

CIELO WASTE SOLUTIONS CORP.

(Formerly Cielo Gold Corp.)

**Interim Financial Statements
(Amended and Restated)**

For the Three and Six-Month Period Ended October 31, 2017

(Expressed in Canadian dollars)

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AMENDED AND RESTATED

TO THE SHAREHOLDERS OF CIELO WASTE SOLUTIONS CORP.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a) and International Accounting Standards (IAS) 34, the Company discloses the interim financial statements for the period ended October 31, 2017 were prepared by management and were not reviewed by Cielo's independent auditors.

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp)**Statement of Financial Position
(Expressed in Canadian Dollars)**

	Note	October 31, 2017	April 30, 2017
Assets			
Current Assets			
Cash		307,693	106,110
GST and Other receivable		42,948	12,212
Prepaid expenses		202,869	10,750
Deposit on Facility		-	-
Total Current Assets		553,510	129,072
Non Current Assets			
Property, plant and equipment	5	3,386,983	3,063,594
Intellectual property assets	6	1	1
Total Non Current Assets		3,386,984	3,063,595
Total Assets		3,940,494	3,192,667
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	12	452,547	336,380
Accrued liabilities		5,000	48,200
Short-term loans payable	7&12	851,075	1,291,602
Current Portion of Long Term Debt	7	270,452	214,399
Current Portion of Convertible Debt	8	-	139,347
		1,579,074	2,029,928
Long Term Liabilities			
Long term loans payable	7	1,673,601	2,037,345
Convertible Debentures	8	613,928	591,454
		3,866,603	4,658,727
Shareholders' Equity			
Share capital	9	9,904,775	7,335,414
Contributed surplus	10&11	1,067,526	1,024,787
Deficit		(10,898,410)	(9,826,261)
Total Equity		73,891	(1,466,060)
Total Liabilities and Equity		3,940,494	3,192,667

Nature and continuance operation and basis of presentation (Note 1 and 2)

Subsequent events (Note 16)

The accompanying notes are an integral part of the interim financial statements.

Approved and authorized for issue by the Board of Directors on December 14, 2017

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

Signed: "Shannon Wzykoski"
CFO

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp.)**Statements of Comprehensive Loss**

(Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2017	2016	2017	2016
Expense	\$	\$	\$	\$
Advertising and Promotion	9,188	-	10,628	-
Amortization on deferred financing charges	6,481	-	13,713	-
Amortization on property, plant and equipment	43,019	-	86,036	-
Bank Charges	230	158	516	353
Consulting	257,366	-	281,366	-
Interest and accretion expenses (Note 8&9)	104,453	-	203,208	-
Office and administrative expenses	18,354	13,104	44,345	24,396
Professional fees	206,343	5,919	218,659	100,144
Salaries and benefits (Note14)	6,318	6,435	12,730	12,870
Transfer agent and filing fees	12,266	4,088	17,077	11,451
Travel	6,129	8,433	8,150	12,885
Net Loss before other items	(670,147)	(38,137)	(896,428)	(162,098)
Gain(Loss) on settlement of debt with shares	(142,102)	-	(175,721)	-
Net loss and comprehensive loss for the period	(812,249)	(38,137)	(1,072,149)	(162,098)
Loss per share, basic and diluted	(.007)	(.0004)	(.010)	(.002)
Weighted average number of outstanding common shares	112,173,775	93,096,547	112,173,775	93,096,547

The accompanying notes are an integral part of the interim financial statements

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp.)**Statements of Changes in Equity**

(Expressed in Canadian Dollars except for number of shares)

