

GENERAL SECURITY AGREEMENT

XR RESOURCES INC.
Of the Nanton, in the Province of Alberta
(hereinafter called "the Creditor")

and –

CIELO WASTE SOLUTIONS CORP.
of 101-1500 Howe Street
Vancouver, British Columbia
Canada, V6Z 2N1
(hereinafter called "the Debtor")

WHEREAS the Debtor has borrowed from the Creditor the sum of \$1,500,000.00, the receipt of which is hereby acknowledged by the Debtor;

AND WHEREAS the Debtor has promised to repay the same together with interest thereon at 12% from time to time and has agreed to grant security to the Creditor as is herein set out.

NOW THEREFORE the Debtor covenants and agrees as follows:

Terms of Repayment

The principal amount and interest thereon shall be repaid by the Debtor to the Creditor as follows:

- A monthly payment of interest only for the period from April 21, 2017 to May 16, 2017 of \$12,328.75; and
- \$15,000.00 on June 16, 2017; and
- Monthly payments of principal and interest of \$35,492.70 on July 16, 2017 and continuing on the 16th of each month thereafter to and including the 16th day of January 2022 at which time the balance of outstanding principal and interest shall be due and payable.

in the case of default hereunder the full amount of the principal and interest shall become due and payable forthwith upon demand;

there shall be a privilege of paying the full amount owing at any time without notice, penalty or bonus.

All payment received to be applied firstly to interest, secondly to principal and all interest and arrears to become principal.

Security Interest

As continuing security for the payment and performance of all debts, liabilities and obligations of the Debtor to the Creditor, howsoever arising (present and future, absolute and contingent) (the "Indebtedness") the Debtor **grants, assigns, mortgages, pledges and charges:**

- The assets of the purchase attached to or situated on the property legally described as:

**PLAN 9812255
LOT 26
EXCEPTING THEREOUT ALL MINES AND MINERALS
AND IMPROVEMENTS THEREON
(the "Property")**

- Upgrades and all non-specialized equipment and infrastructure made to the Property by the Debtor.

(the "Collateral"), which for clarity shall not including any intellectual property of the Debtor which is or may become associated with the Property and the assets situated thereon.

The Debtor warrants and acknowledges to and in favour of the Creditor that:

- the parties intend the Security Interest hereby constituted in its existing property to attached upon execution and delivery hereof;
- the parties intend the Security Interest created in after-acquired property of the Debtor to attach at the same time as it acquires rights in the said after-acquired property; and value has been given

Acknowledgement by Debtor

The Creditor hereby acknowledges that the Security Interest granted hereby is subject to certain Encumbrances (as defined below), as follows:

- a.) a prior security interest against all assets of the Debtor to a maximum of \$500,000.00 and purchase-money security interest against equipment of the Debtor;
- b.) a prior security interest against all assets of the Debtor in connection with the issuance of \$760,000 plus interest at 12.5% on \$150,000 thereof and at 15% on the balance thereof, in convertible debentures.

Continuous Interest

The mortgage, pledge, charge and Security Interest hereby created shall be a continuous charge notwithstanding the Indebtedness may be fluctuating and even

may from time to time, and at any time, be reduced to a nil balance and notwithstanding monies advanced may be repaid and future advances made to or to the order of the Debtor or in respect of which the Debtor is liable.

Authorized Dealing with Collateral

Until Default, or until the Creditor provides written notice to the contrary to the Debtor, the Debtor may deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions of this Agreement, provided that the Debtor may not, without the prior written consent of the Creditor:

Sell or dispose of any of the Collateral otherwise than for fair market value in the ordinary course of the Debtor's business as it is presently conducted and for the purpose of carrying on that business; or

Create or incur any Security Interest, lien, assessment, or encumbrance upon any of the Collateral which ranks or purports to rank, or is capable of being enforced in priority to or equally with the Security Interest granted under this Agreement, except Purchase Money Security Interests and Leases incurred in the ordinary course of the Debtor's business.

Nothing in this paragraph creates a postponement or subordination of any priority of the Creditor in any of the Collateral in favour of any present or future holder of a security interest in any of the Collateral.

If the Collateral compromises any Security, Chattel Paper, Instruments, Money or Documents of Title, the Debtor will, upon request, deliver the same to the Creditor and will allow the Creditor to retain possession of the same.

