

LOAN AGREEMENT

among

**CIELO WASTE SOLUTIONS CORP.,
as borrower**

**1888711 ALBERTA INC.,
as guarantor**

**THE OTHER GUARANTORS FROM TIME TO TIME
PARTY HERETO**

and

***NAME REDACTED*
as lender**

November 2, 2017

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LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended or otherwise modified from time to time, the "**Agreement**") is made effective as of the 2nd day of November, 2017 by and among Cielo Waste Solutions Corp., a corporation existing under the laws of British Columbia, as borrower (the "**Borrower**"), 1888711 Alberta Inc., a corporation existing under the laws of Alberta, as guarantor (the "**Initial Guarantor**"), the other guarantors from time to time party hereto, and *Name Redacted* (the "**Lender**").

RECITALS

WHEREAS the Borrower has requested that the Lender make Loans to it from time to time in the aggregate principal amount of up to \$3,500,000.00;

AND WHEREAS the Lender is willing to make the Loans available to the Borrower based on the representations, warranties, covenants, terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, the parties agree as follows:

1. Definitions

In this Agreement, including in the recitals hereto, the following terms have the following meanings:

"**188 License Agreement**" means that certain amended and restated license agreement dated as of November 1, 2017, amending and restating the license agreement dated as of June 14, 2016, in each case between the Borrower and the Initial Guarantor.

"**Aldersyde Property**" has the meaning given thereto in Section 2(d)(i).

"**Applicable Law**" means, at any time, with respect to any Person, property, transaction, event or other matter, as applicable, all laws, rules, statutes, regulations, treaties, orders, judgments and decrees, and all official requests, directives, rules, guidelines, orders, policies, practices and other requirements of any Governmental Authority (including any nationally recognized stock exchange on which securities of the Borrower are listed for trading) relating or applicable at such time to such Person, property, transaction, event or other matter, and shall also include any interpretation thereof by any Person having jurisdiction over it or charged with its administration or interpretation.

"**Assignment of Rents and Leases**" has the meaning given thereto in Section 7(a)(vi)(C).

"**Availability Period**" means the period commencing on (and including) the date all conditions set forth in Section 7(a) are satisfied or waived by the Lender and expiring on the earlier of: (i) September 30, 2018; and (ii) the date on which the full amount of the Commitment has been drawn by the Borrower.

"**Blue Horizon Debt**" means the aggregate Indebtedness owed by the Borrower to Blue Horizon Energy Inc. and Blue Horizon Industries Inc. in the principal amount of up to \$205,000.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in Calgary, Alberta are required or authorized to be closed or are in fact closed.

"Canadian Dollars" and "\$" mean the lawful money of Canada.

"Capital Expenditures" means, for any period, any expenditure made by any Person for the purchase, lease, license, erection, development, improvement, construction, repair or replacement of capital assets, and any expenditure pursuant to a Capital Lease or any other expenditure required to be capitalized, all as determined in accordance with IFRS.

"Capital Lease" means any leasing or similar arrangement which would be classified as a financial or capital lease in conformity with IFRS, and, for purposes of this Agreement and each other Loan Document, the amount of the lessee's obligations shall be the capitalized amount thereof, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Change of Control" means the occurrence of any event pursuant to which any Person (or any group of such Persons acting in concert) acquires control of the Borrower or any other Loan Party. For purposes of this definition, "control" means, with respect to any Person:

- (a) the power (whether by way of ownership of equity securities, proxy, contract, agency or otherwise) to (i) cast, or control the casting of, more than 50% of votes eligible to be cast at a duly called general meeting of that Person's shareholders, members, partners or governing body, as applicable, (ii) appoint or remove a majority of the members of the governing body of that Person, or (iii) give directions with respect to the operating and financial policies of that Person with which the directors, managers and officers of that Person are obliged to comply; or
- (b) beneficially owning or holding more than 50% of the issued equity securities of that Person (excluding from the denominator of that calculation any equity securities that carry no right to participate beyond a specified amount in a distribution of either profits or capital),

and "acting in concert" means, a group of Persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate, through the acquisition of equity securities in another Person by any of them, either directly or indirectly, to obtain or consolidate control over such other Person.

"Collateral" means the assets described in and subject to the Security Interest, privileges and priorities created or purported to be created by any Security Document.

"Commitment" means \$3,500,000.00.

"Compliance Certificate" has the meaning given thereto in Section 11(h).

"Convertible Debenture Holders" means each holder of a convertible debenture issued in connection with the issuances of convertible debentures referred to in Section 10(j)(ii)(that have not already converted their respective debt into equity of the Borrower).

"Default" means any condition or event that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Drawdown Date" means the date on which a Loan under this Agreement is or is to be made utilizing the Undrawn Commitment.

"Drawdown Notice" means a notice substantially in the form annexed hereto as Exhibit A to be given to the Lender by the Borrower pursuant to Section 2(b).

"Engineering Plans" means the engineering plans in respect of the Pilot Plant, produced by Ghossein & Facey (G&F) Engineering Consultants Inc. and dated October 19, 2017.

"Environmental Laws" means all Applicable Laws with respect to the environment or environmental or public health and safety matters contained in statutes, regulations, rules, ordinances, orders, judgments, approvals, notices, permits or policies, guidelines or directives having the force of law.

"Excluded Taxes" means all taxes on, based on, measured by or with respect to a Lender's net or gross income, gains, capital, receipts, franchises, excess profits or conduct of business that are taxes imposed in a jurisdiction as a consequence of such Lender carrying on a trade or business or having a permanent establishment in that jurisdiction or otherwise being organized under the laws of or being a resident in that jurisdiction.

"Event of Default" has the meaning given thereto in Section 12.

"Financial Assistance" means providing or agreeing to provide (either directly or indirectly) financial assistance to any Person including, without limitation, financial assistance by way of a loan, guarantee, loan purchase, share purchase, equity contribution or any credit support arrangement of any nature whatsoever, the purpose of which is to assure payment to the holder of any liabilities of such Person.

"Force Majeure" means any of the following events which prevents or materially impairs the construction or operation of the Pilot Plant: acts of God, earthquakes, landslides, windstorms, severe weather conditions, floods, explosions, fires, vandalism, wars (whether declared or not), armed conflicts (whether internal or international), riots, insurrections, rebellions, civil commotions, sabotage, blockades, embargoes, epidemics, strikes or other labour disruptions, or any other event or cause, whether similar or dissimilar to the foregoing, beyond the control of the Loan Parties and which the Loan Parties could not reasonably have protected themselves against taking all steps.

"Guarantors" means the Initial Guarantor and any Subsidiary of the Borrower formed or acquired during the period from the date hereof to the Maturity Date.

"Governmental Authority" means the government of any federal, provincial, municipal or other political subdivision in which the Loan Parties and their offices, operations, property or assets are located, and any other government or political subdivision thereof exercising jurisdiction over the Loan Parties or their offices, operations, property or assets, including all agencies and instrumentalities of such governments and political subdivisions.

"Hazardous Materials" means any substance or mixture of substances which, if released into the environment, would likely cause, immediately or at some future time, harm, degradation or

adverse effect to the environment or to human health or safety or property and includes, but is not limited to, any substances defined as or determined to be a pollutant, contaminant, waste, hazardous waste, hazardous chemical, hazardous substance, toxic substance, deleterious substance, dangerous good or other similarly designated harmful substance under any Environmental Law.

"**IFRS**" means the International Financial Reporting Standards adopted by the International Accounting Standards Board from time to time.

"**Intellectual Property**" means

- (a) all trademarks and rights and interests which are capable of being protected as trademarks (including trademarks, service marks, certification marks, designs, logos, indicia, tradenames, corporate names, company names, business names, fictitious business names, trade styles, and other source or business identifiers, and applications pertaining thereto), Licenses in respect thereof and rights to register, renew and extend such trademarks and trademark rights and any and all copyrights in such trademarks;
- (b) all patents, patent applications, industrial designs and industrial design applications, including all reissues, divisions and continuations in part, Licenses in respect thereof, foreign filing rights, and rights to register, renew and extend such rights;
- (c) all trademarks, trademark registrations and pending applications and all Licenses in respect thereof;
- (d) all patentable and unpatentable inventions and all industrial designs; and
- (e) all copyrights, copyright applications, copyright registrations, know-how, trade secrets, technical processes, recipes and formulae and Licenses in respect thereof.

"**Indebtedness**" of a Person means, at any time, all obligations of such Person which in accordance with IFRS should be classified upon a balance sheet of such Person as liabilities of such Person, and in any event includes:

- (a) all obligations of such Person for borrowed money or with respect to advances made to such Person of any kind, whether or not evidenced by bonds, debentures, notes or similar instruments;
- (b) all obligations of such Person under conditional sale or other title retention agreements;
- (c) all obligations of such Person under Capital Leases and Purchase Money Mortgages;
- (d) all indebtedness of such Person for the deferred purchase price of property or services, other than trade indebtedness on commercially reasonable terms (not exceeding 90 days) accounted for as accounts payable or deferred revenue;
- (e) all guarantees, indemnities, assurance, legally binding comfort letters or other contingent obligations by such Person relating to Indebtedness with the amount thereof quantified as the amount of liability which would reasonably be anticipated by such Person to be assumed by such Person;

- (f) obligations of such Person to deliver goods or provide services that have been paid for in advance by a financier, or that relate to a financing transaction;
- (g) all obligations of others secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby has been assumed;
- (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guarantee or in respect of bankers' acceptances;
- (i) the amount for which any shares in the capital of any such Person that is a corporation may be redeemed if the holders of such shares are entitled at such time to require such Person to redeem such shares, or if such Person is otherwise obligated at such time to redeem such shares, in each case whether on notice or otherwise;
- (j) all obligations under the Loan Documents and any hedge agreements; and
- (k) all other obligations upon which interest charges are customarily paid by such Person.

"Interest Rate" has the meaning given thereto in Section 3(a).

"Investment" means the acquisition of any beneficial ownership (including stock, partnership interests, limited partnership interests and other securities) of any Person, or any loan, advance or capital contribution to any Person.

"Joinder Agreement" means a joinder agreement substantially in the form attached hereto as Exhibit B.

"Licenses" means any and all licenses, sub-licenses, leases, sub-leases, agreements to license or sub-license or lease or sub-lease, rights of use or control (whether as licensee or licensor or lessee or lessor and whether exclusive or nonexclusive) in respect of or in connection with the acquisition, ownership or use of Intellectual Property, together in each case with any amendments, supplements, modifications, extensions, renewals or replacements thereof, and **"License"** means any one of them.

"Lien" means: (a) any interest in property securing an obligation owed to, or a claim by, a Person, whether such interest is based on the common law, statute or contract, and includes a security interest, hypothec, prior claim, charge, claim or lien arising from a mortgage, deed of trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement, agreement, security agreement, conditional sale or trust receipt; and (b) any interest under a lease, consignment or bailment.

"Loan Documents" means, collectively, this Agreement, the Security Documents, any Subordination Agreement, the Warrants, the Nomination Rights Agreement and any document or agreement entered into or provided under or in connection with any of the foregoing by any Loan Party, as any of the foregoing may be amended, modified, supplemented, extended or restated from time to time in accordance with their respective terms.

"Loan Parties" means, collectively, the Borrower and the Guarantors and **"Loan Party"** means each one of them.

"Loans" has the meaning given thereto in Section 2(a).

"Material Adverse Effect" means: (a) a material adverse effect upon the operations, business, assets or financial condition of any Loan Party; (b) a material impairment of the ability of any Loan Party to perform its obligations under any Loan Document; (c) a material adverse effect upon the rights and remedies of the Lender under any of the Loan Documents; or (d) a material adverse effect on the value of the Collateral taken as a whole, the Lender's Liens on the Collateral or the perfection or priority of the Liens provided for in the Security Documents.

"Material Contract" means all contracts, agreements, permits and licenses (i) where the failure of such Material Contract to be executed, issued or held, or the breach or non-performance of the terms and conditions of such Material Contract, would constitute, or could reasonably be expected to constitute, a Material Adverse Event, including the Material Contracts listed in Schedule 1.1 attached hereto and (ii) where the contractual obligation incurred under such contracts and agreement exceeds \$250,000.

