# CIELO WASTE SOLUTIONS CORP.

## Financial Statements

For the Nine-Month Period ended January 31, 2021

(Expressed in Canadian dollars)

## TO THE SHAREHOLDERS OF CIELO WASTE SOLUTIONS CORP.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a) and International Accounting Standards (IAS) 34, the Company discloses the interim financial statements for the period ended January 31, 2021 were prepared by management and were not reviewed by Cielo's independent auditors.

# Cielo Waste Solutions Corp.

**Statement of financial position**
**(Expressed in Canadian Dollars)**

| | Note | January 31, 2021 | April 30, 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash | | 265,998 | 81,605 |
| GST and Other receivable | | 472,696 | 247,996 |
| Prepaid expenses | | 1,024,595 | 1,209,097 |
| Inventory | 5 | 292,280 | 152,948 |
| **Total Current Assets** | | 2,055,569 | 1,691,646 |
| **Non Current Assets** | | | |
| Property, plant and equipment | 6 | 18,883,516 | 15,835,170 |
| Right-of-use assets | 7 | 129,439 | 155,915 |
| Intellectual property assets | 8 | 1 | 1 |
| Total Non Current Assets | | 19,012,956 | 15,991,086 |
| **Total Assets** | | 21,068,525 | 17,682,732 |
| **Liabilities and Shareholders' Equity** | | | |
| **Current Liabilities** | | | |
| Accounts payable | 15 | 4,097,667 | 3,550,686 |
| Accrued liabilities | | 75,000 | 35,000 |
| Short-term loans payable | 9&15 | 28,431 | 27,249 |
| Current portion of lease liability | 20 | 35,201 | 30,677 |
| Current Portion of Long Term Debt | 9 | 975,315 | 754,972 |
| Current Portion of Convertible Debt | 10 | 732,930 | 680,030 |
| | | 5,944,544 | 5,078,614 |
| **Long Term Liabilities** | | | |
| Royalty Payable | 11 | 889,219 | 866,431 |
| Lease liability | 20 | 130,606 | 157,585 |
| Long term loans payable | 9 | 3,526,943 | 3,694,562 |
| Convertible Debentures | 10 | 3,329,801 | 5,114,354 |
| | | 13,821,113 | 14,911,546 |
| **Shareholders' Equity** | | | |
| Share capital | 12 | 30,118,879 | 20,941,031 |
| Contributed surplus | 13&14 | 8,132,473 | 7,025,765 |
| Deficit | | (31,003,940) | (25,195,610) |
| **Total Equity** | | 7,247,412 | 2,771,186 |
| **Total Liabilities and Equity** | | 21,068,525 | 17,682,732 |

Nature and continuance operation and basis of presentation (Note 1 and 2)
Subsequent events (Note 21)
Approved and authorized for issue by the Board of Directors on March 29, 2021

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 comprehensive Loss**
(Expressed in Canadian Dollars)

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | January 31, | | January 31, | |
| | **2021** | **2020** | **2021** | **2020** |
| | $ | $ | $ | $ |
| **Incidental Sales** | - | - | 4,200 | 3,000 |
| **Cost of Sales** | - | - | 4,200 | 3,000 |
| **Gross Profit** | - | - | - | - |
| **Expense** | $ | $ | $ | $ |
| Advertising and Promotion | 4,467 | 56,159 | 83,602 | 318,121 |
| Amortization on deferred financing charges | 312,704 | 76,328 | 708,907 | 168,516 |
| Amortization on property, plant and equipment | 37,486 | 42,757 | 111,958 | 122,928 |
| Amortization of right-of-use asset | 8,826 | 8,825 | 26,476 | 26,475 |
| Bank Charges | 1,475 | 228 | 3,374 | 3,010 |
| Consulting | 207,227 | 318,843 | 695,122 | 681,974 |
| Development Expense | 505,260 | 489,978 | 977,852 | 1,022,430 |
| Interest and accretion expenses (Note 8&9) | 365,650 | 328,894 | 1,074,043 | 916,586 |
| Management Fees(Note 11) | 44,378 | 38,856 | 156,230 | 243,314 |
| Office and administrative expenses | 137,057 | 119,614 | 320,086 | 256,349 |
| Professional fees | 68,253 | 65,295 | 149,342 | 215,135 |
| Share based compensation | - | - | 146,242 | - |
| Salaries and benefits (Note 14) | 165,888 | 138,162 | 296,327 | 366,624 |
| Transfer agent and filing fees | 17,465 | 29,294 | 47,909 | 64,739 |
| Travel | 5,468 | 9,625 | 18,177 | 37,563 |
| **Net Loss before other items** | (1,881,604) | (1,722,858) | (4,815,647) | (4,443,764) |
| Other Income | 6,587 | - | 9,014 | - |
| Gain(Loss) on settlement of debt with shares | (530,442) | (382,701) | (1,001,697) | (451,597) |
| **Net loss and comprehensive loss for the period** | (2,405,459) | (2,105,559) | (5,808,330) | (4,895,361) |
| **Loss per share, basic and diluted** | (.008) | (.011) | (.019) | (.025) |
| **Weighted average number of outstanding common shares** | 298,550,880 | 198,456,560 | 298,550,880 | 198,456,560 |

See the accompanying notes to the financial statements

**Cielo Waste Solutions Corp.**

**Statements of Changes in Equity**

(Expressed in Canadian Dollars except for number of shares)

| | Number of shares | Share Capital | Various Reserves | Deficit | Total shareholders' equity |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Balance April 30, 2019** | 175,687,011 | 15,866,132 | 6,150,737 | (19,018,120) | 2,998,748 |
| **Balance April 30, 2019** | 175,687,011 | 15,866,132 | 6,150,737 | (19,018,120) | 2,998,748 |
| Effect of adoption of IFRS 16 | | | | (22,703) | (22,703) |
| As at May 1, 2019 (adjusted) | 175,687,011 | 15,866,132 | 6,150,737 | (19,040,823) | 2,976,045 |
| Shares issued on debt conversion (Note 11) | 30,530,120 | 2,008,898 | - | - | 2,008,898 |
| Shares issued on prepaid interest and warrants on convertible debenture issuance (Note11) | 21,811,917 | 1,954,734 | 301,492 | - | 2,256,226 |
| Shares issued for debt settlement (Note 11) | 1,247,556 | 93,566 | - | - | 93,566 |
| Shares issued for conversion of RSU | 1,500,000 | 307,500 | (307,500) | - | - |
| Fair Values of finders' warrants (Note 12) | - | - | 360,525 | - | 360,525 |
| RSU Vesting (Note 13) | - | - | 243,310 | - | 243,310 |
| Share issuance Costs | - | (22,939) | - | - | (22,939) |
| Net loss for the period | - | - | - | (4,887,717) | (4,887,717) |
| **Balance January 31, 2020** | **230,776,604** | **20,207,891** | **6,748,564** | **(23,928,540)** | **3,027,914** |
| **Balance April 30, 2020** | 244,044,047 | 20,941,031 | 7,025,765 | (25,195,610) | 2,771,186 |
| Shares issued on debt conversion (Note 11) | 79,832,005 | 4,633,392 | - | - | 4,633,392 |
| Shares issued on prepaid interest and warrants on convertible debenture issuance (Note11) | 25,335,914 | 1,256,758 | 1,227,053 | - | 2,483,811 |
| Shares issued for debt settlement (Note 11) | 10,433,814 | 746,758 | - | - | 746,758 |
| Shares issued for Private Placement (Note 11) | 25,691,000 | 2,056,880 | 12,500 | - | 2,069,380 |
| Shares issued for conversion of RSU | 3,250,000 | 666,250 | (666,250) | - | - |
| Fair Values of finders' warrants (Note 12) | - | - | 230,933 | - | 230,933 |
| RSU Vesting (Note 13) | - | - | 156,230 | - | 156,230 |
| Share issuance Costs | - | (182,190) | - | - | (182,190) |
| Share based compensation | - | - | 146,242 | - | 146,242 |
| Net loss for the period | - | - | - | (5,808,330) | (5,808,330) |
| **Balance January 31, 2021** | **388,586,780** | **30,118,879** | **8,132,473** | **(31,003,940)** | **7,247,412** |

See the accompanying notes to the financial statements

# Cielo Waste Solutions Corp.

**Statement of Cash Flows**

(Expressed in Canadian Dollars)

| **Nine months ended January 31,** | 2021 | 2020 |
|---|---|---|
| **Cash (used in) provided by:** | | |
| Loss for the period | (5,808,330) | (4,890,548) |
| Amortization of property, plant and equipment | 111,958 | 122,928 |
| Amortization of right-of-use assets | 26,476 | 8,825 |
| Loss(gain) on Settlement of debts with shares | 1,001,697 | 451,597 |
| Stock based compensation | 146,242 | - |
| RSU Vesting | 156,230 | 243,314 |
| Amortization of deferred financing costs | 708,907 | 168,516 |
| Accrued interest and accretion expenses | 843,971 | 583,383 |
| | (2,812,849) | (3,311,985) |
| Other receivable | (224,700) | (125,949) |
| Prepaid Expenses | (110,998) | 512,455 |
| Inventory | (139,332) | 1,494 |
| Accounts payable and accrued liabilities | 437,578 | 792,407 |
| Cash used in operating activities | (2,850,301) | (2,131,578) |
| Short Term Loans | 430 | 23,960 |
| Lease liability | (42,022) | (13,770) |
| Long term loans | 20,000 | - |
| Convertible debt issued for cash | 3,893,142 | 6,328,750 |
| Share issuance for cash | 2,056,880 | - |
| Share issuance costs | (182,190) | - |
| Warrant issuance for cash | 12,500 | - |
| Financing costs | (310,500) | (341,617) |
| Shares issuance for debt | 746,758 | (22,936) |
| Cash provided by financing activities | 6,194,998 | 5,974,387 |
| Additions of property plant and equipment | (3,160,304) | (4,036,542) |
| Cash provided by investing activities | (3,160,304) | (4,036,542) |
| **Increase (decrease) in cash** | 184,393 | (193,733) |
| **Cash, beginning of period** | 81,605 | 354,258 |
| **Cash, end of period** | 265,998 | 160,525 |
| **Supplemental items:** | $ | $ |
| **Interest paid in cash** | 230,072 | 318,349 |
| **Tax Paid in Cash** | - | - |
| **Non-cash activities:** | $ | $ |
| Conversion of debts into convertible debts | 48,000 | - |
| Conversion of convertible debts into shares | 4,633,392 | - |
| Conversion of RSU into shares | 666,250 | 307,500 |
| Fair Value of shares issued for prepaid interest | 1,256,758 | 1,856,274 |
| Fair Value for regular warrants issued | 1,227,053 | 301,488 |
| Fair value of shares issued for debt settlement | - | 379,594 |
| Fair value of broker warrants issued | 230,933 | 301,488 |

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. Commencing December 9, 2019, the Company’s common shares started trading on the OTCQB Venture Market (“OTCQB”) under the symbol CEIWF. The symbol was updated to CWSFF on December 17, 2019.

