CIELO WASTE SOLUTIONS CORP.

(Formerly Cielo Gold Corp.)

Interim Financial Statements

October 31, 2015

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by management, and were not reviewed by the Company's independent auditor.

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp)

Statements of financial position

(Expressed in Canadian Dollars)

	Note	October 31, 2015	April 30, 2015
		$	$
Assets			
Current Assets			
Cash		5,848	32,429
GST and Other receivable	5&11	27,543	17,890
Prepaid expenses		4,950	4,950
Total Current Assets		38,341	55,269
Capital assets		1,199	-
Intellectual property assets	4	5,720,933	5,720,933
Total Assets		5,760,473	5,776,202
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	11	788,531	514,884
Short-term loans payable	5&11	2,634,242	2,627,549
		3,422,773	3,142,433
Long Term Liabilities			
Long term loans payable	5	159,632	159,632
Convertible Debentures	6	185,281	85,281
		3,767,686	3,387,346
Shareholders' Equity			
Share capital	7	5,632,369	5,567,669
Shares subscribed but not issued		-	-
Contributed surplus	8&9	786,693	777,466
Deficit		(4,426,275)	(3,956,279)
		1,992,787	2,388,856
		5,760,473	5,776,202

See accompanying notes to consolidated financial statements

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

Subsequent events (Note 14)

Approved and authorized for issue by Management on December 19, 2015

"Don Allan " — Director

"Robin Ray" — Director

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp.)

Statements of comprehensive Loss

(Expressed in Canadian Dollars)

	Notes	Three Months Ended Oct 31		Six Months Ended Oct 31	
		2015	**2014**	**2015**	**2014**
Expense		$	$	$	$
Consulting		-	83,268	8,550	125,268
Office and admin		18,381	248,113	55,266	516,561
Professional fees		286,791	21,526	389,760	32,599
Share-based comp		-	-	-	-
Trust and filing fees		9,434	8,018	16,420	20,148
Loss before other items		(314,606)	(360,925)	(469,996)	(694,576)
Interest income		-	-	-	-
(Gain)Loss on foreign exchange		-	-	-	-
(Gain)Loss from investments		-	-	-	-
Net loss and comprehensive loss for the period		(314,606)	(360,925)	(469,996)	(694,576)
Loss per share, basic and diluted		(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of outstanding common shares		49,574,412	49,143,079	49,574,412	49,143,079

See accompanying notes to financial statements

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp.)
Statements of changes in equity
(Expressed in Canadian Dollars except for number of shares)

	Note	Number of outstanding shares	Share capital	Shares Subscribed	Contributed Surplus Options and Warrants	Other	Deficit	Total shareholders' equity
			$		$		$	$
Balance April 30, 2014		28,696,372	1,657,836	25,000	688,496	42,294	(2,676,846)	(263,220)
Private placement (1st Tranche)		1,130,334	169,550	(25,000)				144,550
BHBD asset acquisition		18,000,000	4,500,000					4,500,000
Private placement (2nd Tranche)		675,334	92,800					92,800
Shares issued for debt conversion		110,000	35,000					35,000
Private placement (3rd Tranche)		344,543	51,681					51,681
Shares issued for debt conversion		186,496	27,974					27,974
Net Loss for the Period		-	-		-		(694,576)	(694,576)
Balance October 31, 2014		49,143,079	6,534,841	-	688,496	42,294	(3,371,422)	3,894,210
Balance April 30, 2015		49,143,079	5,567,669	-	712,011	65,455	(3,956,279)	2,388,856
Private Placement (Final Tranche) (Note 6)		431,333	64,700		9,227			73,927
Net Loss for the Period							(469,996)	(469,996)
Balance October 31, 2015		49,574,412	5,632,369		721,238	65,455	(4,426,275)	1,992,787

See accompanying notes to consolidated financial statements

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp.)

Statements of cash flows

(Expressed in Canadian Dollars)

	Six months ended October 31, 2015	2014
	$	$
Cash (used in) provided by:		
Operating activities		
Loss for the period	(469,996)	(694,576)
Changes in non-cash operating working capital		
Other receivable	(9,653)	(120,273)
Accounts payable and accrued liabilities	273,647	(62,283)
Prepaid expenses	-	30,000
Cash used in operating activities	(206,002)	(847,132)
Financing activities		
Long term loans	-	-
Increase (decrease) in note payable	6,693	493,050
Convertible Debt	100,000	-
Share issuance for cash	73,927	314,032
Share Issuance for debt	-	62,974
Share Issuance for IP asset	-	4,500,000
Shares Subscribed and Issued	-	(25,000)
Purchase of property, plant and equipment	(1,199)	-
Cash provided by financing activities	179,421	5,345,056
Investing activities		
Issuance of shares for investment	-	(4,500,000)
Cash provided by investing activities	-	(4,500,000)
Increase (decrease) in cash	(26,581)	(2,076)
Cash, beginning of period	32,429	12,931
Cash, end of period	5,848	10,855

See accompanying notes to consolidated financial statements

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 National Stock Exchange ("CNSX") under the Symbol CMC. The principal and registered office of the Company is located at 700-838 West Hastings St., B.C. V6C 0A6.