	Number of shares	Share Capital	Shares Subscribed	Contributed Surplus		Deficit	Total shareholders' equity
				Options and Warrants	Other		
		\$		\$	\$	\$	\$
Balance April 30, 2016	91,849,224	6,776,950	32,000	714,321	71,482	(9,328,956)	(1,734,203)
Shares issued for debt conversion	1,550,000	62,000	(32,000)	-	-	-	30,000
Shares issued for debt conversion	140,000	4,200	-	-	-	-	4,200
Shares Issued for debt conversion	830,000	33,200	-	-	-	-	33,200
Share based compensation	-	-	-	203,024	-	-	203,024
Net Loss for the six months	-	-	-	-	-	(338,522)	(338,522)
Balance October 31, 2016	94,369,224	6,876,350	-	917,345	71,482	(9,667,478)	(1,802,301)
Balance April 30, 2016	102,655,588	7,335,414		953,305	71,482	(9,826,261)	(1,466,060)
Shares issued for private placements (Note 9)	8,500,000	879,000					879,000
Shares issued on debt conversion(Note 9)	1,250,000	125,000					125,000
Shares issued on debt conversion(Note 9)	105,125	10,513					10,513
Shares issued for private placements (Note 9)	5,500,000	550,000					550,000
Shares issued for private placements (Note 9)	8,832,360	1,030,530					1,030,530
Shares issued on debt conversion(Note 9)	625,000	62,500					62,500
Shares issued on debt conversion(Note 9)	162,833	19,540					19,540
Fair Values of finders' warrants(Note 10)				42,739			42,739
Share issuance Costs		(107,722)					(107,722)
Net loss for the period						(1,072,149)	(1,072,149)
Balance October 31, 2017	127,630,906	9,904,775	-	996,044	71,482	(10,898,410)	73,891

The accompanying notes are an integral part of the interim financial statements.

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp.)**Statement of Cash Flows**

(Expressed in Canadian Dollars)

Six months ended October 31,	2017	2016
Cash (used in) provided by:		
Operating activities		
Loss for the period	(1,072,149)	(162,098)
Adjustments for:		
Amortization of PPE	86,036	-
Loss on Settlement of debts with shares	-	-
Amortization of deferred financing costs	13,713	-
Accrued interest and accretion expenses	58,701	-
	<u>(913,699)</u>	<u>(162,098)</u>
Changes in non-cash operating working capital		
Other Receivable	(30,736)	9,884
Prepaid Expenses	(192,119)	
Accounts payable and accrued liabilities	66,111	(45,443)
	<u>(1,070,443)</u>	<u>(197,657)</u>
Financing activities		
Short Term Loans	180,561	928,687
Long term loans and convertible debt	273,611	-
Payments on long term debt	-	-
Convertible debt issued for cash	-	(80,000)
Share issuance for cash	1,335,001	94,000
Share issuance costs	(107,722)	-
	<u>1,681,451</u>	<u>942,687</u>
Investing activities		
Purchase of property plant and equipment	(409,425)	(699,868)
	<u>(409,425)</u>	<u>(699,868)</u>
Increase (decrease) in cash	201,583	45,162
Cash, beginning of period	106,110	7,800
Cash, end of period	307,693	52,962
Non-cash activities:		
Shares issued for debt conversion	1,980,125	-
Shares issued for debt settlement	10,645,193	830,000
Fair value of shares issued for debt settlement	\$ 996,866.00	\$ -

The accompanying notes are an integral part of the interim financial statements.

CIELO WASTE SOLUTIONS CORP. (formerly Cielo Gold Corp.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Cielo Gold Corp. (“Cielo” or the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on February 2, 2011 as a wholly owned subsidiary of Arris Holdings Inc. (“AHI”) and changed its name to Cielo Waste Solutions Corp. on August 12, 2013 to more clearly identify its focus on renewable diesel and waste solutions. Pursuant to an arrangement agreement with AHI dated March 1 2011 and the supplement to the arrangement agreement dated June 9, 2011, (collectively the “Arrangement Agreement”), the Company spun out from AHI and became a reporting issuer after the Arrangement Agreement became effective on June 9, 2011 (“Effective Date”). Commencing August 3, 2011, the Company’s common shares started trading on Canadian Stock Exchange (“CSE”) under the Symbol CMC. The principal and registered office of the Company is located at #101 – 1500 Howe Street, Vancouver BC V6Z 2N1.