"Maturity Date" means June 1, 2022.

"Mortgage" has the meaning given thereto in Section 7(a)(vi)(B).

"Nomination Rights Agreement" means made as of November 2, 2017 between the Borrower and the Lender.

"Patent Security Agreement" has the meaning given thereto in Section 7(a)(vi)(H).

"Permitted Indebtedness" means any of the following:

- (a) Indebtedness under this agreement and the other Loan Documents;
- (b) Indebtedness of any Loan Party comprised of amounts owed to trade creditors considered unsecured obligations and accruals in the ordinary course of business, in each case outstanding less than 90 days;
- (c) the Blue Horizon Debt;
- (d) any Subordinate Debt; and
- (e) Indebtedness under Capital Leases and Purchase Money Mortgages (i) listed on Schedule 1.2 attached hereto as of the date of this Agreement or (ii) entered into by the Borrower and any other Loan Party in the ordinary course of business; provided that the aggregate of such Indebtedness for the Loan Parties together does not exceed \$500,000 (or its equivalent in one or more currencies) at any time and from time to time.

"Permitted Liens" means:

- (a) Liens for taxes, assessments, charges or other governmental levies not delinquent or statutory Liens for taxes, assessments, charges or other governmental levies not delinquent;
- (b) Liens securing the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords, repairmen, possessors or operators or construction Liens or

other similar Liens incurred in each case in the ordinary course of business and not delinquent;

- (c) Liens in the nature of statutory reservations, exceptions, zoning restrictions, encroachments, easements, rights of way, covenants running with the land and other similar title exceptions or encumbrances affecting any real property which do not adversely affect indefeasibility of title;
- (d) the interest or title of a lessor under any lease of assets entered into by any Loan Party in the ordinary course of its business and covering only the assets so leased;
- (e) any Lien in favour of the Lender; and
- (f) any Lien consented to by the Lender (including, for certainty, Liens related to Subordinate Debt).

"Person" means any natural person, sole proprietorship, corporation, limited liability company, trust, joint venture, syndicate, body corporate (with or without share capital), unincorporated association, company, partnership, limited partnership, Governmental Authority or other entity, and, where the context requires, includes an individual or body corporate acting as trustee, executor, administrator or other legal representative.

"Pilot Plant" means the refinery for converting commercial waste to diesel to be constructed on the Borrower's Aldersyde Property.

"Practical Completion Date" means the achievement of the following criteria:

- (a) the physical facilities, equipment and infrastructure for the Pilot Plant have been constructed and installed and have become operational to the satisfaction of the Borrower and the Lender;
- (b) all warranties, guarantees and operating manuals (as applicable) for the Pilot Plant have been provided to the Borrower to its satisfaction, and all spare and critical parts contracted for delivery by the relevant contractor in connection with the Pilot Plant have been delivered to the Borrower or a future definitive delivery date in respect of the same has been agreed to; and
- (c) the Borrower has paid (or caused to be paid) all amounts due and owing to contractors, trades and other Persons providing goods and services to the Pilot Plant, except for such amounts as shall be contested by the Borrower or another Loan Party in good faith and by appropriate proceedings and for which adequate reserves have been maintained.

"Principal Amount Outstanding" means, at the relevant time, the aggregate principal amount of all outstanding Loans advanced under this Agreement.

"Purchase Money Mortgage" means any Lien given (whether or not to the transferor), assumed or arising by operation of law to provide or secure or to provide the obligor with funds to pay the whole or any part of the consideration for the acquisition or costs of construction of property where:

- (a) the principal amount of such Lien is not in excess of the cost to the obligor of the property encumbered thereby;
- (b) such Lien was created prior to, at the time of or within 60 days after the acquisition, completion of construction or commencement of full operation of such property; and
- (c) such Lien is secured only by the property being acquired by the obligor and proceeds thereof;

and includes the renewal, extension or refinancing of any such Lien and of the indebtedness represented thereby upon the same property; provided that the indebtedness secured thereby and the security therefor are not increased thereby.

"Secured Obligations" means all debts, liabilities and obligations of the Loan Parties to the Lender (in any capacity) under or by reason of:

- (a) any Loan Document; or
- (b) any other transaction, matter or event associated with any Loan Document,

and includes any debts, liabilities or obligations which:

- (c) are liquidated or unliquidated;
- (d) are present, prospective or contingent;
- (e) are in existence before or come into existence upon or after the date of this agreement;
- (f) relate to the payment of money or the performance or omission of any act associated with any Loan Document; or
- (g) accrue as a result of any Event of Default;

and irrespective of:

- (h) whether the Loan Party is liable or obligated solely, or jointly or jointly and severally with another Person;
- (i) the circumstances in which the Lender comes to be owed each liability or obligation and in which each liability or obligation comes to be secured by this agreement, including any assignment of any liability or obligation or of this agreement; or
- (j) the capacity in which the Loan Party comes to owe, or the Lender comes to be owed, such liability or obligation.

"Security Documents" has the meaning given thereto in Section 7(a)(vi).

"Security Interest" means the security interests and charges of the Lender under the Security Documents.

"Set-up Fee" means a non-refundable fee in the amount of *AMOUNT REDACTED* due from the Borrower to the Lender at the time the initial Loan is provided by the Lender to the Borrower.

"Subordinate Debt" means Indebtedness of any Loan Party which is on terms and conditions (including terms and conditions with respect to cross default, acceleration, events of default and maturity date) satisfactory to the Lender, in its sole discretion (but, for certainty, terms and conditions for such Indebtedness which have been previously approved by the Lender hereunder shall be deemed to be approved for subsequent issuances of such Indebtedness on the same terms and conditions), and which is fully subordinated and postponed to the Secured Obligations (including a subordination of any Lien granted in connection therewith), and is subject to a Subordination Agreement.

"Subordination Agreement" means a subordination and postponement agreement substantially in the form attached hereto as Exhibit C.

"Subsidiary" of any Person means any entity of which more than 50% of the issued and outstanding equity securities having ordinary voting power to elect a majority of the directors of such entity is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Undrawn Commitment" means, at the relevant time, the Commitment less the Principal Amount Outstanding at that time.

"Warrants" means, collectively, the warrants to acquire up to 25,000,000 shares in the capital of the Borrower at an exercise price of \$0.20 per share (subject to any adjustment for any dilutive equity transactions during the terms of such warrants).

"Work Fee" means a non-refundable fee in the amount of *AMOUNT REDACTED*, paid by the Borrower to the Lender prior to the effectiveness of this Agreement.

1.2 Interpretation

In this Agreement:

- (a) **Headings and Cross-References** – Headings of Articles and Sections are inserted for convenience of reference only and will not affect the construction or interpretation of this Agreement. References to "**Articles**" or "**Sections**" means the specified Articles or Sections of this Agreement.
- (b) **Including** – Where the word "**including**" or "**includes**" is used in this Agreement, it means "**including (or includes) without limitation**".
- (c) **Number and Gender** – In this Agreement, unless the context otherwise requires, words importing the singular number include the plural and vice versa. Words importing the use of any gender includes all genders, including the neutral gender "**it**".
- (d) **References** – A reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, restates, supplements or supersedes any such statute or any such regulation or, in

each case, any provision thereof. A reference to this Agreement or any other agreement or document includes all schedules, amendments, supplements, modifications, extensions, renewals, novations or restatements thereto or thereof from time to time.

- (e) **Time** – Time is of the essence with respect to this Agreement and the time for performance of the obligations of the Loan Parties under this Agreement may be strictly enforced by the Lender.

2. **Loan Facility**

- (a) **Loans and Availability.** Subject to the terms and conditions set out herein, the Lender will, from time to time during the Availability Period, make one or more loans to the Borrower (each a "Loan" and collectively, the "Loans") in the aggregate principal amount of up to the Commitment. Any undrawn portion of the Commitment shall be cancelled upon the expiry of the Availability Period.
- (b) **Drawdown Notices for Loans.** The Borrower may request a Loan by delivering an irrevocable Drawdown Notice to the Lender not later than 2:00 p.m. (Calgary, Alberta time) five (5) Business Days prior to the date of the proposed advance. The Loans requested by the Borrower from the Lender shall be in a minimum principal amount of \$50,000. The Drawdown Notice shall:
 - (i) specify the requested Drawdown Date, which Drawdown Date must be a Business Day during the Availability Period;
 - (i) specify (x) the amount of the proposed Loan in Canadian Dollars; and (y) the bank account to which the proceeds of the Loan are to be paid;
 - (ii) in the case of a Loan for the purpose of making the payments contemplated by Section 2(d)(iv) below:
 - (A) detail the estimated Practical Completion Date;
 - (B) detail the estimated costs for the relevant work to be done in connection with the construction of the Pilot Plant necessitating the request for the Loan, with all invoices for such work being appended to the Drawdown Notice (with such work to be based upon the Engineering Plans); and
 - (C) confirm that the amount of the requested Loan does not exceed the Undrawn Commitment.
- (c) **Limit:** The Borrower shall not be entitled to give a Drawdown Notice requesting a Loan, and the Lender shall have no obligation to comply with any request contained in a Drawdown Notice requesting a Loan, if the provision of such Loan by the Lender would result in the Principal Amount Outstanding exceeding the Commitment.
- (d) **Purpose.** The Borrower shall use the Loans for the purpose of:
 - (i) paying out all outstanding indebtedness of the Borrower owed to XR Resources Inc. (which such amounts are secured by a \$1,500,000 mortgage (the "**XR Mortgage**") dated April 13, 2017 granted by the Borrower in favour of XR

Resources Inc. and registered as instrument number 171 103 803 on title number 171 103 802 (for the lands legally described as Lot 26 Plan 9812255, the "**Aldersyde Property**")), and discharging all Liens associated with such indebtedness, including the XR Mortgage;

- (ii) paying out all outstanding indebtedness of the Borrower owed to FS Business Enterprises Inc. incurred in connection with the early stage development of the Pilot Plant, and discharging all Liens associated with such indebtedness;
- (iii) (a) paying the balance of any fees and costs of the Lender (including legal fees) incurred in connection with the effectiveness of this Agreement, not already covered by the Work Fee and the Set Up Fee and (b) paying the fees and costs of the Borrower in connection with the effectiveness of this Agreement; and
- (iv) paying costs associated with the construction of the Pilot Plant.

3. **Interest**

- (a) **Accrue Daily.** Interest shall accrue daily on each Loan at the rate of twelve percent (12%) per annum, calculated on the basis of the actual number of days elapsed over a year of 360 days (the "**Interest Rate**"). Interest shall be payable on the Principal Amount Outstanding, monthly in arrears, on the first day of each month, commencing, for certainty, on the first day of the first month after the first Drawdown Date. For certainty, commencing on October 1, 2018, the Borrower shall make blended payments of principal and interest in accordance with Section 4(a).
- (b) **Interest Act.** Each interest rate which is calculated hereunder on any basis other than a full calendar year (the "**deemed interest period**") is, for the purposes of the *Interest Act* (Canada), equivalent to a yearly rate calculated by dividing such interest rate by the actual number of days in the deemed interest period, then multiplying such result by the actual number of days in the calendar year. All interest hereunder will be calculated using the nominal rate method, and not the effective rate method, and the deemed reinvestment principle shall not apply to any such calculations.
- (c) **Loan Party Waiver.** The Loan Parties hereby waive, to the fullest extent they may do so under Applicable Law, any provisions of Applicable Law, including specifically the *Judgment Interest Act* (Alberta), which may be inconsistent with this Agreement.
- (d) **Criminal Code.** In no event shall the aggregate "interest" (as defined in Section 347 (the "**Criminal Code Section**") of the *Criminal Code* (Canada)) payable to the Lender under any Loan Document exceed the effective annual rate of interest lawfully permitted under the Criminal Code Section. Further, if any payment, collection or demand pursuant to the Loan Documents in respect of such "interest" is determined to be contrary to the provisions of the Criminal Code Section, such payment, collection, or demand shall be deemed to have been made by mutual mistake of the Lender and the Loan Parties and such "interest" shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in the receipt by the applicable Lender of interest at a rate not in contravention of the Criminal Code Section.