The principal and registered office of the Company is located at 610 – 475 West Georgia Street, Vancouver, BC V6B 4M9.

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 is on the refining of municipal and construction waste into a renewable diesel fuel. The Company changed its name to 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 January 31, 2021, the Company had not yet achieved profitable operations, had accumulated losses of $31,003,940 since its inception, and had a working capital deficit of $3,888,975, 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.

The Company’s ability to continue operations and fund its expenditures is dependent on management’s ability to secure additional financing. Management has been actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The Company’s focus has been on private placement offerings resulting in the issuance of listed or convertible securities (*see Note 21 [Subsequent Events] for conversions and exercises of convertible securities following the end of the reported nine-month period).* The Company intends to explore non-convertible, less dilutive debt financing as needed, however the outcome of these efforts cannot yet be predicted. In the nine months ended January 31, 2021, the Company issued 144,542,733 common shares, 25,335,914 as payment of the prepaid interest equal to $1,256,758 pursuant to private placement offerings of convertible debentures during the same period, 10,433,814 as settlement of debt totaling $704,989, 3,250,000 for conversion of RSU’s for $666,250, 25,691,000 for 2,059.380 in cash and $85,200 for debt settlement and the remaining 79,983,205 for consideration of $4,633,392 in the form of debt conversion.

The Company’s operations, as intended, and its financial success are also 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). The Company has also been able to access financing through its intended joint ventures,

## 1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

as further described below, however until the Company enters into definitive agreements, it cannot be predicted whether or when the joint ventures will be concluded.

Joint Ventures:

In the year ended April 30, 2019, the Company had 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 GP MOU provides the framework for the Company to enter into a joint venture agreement with Renewable U to build, commission and operate one refinery initially, with a right of first refusal to enter into further agreements for potential follow-on refineries in Grande Prairie, Alberta.
- 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. On February 21, 2019, an affiliated entity of Renewable U (Renewable U Medicine Hat Inc.) exercised this option and entered into another similar Memorandum of Understanding ("MH MOU") with the Company to build another refinery in the city of Medicine Hat, Alberta.
- On February 21, 2019 the Company entered into another option agreement with Renewable U Brooks Inc., an affiliated entity of 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 Brooks Inc. exercised this option and entered into the Brooks MOU with the Company on March 29, 2019.
- On January 9, 2020, the Company announced that the Company had entered into a Memorandum of Understanding with Renewable U Halifax Inc. (an affiliated entity of Renewable U) for the city of Halifax ("Halifax MOU"). The Company agreed to reallocate the $250,000 joint venture fee previously paid to Cielo regarding the Brooks MOU to the Halifax MOU and as of January 8, 2020, the Brooks MOU was terminated. The terms of the Halifax MOU are substantially the same or similar terms to the contemplated joint venture refineries in Grande Prairie and Medicine Hat.
- The Company and Renewable U and/or its affiliated entities (each a "Renewable U Company" and collectively the "Renewable U Group") intend to form three incorporated joint venture companies for each of the GP MOU, MH MOU and the Halifax MOU (each an "MOU") respectively, each to be owned 50.1% by the Company and 49.9% by a Renewable U Company, unless otherwise agreed. In consideration for the opportunity to enter into the joint ventures with the Company and undertake the respective projects (each a "Project"), the Renewable U Group has paid to the Company a fee of $250,000 fee (each a "Fee") with respect to each MOU to secure each of Grande Prairie, Medicine Hat, Alberta and Halifax, Nova Scotia and the area surrounding each, in each case encompassing a 250 km radius. The terms of each MOU provide that in the event the Company does not execute definitive agreements with respect to any MOU within certain agreed upon reasonable times, the Company agreed, subject to applicable laws and policies, to issue to the Renewable U Group common shares of the Company in lieu of

## 1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

- returning the Fee in each instance, 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.

- The general terms to be incorporated into the joint venture agreement arising from each MOU are as follows:
  - The Renewable U Group 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, Alberta or Halifax, Nova Scotia, (in each case the "Project Costs", respectively).

  - The Company will manage each Project overall, overseeing the planning, construction, commissioning and operation of each of the refinery and will receive a management fee for the construction of each refinery equal to 7% of the Project Costs for such refinery subject to certain exclusions, and will continue to receive management fees once operations begin based on industry standards.

  - For each initial refinery, profits will be split 30% in favour of the Company and 70% in favour of the Renewable U Group, until the Renewable U Group has received profits equaling100% of the Project Costs for that refinery. Thereafter profits will be split on the basis of 50.1% for the Company, 49.9% for the Renewable U Group, 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.

- On July 30, 2019, the Company entered into a Memorandum of Understanding with Renewable U Lethbridge Inc., a member of the Renewable U Group, on the same terms as the previous MOU's. The balance of the full deposit amount of $250,000 was received on August 30, 2019. This MOU represents the fifth agreement entered into by the Company to build refineries on a joint venture basis.

- On June 30, 2020, the Company announced that Cielo and the Renewable U Group had agreed to extend the deadline by which they will enter into the JV Agreements to 90 days after Cielo has reached 500 liters per hour of continuous production.

See section entitled "Subsequent Events" for updated information regarding the structure of the Renewable U Group and memorandums of understanding for additional territories with the Renewable U Group.

## 1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Other Developments:

On November 28, 2019, the Company announced that it had entered into a Supply of Services Agreement with Canadian Pacific effective October 31, 2019, which will expire on October 31, 2025. Pursuant to the terms of the agreement, it's anticipated that CP will provide a minimum of 500,000 ties to a maximum of 1,000,000 ties, to be used as feedstock.

On December 17, 2019, the Company announced the appointment of Lionel Robins to the Board of Directors.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's product and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

On July 30, 2020, the Company announced the United States Patent and Trademark Office had issued a U.S. Patent to 1888711 Alberta Inc. to which the company holds a World Exclusive License Agreement.

On September 9, 2020, the Company announced the Company's facility in Aldersyde, Alberta (the "Facility") was back into production following an extended shut down due to COVID-19, which allowed for implementation of upgrades.

On September 21, 2020, the Company announced that the Canadian Patent and Trademark Office had issued a Canadian Patent to 1888711 Alberta Inc. to which the Company holds a World Exclusive License Agreement.

In November 2020, the Company announced that Renewable U Medicine Hat had elected to scale-up the planned plant from 4,000 litres per hour output to 10,000 litres per hour, then to 12,000 litres per hour.

On November 23, 2020, the Company announced a presale and full deposit of $75,000 for 60,000 litres of renewable diesel. The diesel will be shipped to a third party of purchaser's choice once Cielo reduces the sulphur content of its renewable fuel to less than 15 PPM sulphur.

See Note 21(Subsequent Events) for updates on the foregoing.

Financing

See Note 10 (Convertible Debenture) for details regarding private placement offerings completed by the Company during the nine months ended January 31, 2021 and Note 21 (Subsequent Events) for details regarding a private placement offering completed after the same period.

## 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(continued)

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Leases
The assessment of whether or not to renew or terminate office lease contracts involves judgement and the application of the adoption of IFRS 16 at a certain internal incremental borrowing rate involves estimate.

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 January 31, 2021 and 2020, there were no cash equivalents.

c) 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.

d) 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.

e) 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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

f) 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.

g) 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.

h) 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.

i) 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 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

*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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

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 |
| Lease liability | Amortized cost |

k) 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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

For convertible debentures issued in units that also consist of issuing warrants to the investors, fair value of these attached warrants will be calculated using the Black-Scholes method with no equity portion of the convertible debentures being calculated.

l) 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 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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

m) 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.

n) 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.

o) 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. Any receipts of government grants, assistance or tax credits will be applied against the development costs.

p) Revenue recognition

<u>Revenue from Contracts with Customers</u>
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 (see Note 1) will only be recognized when there is persuasive evidence that an arrangement exists which is the JV Agreements have been entered into

(Expressed in Canadian dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

with the various MOU parties. The Company has already received the deposits of $1,250,000 plus GST from the five joint venture parties and the amounts are included in the accounts payable as at January 31, 2021.

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 nine months ended January 31, 2021, the Company only produced incidental diesel products for sale as the Company is still in process of commencing the commercializing process.

q) IFRS 16, Leases

The Company has adopted IFRS 16, Leases. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal and Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of May 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at May 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at May 1, 2019 (increase/(decrease)) is, as follow.

| **Assets** | $ |
|---|---|
| Right-of-use assets | 191,216 |
| Deferred tax assets | - |
| Total assets | 191,216 |
| **Liabilities** | |
| Lease liabilities | 213,919 |
| **Total liabilities** | 213,919 |
| **Equity** | |
| Deficit | (22,703) |
| **Total equity** | (22,703) |
| **Total liabilities and equity** | 191,216 |

*Leases previously accounted for as operating leases*
The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

q) IFRS 16, Leases (continued)

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

*i. Right-of-use assets*

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*ii. Lease liabilities*

At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

*Measurement of Lease Receivable*

At the commencement of a lease, the Company, if acting in capacity as a lessor, will classify the lease as finance lease and recognize a lease receivable at an amount equal to the net investment in the lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset or if the lease is a sublease, by reference to the ROU asset arising from the original lease (the "head lease"). A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset or the lease is a short-term lease. Cash received from an operating lease is included in other income in the Company's statement of (loss) income on a straight-line basis over the period the lease. The lease receivable is initially measure at the present value of the lease payments remaining at the lease commencement date, discounted at the interest rate implicit in the lease or the Company's incremental borrowing rate if the lease is a sublease. The lease receivable is subsequently measured at amortized cost using the effective interest rate method, and reduced by the amount received

(Expressed in Canadian dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

and impairment losses, if any.

r) Changes in accounting policies and recent accounting pronouncements

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

***IFRS 16***

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 adopted IFRS 16 effective May 1, 2019 with effect of application disclosed on Note 3(q).