Originally a mineral property acquisition and development company, a change in the board of directors in June 2013 resulted in a new direction for the Company. The Company's strategic focus has turned to the refining of municipal and construction waste into a renewable diesel fuel.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At October 31, 2017, the Company had not yet achieved profitable operations, had accumulated losses of \$10,898,410 since its inception, and had a working capital deficit of \$(1,025,564), which may not be sufficient to sustain operations over the foreseeable future. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. However, subsequent to the six-month period ended October 31, 2017, the Company completed the final tranche of a private placement offering of units, each unit consisting of one common share and one half of one share purchase warrant, and obtained a credit facility to a maximum of \$3,500,000, which management of the Company believes is sufficient to complete development of the Company’s first commercial refinery and begin operations and earning revenues (see Note 16 – Subsequent Events). Details regarding both of the foregoing financings have been previously disclosed and are available on SEDAR. The Company’s operations, as intended, and its financial success may be dependent upon the successful commercial start-up of its renewable diesel refinery and the economic viability of developing refineries based on the Company’s technology.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a) Statement of Compliance

These interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

(b) Basis of preparation

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Going concern

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

Present value of long-term liabilities

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

Income taxes

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

Share-based payments

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

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Cash equivalents

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at October 31, 2017 and 2016, there were no cash equivalents.

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

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

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

d) Shared-based payments

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

e) Deferred income taxes

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

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

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

f) Valuation of equity units issued in private placements

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

g) Share issuance costs

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

h) Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted losses per share are the same for the periods presented.

i) Financial instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instruments: held to maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available-for-sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivable, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available for sale assets are subsequently measured at fair value with the change in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in active markets and whose fair value cannot be reliably measured, which are measured at cost.

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has classified its financial instruments as follows:

<u>Financial</u>	<u>Instrument</u>	<u>Classification</u>
Cash		FVTPL
Other receivable		Loan and receivable
Accounts payable & accrued liabilities		Other liabilities
Short-term and long-term loans payable		Other liabilities
Convertible debentures		Other liabilities

A financial asset and a financial liability should be offset, and the net amount reported when, and only when, the Company has a legally enforceable right to set off the amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

j) Convertible debentures

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

Interest, dividends, gains, and losses relating to an instrument classified as a liability should be reported in profit or loss. On the other hand, those relating to holders of a financial instrument classified as equity should be charged directly against equity, not against earnings.

Transaction costs of an equity transaction are deducted from equity. Transaction costs related to an issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

k) Impairment

i) Non-financial assets

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

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

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

ii) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

l) Intangible assets

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

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

m) Provisions

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

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

n) Research and development expenditures

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

o) Changes in accounting policies and recent accounting pronouncements

The following standard has been issued but is not yet effective:

(i) Financial instruments

The IASB has issued IFRS 9 - Financial Instruments ("IFRS 9") which intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments. The IASB tentatively decided to defer the mandatory effective date until January 1, 2018 with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its financial statements based on the characteristics of its financial instruments at the time of adoption. The Company is currently evaluating the impact of the standard on its financial performance and financial statements disclosures but expects that such impact will not be material.

4. CASH

	<u>October 31, 2017</u>	<u>October 31, 2016</u>
Cash	<u>307,693</u>	<u>52,962</u>
	<u>307,693</u>	<u>52,962</u>

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	October 31, 2017			October 31, 2016		
	Costs	Accumulated Amortization	Total	Costs	Accumulated Amortization	Total
Land	755,841	-	755,841	-	-	-
Building	931,499	19,183	912,316	-	-	-
Equipment	672,339	36,078	636,261	-	-	-
Construction in progress	451,844	-	451,844	-	-	-
Plant	699,868	69,147	630,721	699,868	-	699,868
	<u>3,511,391</u>	<u>124,408</u>	<u>3,386,983</u>	<u>699,868</u>	<u>-</u>	<u>699,868</u>

The Company entered into the asset purchase agreement dated February 14, 2017 with XR Resources Inc. (“XR”) to purchase equipment including a Case W20C front wheel loader and laboratory equipment. In consideration, the Company issued 2,036,364 common shares of the Company at a fair value of \$142,545.

The Company completed the purchase of land with an existing idle bio-diesel refinery located on it in High River, Alberta (“High River Property”) from XR in April 2017. The purchase price consisted of 5,000,000 common shares of the Company (issued) at a fair value of \$200,000, a vendor take-back mortgage of \$1,500,000 (the “Mortgage”) and \$500,000 cash payments (paid). The Mortgage was subject to interest, at a rate of 12% per annum, calculated monthly, and a General Security Agreement against the High River Property, including all physical improvements but excluding intellectual property. The Mortgage payments were agreed to be as follow: a monthly payment of interest only for the period from April 21, 2017 to May 16, 2017 of \$12,238.75, \$15,000 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 days of January 2022 at which time the balance of outstanding principal and interest was to be due and payable. The Company incurred the related legal costs of \$17,134. A total purchase price of \$2,217,134 was allocated as follows: \$755,841 to land, \$931,499 to building and \$529,794 to equipment. Following the six-month period ended October 31, 2017, the Mortgage was repaid using proceeds from a credit facility (see Note 16 – Subsequent Events).