4. Repayment/Prepayment

- (a) **Repayment.** The Loans shall mature and become due and payable, and shall be repaid by Borrower on or prior to the Maturity Date. The Borrower shall repay the outstanding principal of and accrued and unpaid interest on the Loans to the Lender in equal monthly payments of \$100,000 on the first day of each month during the term of this Agreement, commencing October 1, 2018 and ending on the earlier of (i) the date that all amounts due and owing to the Lender under any Loan Document are indefeasibly paid in full and (ii) the Maturity Date. For certainty, the final payment of the Loans shall be an amount sufficient to discharge in full all unpaid principal, all accrued and unpaid interest and all other amounts due and owing to the Lender under the Loan Documents in respect of the Loans.
- (b) **Voluntary Prepayment.** No voluntary prepayments of the Loans are permitted until September 30, 2018. On or after October 1, 2018, unless an Event of Default has occurred and is continuing, the Borrower shall have the right at its option to prepay at any time the whole or any part of the Loans upon payment of the principal amount to be prepaid and unpaid interest accrued thereon to the date fixed by the Borrower for prepayment of such amount. The Borrower shall give the Lender notice of any prepayment no later than 2:00 p.m. (Calgary, Alberta time) five (5) Business Days before such prepayment. Each such notice of prepayment shall specify (i) the date such prepayment is to be made and (ii) the amount to be prepaid. Unless the Lender agrees otherwise, a voluntary prepayment of part of the Principal Amount Outstanding may only be made in a principal amount of a minimum of \$100,000 and multiples of \$100,000 in excess of that amount.
- (c) **Mandatory Prepayment.** Unless the Lender agrees otherwise, in the event of the occurrence of any of the following, the Borrower shall pay the cash proceeds (net of reasonable, *bona fide* transaction fees, costs and expenses) to the Lender within five (5) Business Days of receipt of such proceeds as repayment of all or a portion of the amounts owing and outstanding under the Loan Documents:
 - (i) any asset sale, transfer or other disposition by any Loan Party, in an amount in excess of \$20,000; and
 - (ii) any issuance of any debt (including convertible debentures) by any Loan Party.
- (d) **No Redrawings.** Any portion of any Loan that is prepaid or repaid in accordance with Section 4(a), Section 4(b) or Section 4(c) may not be re-borrowed.
- (e) **Notices Irrevocable.** Any notice given by the Borrower under this Section 4 or under Section 2 is irrevocable and effective from the time of its actual receipt in legible form by the Lender, and the Borrower shall borrow or prepay in accordance with it.

5. Payments by the Borrower

- (a) **Manner of Payment.** All payments due to the Lender under the Loan Documents shall be made directly to the Lender per the instructions of the Lender provided to the Borrower in connection with the Loan Documents. A payment shall not be deemed to have been made on any day unless such payment has been received by the Lender, at the

required place of payment, in funds immediately available to the Lender, no later than 1:00 p.m. (Calgary, Alberta time) on such day.

- (b) **Appropriation of Payments.** Any amounts received by the Lender (including the amounts contemplated by Section 4(a) above) will be appropriated as between principal, interest and other amounts as the Lender determines. This appropriation will override any appropriation made by any Loan Party. Without limitation, the Lender may appropriate amounts received first in payment of amounts payable to it by way of indemnity or reimbursement.
- (c) **Non-Business Day.** Whenever any payment to the Lender under a Loan Document would otherwise be due (except by reason of acceleration) on a day that is not a Business Day, such payment shall instead be due on the next succeeding Business Day. If the date any payment under a Loan Document is due is extended (whether by operation of such Loan Document, Applicable Law or otherwise), such payment shall bear interest for such extended time at the rate of interest applicable hereunder.
- (d) **Lender's Record.** Each Loan and the Borrower's obligation to repay that Loan with interest in accordance with the terms of this Agreement shall be evidenced by this Agreement and the records of the Lender. The records of the Lender shall be *prima facie* evidence of the Loans and accrued interest thereon and of all payments made in respect thereof.

6. Payments Clear of Taxes

- (a) **No Deductions; Indemnity.** Any and all payments by the Loan Parties to the Lender under the Loan Documents shall be made free and clear of, and without deduction or withholding for or on account of, any and all present or future Taxes and all liabilities with respect thereto imposed, levied, collected, withheld or assessed by any Governmental Authority (and, for greater certainty, nothing in this Section 6 shall make a Loan Party liable for any Excluded Taxes). The Loan Parties shall indemnify and hold harmless the Lender for the full amount of all of the foregoing Taxes or other amounts paid or payable by the Lender and any liability (including penalties, interest, additions to tax and reasonable out-of-pocket expenses) resulting therefrom or with respect thereto which arise from any payment made under or pursuant to a Loan Document.
- (b) **Reimbursement.** If a Loan Party shall be required by Applicable Law to deduct or withhold any Taxes other than Excluded Taxes from any payment or other amount required to be paid to a Lender under a Loan Document, or if any liability therefor shall be imposed or shall arise from or in respect of any sum payable hereunder, then the sum payable to such Lender under such Loan Document shall be increased as may be necessary so that after making all required deductions, withholdings, and additional payments attributable thereto (including deductions, withholdings or Taxes other than Excluded Taxes payable for additional sums payable under this provision) the Lender receives an amount equal to the amount it would have received had no such deductions or withholdings been made or if such additional Taxes other than Excluded Taxes had not been imposed; in addition, the applicable Loan Party shall pay the full amount deducted or withheld for such Taxes other than Excluded Taxes to the relevant taxation authority or other authority in accordance with Applicable Law, such payment to be made (if the liability is imposed on such Loan Party) for its own account or (if the liability is imposed on the Lender) on behalf of and in the name of the Lender. If the liability is imposed on

the Lender, the applicable Loan Party shall deliver to the Lender evidence satisfactory to it, acting reasonably, of the payment to the relevant taxation authority or other authority of the full amount deducted or withheld.

7. Conditions Precedent

- (a) **Loan Agreement Conditions Precedent.** The effectiveness of this Agreement is subject to the satisfaction of each of the following conditions precedent:
- (i) the Lender shall have completed due diligence satisfactory to it, including but not limited to satisfactory review of models related to the Borrower's operations, constating documents in respect of the Borrower and the Initial Guarantor, tax returns, title to assets, insurance, governance material and materials related to Intellectual Property rights;
 - (ii) the Lender shall have received copies of the Engineering Plans satisfactory to it;
 - (iii) as of such time, there exists no Default, Event of Default or Force Majeure, and the Lender has received a certificate from the Borrower certifying the same;
 - (iv) the representations and warranties contained herein and in any Loan Document are true and correct as of such time, and the Lender has received a certificate from the Borrower certifying the same;
 - (v) the Lender shall have received an executed counterpart of this Agreement, duly executed and delivered by the Borrower and the Initial Guarantor;
 - (vi) the Lender shall have received an executed counterpart of each of the following documents, in form and substance satisfactory to it, acting reasonably (collectively, the "**Security Documents**"):
 - (A) an unlimited guarantee and assignment of claims by the Initial Guarantor in favour of the Lender, guaranteeing all obligations of the Borrower owed to the Lender;
 - (B) a first-priority collateral mortgage granted by the Borrower in favour of the Lender on the Aldersyde Property (the "**Mortgage**");
 - (C) an assignment of rents and leases in respect of the Aldersyde Property between the Borrower, as assignor, and the Lender, as assignee (the "**Assignment of Rents and Leases**");
 - (D) a demand debenture granted by the Borrower in favour of the Lender, constituting a first-priority fixed and floating charge over all property of the Borrower;
 - (E) a general security agreement granted by the Borrower, as debtor, in favour of the Lender, as secured party, in respect of all property of the Borrower;

- (F) a demand debenture granted by the Initial Guarantor in favour of the Lender, constituting a first-priority fixed and floating charge over all property of the Initial Guarantor;
 - (G) a general security agreement granted by the Initial Guarantor, as debtor, in favour of the Lender, as secured party, in respect of all property of the Initial Guarantor; and
 - (H) a patent security agreement (the "**Patent Security Agreement**") granted by the Initial Guarantor in favour of the Lender.
- (vii) the Lender shall have received an executed counterpart of a Subordination Agreement from (a) each of the Convertible Debenture Holders, Kathryne Wall and Don Allan with respect to Borrower Indebtedness and (b) each of the debt holders of the Initial Guarantor, in form and substance satisfactory to the Lender, acting reasonably;
 - (viii) the Lender shall have received evidence of the registration of the Security Interests in the Province of Alberta (and, in respect of the Borrower, in the Province of British Columbia) and in such other jurisdictions as may be necessary to establish or continue the perfection of the Security Interests, including the registration of the Mortgage and the Assignment of Rents and Leases with the Land Titles Office in Alberta and registration of the Patent Security Agreement with the United States Patent and Trademark Office;
 - (ix) the Warrants shall have been duly issued and delivered to the Lender, and the Lender shall have received all required or desirable documents related thereto, including the Nomination Rights Agreement;
 - (x) the Lender shall have been granted one hundred (100) Class A common shares in the capital stock of the Initial Guarantor;
 - (xi) the Lender shall have received:
 - (A) an officer's certificates of each of the Borrower and the Initial Guarantor, certifying its constating documents, by-laws or articles, as applicable, the resolutions of its board of directors authorizing its entry into the Loan Documents to which it is a party, and the specimen signatures of the officers authorized to execute the Loan Documents to which it is a party;
 - (B) a certificate of good standing in respect of the Borrower issued under the laws of British Columbia, a certificate of status in respect of the Initial Guarantor under the laws of Alberta and a certificate of status or similar document of any other jurisdiction where each Loan Party carries on business or owns material assets;
 - (C) a legal of opinion of counsel to the Borrower and the Initial Guarantor, including the due authorization and execution of the Loan Documents, the enforceability thereof, and completion/perfection of all registrations, satisfactory to the Lender;

- (xii) the Borrower and the Initial Guarantor shall have obtained all necessary governmental, regulatory, third party and shareholder consents, as applicable, to enter into the Loan Documents to which it is a party;
 - (xiii) the Lender shall have received a copy of an executed payoff letter related to (A) the payoff of the Borrower's indebtedness to XR Resources Inc. in respect of the Aldersyde Property and (B) the payoff of the Borrower's indebtedness to FS Business Enterprises Inc. in respect of the Pilot Plant, and, in each case, the discharge of all liens, charges and security interests associated therewith;
 - (xiv) the Lender shall have received copies of insurance certificate(s) naming the Lender as an additional insured and first loss payee in accordance with Section 9(j); and
 - (xv) the Lender shall have received such other documents and documentation that the Lender may reasonably request.
- (b) **Conditions Precedent for each Loan.** The obligation of the Lender to make any Loan is subject to the satisfaction of each of the following conditions precedent:
- (i) with respect to the making of the initial Loan by the Lender to the Borrower, the Lender shall have received payment of the Set-up Fee, which, for certainty, may be paid out of the proceeds of the initial Loan;
 - (ii) the Lender shall have received a Drawdown Notice from the Borrower requesting such Loan;
 - (iii) no Default or Event of Default shall have occurred and be continuing and no Default or Event of Default shall occur as a result of the making of such Loan, and no Force Majeure shall be subsisting; and
 - (iv) the representations and warranties set forth hereunder and under the other Loan Documents shall be true and correct in all respects on and as of the Drawdown Date.
- (c) **Conditions Waiver.**
- (i) The Lender may waive compliance in whole or part with any condition referred to in Section 7(a) and Section 7(b). If compliance is not waived irrevocably, the Lender may require compliance with the condition waived at any subsequent time by notice in writing to the applicable Loan Party at the time of such waiver and within the time specified in such notice.
 - (ii) The conditions specified in Section 7(a) and Section 7(b) are for the benefit of the Lender and not the Borrower or a Loan Party, and it is the Lender only who may waive the fulfilment of any of them at any time before or after the time by which they must be fulfilled.