Representations and Warranties of the Debtor

The Debtor hereby represents and warrants with the Creditor that:

The Collateral is owned by the Debtor free of all Security Interests, mortgages, liens, claims, charges or other encumbrances other than those held by the Creditor and as otherwise set out in this Agreement (hereinafter collectively called "Encumbrances").

The Debtor has full power and authority to conduct its business and own its properties in all jurisdictions in which the Debtor carries on business and has full power and authority to execute, deliver and perform all of its obligations under this agreement;

This agreement when duly executed and delivered by the Debtor will constitute a legal, valid and binding obligation of the Debtor, subject only that such enforcement may be limited by bankruptcy, insolvency and any other laws of general application affecting creditors' rights and by rules of equity governing enforceability by specific

performance;

There is not provision in any agreement to which the Debtor is a party, nor to the knowledge of the Debtor is there any statute, rule or regulation, or any judgment, decree or order of any court, binding on the Debtor which would be contravened by the execution and delivery of this agreement.

There is no litigation, proceeding or dispute pending, or to the knowledge of the Debtor threatened, against or affecting the Debtor or the Collateral, the adverse determination of which might materially and adversely affect the Debtor's financial condition or operations or impair the Debtor's ability to perform its obligations hereunder;

The names of the Debtor are accurately and fully set out above, and the Debtor is not known by any other names;

The Collateral is located in the Province of Alberta.

Covenants of the Debtor

The Debtor hereby covenants with the Creditor that:

The Debtor owns and will maintain the Collateral free of Encumbrances other than as set out in this Agreement, hereafter approved in writing by the Creditor prior to their creation or assumption and will defend title to the Collateral for the benefit of the Creditor against the claims and demands of all persons;

The Debtor will make commercially reasonable efforts to maintain the Collateral in good condition and repair and will not allow the value of the Collateral to be impaired and will permit the Creditor or such person as the Creditor may from time to time appoint to enter into any premises where the Collateral may be kept to view its condition upon reasonable notice and during regular business hours unless otherwise agreed;

The Debtor will conduct its business in a proper and business-like manner and will keep proper books of account and records of its business and upon request will furnish access to its books and records at all reasonable times, and will give to the Creditor any information which it may reasonably require relating to the Debtor's business;

The Debtor will punctually pay all rents, taxes, rates and assessments lawfully assessed or imposed upon any property or income of the Debtor and will punctually pay all debts and obligations to labourers, workmen, employees, contractors, subcontractors, suppliers of materials and other debts which, when unpaid, might under the laws of Canada or any province of Canada have priority over the Security Interest granted by this Agreement;

- a. The Debtor will punctually make all payments and perform all obligations in any lease by the Debtor and under any agreement charging property of the Debtor;
- b. The Debtor will immediately give notice to the Creditor of:
 - i) any change in the location of the Collateral;
 - ii) the details of any material acquisition or disposition of Collateral (whether authorized by the Creditor nor not);
 - iii) any material loss of or damage to Collateral;
 - iv) the details of any claims or litigation affecting materially the Debtor or Collateral; and
 - v) any change of its name;

The Debtor will insure and keep insured against loss or damage by fire or other insurable hazards the Collateral to the extent of its full insurable value, and will maintain all such other insurance as the Creditor may reasonably require. The loss under the policies of insurance will be made payable to the Creditor as its interest may appear and will be written by an insurance company approved by the Creditor in terms satisfactory to the Creditor and the Debtor will provide the Creditor with copies of the same. The Debtor will pay all premiums and other sums of money necessary for such purposes as they become due and deliver to the Creditor proof of said payment, and will not allow anything to be done by which the policies may become vitiated. Upon the happening of any loss or damage the Debtor will furnish at its expense all necessary proofs and will do all necessary acts to enable the Creditor to obtain payment of the insurance monies;

The Debtor will observe the requirements of any regulatory or governmental authority with respect to the Collateral;

The Debtor will not remove any of the Collateral from Alberta without prior written consent of the Creditor, subject to any prior Encumbrances set out herein;

The Creditor may pay or satisfy any Encumbrance created in respect of any Collateral, or any sum necessary to be paid to clear title to such Collateral, and the Debtor agrees to repay the same on demand, plus interest thereon at a rate equal to the highest rate of interest payable by the Debtor on any portion of the Indebtedness;

The Creditor may from time to time specify to the Debtor in writing affirmative covenants and restrictions to be performed and observed by the Debtor in respect of provision of financial information, payment of dividends, capital expenditures, incurring additional obligations, reduction of capital, distribution of assets, amalgamation, repayment of loans, lending of money, sale and other disposition of assets and/or such other matters as the Creditor may think fit, and the Debtor agrees to perform and observe such affirmative and negative covenants and restrictions to the same extent and effect as if the same were fully set forth in this agreement;

The Debtor will not permit the Collateral to become affixed to real or other personal property without the prior consent of the Creditor in writing, and will obtain and deliver to the Creditor such waivers regarding the Collateral as the Creditor may reasonably request from any owner, landlord or mortgagee of the premises.