The Company entered into a Purchase Option Agreement and Equipment Lease Agreement, each dated October 26, 2016 with FS Business Enterprises (“FS”) to lease a 50 liter per hour thermo catalytic depolymerization demonstration plant (the “Equipment”) from FS Enterprises Inc. (“FS”). The Company agreed to become indebted to FS in an amount equal to \$699,868 (the “Mortgage Amount”) in consideration for entitlement to use the Equipment for its business. The Mortgage Amount was subject to interest at a rate of 18% per annum and was to expire on October 30, 2021. The Company had an option for a period of five years, concluding on October 30, 2021 to purchase the Equipment, which option would be automatically exercised upon the repayment in full of an amount equal to \$699,868 together with all unpaid accrued interest. The Mortgage was secured by all present and after acquired property of the Company to a maximum of \$500,000 and a purchase money security interest in the Equipment. Following the six-month period ended October 31, 2017, the Mortgage Amount was repaid using proceeds from a credit facility and the option exercised such that the Company acquired ownership of the Equipment (see Note 16 – Subsequent Events).

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
Six Months Ended October 31, 2017
(Expressed in Canadian dollars)

6. INTELLECTUAL PROPERTY ASSETS

As at April 30, 2016, the Company concluded that, due to the assets being in an idle stage waiting for further development, the intellectual property has been impaired, and the value should have been written down to \$1. The impairment evaluation as at October 31, 2017 remains the same.

7. LOANS PAYABLE

The balance of short-term loans payable as at October 31, 2017 is comprised of the following:

\$151,394 in loans from third parties (2016 –926,872). These are unsecured and due on demand with interest at prime rate plus 10% to 12% per annum. A total of \$19,681 (2016-\$Nil) in interest on these loans has been accrued as at October 31, 2017.

\$699,682 in loans from related parties as below:

	October 31, 2017	October 31, 2016
Blue Horizon Industries (BHI)	\$89,515	\$109,055
Doug Allan, related to Don Allan	-	52,000
Blue Horizon Energy (BHE)	94,912	114,912
1888711 Alberta Inc.	7,049	259,464
Don Allan	400,419	394,228
Don Allan – Note payable matures, due on demand, at annual interest of 5% starting from May 1, 2016	107,787	100,000
	<u>\$699,682</u>	<u>\$1,029,659</u>

These loans are/were unsecured; non-interest bearing and due on demand except for the \$100,000 loan which is 5% interest bearing. A total of \$7,787 (2016-\$nil) in interest on these related party loans has been accrued as at October 31, 2017. BHI, BHE and 1888 are related by common officers or directors (Don Allan is a director and officer of BHI, BHE and 1888, Robin Ray is the CFO of 1888 and Mel Angelvedt is a director and shareholder of 1888).

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

CIELO WASTE SOLUTIONS CORP. (formerly CIELO GOLD CORP.)

Notes to the Financial Statements
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7. LOANS PAYABLE (Continued)

The balance of long-term loans payable as at October 31, 2017 is comprised of the following:

	October 31, 2017	October 3, 2016
Mortgage with XR Resources Inc (Note 5) at an interest rate of 12% per annum, calculated monthly, and a General Security Agreement against the High River Property, including all physical improvements but excluding intellectual property. A monthly payment of interest only for the period from April 21, 2017 to May 16, 2017 of \$12,238.75, \$15,000 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 days of January 2022 at which time the balance of outstanding principal and interest shall be due and payable. Following the six-month period ended October 31, 2017, the Mortgage was repaid using proceeds from a credit facility (see Note 16 – Subsequent Events).	1,416,791	-
Mortgage with FS Business Enterprises Inc. (“FS”) (Note 5) at an interest rate of 18% per annum and expires on October 30, 2021. The Company has an option for a period of five years, concluding on October 30, 2021 to purchase the Equipment (as defined in an Equipment Lease Agreement with FS dated October 26, 2016) which option shall be automatically exercised upon the repayment in full of an amount equal to \$699,868 together with all unpaid accrued interest. The Mortgage is secured by all present and after acquired property of the Company to a maximum of \$500,000 and a purchase money security interest in the Equipment. Accrued interest of \$26,0050 as at October 31, 2017. On July 17, 2017 2,800,000 shares and 1,400,000 warrants (to purchase shares at \$0.20 per share for a period of 12 months) were issued at a value of \$280,000 to FS Business Enterprises Inc. Warrants were assigned a cost of \$Nil based on the residual value method. Following the six-month period ended October 31, 2017, the Mortgage Amount was repaid using proceeds from a credit facility and the option exercised such that the Company acquired ownership of the Equipment (see Note 16 – Subsequent Events).	527,262	-
Notes payable at an interest rate of 5%	-	75,367
Total long-term loan payable	1,944,053	75,367
Less current portion	(270,452)	-
Long-term portion of loans payable	<u>1,673,601</u>	<u>75,367</u>
Principal payments on note payables are due as follows:		
2018	270,452	
2019	304,752	
2020	343,402	

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Notes to the Financial Statements
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7. LOANS PAYABLE (Continued)

2021	386,954
2022	<u>638,493</u>
	<u><u>1,944,053</u></u>

During the six months ended October 31, 2017, the Company accrued interest and accretion expenses of \$58,701 (2016-\$Nil) relating to short-term and long-term loans.

8. CONVERTIBLE DEBT

	October 31, 2017	October 31, 2016
Convertible debts at an interest rate of 12.5%	-	351,469
Convertible debts at an interest rate of 15.0%	600,000	-
Discount on convertible debts	-	(16,656)
Deferred financing costs	(43,280)	(9,421)
Accrued interest	57,208	-
	<u>613,928</u>	<u>325,392</u>
Less current portion	-	(325,392)
	<u><u>613,928</u></u>	<u><u>-</u></u>

During the year-ended April 30, 2016, the Company issued a total of \$150,000 of convertible debentures. The Convertible Debentures would mature two (2) years from the date of issuance, carry an interest rate of 12.5% per annum, and be convertible at the option of the holder at a price of \$0.10 per common share of the Company. The amortized cost of the long-term liability component was accounted for using the effective interest rate method at 14.85% per annum. The equity component was assigned the residual amount of \$6,027 after deducting the financing cost of \$6,935 and was allocated to the liability component only as the allocation to the equity component was immaterial.

During the year-ended April 30, 2017, the Company issued a total of \$610,000 of convertible debentures. The Convertible Debentures would mature three (3) years from the date of issuance, carry an interest rate of 15% per annum, and be convertible at the option of the holder at a price of \$0.10 per common share of the Company.

During the six-month period ended October 31, 2017, \$160,000 of convertible debentures and \$38,013 of interest accrued on the debentures were converted to 1,980,125 common shares.

The foregoing convertible debentures are secured by general security agreements.

Accretion expenses on above convertible debentures of \$1060 was charged to the operation during the six months ended October 31, 2017 (2016-\$Nil).

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8. CONVERTIBLE DEBT (continued)

Interest expenses on above convertible debentures of \$50,975 was charged to the operation during the six months ended October 31, 2017 (2016-\$Nil).

A total deferred financing costs of \$Nil were incurred for six months ending October 31, 2017 (2016 - \$Nil) and \$13,713 was charged to the operation during the six-month ended October 31, 2017 (2016-\$Nil).