8. Representations and Warranties

Each Loan Party represents and warrants to the Lender as of the date hereof and as of each date that a Loan is advanced to the Borrower, as follows:

- (a) **Incorporation and Power.** (i) The Borrower is a corporation duly incorporated and validly existing under the laws of British Columbia and the Initial Guarantor is a corporation duly incorporated and validly existing under the laws of Alberta, (ii) each Loan Party has the corporate power to own its property (including, with respect to the Borrower, the Aldersyde Property), and to carry on its business as is now being conducted and as is contemplated to be conducted and (iii) it is qualified to do business and is in good standing in every jurisdiction where its assets are located and wherever necessary to carry out its business and operations.
- (b) **Corporate Power and Authorization.** Each of the Loan Parties has full power and authority to and has taken or caused to be taken all necessary action to authorize it to execute and deliver the Loan Documents to which it is a party, and to perform and comply with the terms, conditions, and agreements set forth therein.
- (c) **Due Execution and Delivery, Enforceability.** Each of the Loan Parties has duly executed and delivered the Loan Documents to which it is a party, and such Loan Documents constitute its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.
- (d) **Non-Violation.** The execution of and performance under the Loan Documents by each of the Loan Parties will not violate: (i) any statute, regulation or other provision of Applicable Law; (ii) any order of a court or instrumentality of government or regulatory entity or authority having jurisdiction over such Loan Party, (iii) such Loan Party's articles or by-laws, or (iv) any material contract to which such Loan Party is a party or by which such Loan Party or any of its property is bound.
- (e) **Governmental and Other Authorization.** Except as has already been obtained and are in full force and effect, no Governmental Approval or other approvals is required with respect to the execution, delivery and performance by each of the Loan Parties of its obligations under any Loan Document to which it is a party.
- (f) **Good and Defensible Record Title to Assets; No Liens.** Each of the Loan Parties has 100% legal and beneficial ownership of all assets and property it owns or purports to own (including, in the case of the Borrower, the Aldersyde Property). Each of the Loan Parties owns its assets and property free and clear of all Liens, except Permitted Liens.
- (g) **Taxes.** Each of the Loan Parties has filed all Tax returns which are required to be filed and, such returns are true and correct. The Loan Parties are not in default of payment of any Taxes of any material amount.
- (h) **Validity, Priority and Perfection of Security.** The Security Documents are effective to create in favour of the Lender as security for the secured obligations described therein, a legal, valid, binding and enforceable first priority Lien in the collateral described therein and proceeds thereof. Except for the due and timely filing, registration and recording of

the Security Documents, or notice thereof, no further action is necessary in order to establish and perfect the Lender's first priority Lien in and to all of the property of the Loan Parties (including the Aldersyde Property), subject only to Permitted Liens.

- (i) **No Litigation.** Except as set forth in Schedule 8(i) attached hereto, there are no actions, suits or proceedings pending or, to the best of the knowledge of any Loan Party, threatened against such Loan Party at law or in equity by or before any court, tribunal, governmental department, commission, board, bureau, agent or instrumentality, domestic or foreign, or before any arbitrator of any kind, and no Loan Party is in default with respect to any judgment, order, writ, injunction, decree, award, rule or regulation of any court, tribunal, governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign or any arbitrator of any kind.
- (j) **Environmental Condition.** Except as set forth on Schedule 8(j), (a) to each Loan Parties' knowledge, no Loan Party's properties or assets has ever been used by a Loan Party or by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials, where such disposal, production, storage, handling, treatment, release or transport was in violation, in any material respect, of any applicable Environmental Law, (b) to each Loan Parties' knowledge, after due inquiry, no Loan Party's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, (c) no Loan Party has received written notice that a Lien arising under any Environmental Law has attached to any revenues or to any real property owned or operated by a Loan Party, and (d) no Loan Party nor any of their respective facilities or operations is subject to any outstanding written order, consent decree, or settlement agreement with any Person relating to any Environmental Law.
- (k) **Indebtedness.** Except as set forth in Schedule 8(k) attached hereto, no Loan Party is obligated in respect of any Indebtedness, except Permitted Indebtedness.
- (l) **Financial Statements.** The financial statements of each Loan Party were prepared in conformity with IFRS and fairly present, in all material respects, the financial position, on a consolidated basis, of the Persons described in such financial statements as at the respective dates thereof and the results of operations and cash flows, on a consolidated basis, of the entities described therein for each of the periods then ended, subject, in the case of any such unaudited financial statements, to changes resulting from audit and normal year-end adjustments. Neither the Borrower nor any other Loan Party has any contingent liability or liability for Taxes, long-term lease or unusual forward or long-term commitment that is not reflected in the financial statements or the notes thereto and which in any such case is material in relation to the business, operations, properties, assets or condition (financial or otherwise) or prospects of the Borrower or any other Loan Party.
- (m) **Accuracy of Information.** No information furnished by any Loan Party to the Lender as required by any of the Loan Documents contains any material misstatement of fact, or omits to state a material fact necessary to make the statements contained therein not misleading, in light of the circumstances in which they were made and as of the date made, it being recognized by the Lender that any projections and forecasts provided by the Loan Parties in good faith and based upon reasonable assumptions are not to be viewed as facts and that actual results during the period or periods covered by any such projections and forecasts may differ from the projected or forecasted results.

- (n) **Fiscal Year.** The fiscal year of each of the Loan Parties is from May 1 to April 30.
- (o) **Compliance with Environmental and Other Laws.** Each of the Loan Parties is in compliance with all laws (including environmental laws), rules and regulations, orders, judgments, writs, injunctions, decrees, determinations, awards of any applicable Governmental Authority, except to the extent that failure to so comply could not have and could not reasonably be expected to have a Material Adverse Effect.
- (p) **No Adverse Agreement.** None of the Loan Parties is a party to any agreement or instrument or subject to any restriction (including any restriction set forth in its constituting documents or any shareholders', partnership, joint venture or similar agreement applicable to it) which has, or could have a Material Adverse Effect.
- (q) **No Existing Defaults/Force Majeure.** No Default, Event of Default or Force Majeure has occurred and is subsisting.
- (r) **Intellectual Property; No Infringement.** Each Loan Party is the legal and beneficial owner of its Intellectual Property as more particularly described in Schedule 8(r) attached hereto, free and clear of all Liens, other than Permitted Liens, and is not a party to or bound by any contract or any other obligation whatsoever that limits or impairs its ability to sell, transfer, assign or convey, or that otherwise affects, such Intellectual Property. Other than Permitted Liens, rights to use arising from the sale of products in the ordinary course and in respect of the 188 License Agreement, no Person has been granted any interest in or right to use all or any portion of the Intellectual Property of any Loan Party. No Loan Party's business infringes upon the industrial or Intellectual Property rights, domestic or foreign, of any other Person. Except as set forth on Schedule 8(r) attached hereto, there exist no claims of any infringement or breach of any industrial or Intellectual Property rights of any other Person, and no Loan Party has received any notice that the conduct of its business, including the use of the Intellectual Property, infringes upon or breaches any industrial or Intellectual Property rights of any other Person, or the trade secrets, know-how or confidential or proprietary information of any other Person. To the knowledge of any Loan Party, there exists no state of facts which casts doubt on the validity or enforceability of any of the Intellectual Property of such Loan Party.
- (s) **Software.** Each of the Loan Parties own, license or possess the right to use all of the software that are reasonably necessary for the operation of their respective businesses as currently conducted, and such rights do not conflict with the rights of any Person.
- (t) **Material Contracts.**
 - (i) Each of the Material Contracts identified in Schedule 1.1 attached hereto as an agreement that as of the date hereof has been executed and delivered (and, in the case of each other Material Contract which has been executed and delivered after the date hereof) is:
 - (A) in full force and effect;
 - (B) enforceable by the applicable Loan Party against all other parties thereto in accordance with its terms; and

(C) in the form previously or concurrently delivered to the Lender pursuant to this Agreement;

and no consent or approval of any counterparty to any such Material Contract is required in order for the Liens of the Security Documents to attach to the same.

(ii) All performance required of the Loan Parties (and, to the best of the knowledge of each such Loan Party, of each other party thereto) under each Material Contract at the date of making this representation from time to time has occurred, except:

(A) performance required to be performed at a later date; and

(B) performance of any obligation contained in any Material Contract which is not material to the Pilot Plant or to the performance of such Material Contract taken as a whole.

(iii) No default (however described or constituted) in the performance of the obligations of any Loan Party (or, to the best of the knowledge of such Loan Party, of any other party thereto) under any Material Contract has occurred and is continuing.

(u) **No Material Adverse Effect.** Since December 31, 2016, no event, circumstance or change has occurred that has caused or evidences, or could reasonably be expected to cause, either in any case or in the aggregate, a Material Adverse Effect.

(v) **Insurance.** The Loan Parties have in full force and effect such policies of insurance in such amounts issued by insurers of recognized standing insuring its properties, assets and undertakings and providing such coverage as would usually be maintained by Persons engaged in the same or similar business in the localities where its properties and assets are located.

(w) **Issuance of Securities.** Any shares issuable upon exercise of the Warrants will be duly and validly created and authorized, and upon payment to the Borrower of the exercise price therefor and otherwise upon due exercise of the Warrants in accordance with the terms and conditions thereof will be issued as fully paid and non-assessable shares to the Lender in compliance with Applicable Laws, and the Lender will be the legal owner of, upon issuance, such shares, all of which will be free and clear of all pre-emptive rights, Liens, charges, security interests, adverse claims, pledges and demands whatsoever, other than the resale restrictions imposed under Applicable Laws.

(x) **Convertible Debenture Holders/Other Debt Holders of the Borrower.** A true, accurate and complete list of Convertible Debenture Holders is set forth on Schedule 8(x). Each Convertible Debenture Holder has executed and delivered a Subordination Agreement dated as of the date hereof. Each other debt holder of the Borrower has executed and delivered a Subordination Agreement dated as of the date hereof.

(y) **Initial Guarantor's Debt Holders.** A true, accurate and complete list of any debt holder of the Initial Guarantor is set forth on Schedule 8(y). Each debt holder has executed and delivered a Subordination Agreement dated as of the date hereof.

9. Positive Covenants

During the term of this Agreement, each Loan Party covenants and agrees with the Lender that, unless the Lender otherwise consents in writing:

- (a) **Corporate Existence.** Each of the Loan Parties will do and cause to be done at all times all things necessary to maintain and preserve its corporate existence and will do and cause to be done at all times all things necessary to be duly qualified to do business and be in good standing (where such concept is relevant) as a corporation in each jurisdiction where the nature of its business makes such qualification necessary.
- (b) **Corporate Changes.** The Borrower shall give to the Lender thirty (30) days' prior written notice of (i) any change to any Loan Party's name as it appears in official filings in the jurisdiction of its organization; (ii) any change in the jurisdiction in which a Loan Party's registered office or chief executive office is located, or the location of its books and records; (iii) any change in the type of entity that any Loan Party is; or (iv) any change in any Loan Party's jurisdiction of formation or organization;
- (c) **Payment of Loans.** Each of the Loan Parties will duly and punctually pay, or cause to be so paid as provided herein, the Loans and the interest which shall have accrued thereon, on the dates and in the manner and in the currency specified herein.
- (d) **Use of Proceeds.** The Borrower will use the proceeds of the Loans only for the purposes set out in Section 2(d).
- (e) **Compliance with Laws.** Each of the Loan Parties shall comply with all Applicable Law (including Environmental Laws) in all material respects.
- (f) **Taxes.** Each of the Loan Parties shall pay and discharge before the same shall become delinquent, all material lawful governmental claims, taxes, assessments, charges, and levies.
- (g) **Notice of Event of Default/Force Majeure.** The Borrower shall immediately inform the Lender of the occurrence of any Event of Default and of any event of Force Majeure or casualty events involving any assets of any Loan Party.
- (h) **Notice of Litigation.** The Borrower shall give written notice to the Lender within two (2) Business Days of notice thereof of any litigation, proceeding or dispute that may adversely affect any of the Loan Parties, and from time to time furnish to the Lender all reasonable information requested by the Lender concerning the status of any such litigation, proceeding or dispute.
- (i) **Notice of Material Adverse Effect.** The Borrower shall immediately disclose to the Lender in writing any fact of which the Borrower becomes aware which will result in a Material Adverse Effect, or is reasonably likely to result in a Material Adverse Effect.
- (j) **Insurance.** Each of the Loan Parties shall (i) maintain adequate insurance with reputable insurers including all-risk property insurance, comprehensive general liability insurance, business interruption insurance and other insurance on its Collateral in an amount equal to fair market value of such Collateral, (ii) ensure that all such insurance have the Lender named as an additional insured and first loss payee, (iii) duly and punctually pay or cause

to be paid all premiums and other money payable under, and perform, observe and fulfil the terms of, all such insurances, (iv) promptly upon each renewal of such insurances, forward a copy of the current policies to the Lender, and (v) such Loan Party will, upon request of the Lender, deliver to the Lender copies of the foregoing policies. All such policies of insurance shall provide that such insurance coverage shall not be changed or cancelled except on at least thirty (30) days' prior written notice to the Lender.