Default

The happening of any of the following shall constitute Default under this agreement:

The Debtor fails to pay, when due, the Indebtedness or any part thereof or to perform when due any other obligation to the Creditor and does not remedy such failure to pay within 15 business days of receiving written notice thereof from the Creditor

The Debtor fails when due to perform any obligation to any other person, and such failure is not cured within 30 days of the date the Debtor receives written notice of such failure from the Creditor;

Any representation or warranty made in this agreement or any other document or report furnished to the Creditor in respect of the Debtor or the Collateral proves to have been or to have become false or materially misleading;

The Debtor ceases or demonstrates an intention to cease to carry on business or disposes or purports to dispose of all or substantial part of its assets;

Any of the licenses, permits or approvals granted by any government or any government authority and essential to the business of the Debtor is withdrawn, cancelled or significantly altered and this is not remedied within 30 days of the date such withdrawal, cancellation or alteration becomes known to the Debtor;

An order is made or a resolution passed for winding up the Debtor, or a petition is filed for the winding up, dissolution, liquidation or amalgamation of the Debtor;

The Debtor becomes insolvent or makes an assignment or proposal for the benefit of its creditors, or a Bankruptcy Petition or Receiving Order is filed or made against the Debtor, or a Receiver of the Debtor or any part of its property is appointed, or the Debtor commits or demonstrates an intention to commit any act of bankruptcy, or the Debtor otherwise becomes subject to the provisions of the Bankruptcy and Insolvency Act or any other act for the benefit of its creditors;

Any execution, sequestration, extent or distress or any other like process is levied or enforced against any property of the Debtor, or a Secured Party takes possession of any of the Debtor's property;

Any material adverse change occurs in the financial position of the Debtor such that the Debtor cannot continue to fulfill its obligations to the Creditor;

The Creditor considers that it is insecure, or that the prospect of payment or performance by the Debtor of the Indebtedness is or is about to be impaired, or that the Collateral is or is about to be placed in jeopardy.

Remedies

On Default:

The Creditor may seize or otherwise take possession of the Collateral or any part thereof and sell the same by public or private sale at such price and upon such terms as the Creditor in its sole discretion may determine and the proceeds of such sale less all costs and expenses of the Creditor (including costs as between a solicitor and its own client on a full indemnity basis) shall be applied on the Indebtedness and the surplus; if any, shall be disposed of according to law;

The Creditor has the right to enforce this agreement by any method provided for in this agreement and as permitted by law, and to dispose of the Collateral by any method permitted by law, including disposal by lease or deferred payment;

The Creditor may appoint any person or persons, to be a Receiver of any Collateral, and may remove any person so appointed and appoint another in his stead. The term "Receiver" as used in this agreement includes a Receiver-Manager; Any Receiver will have the power:

To take possession of any Collateral and for that purpose to take any proceedings in the name of the Debtor or otherwise;

To carry on or concur in carrying on the business of the Debtor;

To sell or lease any Collateral;

To make any arrangement of compromise which he may think expedient in the interest of the Creditor;

To pay all liabilities and expense connected with the Collateral, including the cost of insurance and payment of taxes or other charges incurred in obtaining, maintaining possession of and preserving the Collateral, and the same shall be added to the Indebtedness and secured by the Collateral;

To hold as additional security any increase or profits resulting from the Collateral;

To exercise all rights that the Creditor has under this agreement or otherwise at law;

With the consent of the Creditor in writing, to borrow money for the purpose of carrying on the business of the Debtor or for the maintenance of the Collateral or any part thereof or for other purposes approved by the Creditor and any amount so borrowed together with interest thereon shall form a charge upon the Collateral in priority to the Security Interest created by this Agreement;

To enter into and to occupy any premises in which the Debtor has any

interest.