9. SHARE CAPITAL

- a. Authorized: unlimited number of Class A common shares without par value
unlimited number of Class B preferred shares without par value (none issued and outstanding)
- b. Issued and Outstanding:
 - (i) On July 16, 2015, the Company issued 33,000 common shares by cash through non-brokered private placements under an offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of \$0.15 per unit. Warrants were assigned with value of \$2,310 based on residual value of method.
 - (ii) On July 16, 2015, 398,333 units were also issued at a fair value of \$3,983, using the closing trading price on the same date, to settle loans owing to Don Allan in the amount of \$52,500 and to settle interest payments owing to a third party in the amount of \$7,250 and resulted in a gain of \$55,767.
 - (iii) On November 4, 2015, the Company issued 4,794,580 common shares at fair value of \$119,865, using the closing trading price on the same date, to settle accounts payable in the amount of \$239,729 and resulted gain on debt settlements of \$119,865.
 - (iv) On November 27, 2015, the Company issued 25,049,353 common shares at fair value of \$1,001,974, using the closing trading price on the same date, to settle related party loans owing to BHBD and BHE in the amount of \$913,923 and \$338,545 respectively and resulted gain on debt settlements of \$250,494.
 - (v) On December 18, 2015, the Company issued 12,430,880 common shares at fair value of \$621,544, using the closing trading price on the same date, to settle related party loans owing to BHE and to settle accounts payable in the amount of \$548,544 and \$73,000 respectively. No gain or loss was resulted from these debt settlements.
 - (vi) During the year-ended April 30, 2016, the Company settled a \$25,000 short term secured loan and a \$7,000 short term unsecured loan into shares of the Company at deemed value of \$0.05 per common share. These shares were issued subsequent to the year-end April 30, 2016.
 - (vii) On June 17, 2016, the Company issued 1,550,000 common shares at a fair value of \$62,000 using the closing trade price on the same date, to settle debt of \$77,500 which resulted in a gain of \$15,500.
 - (viii) On July 4, 2016, the Company issued 140,000 common shares at a fair value of \$4,200 using the closing trade price on the same date, to settle debt of \$7,000 which resulted in a gain of \$2,800.

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9. SHARE CAPITAL (Continued)

- (ix) On October 27, 2016, the Company issued 830,000 common shares at a fair value of \$33,200 using the closing trade price on the same date, to settle debt of \$41,500 which resulted in a gain of \$8,300.
- (x) On November 17, 2016, the Company issued 5,000,000 common shares at a fair value of \$200,000 using the closing trade price on the same date. These shares were issued as a part of a purchase of property, plant and equipment (Note 5).
- (xi) On March 17, 2017, the Company issued 2,036,364 common shares at a fair value of \$142,545 to purchase equipment (Note 5).
- (xii) On April 5, 2017, the Company issued 1,250,000 common shares for convertible debt of \$125,000.
- (xiii) On July 17, 2017, the Company issued 8,500,000 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of \$0.10 per unit. 1,700,000 of these shares were issued for cash and 6,800,000 shares were issued for to settle debt of \$680,000. A loss of \$29,000 was resulted from these debt settlements. Warrants were assigned a value of \$Nil based on the residual value method.
- (xiv) On July 17, 2017, the Company issued 1,250,000 common shares for convertible debt of \$100,000 and accrued interest of \$25,000.
- (xv) On August 3, 2017, the Company issued 105,125 common shares for convertible debt of \$10,000 and accrued interest of \$513.
- (xvi) On August 31, 2017, the Company issued 5,500,000 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of \$0.10 per unit. All of these shares were issued for cash of \$550,000. Warrants were assigned a value of \$Nil based on the residual value method. On 5,300,000 of the shares Company paid an 8% commission totaling \$42,400, also the Company issued 424,000 finders' warrants (See Note 10).
- (xvii) On September 21, 2017, the Company issued 8,832,360 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of \$0.10 per unit. 5,150,000 of these shares were issued for cash of \$515,000 and 3,682,360 shares were issued to settle debt of \$368,236. Using the trading value on the same date, a loss of \$67,294 was resulted from these debt settlements. Warrants were assigned a value of \$Nil based on the residual value method. (Note 10 & 12)
- (xviii) On October 6, 2017, the Company issued 625,000 common shares for convertible debt of \$550,000 and accrued interest of \$12,500.
- (xix) On October 6, 2017, the Company issued 162,833 common shares for a price of \$.12 per share for debt to a related party (See Note 12) of \$19,540. Using the trading value on the same date, no gain or loss was resulted from these debt settlements.

10. WARRANTS

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

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10. WARRANTS (Continued)

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

On August 31, 2017, the Company issued 424,000 finders' share purchase warrants related to an issuance of a total of 5,300,000 of units (a total of 5,500,000 units were issued in the tranche closing however no finders warrants were issued in connection with 200,000 units), each unit consisting of one common share and one half of one share purchase warrant (Note 9). Each broker warrant entitles the holder to purchase one common share at a price of \$0.10 per common share with an expiry date of August 31, 2018. The fair value of the warrants was calculated using the valuation technique, the Black Scholes Option Pricing Model was \$42,739. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.26%; expected life – 1 year; expected volatility – 178.08%; and expected dividends – nil. The fair value of \$42,739 for finders' warrants was allocated to share issuance costs.