- (k) **Preservation of Assets.** Each of the Loan Parties shall take all reasonable steps to preserve and protect each item of its assets in accordance with prudent industry standards.
- (l) **Books of Records; Inspection Rights.** Each of the Loan Parties shall keep proper books of record and accounts in which full, true and correct entries in conformity in all material respects with IFRS shall be made of all dealings and transactions in relation to its business and activities. Each of the Loan Parties will permit any authorized representatives designated by the Lender to visit and inspect any of the properties of any Loan Parties, to inspect, copy and take extracts from its financial and accounting records, and to discuss its affairs, finances and accounts with its officers and independent public accountants, all upon reasonable notice and at such reasonable times during normal business hours and as often as may reasonably be requested by the Lender.
- (m) **Additional Guarantor.** Subject to meeting the consent requirement set forth of Section 10(h) below, the Borrower (i) shall, as soon as reasonably practicable, give written notice to the Lender of the acquisition, creation or existence of each direct and indirect Subsidiary created or acquired after the date hereof, together with such other information as the Lender may reasonably require, and (ii) shall promptly, and in any event within thirty (30) days of such acquisition, creation or existence, cause each new Subsidiary to execute and deliver to the Lender (i) a Joinder Agreement and (ii) the Security Documents contemplated in Section 7(a)(vi), as applicable (together with a certified copy of the Subsidiaries constating documents and a legal opinion in form and substance satisfactory to the Lender).
- (n) **Warrant/Unit Issuance.** Within ten (10) Business Days of the date hereof, the Borrower shall have completed the private placement contemplated by Section 10(j)(v), and shall provide the Lender with evidence satisfactory to it that (A) the Borrower has \$1,000,000 available in cash, or (B) the sum of (x) the amount of the invoices paid by the Borrower relating to the dismantling of the demo plant from its original site in Blackfalds, Alberta, the transfer of the materials from such dismantling to the Aldersyde Property and the construction of the plant thereon plus (y) the amount of cash available to the Borrower at such time (without having to request a further Loan hereunder), is no less than \$1,000,000.
- (o) **Further Assurances.** Each Loan Party will, upon the reasonable request of the Lender, execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out more effectually the purpose of this Agreement or any other Loan Document, including (i) the Initial Guarantor filing the formal patent application with the United States Patent and Trademark Office with respect to the "Enhanced Distillate Oil Recovery From Thermal Processing and Catalytic Cracking of Biomass Slurry" processes before expiry of the provisional filing made by the Initial Guarantor prior to the date hereof and (ii) the executing and delivering of any further short form intellectual property security agreement, notices, instruments or other documents required in connection with the filing of any security notices or other instruments with the US Patent and Trademark

Office, the Canadian Intellectual Property Office or any other similar office in any other jurisdiction, including in connection with the formal filing of the patent application described above.

10. Negative Covenants

During the term of this Agreement, each Loan Party covenants and agrees with the Lender that, unless the Lender otherwise consents in writing:

- (a) **Mergers, Reorganization, Recapitalization.** The Loan Parties shall not (i) merge, consolidate or amalgamate with or into, or sell, convey, transfer, lease or otherwise dispose of (in one transaction or a series of transactions) all or substantially all of its assets to, any other Person, (ii) reorganize its corporate structure, or (iii) undertake a recapitalization of its debt and equity structure.
- (b) **Nature of Business.** None of the Loan Parties shall commence any substantive business activity not related to the business carried on as at the date of this Agreement.
- (c) **No Liens/Dispositions.** No Loan Party will at any time during the term of this Agreement sell (including any sale and leaseback), lease, transfer, assign, mortgage, pledge or otherwise encumber or dispose of any of the Collateral, or permit any new Liens to be placed thereon, except for Permitted Liens.
- (d) **No Indebtedness.** The Loan Parties shall not create, incur or become liable for any Indebtedness other than Permitted Indebtedness, and it will not repay or otherwise satisfy any Indebtedness, excluding the Blue Horizon Debt, but including inter-company debt, except as permitted in the Loan Documents.
- (e) **Material Contracts.** The Loan Parties shall ensure that each of the terms and conditions in the Material Contracts are complied with and observed, and all things necessary to keep the Material Contracts in full force and effect are done, and shall not at any time (i) terminate, replace, rescind or amend any of the provisions of any Material Contracts (except immaterial amendments shall not require the Lender's consent, provided the applicable Loan Party shall give prompt written notice of the same to the Lender) or (ii) consent to any counterparty assigning or otherwise transferring its interest in any Material Contracts.
- (f) **No Dividends or Distributions.** No Loan Party shall declare or pay dividends or make any other capital distribution, repurchase any of its securities, or issue to any employee or director any bonus payment. The Borrower shall not make any distributions of any kind to the Initial Guarantor, except as contemplated under the 188 License Agreement in effect on the date hereof.
- (g) **Change in Management.** The Loan Parties shall not consent to or facilitate a change to its management resulting in the departure of Don Allan.
- (h) **Restriction on Investments.** No Loan Party will directly or indirectly acquire or own, or make any Investments in or to any Person.
- (i) **Financial Assistance:** No Loan Party will provide any form of Financial Assistance to any Person.

- (j) **Share Issuances:** No Loan Party shall issue any shares or other equity interests, or convertible securities, other than, with respect to the Borrower:
- (i) incentive securities granted by the Borrower to directors, officers, employees or consultants of the Borrower pursuant to a bona fide equity incentive plan approved by the Borrower's board of directors from time to time, and common shares issuable pursuant to the exercise of such incentive securities;
 - (ii) the common shares issuable upon conversion of \$610,000 principal amount of 15% convertible debentures due March 31, 2020 that are outstanding on the date hereof (plus accrued interest thereon, per the terms of the convertible debenture documents);
 - (iii) up to 656,000 common shares issuable on exercise of outstanding share purchase warrants of the Borrower having an exercise price of \$0.10 per share and an expiry date of March 31, 2019 or August 31, 2019, as applicable;
 - (iv) up to 11,416,180 common shares issuable on exercise of outstanding share purchase warrants of the Borrower previously issued under the Borrower's private placement offering contemplated in clause (vi) below, having an exercise price of \$0.20 per share and an expiry date of July 17, 2018 (as to 4,250,000 such warrants), August 31, 2018 (as to 2,750,000 such warrants) and September 21, 2018 (as to 4,416,180 such warrants);
 - (v) up to 11,167,640 units, each comprised of one (1) common share and one-half of one common share purchase warrant, issuable at a sale price of \$0.10 per unit pursuant to the Borrower's private placement offering first announced by news release on June 14, 2017, with an extension thereof announced by further news release of the Borrower on October 6, 2017;
 - (vi) up to 5,583,280 common shares issuable on exercise of additional warrants that may be sold pursuant to the Borrower's private placement offering as contemplated in clause (v).

And the Borrower shall not amend the terms of any convertible securities referred to in clause (i) through clause (vi) above. For certainty, the Initial Guarantor shall not issue any shares or other equity interests, or convertible securities, other than the 100 Class A common shares of the Initial Guarantor to be issued to the Lender as contemplated in Section 7(a)(x) hereof.

For purposes hereof, "**convertible securities**" means, with respect to any Person: (i) all securities that are convertible, exercisable or exchangeable, directly or indirectly (including through the intervening issuance of other securities), into or for shares or other equity interests in the Person, or otherwise carry the right of the holder to purchase or otherwise acquire, or of the Person to cause the purchase or other acquisition of, shares or other equity interests in the Person, and includes options, warrants and rights to purchase or otherwise acquire shares or other equity interests in the Person and debt securities that are convertible into shares or other equity interests in the Person; and (ii) any other agreements, commitments or arrangements of any kind pursuant to which the Person is, conditionally or otherwise, required to issue shares or other equity interests in the Person or securities of the kind contemplated in clause (a) of this definition.

- (k) **Transaction with Affiliates.** The Loan Parties will not enter into, or cause, suffer or permit to exist:
- (i) any arrangement or contract with any of its affiliates of a nature customarily entered into by persons which are affiliates of each other (including management or similar contracts or arrangements relating to the allocation of revenues, taxes and expenses or otherwise) requiring any payments to be made by it to any affiliate unless such arrangement is fair and equitable to the Loan Party; or
 - (ii) any other transaction, arrangement or contract with any of its affiliates
- which, in each case, would not be entered into by a prudent person in the position of the Loan Party with, or which is on terms which are less favourable to it than are obtainable from, any Person which is not one of its affiliates;
- (l) **Capital Expenditures.** The Borrower shall not directly or indirectly make any Capital Expenditures in any fiscal year after 2017 in excess of \$100,000, except for Capital Expenditures related directly to the construction of the Pilot Plant; and
- (m) **Fiscal Year.** The Loan Parties shall not change their fiscal year.

11. Reporting Covenants

During the term of this Agreement, each Loan Party covenants and agrees with the Lender that:

- (a) **Annual Financial Statements.** It shall provide to the Lender within 120 days after the end of each financial year of each of the Loan Parties, financial statements of each of the Loan Parties. The Borrower's annual financial statements shall be audited and the annual financial statements of the Initial Guarantor shall be prepared by management and unaudited (with the right of the Lender to request audits thereof).
- (b) **Quarterly Financial Statements.** It shall provide to the Lender within 90 days following the end of July, October and January of each year, internal financial statements of each of the Loan Parties.
- (c) **Tax Returns.** It shall provide to the Lender within 60 days after filing with the Canada Revenue Agency, a true and complete copy of each Loan Party's federal and provincial tax returns, including all schedules thereto.
- (d) **Monthly Reports.** The Borrower shall provide to the Lender within 90 days after the end of each month a report providing production volumes, revenue, lease operating expenses and capital expenditures attributable to operations, to the extent not available in the financial statements.
- (e) **Monthly Updates on Construction/Engineering Plans.** (i) The Borrower shall provide to the Lender updates on the status of construction, costs, and timing for completion of the Pilot Plant upon the request of the Lender for the same and (ii) the Borrower shall promptly provide to the Lender copies of any modifications, amendments, supplements or any other changes made to the Engineering Plans.

- (f) **Intellectual Property.** The Borrower or the Initial Guarantor shall provide to the Lender updates on the status of the Initial Guarantor's provisional patent application with the United States Patent and Trademark Office and, when applicable, its formal patent application and patent prosecution process, upon the request of the Lender for the same, and, in any event, shall inform the Lender promptly of (i) the submission by the Initial Guarantor of its formal patent application to the United States Patent and Trademark Office, (ii) the publication of the Initial Guarantor's patent application by the United States Patent and Trademark Office and (iii) the granting by the United States Patent and Trademark Office of the applicable patent.
- (g) **Other Financial Information.** It shall promptly provide to the Lender any other internal financial information reasonably requested by the Lender; and
- (h) **Compliance Certificates.** The Borrower shall provide to the Lender:
 - (i) together with the annual financial statements delivered in accordance with Section 11(a) above;
 - (ii) together with the quarterly financial statements delivered in accordance with Section 11(b) above; and
 - (iii) together with any Drawdown Notice during the Availability Perioda certificate (a "**Compliance Certificate**") substantially in the form set forth as Exhibit D attached hereto.