## 4. CASH

| | January 31, 2021 | January 31, 2020 |
|---|---|---|
| Cash | 265,998 | 160,524 |
| | 265,998 | 160,524 |

There is no cash equivalent as at January 31, 2021 and 2020.

## 5. INVENTORY

| | January 31, 2021 | January 31, 2020 |
|---|---|---|
| Raw Materials | 277,971 | 159,080 |
| Semi-processed Product | 14,309 | 49,180 |
| | 292,280 | 208,260 |

All inventory is subject to general security agreements related to a loan from BJK Holdings Ltd. (see Note 9 and 21), outstanding secured convertible debentures (see Note 10) and 1823741 Alberta Ltd. (Note 9).

(Expressed in Canadian dollars)

## 6. PROPERTY, PLANT AND EQUIPMENT

| | January 31, 2021 | | | January 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Costs | Accumulated Amortization | Total | Costs | Accumulated Amortization | Total |
| Land | 755,841 | - | 755,841 | 755,841 | - | 755,841 |
| Building | 931,499 | 132,646 | 798,853 | 931,499 | 99,360 | 832,139 |
| Computer | 72,675 | 47,642 | 25,033 | 66,546 | 27,316 | 39,230 |
| Equipment | 674,639 | 220,828 | 453,811 | 672,339 | 170,645 | 501,694 |
| Construction in progress | 16,402,387 | - | 16,402,387 | 12,193,366 | - | 12,193,366 |
| Plant | 699,868 | 252,277 | 447,591 | 699,868 | 202,544 | 497,324 |
| | 19,536,909 | 653,393 | 18,883,516 | 15,319,459 | 499,865 | 14,819,594 |

## 7. RIGHT-OF-USE ASSETS

| | January 31, 2021 | January 31, 2020 |
|---|---|---|
| **Cost** | $ | $ |
| Balance as at May 1 | 247,111 | 247,111 |
| Addition during the year | - | 0 |
| Balance as at end of the year | 247,111 | 247,111 |
| | | |
| **Accumulated Amortization** | | |
| Balance as at May 1 | 91,196 | 55,894 |
| Addition during the year | 26,476 | 26,476 |
| Balance as at end of the year | 117,672 | 82,370 |
| | | |
| **Carrying amount at January 31,** | 129,439 | 164,741 |

## 8. 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 January 31, 2021 remains the same.

(Expressed in Canadian dollars)

## 9. SHORT-TERM, LONG-TERM LOANS PAYABLE AND OTHER RECEIVABLE

*Short-term Loan:* The balance of short-term loans payable as at January 31, 2021 is comprised of the following: $28,431 in loans from arm's length third parties (2020-$25,426) and $Nil (2019-$1,089) in loans from related parties. These are unsecured and due on demand with interest at prime rate plus 10% to 12% per annum. A total of $8,280 (2019-$5,276) in interest on these loans has been accrued as at January 31, 2021.

Related party loans:

| | **January 31, 2021** | **January 31, 2020** |
|---|---|---|
| Don Allan | - | 1,089 |
| | $ - | $ 1,089 |

On July 16, 2019, the Company issued Don Allan 400 A Convertible Debenture Units (Note 10) to settle short term debt of $400,000. A balance of $Nil (2020 $1,089) of the short-term no longer remains outstanding at January 31, 2021.

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.

Other receivable:
The Company has a loan receivable of $151,415 (2020-$78,058) from a related party, 1888711 Alberta Inc. 1888711 Alberta Inc. is related by common officers and/or directors.

*Long-term loans:* The balance of long-term loans payable as at January 31, 2021 is comprised of the following:

| | January 31, 2021 | January 31, 2020 |
|---|---|---|
| A Secured interest bearing loan, at annual rate of 12%, to be matured on June 1, 2022(See Note 9(a)). | $3,500,000 | $3,500,000 |
| A Secured interest bearing loan, at annual rate of 7%, to be matured on April 30, 2022(See Note 9(b)). | $1,000,000 | - |
| CEBA loan( See Note 9(c)) | $60,000 | - |
| Total long-term loans payable | 4,560,000 | 3,500,000 |
| Less: deferred financing costs | (57,742) | (101,018) |
| Less: current portion of long-term loans payable | (975,315) | (1,012,516) |
| Long-term portion of loans payable | $3,526,943 | 2,386,466 |

Principal payments on note payables are due as follows:

| | |
|---|---|
| 2021 | 975,315 |
| 2022 | 3,584,685 |
| | $4,560,000 |

(Expressed in Canadian dollars)

## 9. SHORT-TERM, LONG-TERM LOANS PAYABLE AND OTHER RECEIVABLE (continued)

a) 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 (*see Note 21 for information regarding repayment)*. 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 were to become payable until the loaned monies owing under the Credit Facility mature in June 2022. The Lender has allowed for the further delay of payments of interest until the Company begins to earn revenues, or as otherwise agreed.

As at January 31, 2021, the Company had drawn the full $3,500,000 available amount of the Credit Facility. As partial consideration for the Credit Facility, the Company 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 Notes 12 and 21).

A total of $236,429 (2019 - $24,703) in interest on this long-term loan has been accrued as at January 31, 2021.

b) On April 30, 2020 the Company entered into a loan agreement with 1823741 Alberta Ltd. which matures on April 30, 2022 (the "182 Loan"). The 182 Loan converted $1,000,000 of payables to an interest-only term loan at the simple interest of 7%. If the 182 Loan is not repaid by the due date, the interest rate increases to 12%. This facility is secured by a General Security Agreement. A total of $Nil (2019 - $Nil) in interest on this long-term 182 Loan has been accrued as at January 31, 2021.

c) On April 27,2020 the Company received $40,000 from the Government of Canada sponsored Canada Emergency Business Account (CEBA) in the form of a line of credit. On December 15, 2020, the Company received an additional $20,000 from the expansion of the program. This will be converted to a 2 year 0% interest term loan to be repaid by December 31, 2022. $20,000 of the loan will be forgiven if $40,000 is repaid in full on or before December 31, 2022. At this time any unpaid portion will be converted to a 3 year term loan at an interest rate of 5%.

## 10. CONVERTIBLE DEBENTURES

| | January 31, 2021 | January 31, 2020 |
|---|---|---|
| Convertible debts at an interest rate of 15.0% | 6,014,500 | 5,643,750 |
| Deferred financing costs | (2,224,699) | (874,672) |
| Accrued interest | 272,930 | 202,780 |
| | 4,062,731 | 4,971,858 |
| Less current portion | (732,930) | (661,774) |
| | 3,329,801 | 4,310,084 |

During the nine months ended January 31, 2020, the Company issued a total of 3,941.1 convertible debenture units (the "C Convertible Debenture Units", together with the A Convertible Debenture Units and the B

**10. CONVERTIBLE DEBENTURES** (continued)

Convertible Debenture Units, collectively the "2020 Convertible Debenture Units") for gross proceeds of $3,941,142 (the "B Convertible Debenture Offering", together with the A Convertible Debenture Offering and the B Convertible Debenture Offering, collectively the "Convertible Debenture Offerings"). The C Convertible Debentures Units each consist of one (1) $1,000 unsecured convertible debenture (the "C Debentures") and 7500 share purchase warrants. The C Debentures bear interest at a simple rate of 15% per annum, the initial three (3) years of interest prepaid (the "B Prepaid Interest", together with the A Prepaid Interest and B Prepaid Interest, collectively the "Prepaid Interest") on the date of issuance of the C Debentures (the "C Issue Date") by the issuance of common shares (the "C Prepaid Interest Shares", together with the A Prepaid Interest Shares and B Prepaid Interest Shares, collectively the "Prepaid Interest Shares") at a price of $0.07 per C Prepaid Interest Share. The principal of the C Debentures (the "C Principal") together with all accrued interest exceeding the C Prepaid Interest (the "C Interest Balance") will be repaid 48 months from the C 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 $0.05 for the Principal and $0.07 for the Interest Balance. As of January 31, 2021, the company has issued a total of 4,694.6 of the C Debentures.

During the year-ended ended April 30, 2020, the Company issued 5,121.75 convertible debenture units (the "A Convertible Debenture Units") for gross proceeds of $5,121,750 (the "A Convertible Debenture Offering"). The A Convertible Debentures Units each consist of one (1) $1,000 unsecured convertible debenture (the "A Debentures") and 500 share purchase warrants. The A Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the "A Prepaid Interest") on the date of issuance of the A Debentures (the "A Issue Date") by the issuance of common shares (the "A Prepaid Interest Shares") at a price of $0.10 per A Prepaid Interest Share. The principal of the A Debentures (the "A Principal") together with all accrued interest exceeding the A Prepaid Interest (the "A Interest Balance") will be repaid 48 months from the A 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 A Issue Date at a price of $0.06 for the A Principal and $0.10 for the A Interest Balance.

Additionally, during the year ended April 30, 2020, the Company issued a total of 2,432 convertible debenture units (the "B Convertible Debenture Units", together with the A Convertible Debenture Units and C Convertible Debenture Units, collectively the "2020 Convertible Debenture Units") for gross proceeds of $2,432,000 (the "B Convertible Debenture Offering", together with the A Convertible Debenture Offering and the C Convertible Debenture Offering, collectively the "Convertible Debenture Offerings"). The B Convertible Debentures Units each consist of one (1) $1,000 unsecured convertible debenture (the "B Debentures") and 500 share purchase warrants. The B Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the "B Prepaid Interest", together with the A Prepaid Interest, collectively the "Prepaid Interest") on the date of issuance of the B Debentures (the "B Issue Date") by the issuance of common shares (the "B Prepaid Interest Shares", together with the A Prepaid Interest Shares, collectively the "Prepaid Interest Shares") at a price of $0.12 per B Prepaid Interest Share. The principal of the B Debentures (the "B Principal") together with all accrued interest exceeding the B Prepaid Interest (the "B Interest Balance") will be repaid 48 months from the B 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 $0.08 for the Principal and $0.12 for the Interest Balance.