The Debtor hereby appoints each Receiver appointed by the Creditor to be its attorney to effect sale or lease of any Collateral and any deed, lease, agreement or other document signed by a Receiver under his seal pursuant hereto will have the same effect as if it were under the seal of the Debtor;

Any Receiver will be deemed to be the agent of the Debtor, and the Debtor will be solely responsible for his acts or defaults and for his remuneration and expenses and the Creditor will not be in any way responsible for any misconduct or negligence on the part of any Receiver;

- a. Neither the Creditor nor the Sheriff will be required to take any steps to preserve any rights against other parties pursuant to any Chattel Paper, Security or Instrument constituting the Collateral or any part of it;
- b. Neither the Creditor nor the Sheriff is required to keep Collateral identifiable;
- c. The Creditor may use the Collateral in any manner, as it in its sole discretion deems advisable.

Collection of Debts

Before or after Default, the Creditor may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on the Collateral to the Creditor. The Debtor acknowledges that any payments on or other proceeds of Collateral received by the Debtor from Account Debtors, whether before or after notification of this Security Interest to Account Debtors and after default under this Agreement shall be received and held by the Debtor in trust for the Creditor and shall be turned over to the Creditor on request. The Debtor shall furnish the Creditor with all information which may assist in the collection of all accounts and any other monies or debts due to the Debtor.

Securities

If Collateral at any time includes Securities, the Debtor irrevocably authorizes and appoints the Creditor as its attorney and agent to transfer the same or any party thereof into its own name or that of its nominee(s) so that the Creditor or its nominee(s) may appear on record as the sole owner thereof; provided that, until Default, the Creditor shall deliver promptly to the Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to the Debtor or its order a proxy to vote and take all action with respect to such Securities. After Default, the Debtor waives all rights to receive any notices or communications received by the Creditor or its nominee(s) as such registered owner and agrees that no proxy issued by the Creditor to the Debtor or to its order as aforesaid shall thereafter be effective.

Collateral in Possession of the Creditor

Collateral held in possession of the Creditor pursuant to this agreement is in this clause referred to as "Retained Collateral". The Debtor agrees with the Creditor that:

The Creditor's responsibility with regard to the Retained Collateral shall be limited to exercising the same degree of care which it gives to similar property held by the Creditor at the location where the Retained Collateral is held. The Creditor shall not in any event be obligated to protect the Retained Collateral from depreciating or becoming worthless, or to present, protect, collect, enforce or realize on any of the Retained Collateral;

The Creditor shall not be obliged to collect or see to the payment of revenues, incomes, interest or dividends upon any of the Retained Collateral, but all such revenues, incomes, interest or dividends, if any when received by the Debtor, shall immediately be paid to the Creditor. The Creditor, in its sole discretion, may hold such monies as Collateral or appropriate it to any portion of the Indebtedness;

The Debtor irrevocably appoints the Creditor as its attorney and agent, with full powers of substitution, to sell, transfer, surrender, redeem, endorse or otherwise deal with any of the Retained Collateral as the Creditor, in its sole discretion, may see fit;

The Creditor shall have all rights and powers, but shall not be required to exercise, any right or benefit which the holder or owner of the Retained Collateral may at any time have in connection with the Retained Collateral;

If, in the reasonable opinion of the Creditor any or all of the Retained Collateral has depreciated in value, the Creditor may by notice in writing require the Debtor to replace such Retained Collateral with further collateral of sufficient value to cover the depreciation. The Creditor may realize upon all or any of the Retained Collateral, if the Debtor does not provide further collateral of sufficient value, in any manner as the Creditor sees fit.

Acceleration

In the event of Default, the Creditor, in its sole discretion, may without demand or notice of any kind declare all or any of the Indebtedness which is not by its terms payable on demand, to be immediately due and payable.

Notice

Any notice or demand required or permitted to be made or given by the Creditor to the Debtor may be validly served by leaving the same or by mailing the same prepaid registered mail addressed to the Debtor at the last known address of the Debtor or of any officer or director thereof, as shown on the records of the Creditor and in the case of mailing such notice or demand shall be deemed to have been received by the Debtor on the third business day following the date of mailing.