12. **Events of Default**

Any or all of the liabilities of the Loan Parties to the Lender in connection with this Agreement and any other Loan Document shall, at the Lender's option, be due and payable upon the occurrence of any of the following events of default (each of which shall be hereinafter referred to as an "**Event of Default**"):

- (a) **Failure to Pay.** (a) The Borrower fails to make payment when due of principal amounts due and payable under this Agreement or (b) the Borrower fails to make payment when due of any accrued interest and any other amounts which are due and payable under the Loan Documents and such default continues for a period of three (3) days after written notice from the Lender.
- (b) **Incorrect Representations.** Any representation and warranty in the Loan Documents shall at any time prove to have been incorrect or misleading in any material respect when made or deemed made by or on behalf of any Loan Party.
- (c) **Failure to Comply.** Any Loan Party defaults in the performance of or compliance with any term contained in Section 9(g), Section 9(h), Section 9(i), Section 9(n), Section 10 and Section 11.
- (d) **Breach of Other Covenants.** Any Loan Party defaults in the performance of or compliance with any term contained in the Loan Documents (not otherwise specified in Section 12(a) above, Section 12(b) above and Section 12(c) above) and such failure

continues for a period of ten (10) Business Days after receipt by such Loan Party from the Lender of a notice of such default.

- (e) **Cross Default.** Any Loan Party defaults in the performance of or compliance with any term of any indebtedness for borrowed money relating to an amount in excess of \$50,000 or of any mortgage, indenture or other agreement relating thereto (which default has not been cured or waived prior to any action being taken hereunder with respect to such default).
- (f) **Judgments.** One or more judgments or decrees not covered by insurance relating to an amount in excess of \$50,000 shall be entered against any Loan Party and such judgments or decrees shall not have been vacated, discharged, stayed, satisfied or bonded pending appeal within thirty (30) days from the entry thereof.
- (g) **Insolvency.** Any Loan Party shall (a) become insolvent or generally fail to pay, or admit in writing its inability or unwillingness generally to pay, debts as they become due; (b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower, or any substantial part of its property, or make a general assignment for the benefit of creditors; (c) in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for such Loan Party, or for a substantial part of its property, and such trustee, receiver, sequestrator or other custodian shall not be discharged within thirty (30) days; (d) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of any Loan Party, and, if any such case or proceeding is not commenced by a Loan Party, such case or proceeding shall be consented to or acquiesced in by such Loan Party or shall result in the entry of an order for relief or shall remain for thirty (30) days undismissed; or (e) take any corporate action authorizing, or in furtherance of, any of the foregoing.
- (h) **Failure to Maintain Security.** The Lender shall not have or shall cease to have a valid and perfected first priority Lien in any Collateral or any Loan Party shall contest the validity or perfection of any Lien in any Collateral purported to be covered by the Security Documents.
- (i) **Enforceability of Loan Documents.** Any Loan Document is, becomes or is claimed by any Loan Party to be void, voidable or unenforceable in whole or in part or any Loan Party shall contest the validity or enforceability of any Loan Document in writing or deny in writing that it has any further liability, under any Loan Document to which it is a party.
- (j) **Abandonment:** Any material part of the Pilot Plant is abandoned.
- (k) **Destruction of the Pilot Plant:** All or substantially all of the Pilot Plant is destroyed or is declared a total loss by the insurers.
- (l) **Material Contract.** (i) Any termination of a Material Contract or any Material Contract becomes unenforceable; (ii) any event of default (howsoever described) or material breach under any Material Contract; or (iii) any Material Contract is assigned without the consent of the Lender.

- (m) **Material Adverse Effect.** The occurrence of a Material Adverse Effect.
- (n) **"Going-Concern".** If the auditors' opinion required to be delivered with the annual audited financial statements that are required to be delivered by a Loan Party pursuant to Section 12(a) contains a qualification that is not acceptable to the Lender, acting reasonably, and, if unacceptable, such qualification is not rectified or otherwise dealt with to the satisfaction of the Lender within a period of thirty (30) days after written notice thereof by the Lender to the applicable Loan Party.
- (o) **Change of Control.** A Change of Control occurs.
- (p) **Security Realization.** If creditors of any of the Loan Parties having a Lien against or in respect of the assets thereof, or any part thereof, realize upon or enforce any such security against such assets or any part thereof having an aggregate fair market value in excess of the \$50,000 and such realization or enforcement shall continue in effect and not be released, discharged or stayed within the lesser of thirty (30) days and the period of time prescribed under Applicable Law for the completion of the sale of or realization against the assets subject to such seizure or attachment; or
- (q) **Cessation of Business.** Any Loan Party ceases, or threatens to cease carrying on, a material part of its business.

13. **Remedies**

- (a) Upon the occurrence of an Event of Default which has not been remedied or waived (other than the one specified in Section 12(g) above), and in every such event:
 - (i) the Lender, upon notice to Borrower, may declare, in whole or, from time to time, in part, the principal of and interest on the Loans and all other amounts owing under the Loan Documents to be, and the Loans and all such other amounts shall thereupon and to that extent become, due and payable. Upon the occurrence of an Event of Default specified in Section 12(g) above, automatically and without any notice to the Borrower, the principal of and interest on the Loans and all other amounts owing under the Loan Documents shall be due and payable. Presentment, demand, protest or notice of any kind (other than the notice provided for in the first sentence of this Section 13(i)) are hereby expressly waived;
 - (ii) the Lender may, in addition to all of its rights and remedies under this Agreement, the other Loan Documents and under Applicable Law, take such actions and commence such proceedings as such Lender, in its or his sole and absolute discretion, may determine, and may enforce or otherwise realize on any Collateral, all without obligation to marshal any security interest and without additional notice, presentation, demand or protest, all of which the Borrower hereby expressly waives (to the extent that such rights may be waived under Applicable Law); and
 - (iii) the occurrence of an Event of Default that continues shall relieve the Lender of all obligations to provide further Loans.

- (b) Any sum received by the Lender at any time after an Event of Default has occurred and is continuing shall be made in the following order with the balance remaining after application in respect of each category to be applied to the next succeeding category: (i) first, in or towards payment of any fees, costs or expenses due and payable in connection with the exercise by the Lender of its rights hereunder or under the other Loan Documents; (ii) second, to amounts due hereunder as fees, interest and other amounts due hereunder other than principal; (iv) third, to amounts due hereunder as principal in accordance with the terms hereof; and (v) fourth, any excess shall be paid to Borrower.

14. **Confidentiality**

- (a) **General.** Subject to Section 14(b) below, the parties hereto shall not disclose any unpublished information or documents supplied by any other party in connection with the Loan Documents which are specifically indicated by such other party to be confidential and which are not in the public domain. No Loan Party shall disclose the name of the Lender in any public filing or release without the prior consent of the Lender.
- (b) **Permitted Disclosure.** The parties hereto may disclose any confidential information or documents:
 - (i) in enforcing a Loan Document or in a proceeding arising out of or in connection with a Loan Document to the extent that disclosure is regarded by such party as reasonably necessary to protect its interests;
 - (ii) if required under a binding order of a Governmental Authority or any procedure for discovery in any proceedings;
 - (iii) if required under any Applicable Law (if not having the force of law, the observance of which is in accordance with the practice of responsible bankers or financial institutions similarly situated), provided that, for purposes of complying with its continuous disclosure obligations, the Borrower shall redact any information which are specifically indicated by the Lender to be confidential, to the extent permitted by Applicable Law;
 - (iv) as required or permitted by any Loan Document;
 - (v) to its legal advisers, its consultants and its affiliates, provided the party advises such persons that such information and documents are confidential to the other party; or
 - (vi) with the prior consent of the other party.
- (c) **Survival of Obligation.** This Section 14 shall survive the termination of this Agreement.

15. **Waiver**

No failure or delay of any party hereto to exercise any right given to it hereunder, or to insist on strict compliance with any provision hereunder, shall constitute a waiver of such provision or of any other provision hereof, or a waiver of any breach, and no waiver of any provision or breach of any provision shall constitute a waiver of any other provision or breach or of any subsequent breach of the same

provision. No waiver shall be effective unless in writing and signed by the party having the right to waive such provision.

16. Amendment

This Agreement may not be amended except as agreed in writing by the Loan Parties and the Lender.

17. Assignment

None of the obligations of any Loan Party hereunder may be assigned, delegated, conveyed or otherwise transferred without the Lender's prior written consent. Upon written notice to the Borrower, the Lender may assign and transfer its interest in the Loan Documents to any Person.

18. Expenses

On demand, the Borrower shall reimburse the Lender for (a) all reasonable expenses of the Lender in relation to the preparation, negotiation, execution, notarization and completion of the Loan Documents (including costs and expenses in relation to the Lender's due diligence) and any subsequent consent, approval, request, determination, waiver or amendment, including in each case legal fees, costs and expenses (on a full indemnity basis); (b) the actual or contemplated enforcement of the Loan Documents, or actual or contemplated exercise, preservation or consideration of any rights, powers or remedies under the Loan Documents or in relation to the Collateral and any enquiry by a Government Authority concerning any Loan Party; (c) the Lender for the reasonable costs, expenses and fees of any Lender's advisors and consultant retained by it (unless there is a Default or Event of Default, in which case the Borrower shall reimburse the Lender for all costs, expenses and fees of any Lender's advisor and consultant whatsoever); and (d) any other reasonable costs, expenses and fees which are payable by the Borrower to the Lender pursuant to any Loan Document or as otherwise agreed between the Lender and the Borrower.

19. Indemnification

Each of the Loan Parties shall indemnify and hold harmless the Lender and their officers, directors, employees, agents and affiliates from and against liabilities asserted by third parties and arising out of the entering into or the making of Loans under this Agreement or any of the other Loan Documents, in all cases, whether or not caused by or arising, in whole or in part, out of the comparative, contributory or sole negligence of the party seeking indemnification, but excluding liabilities caused by the gross negligence or willful misconduct of the party seeking indemnification.

20. Entire Agreement

This Agreement and the other Loan Documents constitute the entire agreement between the parties hereto with respect to the subject matter hereof, superseding all prior negotiations, correspondence, understandings and agreements, if any, between the parties. There are no oral or implied agreements and no oral or implied warranties between the parties hereto other than those expressed herein and in the other Loan Documents.

21. Survival

All covenants, agreements, representations and warranties made herein and in any other instruments or documents delivered pursuant hereto shall survive the execution and delivery of this

Agreement and shall continue in full force and effect so long as any of the amounts due hereunder are outstanding and unpaid.

22. Headings

All headings used herein are used for convenience only and shall not be used to construe or interpret this Agreement.

23. Severability

Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be severable, and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Agreement.

24. Notices

Any notice, request, instruction or other document to be given under any section of this Agreement or any other Loan Document shall be in writing and shall be deemed given upon receipt if delivered personally or by email or facsimile, the next Business Day if by express mail or three (3) Business Days after being sent by registered or certified mail, return receipt requested, postage prepaid to the following addresses (or at such other address as shall be specified by like notice provided that such notice shall be effective only after receipt thereof):

If to the Lender: *Name Redacted*
 Address Redacted

Attention: *Name Redacted*
Email: *Email Redacted*

If to the Borrower: Cielo Waste Solutions Corp.
 101-1500 Howe Street
 Vancouver, British Columbia V6Z 2N1

Attention: Don Allan
Facsimile: 403 – 343 – 3572
Email: donallan@cielows.com

If to a Guarantor: c/o Cielo Waste Solutions Corp.
 Suite 115, 5114 – 58 Street
 Red Deer, Alberta T4N 2L8

Attention: Don Allan
Facsimile: 403 – 343 – 3572
Email: donallan@cielows.com

25. Governing Law/Jurisdiction

This Agreement is made under and shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable in the Province of Alberta, and shall enure to the benefit of the Lender and its successors and assigns, and shall be binding on the Loan Parties and their respective successors and permitted assigns. The parties hereto agree that any action arising under or in connection with this Agreement or any other Loan Document shall be brought and maintained in the courts of the Province of Alberta.