During the nine months ended January 31, 2021 $Nil (2020-$40,000 of principal and $13,371) of accrued interest on convertible debentures that were issued during the year ended April 30, 2017 (the "2017 Convertible Debentures"), convertible at $0.10 per common share, were converted to Nil(2020-534,010) common shares. (Note 12)

(Expressed in Canadian dollars)

**10. CONVERTIBLE DEBENTURES** (continued)

The 2017 Convertible Debentures are secured by general security agreements, which are subordinated to the general security agreement issued in favour of BJK Holdings Ltd. (see Note 9(a) and Note 21).

During the nine months ended January 31, 2021, $610,750 (2020-Nil) of principal comprising the A Convertible Debenture Units, convertible at $0.06 per common share, were converted to 10,179,166 common shares (Note 12).

During the nine months ended January 31, 2021, $1,440,000 (2020-Nil) of principal comprising the B Convertible Debenture Units, convertible at $0.08 per common share, were converted to 18,000,000 common shares (Note 12).

During the nine months ended January 31, 2021, $2,582,642 (2020-Nil) of principal comprising the C Convertible Debenture Units, convertible at $0.05 per common share, were converted to 51,652,840 common shares (Note 12).

Accretion expenses on the 2017 Convertible Debentures of $Nil was charged to the operation during the nine months ended January 31, 2021 (2020 - $nil).

Interest expenses on the 2017 Convertible Debentures of $52,900 was charged to the operation during the Nine months ended January 31, 2021 (2020 - $53,603).

Interest expenses on the 2020 Convertible Debentures Units of $606,430 (2020-$432,331) was charged based on the fair value of the Prepaid Interest Shares issued representing the Prepaid Interest on the debentures, payable at the time of the issuance of the 2020 Convertible Debenture Units. Prepaid Interest of $58,625 ($2020-403,520) was expensed on A Convertible Debenture Units, $198,598 (2020-$28,881) was expensed on B Convertible Debenture Units and $688,605 was expensed on C Convertible Debenture Units (2020-$Nil) converted to common shares in the nine months ended January 31, 2021.

Total deferred financing costs of $1,768,485 were incurred for the nine months ended January 31, 2021 (2020 - $1,003,629) and $676,183 was charged to the operation during the nine months ended January 31, 2021, (2020 - $135,791).

**11. ROYALTY PAYABLE**

| | January 31, 2021 | January 31, 2020 |
|---|---|---|
| Royalties Payable | 889,219 | 889,219 |
| Discount on Royalties payable | - | (53,691) |
| | 889,219 | 835,528 |

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

**11. ROYALTY PAYABLE** (continued)

per warrant exercised as a fixed rate royalty which will be paid out pro rata over an estimated period of two years or less, at the discretion of management.

On or about July 3, 2020, the Company obtained at least 66 2/3% approval of the holders of the Royalties to delay the commencement of payment associated with the Royalties for a period of two (2) years until July 3, 2022. Once production and sales begin, 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 nine months ended January 31, 2021 the Company amortized $22,788 (2020-$88,031) to accretion expense.

## 12. 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:

On May 6, 2019, the Company issued 3,024,000 common shares at a fair value of $241,920 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A Convertible Debenture Units.

On May 31, 2019, the company issued 2,361,000 common shares at a fair value of $177,075 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A Convertible Debenture Units.

On June 20, 2019, the Company issued 133,300 common shares as the result of the conversion of convertible debentures of $10,000 and accrued interest of $3,300.

On June 26, 2019, the Company issued 3,060,750 common shares at a fair value of $260,164 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A Convertible Debenture Units.

On June 26, 2019, the Company issued 400,710 common shares as the result of the conversion of convertible debentures of $30,000 and accrued interest of $10,071.

On July 9, 2019, the company issued 2,329,500 common shares at a fair value of $232,950 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the 2019 A Convertible Debenture Units.

On July 16, 2019, the Company issued 1,660,400 common shares at a fair value of $234,956 using the closing trade price on the same date, to settle debt of $166,060 which resulted in a loss of $68,896.

On July 16, 2019, the Company issued 4,590,000 common shares at a fair value of $596,700 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A Convertible Debenture Units.

**12. SHARE CAPITAL** (continued)

On July 30, 2019, the Company issued 510,710 common shares at a fair value of $51,071 using the closing trade price on the same date, to settle debt of $51,071 which resulted in a no gain or loss.

On October 25, 2019, the Company issued 125,000 common shares at a fair value of $11,250 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.

On October 31, 2019, the Company issued 1,137,500 common shares at a fair value of $102,375 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.

On November 14, 2019, the Company issued 750,000 common shares at a fair value of $56,250 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.

On November 14, 2019, the Company issued 5,000,000 common shares as the result of the conversion of convertible debentures of $300,000.

On November 18, 2019, the Company issued 10,750,000 common shares as the result of the conversion of convertible debentures of $645,000.

On November 22, 2019, the Company issued 900,000 common shares as the result of the conversion of convertible debentures of $54,000.

On November 27, 2019, the Company issued 8,666,667 common shares as the result of the conversion of convertible debentures of $520,000.

On December 5, 2019, the Company issued 1,092,000 common shares at a fair value of $65,550 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.

On December 19, 2019, the Company issued 1,000,000 common shares at a fair value of $65,000 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.

On December 20, 2019, the Company issued 1,841,667 common shares as the result of the conversion of convertible debentures of $110,500.

On December 27, 2019, the Company issued 500,000 common shares at a fair value of $35,000 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.

On December 31, 2019, the Company issued 1,247,556 common shares at a fair value of $93,567 using the closing trade price on the same date, to settle debt of $112,280 which resulted in a gain of $18,713.

On January 7, 2020, the Company issued 1,333,333 common shares as the result of the conversion of convertible debentures of $80,000.

**12. SHARE CAPITAL** (continued)

On January 16, 2020, the company issued 1,500,000 common shares as the vesting of 1,500,000 vested restricted share units ("RSUs") for $307,500 which was the fair value of the shares on January 12, 2018 the date the RSU's were issued.

On January 27, 2020, the Company issued 675,000 common shares as the result of the conversion of convertible debentures of $40,500.

On January 31, 2020, the Company issued 500,000 common shares as the result of the conversion of convertible debentures of $30,000.

On February 6, 2020, the Company issued 1,225,000 common shares at a fair value of $110,250 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.

On February 28, 2020, the Company issued 250,000 common shares at a fair value of $20,000 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.

On March 2, 2020, the Company issued 1,383,333 common shares as the result of the conversion of convertible debentures of $95,500.

On March 20, 2020, the Company issued 2,187,500 common shares as the result of the conversion of convertible debentures of $160,000.

On March 27, 2020, the Company issued 2,545,715 common shares at a fair value of $127,286 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On April 17, 2020, the Company issued 2,298,215 common shares at a fair value of $91,929 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On April 23, 2020, the Company issued 416,667 common shares as the result of the conversion of convertible debentures of $25,000.

On April 30, 2020, the Company issued 2,961,013 common shares at a fair value of $103,635 using the closing trade price on the same date, to settle debt of $177,661 which resulted in a gain of $74,026.

On May 1, 2020, the Company issued 3,750,000 common shares as the result of the conversion of convertible debentures of $300,000.

On May 11, 2020, the Company issued 1,465,715 common shares at a fair value of $51,300 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On May 21, 2020, the Company issued 8,750,000 common shares as the result of the conversion of convertible debentures of $700,000.

On May 28, 2020, the Company issued 1,406,571 common shares at a fair value of $56,263 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

**12. SHARE CAPITAL** (continued)

On May 29, 2020, the Company issued 250,000 common shares as the result of the conversion of convertible debentures of $15,000.

On June 11, 2020, the Company issued 3,062,200 common shares at a fair value of $122,488 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On June 11, 2020, the Company issued 833,333 common shares as the result of the conversion of convertible debentures of $50,000.

On June 30, 2020, the Company issued 1,607,143 common shares at a fair value of $64,286 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On July 7, 2020, the Company issued 1,250,000 common shares as the result of the conversion of convertible debentures of $100,000.

On July 9, 2020, the Company issued 1,875,000 common shares as the result of the conversion of convertible debentures of $150,000.

On July 24, 2020, the Company issued 3,053,570 common shares at a fair value of $122,143 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On July 27, 2020, the Company issued 625,000 common shares as the result of the conversion of convertible debentures of $50,000.

On August 7, 2020, the Company issued 3,000,000 common shares as the result of the conversion of convertible debentures of $150,000.

On August 24, 2020, the Company issued 321,429 common shares at a fair value of $11,250 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On September 9, 2020, the Company issued 1,607,143 common shares at a fair value of $72,321 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On September 10, 2020, the Company issued 2,404,287 common shares at a fair value of $132,236 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On September 23, 2020, the Company issued 1,380,000 common shares as the result of the conversion of convertible debentures of $74,000.

On September 23, 2020, the Company issued 7,126,647 common shares at a fair value of $498,865 using the closing trade price on the same date, to settle debt of $498,865 which resulted in a loss of $71,446. Related parties were issued 2,575,230 of the shares (Note 15).

On September 24, 2020, the Company issued 3,000,000 common shares as the result of the conversion of convertible debentures of $150,000.

**12. SHARE CAPITAL** (continued)

On September 24, 2020, the Company issued 3,214,286 common shares at a fair value of $192,857 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On September 28, 2020, the Company issued 7,193,571 common shares at a fair value of $431,614 using the closing trade price on the same date, to settle the C Prepaid Interest associated with the C Convertible Debenture Units.

On September 30, 2020, the Company issued 2,152,500 common shares as the result of the conversion of convertible debentures of $110,250.

On October 2, 2020, the Company issued 3,500,000 common shares as the result of the conversion of convertible debentures of $175,000.

On October 5, 2020, the Company issued 1,328,667 common shares at a fair value of $79,720 using the closing trade price on the same date, to settle debt of $79,720 which resulted in no gain/loss.

On October 19, 2020, the Company issued 5,026,840 common shares as the result of the conversion of convertible debentures of $251,342.

On October 20, 2020, the Company issued 625,000 common shares as the result of the conversion of convertible debentures of $50,000.

On November 12, 2020, the Company issued 1,099,000 common shares as the result of the conversion of convertible debentures of $60,000.

On November 16, 2020, the Company issued 6,500,000 common shares as the result of the conversion of convertible debentures of $325,000.