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, 2015, the Company had not yet achieved profitable operations, had accumulated losses of $4,426,275 since its inception, and had a working capital deficit of ($3,384,432), 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. A number of alternatives including, but not limited to obtain bridging loans from directors and shareholders or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The Company's continuing 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 financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC").

(b) Basis of preparation

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

The financial statements were authorized for issue by Management on December 19, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

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

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

<u>Going concern</u>

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

<u>Present value of long-term liabilities</u>

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

<u>Determination of functional currency</u>

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

<u>Income taxes</u>

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

<u>Share-based payments</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Cash equivalents

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at October 31, 2015 and 2014, there were no cash equivalents.

c) 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.

d) Deferred income taxes

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

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

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

e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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

g) 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.

h) 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.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

i) 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Non-financial assets (Continued)

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).

k) 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.

l) Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Provisions (Continued)

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.

m) 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.

The Company has adopted the following new accounting standards effective May 1, 2014. These changes were in made in accordance with the applicable transitional provisions and had no impact on the financial statements.

(i) Levies

The IASB issued IFRIC 21 - Levies ("IFRIC 21"), an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

(ii) Impairment of assets

The IASB issued amendments to IAS 36 - Impairment of Assets ("amendments to IAS 36"). The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

4. INTELLECTUAL PROPERTY ASSETS

On January 17, 2013, the Company entered into an interim agreement (BHBD Interim Agreement) with Blue Horizon Bio-Diesel Inc. ("BHBD"), whereby Cielo intended to purchase certain assets in respect of BHBD's renewable-diesel processing and refinery assets (the "BHBD Assets"). The purchase price was $4,250,000 plus the assumption of certain liabilities in respect of the BHBD Assets. On June 4, 2013 Cielo amended the BHBD Interim Agreement and announced that, pursuant to the Initial Agreement, it would acquire all assets of BHBD for $4.5 million CAD.

July 18, 2014 Cielo announced the execution of the asset purchase agreement (the "Agreement") relating to the previously announced proposed acquisition of intellectual property assets from Blue Horizon Bio-Diesel Inc. ("BHBD"). The purchase agreement allowed Cielo to acquire the assets including all right, title and interest in and to the intellectual property in the new technology for use in its business. The final agreed purchase price was $5.25 million and the total cost of the acquisition was paid for through the issuance of a total of 21 million common shares valued at $0.25. A total of three instalments of 3 million shares were already transferred to BHBD pursuant to the initial interim agreements (the "Initial Agreements"). The remaining 18 million shares were issued through a onetime stock issuance on July 18, 2014. Pursuant to the Agreement, Cielo has also assumed certain liabilities of BHBD equal to CAD $1,500,933.30. The purchase price was increased as a result of the inclusion of the Alberta Bio-Diesel Producer Credit Program (BPCP), which was not included in the initial assessment.

5. LOANS PAYABLE

The balance of short-term loans payable as at October 31, 2015 is comprised of the following:

$364,602 in loans from third parties (2014 - $278,647). These loans are unsecured, due on demand with interest at 0% to 14.85% per annum, except for a loan for $25,000 is secured, due on December 31, 2015 with monthly interest at 1% payable monthly. A total of $9,174 (2014 - $966) in interest on these loans has been accrued as at October 31, 2015.

$2,269,640 in loans from a director of the Company, an individual related to a director and companies related by a common director (2014 - $947,173). These loans are unsecured; non-interest bearing and due on demand (See Note 11).

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

The balance of long-term loans payable as at October 31, 2015 is comprised of the following:

$ Nil in a loan from a company related by a common director (2014 - $100,554). This loan is unsecured, 0% interest bearing until May 1, 2016 and 5% interest bearing on any unpaid principal amount starting

5. LOANS PAYABLE (Continued)

from May 1, 2016, with a maturity date on May 1, 2016. This loan was settled against a receivable from this same company by April 30, 2015 per mutual agreement and resulted in a loss of $11,637.

$90,508 in a loan from a director of the Company (2014 - $82,018). This loan is unsecured, 0% interest bearing until May 1, 2016 and 5% interest bearing on any unpaid principal amount starting from May 1, 2016, with a maturity date on May 1, 2016 (See Note 11).

$69,124 in loans from third parties (2014 - $Nil). This loan is unsecured, 5% interest bearing, with a maturity date on November 1, 2017.