On September 21, 2017, the Company issued 4,416,180 warrants through a non-brokered private placement offering of 8,832,360 units, each unit consisting of one common share and one half of one share purchase warrant (Note 9). Each warrant entitles the holder to purchase one common share at an exercise price of \$0.20 per common share with an expiry date of September 21, 2018 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of \$Nil based on the residual value method.

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

	Number	Weighted average exercise price
Balance, April 30, 2017	215,666	\$0.25
Issuance – July 17, 2017	4,250,000	\$0.20
Issuance – August 31, 2017	2,750,000	\$0.20
Issuance – September 21, 2017	4,416,180	\$0.20
Expired/cancelled – July 16, 2017	(215,666)	\$0.25
Balance, October 31, 2017	11,416,180	\$0.20

As at October 31, 2017, the Company had share purchase warrants (excluding broker/finder warrants) outstanding enabling holders to acquire the following:

Number of warrants	Exercise Price per Share (\$)	Expiry Date ¹
4,250,000	0.20	July 17, 2018
2,750,000	0.20	August 31, 2018
4,416,180	0.20	September 21, 2018

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10. WARRANTS (Continued)

Notes:

1 The warrant expiry date is subject to earlier termination in the event that the market price of the Company's common shares trading on the Canadian Securities Exchange remains at \$0.30 or higher for a period of five (5) or more days, at the option of the Company.

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

	Number	Weighted average exercise price
Balance, April 30, 2017	232,000	\$0.10
Issuance – August 31, 2017	424,000	\$0.10
Balance, October 31, 2017	656,000	\$0.10

As at October 31, 2017, the Company had finder/broker warrants outstanding enabling holders to acquire the following:

Number of warrants	Exercise Price per Share (\$)	Expiry Date
424,000	0.10	August 31, 2018
232,000	0.10	March 31, 2019

11. STOCK OPTIONS AND RESTRICTED SHARE UNITS

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

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

On November 7, 2016, the Company granted 5,500,000 stock options to employees, consultants, directors and officers under its Stock Option Plan at an exercise price of \$0.10 per share exercisable at any time on

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11. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

or before November 7, 2019. The fair value of these stock options is determined to be \$203,024 using the Black-Scholes option pricing model with the current assumptions of risk-free interest rate of 1.14%, expected life of 3 years, forfeiture rate of 0%, expected volatility of 225.74% and a dividend rate of 0%.

Continuity of the Company's option is as follows:

	Number	Weighted average exercise price
Balance, April 30, 2017	5,500,000*	\$ 0.10
Balance, October 31, 2017	5,500,000*	\$ 0.10

*Options exercisable as at October 31, 2017 – 5,500,000

As at October 31, 2017, the Company had options outstanding enabling holders to acquire the following:

Number of options	Exercise Price per Share (\$)	Expiry Date
5,500,000	0.10	November 7, 2019

No RSUs were granted during the three or six-month period ended October 31, 2017 and as at October 31, 2017, no RSUs were outstanding.

12. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in the accompanying financial statements are as follows:

The Company accrued or paid professional fees of \$19,500 (2016 - \$Nil) to the CFO or a company owned by the CFO of the Company. On September 21, 2017, the Company issued 300,000 units, each unit consisting of one common share and one half of one share purchase warrant to settle debt of \$30,000 to this company (See note 9).

Office expense of \$5,233 (2016 - \$371), salaries and benefits of \$12,919 (2016 - \$12,869), rent expense of \$13,317 (2016 - \$14,985) and telephone expense of \$1,897 (2016 - \$1,690) were charged back to 1888711 Alberta Inc., a company related by Don Allan (officer and director), Robin Ray (director) and Mel Angeltvedt (director and shareholder).

Also, refer to Note 7 and 9 for related party transactions.

13. CAPITAL DISCLOSURES

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers

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13. CAPITAL DISCLOSURES (Continued)

the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

The Company has not changed its approach in managing its capital during the period ending October 31, 2017.

14. FINANCIAL INSTRUMENTS

Risk Management

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

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

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

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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2017, the Company had cash balance of \$307,693 and working capital deficit of \$1,025,563. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company short term and long term cash requirement.