On November 20, 2020, the Company issued 6,315,000 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 $0.08 per unit. 5,375,000 shares were issued for cash of $430,000 and 940,000 common shares were issued to settle debt of 75,200 resulting in a loss of $14,100. Warrants were assigned a value of $nil based on the residual value method. The Company paid an 8% cash and warrant commission ($34,400 cash and 430,000 finders' warrants (Note 13)).

On November 20,2020, the Company issued 1,978,500 common shares at a fair value of $168,173 using the closing trade price on the same date, to settle debt of $197,850 which resulted in a gain of $29,678.

On November 25, 2020, the Company issued 2,000,000 common shares as the result of the conversion of convertible debentures of $100,000.

On November 26, 2020, the Company issued 500,000 common shares as the result of the conversion of convertible debentures of $30,000.

On December 4, 2020, the Company issued 16,876,000 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

**12. SHARE CAPITAL** (continued)

subscription price of $0.08 per unit. 16,751,000 shares were issued for cash of $1,340,080 and 125,000 common shares were issued to settle debt of 10,000 resulting in no gain or loss. Warrants were assigned a value of $Nil based on the residual value method. The Company paid an 8% cash and warrant commission ($104,486 cash and 1,306,080 finders' warrants (Note 13)).

On December 7, 2020, the Company issued 2,500,000 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 $0.08 per unit. The shares were issued for cash of $250,000. Warrants were assigned a value of $12,500 based on the residual value method. The Company paid an 8% cash and warrant commission ($16,000 cash and 200,000 finders' warrants (Note 13)).

On December 10, 2020, the Company issued 500,000 common shares as the result of the conversion of convertible debentures of $25,000.

On January 4, 2021, the Company issued 6,666,667 common shares as the result of the conversion of convertible debentures of $400,000.

On January 6, 2021, the Company issued 1,601,000 common shares as the result of the conversion of convertible debentures of $98,800.

On January 12, 2021, the Company issued 2,260,000 common shares as the result of the conversion of convertible debentures of $113,000.

On January 12, 2021, the company issued 3,250,000 common shares as the vesting of 3,250,000 vested restricted share units ("RSUs") for $666,250 which was the fair value of the shares on January 12, 2018 the date the RSU's were issued.

On January 20, 2021, the Company issued 666,666 common shares as the result of the conversion of convertible debentures of $40,000.

On January 21, 2021, the Company issued 500,000 common shares as the result of the conversion of convertible debentures of $40,000.

On January 25, 2021, the Company issued 19,520,000 common shares as the result of the conversion of convertible debentures of $976,000.

On January 29, 2021, the Company issued 2,000,000 common shares as the result of the conversion of convertible debentures of $100,000.

**13. WARRANTS**

On May 6, 2019, the Company issued 504,000 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of May 6, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $39,797. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.6%; expected life – 4 year; expected

**13. WARRANTS** (continued)

volatility – 266.48%; and expected dividends – nil. The fair value of $39,797 for warrants was allocated to deferred financing costs.

On May 6, 2019, the Company issued 574,667 finders' warrants related to the May 6, 2019 issuance of the A Convertible Debenture Units (Note 10). 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 May 6, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $45,590. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.6%; expected life – 4 year; expected volatility – 266.48%; and expected dividends – nil. The fair value of $45,590 for finders' warrants was allocated to deferred financing costs.

On May 31, 2019, the Company issued 393,500 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of May 31, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $28,453. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.38%; expected life – 4 year; expected volatility – 231.34%; and expected dividends – nil. The fair value of $28,453 for warrants was allocated to deferred financing costs.

On May 31, 2019, the Company issued 302,667 finders' warrants related to the May 31, 2019 issuance of the A Convertible Debenture Units (Note 10). 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 May 31, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $22,173. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.38%; expected life – 4 year; expected volatility – 231.34%; and expected dividends – nil. The fair value of $22,173 for finders' warrants was allocated to deferred financing costs.

On June 26, 2019, the Company issued 510,125 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of June 26, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $41,961. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.41%; expected life – 4 year; expected volatility – 233.15%; and expected dividends – nil. The fair value of $41,961 for warrants was allocated to deferred financing costs.

On June 26, 2019, the Company issued 293,666 finders' warrants related to the June 26, 2019 issuance of the A Convertible Debenture Units (Note 10). 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 June 26, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $24,442. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.41%; expected life – 4 year; expected volatility – 233.15%; and expected dividends – nil. The fair value of $24,442 for finders' warrants was allocated to deferred financing costs.

On July 9, 2019, the Company issued 388,000 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of July 9, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $37,666. Assumptions used in the

**13. WARRANTS** (continued)

option pricing model were as follows: average risk-free interest rate – 1.58%; expected life – 4 year; expected volatility – 233.92%; and expected dividends – nil. The fair value of $37,666 for warrants was allocated to deferred financing costs.

On July 9, 2019, the Company issued 674,667 finders' warrants related to the July 9, 2019 issuance of the A Convertible Debenture Units (Note 10). 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 July 9, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $66,203. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.58%; expected life – 4 year; expected volatility – 233.92%; and expected dividends – nil. The fair value of $66,203 for finders' warrants was allocated to deferred financing costs.

On July 16, 2019, the Company issued 765,000 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of July 16, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $96,722. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 231.67%; and expected dividends – nil. The fair value of $96,722 for warrants was allocated to deferred financing costs.

On July 16, 2019, the Company issued 1,093,333 finders' warrants related to the July 16, 2019 issuance of the A Convertible Debenture Units (Note 10). 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 July 16, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $139,656. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 231.67%; and expected dividends – nil. The fair value of $139,656 for finders' warrants was allocated to deferred financing costs.

On October 25, 2019, the Company issued 25,000 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of October 25, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $1,997. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 180.41%; and expected dividends – nil. The fair value of $1,997 for warrants was allocated to deferred financing costs.

On October 31, 2019, the Company issued 227,500 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of October 31, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $18,187. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 180.63%; and expected dividends – nil. The fair value of $18,187 for warrants was allocated to deferred financing costs.

On October 31, 2019 the Company issued 25,000 finders' warrants related to the October 31, 2019 issuance of the B Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of October 31, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $2,087. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected

**13. WARRANTS** (continued)

life – 4 year; expected volatility – 180.63%; and expected dividends – nil. The fair value of $2,087 for finders' warrants was allocated to deferred financing costs.

On November 14, 2019, the Company issued 150,000 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of November 12, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $9,666. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.50%; expected life – 4 year; expected volatility – 173.60%; and expected dividends – nil. The fair value of $9,666 for warrants was allocated to deferred financing costs.

On November 14, 2019 the Company issued 300,000 finders' warrants related to the November 14, 2019 issuance of the B Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of November 14, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $20,230. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.50%; expected life – 4 year; expected volatility – 173.60%; and expected dividends – nil. The fair value of $20,230 for finders' warrants was allocated to deferred financing costs.

On December 5, 2019, the Company issued 218,500 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of December 5, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $10,854. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.63%; expected life – 4 year; expected volatility – 168.42%; and expected dividends – nil. The fair value of $10,854 for warrants was allocated to deferred financing costs.

On December 5, 2019, the Company issued 330,000 finders' warrants related to the December 5, 2019 issuance of the B Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of December 5, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $17,332. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.63%; expected life – 4 year; expected volatility – 168.42%; and expected dividends – nil. The fair value of $17,332 for finders' warrants was allocated to deferred financing costs.

On December 19, 2019, the Company issued 200,000 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of December 19, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $10,793. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.68%; expected life – 4 year; expected volatility – 167.38%; and expected dividends – nil. The fair value of $10,793 for warrants was allocated to deferred financing costs.

On December 19, 2019 the Company issued 400,000 finders' warrants related to the December 19, 2019 issuance of the B Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of December 19, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was

**13. WARRANTS** (continued)

$22,812. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.68%; expected life – 4 year; expected volatility – 167.38%; and expected dividends – nil. The fair value of $22,812 for finders' warrants was allocated to deferred financing costs.

On December 27, 2019, the Company issued 100,000 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of December 27, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $5,392. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.63%; expected life – 4 year; expected volatility – 167.23%; and expected dividends – nil. The fair value of $5,392 for warrants was allocated to deferred financing costs.

On February 7, 2020, the Company issued 245,000 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of February 7, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $18,477. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.39%; expected life – 4 year; expected volatility – 163.05%; and expected dividends – nil. The fair value of $18,477 for warrants was allocated to deferred financing costs.

On February 7, 2020, the Company issued 275,000 finders' warrants related to the February 7, 2020 issuance of the B Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of February 7, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $21,892. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.39%; expected life – 4 year; expected volatility – 163.05%; and expected dividends – nil. The fair value of $21,892 for finders' warrants was allocated to deferred financing costs.

On February 28, 2020, the Company issued 50,000 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.25 per common share with an expiry date of February 28, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $3,142. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.10%; expected life – 4 year; expected volatility – 151.59%; and expected dividends – nil. The fair value of $3,142 for warrants was allocated to deferred financing costs.

On February 28, 2020, the Company issued 50,000 finders' warrants related to the February 28, 2020 issuance of the B Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of February 28, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $3,382. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.10%; expected life – 4 year; expected volatility – 151.59%; and expected dividends – nil. The fair value of $3,382 for finders' warrants was allocated to deferred financing costs.

On March 27, 2020, the Company issued 2,970,000 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of March 27, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $123,813. Assumptions

**13. WARRANTS** (continued)

used in the option pricing model were as follows: average risk-free interest rate 0.59%; expected life – 4 year; expected volatility – 146.58%; and expected dividends – nil. The fair value of $123,813 for warrants was allocated to deferred financing costs.

On March 27, 2020, the Company issued 457,600 finders' warrants related to the March 27, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of March 27, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $19,034. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.59%; expected life – 4 year; expected volatility – 146.58%; and expected dividends – nil. The fair value of $19,034 for finders' warrants was allocated to deferred financing costs.

On April 17, 2020, the Company issued 2,681,250 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of April 17, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $87,526. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.43%; expected life – 4 year; expected volatility – 146.92%; and expected dividends – nil. The fair value of $87,526 for warrants was allocated to deferred financing costs.