The new long-term loan payables in 2015 were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 14.85% per annum (2014 - 10% per annum). The debt discount of $19,333 (2014 - $42,294) was credited to contributed surplus, debited to loans payable and being amortized over the term of the loans.

During the six months ending October 31, 2015, the Company accrued an interest and accretion expenses of $25,900 (2014 - $2,266) in connection with the long-term loans.

6. CONVERTIBLE DEBT

During 2015, the Company announced a concurrent non-brokered private placement offering of up to CAD $250,000 in secured convertible debenture, with a minimum subscription of $25,000 per subscriber. The Convertible Debentures will 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 Cielo. Upon initial closing date, April 8, 2015, the Company issued $100,000. 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 $3,828 after deducting the financing cost of $11,025 and was allocated to the liability component only as the allocation to the equity component was immaterial. On July 16, 2015, the second closing date, the Company issued $100,000. The amortized cost of the long-term liability component was accounted for using the effective interest rate method at 14.85% per annum. The financing cost of $20,000 was allocated to the liability component only as the allocation to the equity component was immaterial. On September 28 the company closed the third tranche for another $50,000, making the total collected to date of $250,000.

7. SHARE CAPITAL

a. Authorized: unlimited number of common shares without par value
unlimited Class B preferred shares without par value (iii)

7. SHARE CAPITAL (Continued)

b. Issued and Outstanding:

(i) As of October 31, 2015, Nil share purchase warrants were exercised since the year ending April 30, 2015.

(ii) During the year-ended April 30, 2015, the Company issued 18,000,000 common shares (2014 – 3,000,000 common shares) at fair values of $3,600,000 (2014 - $620,000) for a part of an acquisition of intellectual property asset (Note 4).

(iii) During the six month ending October 31, 2015, the Company issued 431,333 common shares at fair values of $64,700 for a part of an acquisition of intellectual property asset (Note 4).

(iv) During the six month ending October 31, 2015, the Company incurred legal expense and broker commission of $190,000 (2014 - $Nil).

All common shares issued in connection with the Offering will be subject to a statutory four month hold period

The Company has not issued preferred shares since inception; thus did not have preferred shares outstanding as at October 31, 2015.

8. WARRANTS

During the six months ending October 31, 2015, the Company had 1,223,354 (2014 – Nil) share purchase warrants outstanding, which entitles the holder to purchase one common share for a period of twenty-four (24) months at a price of $0.25 per common share and will expire between June 17, 2016 and August 28, 2016. Warrants issued as private placement units were valued using the residual value method and deemed to have fair value at $Nil upon issuance.

The Unit Offering was non-brokered but the Company paid a broker's commission with respect to one subscription under the third tranche of this Offering comprised of cash compensation equal to $2,768 and 9,227 broker warrants. Each Broker Warrant entitles the holder to purchase one common share for a period of twenty-four (24) months at a price of $0.25 per common share. The fair value of the warrants was measured to be immaterial to be recognized upon grant date.

9. STOCK OPTION

The Company has 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. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 20% of the issued and outstanding common

(Expressed in Canadian dollars)

9. STOCK OPTION (Continued)

shares of the Company. 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.

On April 17, 2014 ("the Grant Date"), the Company granted incentive stock options to an investor relation consultant to purchase up to an aggregate total 280,000 common shares at a price of $0.25 per share. The options shall be vested at the rate of 25% per quarter with the earned dates being July 17, 2014 / October 17, 2014 / January 17, 2015 / April 17, 2015 and expire on April 17, 2017.

No other options have been granted as of October 31, 2015.

Continuity of the Company's option is as follows:

	Number	Weighted average exercise price
Balance, April 30, 2013	4,191,674	$ 0.30
Issuance	280,000	0.25
Expired/cancelled	4,191,674	0.30
Balance, April 30, 2014	280,000*	0.25
Issuance	-	-
Expired/cancelled	-	-
Balance, April 30, 2015	280,000**	$ 0.25
Balance, October 31, 2015	280,000***	$ 0.25

* Options exercisable as at April 30, 2014 – Nil
** Options exercisable as at April 30, 2015 – 280,000
*** No new options were issued for the six months ending October 31, 2015

The Company used the Black-Scholes option pricing model and the following assumptions to determine the fair values of the stock options described above: risk-free interest rate of 1.09-1.15%, dividend yield of 0%, expected volatility of 120%, forfeiture rate of 0% and expected life of 2.00-2.75 years. The stock-based compensation recorded for the vested options during the year ended April 30, 2015 was $23,515 (2014 - $1,942).

10. EXPLORATION AND EVALUATION ASSETS

As at April 30, 2013, management determined that the Gold Hill Midge Property is fully impaired. As a result, the Company wrote down this property and recorded an impairment charge of $18,885 for the year ended April 30, 2013. On November 14, 2013 Cielo elected to let the Midge Property mineral tenure expired and on March 27, 2014 Cielo elected to let the Mineral lease adjacent to the Midge tenure expired. As at April 30, 2015, the Company has written off the property.