26. Counterparts


This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument, and counterparts may be effectively delivered by facsimile (fax) transmission, email (including pdf) or other electronic means.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement effective as of the date first written above.


BORROWER:

CIELO WASTE SOLUTIONS CORP.

Per: 
Name: Don Allan
Title: President & CEO

GUARANTOR:

1888711 ALBERTA INC.

Per: 
Name: Don Allan
Title: President

LENDER:

NAME AND SIGNATURE REDACTED

EXHIBIT A TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND BY *NAME REDACTED*, AS LENDER

FORM OF DRAWDOWN NOTICE

TO: *NAME REDACTED* . (the "**Lender**")
Address Redacted

Attention: *Name Redacted*

Email: *Email Redacted*

DATE: _____

Reference is made to the loan agreement made effective as of the 2nd day of November, 2017 by and between Cielo Waste Solutions Corp., as borrower (the "**Borrower**"), 1888711 Alberta Inc., as guarantor, the other guarantors from time to time party hereto, and the Lender (said loan agreement, as it may be amended or otherwise modified from time to time, being the "**Loan Agreement**"). Unless otherwise expressly defined herein, capitalized terms set forth in this Drawdown Notice shall have the respective meanings set forth in the Loan Agreement.

1. This Drawdown Notice is delivered to you pursuant to Section 2(b) of the Loan Agreement.
2. We give you irrevocable notice that we wish to draw under the Loan Agreement on [●] [●], 20[●] (the "**Drawdown Date**").¹
3. Principal amount of the Loan requested:
\$[●]²
4. We represent and warrant, on behalf of each of the Loan Parties, that:
 - (i) each of the representations and warranties in the Loan Documents is true and correct in all respects as of the date hereof and on the relevant Drawdown Date as though it had been made in respect of the facts and circumstances then subsisting;
 - (ii) no Default or Event of Default is subsisting or will result from the Loan; and
 - (iii) no Force Majeure is subsisting.
5. [The estimated Practical Completion Date is [●].
6. The costs for the relevant work to be done in connection with the construction of the Pilot Plant necessitating the request for the Loan is [●]. Attached hereto as Exhibit A are copies of invoices related to such costs.

¹ Drawdown Date must be a Business Day.

² Loans must be in a minimum amount of \$50,000.

7. The amount of the requested Loan does not exceed the Undrawn Commitment.]³

Yours very truly,

CIELO WASTE SOLUTIONS CORP.

Per: _____
Name:
Title:

³ To be included for requests for a Loan for the purpose of making the payments contemplated by Section 2(d)(iv) of the Loan Agreement.

EXHIBIT A

Copies of Invoices

EXHIBIT B TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND NAME REDACTED, AS LENDER

FORM OF JOINDER AGREEMENT

Dated as of [__] [__], 20[__]

Name Redacted (the "**Lender**")
Address Redacted

Ladies and Gentlemen:

Reference is made to the loan agreement made effective as of the 2nd day of November, 2017 by and among Cielo Waste Solutions Corp., as borrower (the "**Borrower**"), 1888711 Alberta Inc., as guarantor, the other guarantors from time to time party thereto, and the Lender (said loan agreement, as it may be amended or otherwise modified from time to time, being the "**Loan Agreement**"). Unless otherwise expressly defined herein, capitalized terms set forth in this joinder agreement (this "**Joinder Agreement**") shall have the respective meanings set forth in the Loan Agreement. This Joinder Agreement is executed and delivered as of the date hereof by [_____], a [_____] [**corporation**] (the "**New Guarantor**"), and the Lender in connection with the Loan Agreement. This Joinder Agreement shall constitute a Loan Document for all purposes of the Loan Agreement and the other Loan Documents.

1. Joinder to Loan Agreement.

The New Guarantor hereby joins the Loan Agreement as a Guarantor, as contemplated by section 9(m) of the Loan Agreement, and agrees to become a Guarantor under the Loan Agreement and to comply with and be bound by all of the terms, conditions and covenants of the Loan Agreement, applicable to the New Guarantor as a Guarantor. Except as supplemented by this Joinder Agreement, the Loan Agreement shall continue in full force and effect.

2. New Guarantor's Representations and Warranties.

The New Guarantor hereby acknowledges, represents and warrants, to the Lender as of the date hereof the following:

- (a) (i) it is a [**corporation**] duly [**incorporated**] and validly existing under the laws of [_____], (ii) it has the corporate power to own its property, and to carry on its business as is now being conducted and as is contemplated to be conducted and (iii) it is qualified to do business and is in good standing in every jurisdiction where its assets are located and wherever necessary to carry out its business and operations;
- (b) it is a [**direct / indirect**] [**wholly-owned**] Subsidiary of the Borrower;
- (c) its chief executive office is located at [_____];

- (d) after the effectiveness of this Joinder Agreement, no Default or Event of Default has occurred and is continuing under the Loan Agreement or any other Loan Documents to which it is a party; and
- (e) each of the representations and warranties set forth in Article 9 of the Loan Agreement is true and correct with respect to it and the Joinder Agreement as of the date hereof and after giving effect to the execution and delivery of the Joinder Agreement (in each case, except to the extent that such representations and warranties relate expressly to an earlier date, in which case they shall be true and correct in all respects as of such earlier date).

3. **Updated Schedules.**

[Schedule 1.1, Schedule 1.2, Schedule 8(I), Schedule 8(J), Schedule 8(K) and Schedule 8(R)] to the Loan Agreement [is/are] amended (in the appropriate alphabetical place) to include the information with respect to the New Guarantor, as set forth on Annex A hereto.

4. **Delivery of Documents.**

The New Guarantor hereby agrees that the following documents shall be delivered to the Lender concurrently with this Joinder Agreement:

- (a) an unlimited guarantee and assignment of claims by the New Guarantor in favour of the Lender, guaranteeing all obligations of the Borrower and any other Loan Party owed to the Lender;
- (b) **[a first-priority collateral mortgage granted by the New Guarantor in favour of the Lender;]**
- (c) **[an assignment of rents and leases between the New Guarantor, as assignor, and the Lender, as assignee;]**
- (d) a demand debenture granted by the New Guarantor in favour of the Lender, constituting a first-priority fixed and floating charge over all property of the New Guarantor;
- (e) a general security agreement granted by the New Guarantor, as debtor, in favour of the Lender, as secured party, in respect of all property of the New Guarantor;
- (f) **[any intellectual property security agreement granted by the New Guarantor in favour of the Lender;]**
- (g) an officer's certificate of the New Guarantor, certifying its constating documents and by-laws, the resolutions of its board of directors authorizing its entry into the Loan Documents to which it is a party, and the specimen signatures of the officers authorized to execute the Loan Documents to which it is a party;
- (h) a legal of opinion of counsel to the New Guarantor, including the due authorization and execution of the Loan Documents, the enforceability thereof, and completion/perfection of all registrations, satisfactory to the Lender;
- (i) a certificate of **[good standing/status/compliance]** of a recent date as to the New Guarantor's status and valid existence;

- (j) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect with respect to the New Guarantor, together with insurance binders or other satisfactory certificates of insurance;
- (k) a PPSA lien search report showing no Liens other than Permitted Liens for the New Guarantor; and
- (l) such additional documentation as the Lender may reasonably request prior to the date of this Joinder Agreement with respect to the New Guarantor.

5. Entire Agreement.

This Joinder Agreement and the other Loan Documents constitute the entire agreement between the parties hereto with respect to the subject matter hereof, superseding all prior negotiations, correspondence, understandings and agreements, if any, between the parties. There are no oral or implied agreements and no oral or implied warranties between the parties hereto other than those expressed herein and in the other Loan Documents.

6. Governing Law/Jurisdiction.

This Joinder Agreement is made under and shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable in the Province of Alberta, and shall enure to the benefit of the Lender and its successors and assigns, and shall be binding on the Loan Parties and their respective successors and permitted assigns. The parties hereto agree that any action arising under or in connection with this Joinder Agreement or any other Loan Document shall be brought and maintained in the courts of the Province of Alberta.

7. Counterparts.

This Joinder Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument, and counterparts may be effectively delivered by facsimile (fax) transmission, email (including pdf) or other electronic means.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Joinder Agreement effective as of the date first written above.

NEW GUARANTOR:

[NAME OF NEW GUARANTOR]

Per: _____
Name:
Title:

**EXHIBIT C TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017
BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA
INC., AS GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY
THERETO, AND *NAME REDACTED* AS LENDER**

FORM OF SUBORDINATION AGREEMENT

See attached.

SUBORDINATION AND POSTPONEMENT AGREEMENT

This Subordination and Postponement Agreement is made as of November [●], 2017 (as amended, varied, supplemented, restated, renewed or replaced from time to time, this "**Agreement**") by and between [●] ("**Creditor**") and *Name Redacted* ("**Senior Lender**").

Recitals

A. Cielo Waste Solutions Corp. ("**Debtor**") is or may from time to time be indebted to Senior Lender and Creditor.

B. In order to induce Senior Lender to extend credit to Debtor, Creditor is willing to subordinate and postpone: all indebtedness and obligations of Debtor to Creditor now existing or hereafter arising, together with all costs of collecting such indebtedness and obligations (including legal fees and expenses), including, without limitation, all interest accruing after the commencement by or against Debtor of any bankruptcy, reorganization or similar proceeding, and including all indebtedness and obligations under any secured convertible debenture (the "**Subordinate Debt**") to all indebtedness and obligations of Debtor to Senior Lender now existing or hereafter arising, together with all costs of collecting such indebtedness and obligations (including legal fees and expenses), including, without limitation, all interest accruing after the commencement by or against Debtor of any bankruptcy, reorganization or similar proceeding, and including all indebtedness and obligations under that certain Loan Agreement made as of November [●], 2017 among Debtor, as borrower, 1888711 Alberta Inc., as guarantor, the guarantors party thereto from time to time, and Senior Lender (as amended, varied, supplemented, restated, renewed or replaced from time to time, the "**Loan Agreement**") and any other loan documents (the "**Senior Debt**").

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Creditor hereby consents to Debtor entering into the Senior Debt and to Debtor granting security in favour of Senior Lender over all of Debtor's assets and undertakings ("**Debtor Property**").

2. Creditor hereby subordinates and postpones all Subordinate Debt in right of payment and time to all Senior Debt.

3. Without limiting the generality of the foregoing, the deferment, postponement and subordination of the Subordinate Debt contained herein shall be effective notwithstanding:

(i) the fact that any rule of law or any statute may alter or vary the priorities set forth in this Agreement;

(ii) any lack of validity, legality, completeness or enforceability of the Senior Debt, the Loan Agreement or any other loan document;

(iii) any failure of, or delay by, Senior Lender to assert any claim or demand or to enforce any right, power or remedy against Debtor under the Loan Agreement or any other loan document or to exercise its rights under any security; and/or

(iv) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, or otherwise prejudicially affect the subordination and postponement herein provided.

4. Creditor will not demand or receive from Debtor (and Debtor will not pay to Creditor) all or any part of the Subordinate Debt, by way of payment, prepayment, setoff, lawsuit or otherwise, nor will Creditor commence, or cause to commence, prosecute or participate in any administrative, legal or equitable action against Debtor until such time as the Senior Debt has been indefeasibly paid in full and the agreements entered into in connection with such Senior Debt have been terminated.

5. Creditor shall promptly deliver to Senior Lender in the form received (except for endorsement or assignment by Creditor where required by Senior Lender) for application to the Senior Debt any payment, distribution, security or proceeds received by Creditor with respect to the Subordinate Debt other than to the extent received in accordance with this Agreement.

6. In the event of the insolvency of Debtor, the reorganization of Debtor or any case or proceeding under any bankruptcy or insolvency law or laws relating to the relief of debtors commenced in respect of Debtor (a "**Proceeding**"), these provisions shall remain in full force and effect, and Senior Lender's claims against Debtor and the estate of Debtor shall be paid in full before any payment is made to Creditor.