On April 17, 2020 the Company issued 612,800 finders' warrants related to the April 17, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of April 17,2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $20,004. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.43%; expected life – 4 year; expected volatility – 146.92%; and expected dividends – nil. The fair value of $20,004 for finders' warrants was allocated to deferred financing costs.

On May 11, 2020, the Company issued 1,710,000 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of May 11, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $48,299. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.33%; expected life – 4 year; expected volatility – 147.66%; and expected dividends – nil. The fair value of $48,299 for warrants was allocated to deferred financing costs.

On May 26, 2020, the Company issued 1,641,000 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of May 26, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $53,619. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.35%; expected life – 4 year; expected volatility – 147.22.%- and expected dividends – nil. The fair value of $53,619 for warrants was allocated to deferred financing costs.

On May 26, 2020 the Company issued 240,000 finders' warrants related to the May 26, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of April 17,2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $7,842. Assumptions

**13. WARRANTS** (continued)

used in the option pricing model were as follows: average risk-free interest rate – 0.35%; expected life – 4 year; expected volatility – 147.22%; and expected dividends – nil. The fair value of $7,842 for finders' warrants was allocated to deferred financing costs.

On June 11, 2020, the Company issued 3,572,565 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of June 11, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $117,142. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.32%; expected life – 4 year; expected volatility – 148.07%; and expected dividends – nil. The fair value of $117,142 for warrants was allocated to deferred financing costs.

On June 11, 2020 the Company issued 440,000 finders' warrants related to the June 11, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of June 11, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $14,427. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.32%; expected life – 4 year; expected volatility – 148.07%; and expected dividends – nil. The fair value of $14,427 for finders' warrants was allocated to deferred financing costs.

On June 30, 2020, the Company issued 1,875,000 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of June 30, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $61,300. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.32%; expected life – 4 year; expected volatility – 147.38%; and expected dividends – nil. The fair value of $61,300 for warrants was allocated to deferred financing costs.

On June 30, 2020 the Company issued 400,000 finders' warrants related to the June 30, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of June 30, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $13,077. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.32%; expected life – 4 year; expected volatility – 147.38%; and expected dividends – nil. The fair value of $13,077 for finders' warrants was allocated to deferred financing costs.

On July 24, 2020, the Company issued 3,562,500 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of July 24, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $116,828. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.29%; expected life – 4 year; expected volatility – 148.13%; and expected dividends – nil. The fair value of $116,828 for warrants was allocated to deferred financing costs.

On July 24, 2020 the Company issued 640,000 finders' warrants related to the July 24, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of July 24, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $20,988. Assumptions

**13. WARRANTS** (continued)

used in the option pricing model were as follows: average risk-free interest rate – 0.29%; expected life – 4 year; expected volatility – 148.13%; and expected dividends – nil. The fair value of $20,988 for finders' warrants was allocated to deferred financing costs.

On August 24, 2020, the Company issued 375,000 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of August 24, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $10,537. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.31%; expected life – 4 year; expected volatility – 147.29%; and expected dividends – nil. The fair value of $10,537 for warrants was allocated to deferred financing costs.

On August 24, 2020 the Company issued 80,000 finders' warrants related to the August 24, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of August 24, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $2,256. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.31%; expected life – 4 year; expected volatility – 147.29%; and expected dividends – nil. The fair value of $2,256 for finders' warrants was allocated to deferred financing costs.

On September 9, 2020, the Company issued 1,875,000 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of September 9, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $69,702. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.33%; expected life – 4 year; expected volatility – 147.09%; and expected dividends – nil. The fair value of $69,702 for warrants was allocated to deferred financing costs.

On September 9, 2020 the Company issued 240,000 finders' warrants related to the September 9, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of September 9, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $8,922. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.33%; expected life – 4 year; expected volatility – 147.09%; and expected dividends – nil. The fair value of $8,922 for finders' warrants was allocated to deferred financing costs.

On September 11, 2020, the Company issued 2,805,000 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of September 11, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $129,879. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.31%; expected life – 4 year; expected volatility – 147.09%; and expected dividends – nil. The fair value of $129,879 for warrants was allocated to deferred financing costs.

On September 11, 2020 the Company issued 105,600 finders' warrants related to the September 11, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of September 11, 2024. The fair

**13. WARRANTS** (continued)

value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $4,890. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.31%; expected life – 4 year; expected volatility – 147.09%; and expected dividends – nil. The fair value of $4,890 for finders' warrants was allocated to deferred financing costs.

On September 24, 2020, the Company issued 3,750,000 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of September 24, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $191,296. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.31%; expected life – 4 year; expected volatility – 147.71%; and expected dividends – nil. The fair value of $191,296 for warrants was allocated to deferred financing costs.

On September 24, 2020 the Company issued 800,000 finders' warrants related to the September 24, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of September 24, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $40,810. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.31%; expected life – 4 year; expected volatility – 147.71%; and expected dividends – nil. The fair value of $40,810 for finders' warrants was allocated to deferred financing costs.

On September 28, 2020, the Company issued 8,392,500 warrants through a non-brokered placement offering of the C Convertible Debenture Units (Note 10). Each warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of September 28, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $428,415. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.31%; expected life – 4 year; expected volatility – 147.91%; and expected dividends – nil. The fair value of $428,415 for warrants was allocated to deferred financing costs.

On September 28, 2020 the Company issued 174,000 finders' warrants related to the September 28, 2020 issuance of the C Convertible Debenture Units (Note 10). Each finder warrant entitles the holder to purchase one common share at a price of $0.07 per common share with an expiry date of September 28, 2024. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $8,903. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.31%; expected life – 4 year; expected volatility – 147.91%; and expected dividends – nil. The fair value of $8,903 for finders' warrants was allocated to deferred financing costs.

On November 20, 2020, the Company issued 6,315,000 warrants through a non-brokered private placement offering of 6,315,000 units, each unit consisting of one common share one share purchase warrant (Note 12). Each warrant entitles the holder to purchase one common share at an exercise price of $0.12 per common share with an expiry date of November 20, 2023 (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 20, 2020, the Company issued 430,000 finders' share purchase warrants related to the November 20, 2020 placements (Note 12). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of November 20, 2020. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $28,627. Assumptions

**13. WARRANTS** (continued)

used in the option pricing model were as follows: average risk-free interest rate – 0.37%; expected life – 3 year; expected volatility – 127.78%; and expected dividends – nil. The fair value of $28,627 for finders' warrants was allocated to share issuance costs as a reduction in the statements of shareholders' equity.

On December 4, 2020, the Company issued 16,876,000 warrants through a brokered placement offering of 16,876,000 units, each unit consisting of one common share one share purchase warrant (Note 12). Each warrant entitles the holder to purchase one common share at an exercise price of $0.12 per common share with an expiry date of December 4, 2023 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $Nil based on the residual value method.

On December 4, 2020, the Company issued 1,306,080 finders' share purchase warrants related to the December 4, 2020 placements (Note 12). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of December 4, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $78,743. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.43%; expected life – 3 year; expected volatility – 126.93%; and expected dividends – nil. The fair value of $78,743 for finders' warrants was allocated to share issuance costs as a reduction in the statements of shareholders' equity.

On December 7, 2020, the Company issued 2,500,000 warrants through a brokered placement offering of 2,500,000 units, each unit consisting of one common share one share purchase warrant (Note 12). Each warrant entitles the holder to purchase one common share at an exercise price of $0.12 per common share with an expiry date of December 7, 2023 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of $12,500 based on the residual value method.

On December 7, 2020, the Company issued 200,000 finders' share purchase warrants related to the December 7, 2020 placements (Note 12). Each finder warrant entitles the holder to purchase one common share at a price of $0.12 per common share with an expiry date of December 7, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $9,941. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.42%; expected life – 3 year; expected volatility – 126.95%; and expected dividends – nil. The fair value of $9,941 for finders' warrants was allocated to share issuance costs as a reduction in the statements of shareholders' equity.

(Expressed in Canadian dollars)

**13. WARRANTS** (continued)

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

| | Number | Weighted average exercise price |
|---|---|---|
| Balance, April 30, 2020 | 53,587,685 | $0.20 |
| Issued -May 11, 2020 | 1,710,000 | $0.07 |
| Issued -May 26, 2020 | 1,641,000 | $0.07 |
| Issued -June 11, 2020 | 3,572,565 | $0.07 |
| Issued -June 30, 2020 | 1,875,000 | $0.07 |
| Issued -July 24, 2020 | 3,562,500 | $0.07 |
| Issued -August 24, 2020 | 375,000 | $0.07 |
| Issued -September 9, 2020 | 1,875,000 | $0.07 |
| Issued -September 11, 2020 | 2,805,000 | $0.07 |
| Issued -September 24, 2020 | 3,750,000 | $0.07 |
| Issued -September 28, 2020 | 8,392,500 | $0.07 |
| Issued -November 20, 2020 | 6,315,000 | $0.12 |
| Issued -December 4, 2020 | 16,876,000 | $0.12 |
| Issued -December 7, 2020 | 2,500,000 | $0.12 |
| *Adjustment January 31, 2021 | 9,141,260 | $0.1233 |
| Balance, January 31 2021 | 117,978,510 | $0.1190 |

*The warrant adjustment is an adjustment to the outstanding BJK warrants. The above warrants have a weighted average remaining life of 2.44 years.

