at April 30, 2019 outstanding to a company owned by the CFO in the amount of $29,783 (2018 - $5,192). The Company issued 150,000 shares in exchange for 150,000 warrants and $30,000 of accounts payable owed to this company.

The Company issued 500,000 shares in exchange for 500,000 warrants and $100,000 of accounts payable owed to a company owned by Michael Young (officer). Accounts payable and accrued liabilities balances at April 30, 2019 outstanding to Michael Yeung in the amount of $517 (2018 - $nil).

A director of the Company received $4,000 in fees (2018 - $nil) as payment for services provided with respect to tax filings for the Company.

A director of the Company received $5,787 in fees (2018 - $nil) as payment for services provided with construction of the Company's refinery in Aldersyde, Alberta.

Also, refer to Notes 8, 11, 12 and 13 for other related party transactions.

16. CAPITAL DISCLOSURES

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further develop its technology and begin operations. To secure the additional capital necessary to pursue these plans, the Company raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator. The Company has not changed its approach in managing its capital during the year ending April 30, 2019.

17. FINANCIAL INSTRUMENTS

Risk Management
The Company's financial instruments consist of cash, other receivable, accounts payable and accrued liabilities and short-term loans payable; the fair values of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation. The long-term loan payables and convertible debentures were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 12% to 18% per annum.

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

Strategic and operational risks are risks that arise if the Company fails to develop a renewable fuel refinery and/or to raise sufficient equity and/or debt financing in financing development. These strategic opportunities or threats arise from a range of factors which might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. Therefore, the Company believes that there is minimal exposure to credit risk.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2019, the Company had cash balance of $354,258 and working capital deficit of $4,804,477. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company short term and long-term cash requirement.

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. For every one % change in the prime borrowing rate in Canada, the impact to the Company's financial statements for the period ending April 30, 2019 is not significant.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollar. Therefore, the Company's exposure to currency risk is minimal.

Fair value
The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (continued)

The following is an analysis of the Company's financial assets measured at fair value as at April 30, 2019 and 2018:

	As at April 30, 2019		
	Level 1	Level 2	Level 3
	$	$	$
Cash	354,258	-	-

	As at April 30, 2018		
	Level 1	Level 2	Level 3
	$	$	$
Cash	560,891	-	-

18. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the refining of municipal and construction waste into a renewable diesel fuel in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.

19. SUBSEQUENT EVENTS

On May 7, 2019 the Company announced a private placement offering (the "Offering") of a targeted minimum of CAD $1,000,000 in convertible debentures units (the "Unit(s)"). Each Unit consists of one (1) $10,000 unsecured convertible debenture (the "Debenture(s)") and 5,000 share purchase warrants (the "Warrant(s)"). The Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest to be prepaid (the "Prepaid Interest") on the date of issuance of the Debentures (the "Issue Date") by the issuance of common shares (the "Prepaid Interest Shares") at a price of $0.10 per Prepaid Interest Share. The principal of the Debentures (the "Principal") together with all accrued interest exceeding the Prepaid Interest (the "Interest Balance") will be repaid 48 months from the Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the Issue Date at a price of $0.06 for the Principal and $0.10 for the Interest Balance. Each Warrant is exercisable for a term of 48 months from the Issue Date (the "Warrant Term") at an exercise price of $0.25 per share, subject to acceleration in the event that the common shares of the Company listed on a recognized stock exchange trade at $0.50 or higher for at least five (5) consecutive trading days, in which event the Company may provide a notice to holders that the Warrant Term will terminate 30 days from the date of notice.

On May 7, 2019 the Company announced a total of $1,008,000 in gross proceeds had been raised from the Offering. Commissions of $34,480 was paid and 588,000 finders' warrants issued, with each finders' warrant exercisable at $0.10 for 4 years from the issuance date. A total of 3,024,000 shares were also issued to the debenture holders as Prepaid Interest Shares.

19. SUBSEQUENT EVENTS (continued)

On June 4, 2019, the Company announced a total of $787,000 in gross proceeds had been raised from the Offering. Commissions of $18,160 was paid and 320,253 finders' warrants issued, exercisable at $0.10 for 4 years from the issuance date. A total of 2,361,000 shares were also issued to the debenture holders as Prepaid Interest Shares.

On June 27, 2019 the Company announced a total of $1,020,250 in gross proceeds had been raised from the Offering. Commissions of $25,000 was paid and 293,667 finders' warrants issued, exercisable at $0.10 for 4 years from the issuance date. A total of 3,060,750 shares were also issued to the debenture holders as Prepaid Interest Shares.

On June 27, 2019, the Company announced that the parties agreed to extend the deadline to enter into three JV Agreements to September 30, 2019 (see Note 1).

On July 7, 2019 the Company announced a total of $776,000 in gross proceeds had been raised from the Offering. Commissions of $39,720 was paid and 661,333 finders' warrants issued, exercisable at $0.10 for 4 years from the issuance date. A total of 2,328,000 shares were also issued to the debenture holders as Prepaid Interest Shares.

On July 16, 2019 the Company announced a total of $1,530,000 in gross proceeds has been raised from the Offering. Commissions of $65,600 was paid and 1,093,333 finders' warrants issued, exercisable at $0.10 for 4 years from the issuance date. A total of 4,590,000 shares were also issued to the debenture holders as Prepaid Interest Shares. Included in these shares issuance, the CEO of the Company was issued 40,000 convertible debentures, 200,000 warrants, and was issued a total of 1,200,000 shares and the CFO of the Company was issued 3 convertible debentures, 15,000 warrants, and a total of 90,000 shares.

In June 2019, 534,010 shares were issued as a result of the conversion of $53,401 of 2017 Debentures principal and accrued interest at $0.10 per share.

In July 2019, 2,171,110 shares were issued to settle debts of $217,131 at $0.10 per share.

On July 30, 2019, the Company entered into another Memorandum of Understanding with Renewable U to build a refinery in the city of Lethbridge, Alberta under the same terms (Note 1) as the other three MOUs entered into with Renewable U.