7. So long as the Senior Debt has not been indefeasibly paid in full and the agreements entered into in connection with such Senior Debt have not been terminated, Creditor irrevocably appoints Senior Lender as Creditor's attorney-in-fact, and grants to Senior Lender a power of attorney with full power of substitution, in the name of Creditor or in the name of Senior Lender, for the use and benefit of Senior Lender, without notice to Creditor, to perform at Senior Lender's option the following acts in any Proceeding involving Debtor:

(i) To file the appropriate claim or claims in respect of the Subordinate Debt on behalf of Creditor if Creditor does not do so prior to 30 days before the expiration of the time to file claims in such proceeding and if Senior Lender elects, in its sole discretion, to file such claim or claims; and

(ii) To accept or reject any plan of reorganization or arrangement on behalf of Creditor and to otherwise vote Creditor's claims in respect of any Subordinate Debt in any manner that Senior Lender deems appropriate for the enforcement of its rights hereunder.

8. So long as the Senior Debt has not been indefeasibly paid in full and the agreements entered into in connection with such Senior Debt have not been terminated, Creditor agrees that it will not object to or oppose (i) the sale of Debtor or (ii) the sale or other disposition of any Debtor Property, if Senior Lender has consented to such sale of Debtor or sale or disposition of any Debtor Property. If requested by Senior Lender, Creditor shall affirmatively consent to such sale or disposition and shall take all necessary actions and execute such documents and instruments as Senior Lender may reasonably request in connection with and to facilitate such sale or disposition.

9. No amendment of the documents evidencing or relating to the Subordinate Debt shall directly or indirectly modify the provisions of this Agreement in any manner which might terminate or impair the subordination and postponement of the Subordinate Debt. By way of example, such instruments shall not be amended to (i) increase the rate of interest with respect to the Subordinate Debt, or (ii) accelerate the payment of the principal or interest or any other portion of the Subordinate Debt.

10. This Agreement shall remain effective so long as the Senior Debt has not been indefeasibly paid in full and the agreements entered into in connection with such Senior Debt have not been terminated. If, at any time after payment in full of the Senior Debt any payments of the Senior Debt must be disgorged by Senior Lender for any reason (including, without limitation, the bankruptcy of Debtor), this Agreement and the relative rights and priorities set forth herein shall be reinstated as to all such disgorged payments as

though such payments had not been made and Creditor shall immediately pay over to Senior Lender all payments received with respect to the Subordinate Debt to the extent that such payments would have been prohibited hereunder. At any time and from time to time, without notice to Creditor, Senior Lender may take such actions with respect to the Senior Debt as Senior Lender, in its sole discretion, may deem appropriate, including, without limitation, terminating advances to Debtor, increasing the principal amount, extending the time of payment, increasing applicable interest rates, renewing, compromising or otherwise amending the terms of any documents affecting the Senior Debt and any collateral securing the Senior Debt, and enforcing or failing to enforce any rights against Debtor or any other person. No such action or inaction shall impair or otherwise affect Senior Lender's rights hereunder.

11. This Agreement shall bind any heirs, administrators and assignees of Creditor and shall benefit any successors or assigns of Senior Lender. This Agreement is solely for the benefit of Creditor and Senior Lender and not for the benefit of Debtor or any other party. Creditor further agrees that if Debtor is in the process of refinancing a portion of the Senior Debt with a new senior lender, and if Senior Lender makes a request of Creditor, Creditor shall agree to enter into a new subordination and postponement agreement with the new senior lender on substantially the terms and conditions of this Agreement.

12. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered (which may include delivery by facsimile transmission and the reproduction of signatures by facsimile transmission or delivery by email of a pdf formatted document) will be treated as binding as if originals, and which, if taken together, shall constitute one and the same instrument.

13. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS, HIS OR HER CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THE MUTUAL BENEFIT OF ALL PARTIES, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY OTHER DOCUMENT, INSTRUMENT OR AGREEMENT BETWEEN THE UNDERSIGNED PARTIES.

14. This Agreement represents the entire agreement with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and commitments. Creditor is not relying on any representations by Senior Lender or Debtor in entering into this Agreement, and Creditor has kept and will continue to keep itself fully apprised of the financial and other condition of Debtor. This Agreement may be amended only by written instrument signed by Creditor and Senior Lender.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CREDITOR:

Witness

[●]

SENIOR LENDER:

NAME REDACTED

By: _____

Name:

Title:

The undersigned approves of the terms of this Agreement.

DEBTOR:

CIELO WASTE SOLUTIONS CORP.

By: _____

Name:

Title:

EXHIBIT D TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND NAME REDACTED, AS LENDER

FORM OF COMPLIANCE CERTIFICATE

I, _____, the [**Chief Financial Officer**] of CIELO WASTE SOLUTIONS CORP., a British Columbia corporation (the "**Borrower**") (in such capacity and not in my individual capacity), hereby certify the following with respect to that certain Loan Agreement made effective as of November 2, 2017 by and among the Borrower, 1888711 Alberta Inc., as guarantor, the other guarantors from time to time party thereto, and *Name Redacted*, as lender (as amended, renewed, extended, restated, replaced, supplemented or otherwise modified from time to time, the "**Loan Agreement**"; capitalized terms used but not defined herein shall have the meanings assigned to them in the Loan Agreement):

1. No Default or Event of Default has occurred under the Loan Agreement which has not been previously disclosed, in writing, to the Lender pursuant to a Compliance Certificate.
2. Each Loan Party is in compliance with all of its obligations under the Loan Documents to which it is a party.
3. The representations and warranties made by any Loan Party in the Loan Agreement and in any other Loan Document are true and correct as at the date hereof.

[Signature Page Follows]

DATED this _____ day of _____, 20_____.

CIELO WASTE SOLUTIONS CORP.

Per: _____
Name:
Title:

SCHEDULE 1.1 TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS A GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND NAME REDACTED, AS LENDER

MATERIAL CONTRACTS

Name of Contract	Parties	Date
License Agreement	Cielo Waste Solutions Corp. and 1888711 Alberta Inc.	June 14, 2016, amended and restated on •, 2017
Development Permit 17D 117	Issued by the Municipal District of Foothills No. 31 to Cielo Waste Solutions Corp.	July 18, 2017
Approval Application No. 001-399278 – in progress	Application made to Alberta Environment and Parks	In progress – correspondence regarding incomplete application on September 27, 2017
Purchase and Sale Agreement (and all extensions thereto)	Cielo Waste Solutions Corp. and XR Resources Inc.	April 13, 2017
Asset Purchase Agreement	Cielo Waste Solutions Corp. and XR Resources Inc.	February 14, 2017
Secured Convertible Debenture Agreements and General Security Agreements	Cielo Waste Solutions Corp. and those debenture holders listed in Exhibit 8(x)	June 30, 2016 February 17, 2017 March 31, 2017
Consulting Agreement (Officer – VP services)	Cielo Waste Solutions Corp. and Stuart A. McCormick Consulting	April 24, 2017
Consulting Agreement (Officer – CFO services)	Cielo Waste Solutions Corp. and SSCR Corporate Solutions Ltd.	October 20, 2016
Business Development Agreement	Cielo Waste Solutions Corp. and Merchant Equities Capital Corp.	April 9, 2017
Synthetic Diesel Purchase and Sale Agreement	Cielo Waste Solutions Corp. and Elbow River Marketing Ltd.	July 19, 2016
Sawdust and Wood Shavings Supply Agreement -	Cielo Waste Solutions Corp. and Mountainview Eco Products	July 24, 2017
Used Motor Oil and Plastics Supply Agreement	Cielo Waste Solutions Corp. and Dipper Oil Recycling	March 27, 2016
Asset Purchase Agreement	Cielo Waste Solutions Corp. and Blue Horizon Bio-Diesel Inc.	July 18, 2014
Secured Convertible Loan Agreements and General Security Agreements	1888711 Alberta Inc. and those debenture holders listed in Exhibit 8(K)	Various from February through August 2016

SCHEDULE 1.2 TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS A GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND *NAME REDACTED*, AS LENDER

CAPITAL LEASES AND PURCHASE MONEY MORTGAGES

None.

SCHEDULE 8(I) TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS A GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND *NAME REDACTED*, AS LENDER

LITIGATION

None.

SCHEDULE 8(J) TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS A GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND *NAME REDACTED*, AS LENDER

ENVIRONMENTAL CONDITION

None.

SCHEDULE 8(K) TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS A GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND *NAME REDACTED*, AS LENDER

INDEBTEDNESS OF THE LOAN PARTIES

None.

SCHEDULE 8(R) TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS A GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND *NAME REDACTED*, AS LENDER

INTELLECTUAL PROPERTY

The Borrower is the owner of the Intellectual Property underlying the technology to be used for the construction, operation, and any other commercialization of the Pilot Plant, subject only to those limited rights licensed to the Initial Guarantor in accordance with the terms of the 1888 License Agreement. More specifically, the Borrower's Intellectual Property consists of a one-of-a kind process for thermal processing and catalytic cracking of biomass slurry using catalytic cracking into a vapor for recovery and further processed into renewable fuel.

Pursuant to the 1888 License Agreement, the Initial Guarantor acquired the license to further develop and improve the foregoing processes and resulting technology and file associated patents. The Initial Guarantor's Intellectual Property consists of any such improvements and also of provisional patent application number *NUMBER REDACTED* filed in the USA using docket number *NUMBER REDACTED*.

SCHEDULE 8(X) TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS A GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND NAME REDACTED, AS LENDER

LIST OF CONVERTIBLE DEBENTURE HOLDERS

Debtor	Balance as at Oct 31 2017	Type of Debt
1240837 Alberta Ltd.	\$24,000.00	Secured - Convertible Debenture - subordinate
Douglas Allan	\$110,500.00	Secured - Convertible Debenture - subordinate
Bradley Lamash	\$11,050.00	Secured - Convertible Debenture - subordinate
Dave Mullen	\$108,750.00	Secured - Convertible Debenture - subordinate
Odlum Brown ITF Charlotte Faulkner	\$21,750.00	Secured - Convertible Debenture - subordinate
NBCN Inc. In Trust for Richard Smith A/C 5FL239W	\$21,750.00	Secured - Convertible Debenture - subordinate
NBCN Inc. In Trust for Richard Smith A/C 5FL239A	\$87,000.00	Secured - Convertible Debenture - subordinate
NBCN Inc. In Trust for Bawana Investments Ltd. A/C 5FL236A	\$108,750.00	Secured - Convertible Debenture - subordinate
T Brad Hawken	\$21,750.00	Secured - Convertible Debenture - subordinate
Mel Angeltvedt	\$10,875.00	Secured - Convertible Debenture - subordinate
Mark Holden	\$32,625.00	Secured - Convertible Debenture - subordinate
Timothy John Dunlap	\$21,750.00	Secured - Convertible Debenture - subordinate
Jeffrey Seymour Family Trust	\$10,875.00	Secured - Convertible Debenture - subordinate
Brian Bierlmeier	\$21,750.00	Secured - Convertible Debenture - subordinate
Greg Busby	\$10,875.00	Secured - Convertible Debenture - subordinate
OLYMPIA TRUST COMPANY ITF DAVID VAN SETERS #134834	\$10,875.00	Secured - Convertible Debenture - subordinate
OLYMPIA TRUST COMPANY ITF ADINE MEES #134835	\$21,750.00	Secured - Convertible Debenture - subordinate

SCHEDULE 8(Y) TO THE LOAN AGREEMENT MADE EFFECTIVE AS OF NOVEMBER 2, 2017 BY AND AMONG CIELO WASTE SOLUTIONS CORP., AS BORROWER, 1888711 ALBERTA INC., AS A GUARANTOR, THE OTHER GUARANTORS FROM TIME TO TIME PARTY THERETO, AND *NAME REDACTED*, AS LENDER

LIST OF DEBT HOLDERS OF INITIAL GUARANTOR

DEBTHOLDER INFORMATION REDACTED