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. For every one % change in the prime borrowing rate in Canada, the impact to the Company's financial statements for the period ending October 31, 2017 is not significant.

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

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14. FINANCIAL INSTRUMENTS (Continued)

Fair value

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

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

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

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2017 and 2016:

	As at October 31, 2017		
	Level 1	Level 2	Level 3
Cash	\$ 307,693	\$ -	\$ -

	As at October 31, 2016		
	Level 1	Level 2	Level 3
Cash	\$ 52,962	\$ -	\$ -

15. SEGMENTED INFORMATION

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

16. SUBSEQUENT EVENTS

On November 2, 2017, the Company completed a financing arrangement with a private Alberta based lender (the "Lender"). Cielo and the Lender entered into a loan agreement (the "Loan Agreement"), whereby the Lender will make available to the Company up to \$3,500,000 (the "Credit Facility") until September 30, 2018, to be used by Cielo primarily for the conversion of its first commercial refinery (the "Commercial Refinery") on its property in High River, Alberta (the "Property"). The Credit Facility is structured as a non-revolving line of credit with security held by the Lender over all assets, including the Property and all other real property, of Cielo, subordinating other secured lenders of Cielo. The Credit Facility bears simple

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16. SUBSEQUENT EVENTS (Continued)

interest at 12% annually. Payments of interest only are payable until September 30th, 2018, after which time regular payments of principal together with interest will become payable until the loan matures in June 2022. Cielo is able to repay the loan without penalty any time after September 30th, 2018. Cielo has obtained close to \$2,500,000 of the full available amount of the Credit Facility in order to repay and discharge its existing mortgage on the Property with XR Resources Inc., such mortgage previously announced on April 19, 2017, and also to exercise its option to purchase the demonstration plant (the “Demo Plant”) it was previously leasing from FS Business Enterprises Inc., pursuant to a Purchase Option Agreement dated October 26, 2016, also previously announced on October 27, 2016. The Demo Plant is being converted into the Commercial Refinery on the Property. As partial consideration for the Credit Facility, Cielo has issued 25,000,000 bonus warrants (the “Warrant(s)”) to the Lender, each Warrant exercisable to purchase one common share of Cielo at an exercise price of \$0.20 (the “Exercise Price”), subject to adjustments for any reorganizations or dilutive events during the term of the Warrants. In accordance with the terms of the Warrants, in the event that Cielo issues additional common shares at a price (or convertible securities with an exercise price) lower than the Exercise Price or the market price at the time, whichever is higher, the Lender will be entitled to receive additional securities at a slightly decreased price, subject to the maximums and terms imposed by the Canadian Securities Exchange. In the event that an exercise of Warrants by the Lender results in the Lender holding at least 10% of the voting securities of Cielo, the Lender will be entitled to nominate a director pursuant to a Nomination Rights Agreement for so long as its holdings of voting securities remain at 10% or over. The Warrants expire on the earlier of (i) November 2, 2022 and (ii) the later of (A) November 2, 2019 and (B) 30 days following full repayment of the Loan, but not later than 5 years from the issuance date.

The Company also announced on that date that the Company and 1888711 Alberta Inc. (“1888”), a private Alberta corporation related by certain officers and directors of the Company, who is party to a license agreement with Cielo dated June 14, 2016 (the “License Agreement”), previously announced on June 15, 2016, agreed to a restated and amended version of the License Agreement, providing for clear terms on which Cielo is able to purchase the rights granted to 1888 at any time following the 14th day of operations of any commercial refineries based on production.

On November 8, 2017, the Company completed the fourth and final tranche of a private placement (the “Private Placement”) of 9,900,000 units (“Units”) at \$0.10 per Unit. Each Unit is comprised of one common share and one ½ of one warrant, with each full warrant (“Warrant”) having an exercise price of \$0.20 and an expiration date of twelve months from the date of issuance of the Units. In connection with the fourth tranche of the Private Placement, Cielo paid \$30,400 in cash commissions and did not issue any finder/broker warrants. All securities issued pursuant to the Private Placement will be subject to a statutory four-month hold period. A total of \$3,273,236 was raised through the Private Placement, exceeding the original maximum target of \$3,000,000 by \$273,236.