Costs and Expenses

The Debtor agrees to pay all costs, charges and expenses reasonably incurred by the Creditor or any Receiver appointed by it (including, but without restricting the generality of the foregoing, legal fees as between a solicitor and his own client on a full indemnity basis), in preparing, registering or enforcing this Agreement, taking custody of, preserving, maintaining, repairing, processing, preparing for disposing of Collateral and in enforcing or collecting the Indebtedness and all such costs, disposition and charges and expenses together with any monies owing as a result of any borrowing by the Creditor or any Receiver appointed by it shall be a first charge on the proceeds or realization, collection, or disposition of Collateral and shall be secured hereby.

Miscellaneous

Without limiting any other right of the Creditor, whenever the debts and liabilities of the Debtor to the Creditor are immediately due and payable, or the Creditor has

the right to declare the debts and liabilities to be immediately due and payable, whether or not it has been so declared, the Creditor may, in its sole discretion, set-off against the debts and liabilities any and all monies then owed to the Debtor by the Creditor in any capacity, whether due or not due, and the Creditor shall be deemed to have exercised such right of set-off immediately at the time of making its decision to do so even though any charge therefore is made or entered on the Creditor's records subsequent thereto.

The Creditor may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle grant releases and discharges and otherwise deal with the Debtor, sureties and others and with Collateral and other security as the Creditor may see fit without prejudice to the liability of the Debtor or the Creditor's right to hold and realize the Security Interest.

The Creditor may demand, collect and sue on Collateral in either the Debtor's name or the Creditor's name, at the Creditor's option, and may endorse the Debtor's name on any and all cheques, commercial paper and any other instruments pertaining to or constituting Collateral.

Upon the Debtor's failure to perform any of its duties under this Agreement, the Creditor may, but shall not be obligated to, perform any such duties, and the Debtor will pay to the Creditor, upon demand, an amount equal to the expense incurred by the Creditor in so doing with interest thereon from the date such expense is incurred at a rate equal to the highest rate of interest payable by the Debtor on any portion of the Indebtedness.

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns. In any action brought by an assignee of this Agreement or the Security Interest created hereunder or any part thereof, the Debtor shall not assert against the assignee any claim or defence which the Debtor now has or hereafter may have against the Creditor.

If more than one person executes this Agreement as the Debtor the obligations of such persons hereunder shall be joint and several.

This agreement is in addition to and not in substitution for any other security or securities now or hereafter held by the Creditor and all such other securities shall remain in full force and effect.

- a. The Debtor further agrees to execute and deliver to the Creditor such further assurances and conveyances and supplemental deeds as may be necessary to properly carry out the intention of this Agreement, as determined by the Creditor, or as may be required by the Creditor from time to time.
- b. After Default, the Creditor may from time to time apply and re-apply, notwithstanding any previous application, in any such manner as it, in its sole discretion sees fit, any monies received by it from the Debtor or as a

result of any enforcement or recovery proceedings, toward payment of any portion of the Indebtedness.

Interpretation

If a portion of this Agreement is wholly or partially invalid, then this Agreement will be interpreted as if the invalid portion had not been a part of it.

Where the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary depending upon the person referred to being male, female or body corporate.

The last day of any term reserved by any lease or agreement to lease is excepted out of the Security Interest hereby created and does not form part of the Collateral, but the Debtor shall stand possessed of such last day in trust to assign same to any person acquiring such term.

This Agreement will be interpreted in accordance with the Laws of the Province of Alberta, and the Debtor irrevocably agrees that any suit or proceeding with respect to any matters arising out of or in connection with this Agreement may be brought in the courts of the Province of Alberta or in any court of competent jurisdiction as the Creditor may elect and the Debtor agrees to attorn to the same.

Copy of Agreement

The Debtor hereby acknowledges receipt of a copy of this Agreement.

IN WITNESS WHEREOF the Debtor has executed this Agreement this 13th day of April, 2017.

XR RESOURCES INC.

WITNESS

Creditor: _____

CIELO WASTE SOLUTIONS CORP.

Debtor: _____



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This Agreement will be interpreted in accordance with the Laws of the Province of Alberta, and the Debtor irrevocably agrees that any suit or proceeding with respect to any matters arising out of or in connection with this Agreement may be brought in the courts of the Province of Alberta or in any court of competent jurisdiction as the Creditor may elect and the Debtor agrees to attorn to the same.

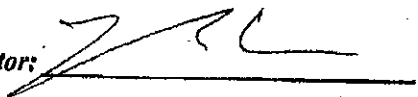
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WITNESS

XR RESOURCES INC.

Creditor: 

CIELO WASTE SOLUTIONS CORP.

Debtor: _____