11. RELATED PARTY TRANSACTIONS

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

At October 31, 2015, other receivable from members of management of the Company and a company related by a common director was at $Nil. (2014 - $363,691).

Accounts payable and accrued liabilities balances at October 31, 2015 were outstanding to officers and directors of the Company in the amount of $0 (2014: $7,058). Management fee payable, included in accounts payable and accrued liabilities balances, to a company related by a common director was at $Nil (2014 - $Nil).

Management fees of $NIL (2014 - $Nil), wages and benefits of $Nil (2014 - $197,975), office expense of $5,422 (2014 - $NIL), rent expense of $20,155 (2014 - $3,363), and telephone expense of $3,950 (2014 - $NIL) were paid and or are payable to two companies related by a common director and officers and directors of the Company. Consulting expense of $550 (2014 - $Nil) and professional expense of $Nil (2014 - $Nil) were paid and or are payable to previous members of management of the Company working as consultants during the year.

The Company has identified its directors and senior officers as its key management personnel. Short-term compensation earned directly during 2015 by key management was $Nil. No post-employment benefits, other long-term benefits and termination benefits were made during the 2015 and 2014.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties. Notes 4 and 5 also provide information on related party transactions.

12. CAPITAL DISCLOSURES

The Company’s objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders’ equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company intends to 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 as of the period ending October 31, 2015.

13. 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 10% to 14.85% 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, 2015, the Company had cash balance of $5,848 and working capital deficit of $3,384,432. 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, 2015 is not significant.

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

Fair value

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

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS (Continued)

- 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 July 31, 2015 and 2014:

	As at October 31, 2015		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	5,848	-	-

	As at October 31, 2014		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	10,855	-	-

14. SUBSEQUENT EVENTS

1. On November 4, 2015 Cielo announced the settlement of indebtedness of the Company ("the Debt Settlement in the aggregate of CAD $239,729.27 (the "Debt Amount") through the issuance of 4,794,580 common shares in the capital stock of Cielo (the "Common Shares"), at a price of $0.05 per Common Share. Securities issued in connection with the Debt Settlement will be subject to a statutory four month hold period.

2. On November 4, 2015 Cielo announced the engagement of Orca Capital GMBH "(Orca") and Int'l E-Trade Equities Ltd. ("Int'l", together with Orca the "IR Firms") to provide Investors Relation services and ongoing networking and business consulting. Each of Orca and Int'l were engaged on May 1st, 2015 for an initial period of six (6) months to help bring in potential accredited investors as well as consulting on IR strategies for the company's future. The Company has extended the term of engagement for each of the IR Firms for an additional period of six (6) months. The initial engagement of the IR Firms, due to inadvertence, was not previously disclosed. A portion of the Debt Settlement will be issued to Orca and Int'l as payment for fees for services performed by the respective IR Firms.

3. On November 23, 2015 Cielo announced that it has received an in-depth third party engineering report that has validated to show Cielo's exclusive licensed technology can convert garbage and other cellulosic feedstocks into a high quality renewable diesel

distillate, which with additional refinement will meet the standard for Type B as established by CAN/CGSB-3.517 for automotive low sulfur diesel fuel oils.

4. On November 27, 2015 Cielo announced the settlement of indebtedness of the Company (the "Debt Settlement") in the aggregate of CAD $1,252,467.00 (the "Debt Amount") through the issuance of 25,049,353 common shares in the capital stock of Cielo (the "Common Shares"), at a price of $0.05 per Common Share. Securities issued in connection with the Debt Settlement will be subject to a statutory four month hold period. The Debt Settlement was a related party transaction as the Debt Amount was owing to a related party issuer who shares a director with a director of the Company. The shares were issued to third parties in accordance with a letter of direction from the related party issuer. The Debt Amount was acquired under an Asset Purchase Agreement and thereafter under continuing loans as disclosed in the Company's Listing Statement, filed at the time of its fundamental change of business.

5. On December 18, 2015 Cielo announced the settlement of indebtedness of the Company (the "Debt Settlement") in the aggregate of CAD $621,544.00 (the "Debt Amount") through the issuance of 12,430,880 common shares in the capital stock of Cielo (the "Common Shares"), at a price of $0.05 per Common Share. Securities issued in connection with the Debt Settlement will be subject to a statutory four month hold period. The Debt Settlement was a related party transaction as the Debt Amount was owing to a related party issuer who shares a director with a director of the Company. The shares were issued to third parties in accordance with a letter of direction from the related party issuer. The Debt Amount was acquired under an Asset Purchase Agreement and thereafter under continuing loans as disclosed in the Company's Listing Statement, filed at the time of its fundamental change of business.

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