(Expressed in Canadian dollars)

**13. WARRANTS** (continued)

As at January 31, 2021, 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 |
| 504,000 | [4] | 0.25 | May 6, 2023 |
| 393,500 | [4] | 0.25 | May 31, 2023 |
| 510,125 | [4] | 0.25 | June 26, 2023 |
| 388,250 | [4] | 0.25 | July 9, 2023 |
| 765,000 | [4] | 0.25 | July 16, 2023 |
| 25,000 | [4] | 0.25 | October 25, 2023 |
| 227,500 | [4] | 0.25 | October 31, 2023 |
| 150,000 | [4] | 0.25 | November 14, 2023 |
| 6,315,000 | [6] | 0.12 | November 20, 2023 |
| 16,876,000 | [6] | 0.12 | December 4, 2023 |
| 218,500 | [4] | 0.25 | December 5, 2023 |
| 2,500,000 | [6] | 0.12 | December 7, 2023 |
| 200,000 | [4] | 0.25 | December 19, 2023 |
| 100,000 | [4] | 0.25 | December 27, 2023 |
| 245,000 | [4] | 0.25 | February 6, 2024 |
| 50,000 | [4] | 0.25 | February 28, 2024 |
| 2,970,000 | [5] | 0.07 | March 27, 2024 |
| 2,681,250 | [5] | 0.07 | April 17, 2024 |
| 1,710,000 | [5] | 0.07 | May 11, 2024 |
| 1,641,000 | [5] | 0.07 | May 26, 2024 |
| 3,572,565 | [5] | 0.07 | June 11, 2024 |
| 1,875,000 | [5] | 0.07 | June 30, 2024 |
| 3,562,500 | [5] | 0.07 | July 24, 2024 |
| 375,000 | [5] | 0.07 | August 24, 2024 |
| 1,875,000 | [5] | 0.07 | September 9, 2024 |
| 2,805,000 | [5] | 0.07 | September 11, 2024 |
| 3,750,000 | [5] | 0.07 | September 24, 2024 |
| 8,392,500 | [5] | 0.07 | September 28, 2024 |
| 40,537,815 | [2,3] | 0.1233 | November 2, 2022 |

(Expressed in Canadian dollars)

## 13. WARRANTS (continued)

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 months following full repayment of a credit facility to BJK Holdings Ltd. but not later than 5 years from the issuance date (*see Note 21 for updated information*).

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 40,437,815 Warrants as at January 31, 2021, exercisable at $0.1369 per share (*see Note 21 for updated information*).

4 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 $0.50 or higher for a period of five (5) or more days, at the option of the Company.

5 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 $0.15 or higher for a period of five (5) or more days, at the option of the Company. (*See Note 21 for updated information with respect to an accelerated expiration date*).

6 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 $0.20 or higher for a period of five (5) or more days, at the option of the Company.

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

| | Number | Weighted average exercise price |
|---|---|---|
| Balance, April 30, 2020 | 5,620,400 | $0.1033 |
| Issued -May 26, 2020 | 240,000 | $0.07 |
| Issued -June 11, 2020 | 440,000 | $0.07 |
| Issued -June 30, 2020 | 400,000 | $0.07 |
| Issued -July 24, 2020 | 640,000 | $0.07 |
| Issued -August 24, 2020 | 80,000 | $0.07 |
| Issued -September 9, 2020 | 240,000 | $0.07 |
| Issued -September 11, 2020 | 105,600 | $0.07 |
| Issued -September 24, 2020 | 800,000 | $0.07 |
| Issued -September 28, 2020 | 174,400 | $0.07 |
| Issued -November 20, 2020 | 430,000 | $0.12 |
| Issued -December 4, 2020 | 1,306,080 | $0.12 |
| Issued -December 7, 2020 | 200,000 | $0.12 |
| Balance, January 31, 2021 | 10,676,480 | $0.0970 |

The above broker warrants have a weighted average remaining life of 2.91 years.

(Expressed in Canadian dollars)

**13. WARRANTS** (continued)

As at January 31, 2021, 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 |
| 574,667 | 0.10 | May 6, 2023 |
| 302,667 | 0.10 | May 31, 2023 |
| 293,666 | 0.10 | June 26, 2023 |
| 674,667 | 0.10 | July 9, 2023 |
| 1,093,333 | 0.10 | July 16, 2023 |
| 25,000 | 0.12 | October 31, 2023 |
| 300,000 | 0.12 | November 14, 2023 |
| 430,000 | 0.12 | November 20, 2023 |
| 1,306,080 | 0.12 | December 4, 2023 |
| 330,000 | 0.12 | December 5, 2023 |
| 200,000 | 0.12 | December 7, 2023 |
| 400,000 | 0.12 | December 19, 2023 |
| 275,000 | 0.12 | February 6, 2024 |
| 50,000 | 0.12 | February 28, 2024 |
| 457,600 | 0.07 | March 27, 2024 |
| 372,800 | 0.07 | April 17,2024 |
| 240,000 | 0.07 | May 11,2024 |
| 240,000 | 0.07 | May 26,2024 |
| 440,000 | 0.07 | June 11,2024 |
| 400,000 | 0.07 | June 30,2024 |
| 640,000 | 0.07 | July 24,2024 |
| 80,000 | 0.07 | August 24, 2024 |
| 240,000 | 0.07 | September 9, 2020 |
| 105,600 | 0.07 | September 11, 2020 |
| 800,000 | 0.07 | September 24, 2020 |
| 174,400 | 0.07 | September 28, 2020 |

## 14. 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 “2017 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 2017 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 the end of the year following three (3) years from the date of grant.

At the Annual General and Special Meeting of the shareholders of the Company held on October 29, 2019 (the “2019 AGSM”), the Company sought and obtained the approval of the shareholders to amend the Option Plan (the “Amended Option Plan”) and the RSU Plan (the “Amended RSU Plan”, together with the Amended Option Plan, collectively the “Amended Plans”) from “fixed” plans to “rolling” plans, such that 10% of the issued and outstanding common shares of the Company will at all times be collectively reserved for issuance for the Amended Plans, divided such that 4% of the issued and outstanding common shares will be reserved under the Amended RSU Plan and 6% of the issued and outstanding common shares will be reserved for issuance under the Amended Stock Option Plan.

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%. These options expired on November 7, 2019.

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%. These options expired on January 12, 2021.

On June 5, 2020, the Company granted 5,450,000 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 June 5, 2023. The fair value of these stock options is determined to be $146,242 using the Black-Scholes option pricing model with the current assumptions of risk-free interest rate of 0.46%, expected life of 3 years, forfeiture rate of 0%, expected volatility of 124.02% and a dividend rate of 0%. These options expire on June 5, 2023.

(Expressed in Canadian dollars)

## 14. STOCK OPTIONS AND RESTRICTED SHARE UNITS (continued)

Continuity of the Company's option is as follows:

| | Number | Weighted Average exercise Price |
|---|---|---|
| **Balance January 31, 2019** | 10,240,000 | $0.17 |
| Expired -November 7, 2019 | (5,500,000) | $0.10 |
| **Balance January 31, 2020** | 4,740,000 | $0.25 |
| Expired -February 29, 2020[1] | (1,000,000) | $0.25 |
| Issued-June 5, 2020 | 5,450,000 | $0.10 |
| Canceled-October 31,2020 | (20,000) | $0.25 |
| Expired-November 30, 2020[1] | (125,000) | $0.10 |
| Expired- January 12, 2021 | (3,720,000) | $0.25 |
| **Balance January 31, 2021** | 5,325,000 | $0.10 |

*Options exercisable as at January 31, 2020 – 5,325,000

The above stock options have a weighted average remaining life of 2.34 years.

1) Options expired due to the termination of an employment agreement.

As at January 31, 2021, the Company had options outstanding enabling holders to acquire the following:

| Number of options | Exercise Price per Share($) | Expiry Date |
|---|---|---|
| 5,325,000 | 0.10 | June 5, 2023 |

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. On January 16, 2020, 1,500,000 RSUs vested as part of the amended vesting in connection with the termination of an employment agreement. Aside from these 1,500,000 RSUs, in January 2020, the Company and the remaining holders agreed to a second amendment to the vesting schedule of the outstanding RSU's. In April 2020, the Company and the remaining holders agreed to a third amendment to the vesting schedule of the Outstanding RSUs. On January 12, 2021, 3,250,000 RSUs were converted to common shares and Nil were outstanding at January 31, 2021 (2020-3,250,000) (See Note 12).

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 amendments of the vesting dates, the amount of fair value of RSUs should be recognized as at January 31, 2021was $973,750. For the nine months ended January 31, 2021 the Company recorded $156,230 (2020-$243,314) of expense related to the RSU's as management fees. As at January 31, 2021, 4,750,000 common

(Expressed in Canadian dollars)

## 14. STOCK OPTIONS AND RESTRICTED SHARE UNITS (continued)

shares of the Company were issued and outstanding in respect to the RSUs at a value of $973,750 based on fair value on the grant date.

## 15. RELATED PARTY TRANSACTIONS

Management compensation for the executive management/officers and directors during the nine months ended January 31, 2021 and 2020 are disclosed as below:

**9 months ended January 31, 2021**

| | | Consulting fees Paid | Gross Salaries Paid | Stock Options Shares Based Compensation | RSU Shares Based Compensation | Total |
|---|---|---|---|---|---|---|
| **Don Allan** | **CEO & Director** | **$ -** | **$ 186,923** | **$ 53,667** | **$ 144,212** | **$ 384,802** |
| **Shawn Frenette** | **CFO** | **$ 144,287** | **$ -** | **$ 2,683** | **$ -** | **$ 146,970** |
| **Chris Dovbniak** | **Director** | **$ -** | **$ -** | **$ 13,417** | **$ -** | **$ 13,417** |
| **Doug Mackenzie** | **Director** | **$ -** | **$ -** | **$ 13,417** | **$ -** | **$ 13,417** |
| **Mel Angeltvedt** | **Director** | **$ -** | **$ -** | **$ 13,417** | **$ -** | **$ 13,417** |
| **Robin Ray** | **Director** | **$ 1,500** | **$ -** | **$ 13,417** | **$ -** | **$ 14,917** |
| **Lionel Robins** | **Director** | **$ -** | **$ -** | **$ 6,708** | **$ -** | **$ 6,708** |
| | | **$ 145,787** | **$ 186,923** | **$ 116,726** | **$ 144,212** | **$ 593,648** |

| | | Consulting fees Paid | Gross Salaries Paid | Stock Options Shares Based Compensation | RSU Shares Based Compensation | Total |
|---|---|---|---|---|---|---|
| **Don Allan** | **CEO & Director** | **$ -** | **$ 249,231** | **$ -** | **$ 156,767** | **$ 405,998** |
| **Shannon Wyzykoski** | **CFO** | **$ 104,575** | **$ -** | **$ -** | **$ -** | **$ 104,575** |
| | | **$ 104,575** | **$ 249,231** | **$ -** | **$ 156,767** | **$ 510,573** |

Office expense of $2,819 (2020 - $1,704), salaries and benefits of $37,621 (2020 - $42,254), rent expense of $8,463 (2020 - $8,190) and telephone expense of $500 (2020 - $613) were charged back to 1888711 Alberta Inc., a company related by officers and directors. A balance of $151,415 (2020 $78,058) is owed by 1888711 Alberta Ltd. and is included in GST and Other receivable.

Marketing expense of $139,590 (2020-nil) were charged by Brand U Agency Inc., a corporation of which Lionel Robins, a director of the Company, is also a director as well as a shareholder. On September 23, 2020, the Company issued 1,575,000 common shares at a fair value of $110,250 using the closing trade price on the same date, to settle debt with Brand U Agency Inc, of $94,500 which resulted in a loss of $15,750 (Note 12).

(Expressed in Canadian dollars)

## 15. RELATED PARTY TRANSACTIONS (continued)

Construction costs of $100,856 (2020-nil) were charged with $Nil outstanding, by Loric Industrial Insulation Inc, a corporation of which Mel Angeltvedt, a director of the Company, has recently become a director as well as a shareholder. On September 23, 2020, the Company issued 1,000,230 common shares at a fair value of $70,016 using the closing trade price on the same date, to settle debt with Loric Industrial Insulation Inc, of $60,014, which resulted in a loss of $10,002 (Note 12). On November 20, 2020, the Company issued 458,850 common shares at a fair value of $39,002 using the closing trade price on the same date, to settle debt with Loric Industrial Insulation Inc, of $45,885, which resulted in a gain of $6,883 (Note 12).

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 January 31, 2021 outstanding to the CEO of the Company in the amount of $17,490 (2020 – $53,917). On January 4, 2021, 6,666,667 common shares were issued to the CEO for the conversion of 400 A Convertible  Debenture Units at a value of 400,000. On January 12, 2020 the Company issued 3,000,000 common shares as a result of vested RSUs issued on January 12, 2018 and fully vested on January 12, 2021 (see Note 12 & Note 14). In the year ending April 30, 2020, the Company issued 400 A Convertible Debenture Units (Note 10) and 40 C Convertible Debenture Units (Note 10) in exchange for a total of $440,000 of accounts payable and short-term loans owed to this person.

Accounts payable and accrued liabilities balances at January 31, 2021 outstanding to a company owned by the CFO in the amount of $35,432 (2020 - $66,202). In the year ending April 30, 2020, the Company issued 30 A Convertible Debenture Units (Note 10), 15 B Convertible Debenture Units (Note 10) and 70 Convertible Debenture Units (Note 10) in exchange for a total of $115,000 of accounts payable owed to this company.

Also, refer to Notes 9, 12, 13 and 14 for other related party transactions.

## 16. COMMITMENTS

Pursuant to the termination of an executive employment agreement in the year ended April 30, 2020, the Company’s future minimum operating cost payments as at January 31, 2021 are as follows:

| | |
|---|---|
| 2021 | $ 120,000 |
| 2022 | 71,538 |
| | $ 191,538 |

## 17. 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 raises additional funds through equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator. The Company has changed its approach in managing its capital during the nine months ending January 31, 2021. The Company has been working with multiple finance companies to obtain debt financing for future expansions and new refineries. See also Note 21 (Subsequent Events).

## 18. 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, convertible debentures and lease liability 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 January 31, 2021, the Company had cash balance of $265,998 and working capital deficit of $3,888,975. 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 January 31, 2021 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.

(Expressed in Canadian dollars)

## 18. FINANCIAL INSTRUMENTS (continued)

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.

The following is an analysis of the Company's financial assets measured at fair value as at January 31,2021 and 2020:

| | As at January 31, 2021 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| | $ | $ | $ |
| Cash | 265,998 | - | - |

| | As at January 31, 2020 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| | $ | $ | $ |
| Cash | 160,525 | - | - |

## 19. 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.

(Expressed in Canadian dollars)

## 20. LEASE LIABILITY

The Company also recognized lease liability as a result of adoption of IFRS 16 on a lease of office premise and recognized a lease liability from the lease. The present value of the lease and the accretion expenses are calculated using an incremental borrowing discount rate of 15%. A total recognition of lease liability of $213,919 was made on May 1, 2019 (See Note 3) with an adjustment for payments and accretion expense or reduction to retained earnings that would be recognized on the same date for $33,192.

| | January 31, 2021 | January 31, 2020 |
|---|---|---|
| **Lease liability** | $ | $ |
| Balance as at May 1 | 188,262 | 213,919 |
| Payment on the lease | (42,021) | (41,461) |
| Accretion expense on the lease | 19,566 | 22,630 |
| Balance as at January 31, | 165,807 | 195,088 |

The following table presents a reconciliation of the Company's undiscounted cash flows to their present value for its lease payable as at January 31, 2021:

| | $ |
|---|---|
| Within 1 year | 57,022 |
| Between 1 year and 2 years | 58,163 |
| Over 2 years | 99,401 |
| Total undiscounted cashflow | 214,587 |
| **Less:** | |
| Accretion | (48,780) |
| **Total discounted amount as at January 31, 2021** | 165,807 |

## 21. SUBSEQUENT EVENTS

On February 18, 2021 the Company the acceleration of the term of 39,400,215 warrants (the "Accelerated Warrants") of which 17,767,500 had been exercised as at such date. The Accelerated Warrants were issued between March 27, 2020 and September 28, 2020 and had a term of 48 months from the date of issuance (the "Warrant Term"), subject to Cielo's right to accelerate the Warrant Term by providing 30 days notice to holders of the Accelerated Warrants in the event that the common shares of Cielo trade at C$0.15 or higher for at least five (5) consecutive trading days. The market price of Cielo's common shares closed at or above $0.15 for the five (5) days leading up to and including February 12, 2021.

On February 23,2021 the Company announced its first significant sale of renewable fuels with a purchase commitment for 900,000 litres (238,000 gallons) of renewable diesel (the "Purchased Fuel") at CAD$1.67/litre for an aggregate purchase price of CAD $1,500,000 (the "Aggregate Purchase Price"). The purchaser (the "Purchaser") will also have an option to purchase another 600,000 litres (159,000 gallons) of renewable diesel at the same price of CAD $1.67/litre for a period of 6 months. The Company issued 3,750,000 share purchase warrants (the "Warrants") to the third party who brokered the purchase and sale (the "Broker"). The Warrants are exercisable at $0.135 for a period of 24 months, subject to acceleration at the option of the Company, whereby the term of the Warrants may be reduced to 30 days following notice to the Purchaser. The Company

**21. SUBSEQUENT EVENTS (**continued)

will be entitled to accelerate the term of the Warrants in the event that the closing price of the Company's common shares is $0.25 per share or higher for a period of at least 10 consecutive trading days. The Broker will also receive a 5% cash commission.

On March 3, 2021 the Company announced that it had entered into a binding letter of intent to obtain from one or more lenders, a non-interest unsecured convertible loan of CDN$10 Million (the "Loan"). The net proceeds of the Loan will be used to purchase a site near Edmonton, Alberta, which will be used for Cielo's planned 100% owned facility. The Loan is non-interest bearing and unsecured with a term of 12 months (the "Term"). Cielo will be entitled to repay the Loan at any time during the Term without penalty. During the Term, until maturity or such early repayment, the Lender(s) will be entitled to convert the Loan at CDN$1.02 per share. The Loan is also subject to transaction fees equal to CDN$700,000 and Cielo will also pay a cash commission to a third party equal to CDN$800,000. The amount of the Loan was increased to CDN$14 Million, as announced on March 15, 2021. The additional CDN $4 Million (the "Additional Loan Amount") is convertible at $1.25 per share for the Term and is otherwise subject to the same terms and conditions as the initial principal amount of the Loan. Corresponding transaction fees and cash commission increased by CDN $280,000 and CDN $320,000 respectively.

On March 17, 2021, the Company announced the repayment of BJK Holdings Ltd. ("BJK"), Cielo's largest secured lender. Cielo repaid the loan in full by making one or more payments in aggregate of CDN $3,780,250. During the month of March 2021, BJK exercises 30,000,000 of its warrants for gross proceeds of CDN $3,151,000, at adjusted exercises prices of $0.1093 for 10,000,000 shares and $0.1029 for 20,000,000 shares. As at the date hereof, BJK has 17,977,035 warrants remaining, each exercisable at $0.1029 until expiration on March 16, 2022.

On March 9, 2021, the Company announced that it had entered into a Memorandum of Understanding (the "MOU") with Renewable U Energy Inc. to build three facilities in the new territories that encompass Winnipeg, Manitoba, Kamloops, British Columbia and a high-volume location (TBD) in the United States. The Company has received CDN $750,000 plus GST in aggregate as fees in connection with the MOU. The Company also announced that the Renewable U Group had acquired Seymour Capital Inc. to form one entity or group of entities with which Cielo intends to enter into previously announced joint venture agreements.

Between February 1, 2021 and March 25, 2021, Cielo issued 74,735,899 common shares pursuant to the conversion of issued and outstanding convertible debentures, issuing: 30,880,000 common shares at $0.05 per share for an aggregate of CDN $1,544,000; 28,899,999 common shares at $0.06 per share for an aggregate of CDN $1,734,000; 7,587,500 common shares at $0.08 per share for an aggregate of CDN $607,000; and 7,368,400 common shares at $0.10 per share for an aggregate of CDN $736,840.

Between February 1, 2021 and March 25, 2021, in addition to the shares issued to BJK pursuant to the exercise of its warrants, Cielo issued 54,011,100 common shares pursuant to the exercise of issued and outstanding warrants, issuing: 39,400,215 common shares at $0.07 per share for an aggregate of CDN $2,758,016; 2,570,000 common shares at $0.10 per share for an aggregate of $257,000; 3,895,080 common shares at $0.12 per share for an aggregate of CDN $467,410; 5,529,805 common shares at $0.20 per share for an aggregate of CDN $1,105,961; and 2,616,000 common shares at $0.25 per share for an aggregate of CDN $654,000, for aggregate gross proceeds from the exercise of warrants of $5,242,387.

Between February 1, 2021 and March 25, 2021, Cielo issued 3,830,000 common shares pursuant to the exercise of options at an exercise price of $0.10 for an aggregate of $383,000.

## 21. SUBSEQUENT EVENTS (continued)

On March 24, 2021, the Company entered into an agreement with Investor Cubed Inc. for investor relations and shareholder communications services. The agreement provides for a 12 month term and a monthly fee of $7,000. In addition, the Company granted 500,000 options, exercisable for one year at an exercise price of $1.25, vesting 25% quarterly, beginning on the date of grant.