CIELO WASTE SOLUTIONS CORP.

Financial Statements

Years Ended April 30, 2017 and 2018

(Expressed in Canadian dollars)

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A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
Cielo Waste Solutions Corp.

We have audited the accompanying financial statements of Cielo Waste Solutions Corp. (the "Company"), which comprise the statements of financial position as at April 30, 2018 and April 30, 2017, the statements of loss and comprehensive loss, the statements of changes in shareholders' equity and the statements of cash flows for the years ended April 30, 2018 and April 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2018 and April 30, 2017, and its financial performance and its cash flows for the years ended April 30, 2018 and April 30, 2017 then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

"A Chan & Company LLP"
CHARTERED PROFESSIONAL ACCOUNTANTS

Burnaby, BC
August 20, 2018

Cielo Waste Solutions Corp.

Statements of financial position

(Expressed in Canadian Dollars)

	Note	April 30, 2018	April 30, 2017
Assets			
Current Assets			
Cash	4	560,891	106,110
GST and Other receivable		51,324	12,212
Prepaid expenses		156,622	10,750
Total Current Assets		768,837	129,072
Non Current Assets			
Property, plant and equipment	5	4,703,885	3,063,594
Intellectual property assets	6	1	1
Total Non Current Assets		4,703,886	3,063,595
Total Assets		5,472,723	3,192,667
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	13	538,679	336,380
Accrued liabilities		123,381	48,200
Short-term loans payable	7&13	567,756	1,291,602
Current portion of long-term loans payable	7	504,295	214,399
Current portion of convertible debentures	8	-	139,347
		1,734,111	2,029,928
Long Term Liabilities			
Long term loans payable	7	2,818,686	2,037,345
Convertible debentures	8	556,124	591,454
		5,108,921	4,658,727
Shareholders' Equity			
Share capital	9	11,110,880	7,335,414
Contributed surplus	10&11	5,504,872	1,024,787
Deficit		(16,251,950)	(9,826,261)
Total Shareholders' Equity		363,802	(1,466,060)
Total Liabilities and Shareholders' Equity		5,472,723	3,192,667

Nature and continuance operation and basis of presentation (Note 1 and 2)
Subsequent events (Note 17)
Approved and authorized for issue by the Board of Directors on August 20, 2018

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

Signed: *"Robin Ray"*
Director

See accompanying notes to financial statements.

Cielo Waste Solutions Corp.

Statements of loss and comprehensive loss

(Expressed in Canadian Dollars)

Year ended April 30,	**2018**	**2017**
Expense		
Advertising and promotion	$ 38,095	$ 5,000
Amortization on deferred financing charges	47,956	11,589
Amortization on property, plant and equipment (Note 5)	170,667	38,372
Bad debt	4,186	-
Bank charges	826	997
Consulting	323,802	4,463
Finance expense (Note 10)	3,300,206	-
Interest and accretion expenses (Note 8)	400,743	143,066
Management fees (Note 11)	188,693	-
Office and administrative expenses	139,590	56,772
Professional fees	419,715	211,728
Share based compensation (Note 11)	948,447	203,024
Salaries and benefits (Note13)	220,548	25,721
Transfer agent and filing fees	30,476	26,270
Travel	27,716	22,320
Net loss before other items	(6,261,666)	(759,322)
Write-off of payables	11,698	233,606
Gain (Loss) on settlement of debt with shares (Note 9)	(175,721)	28,411
Net loss and comprehensive loss for the year	$ (6,425,689)	$ (497,305)
Loss per share, basic and diluted	$ (0.051)	$ (0.005)
Weighted average number of outstanding common shares	125,409,292	96,308,811

See accompanying notes to financial statements.

Cielo Waste Solutions Corp.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars except for number of shares)

	Number of shares	Share Capital	Shares Subscribed	Contributed Surplus: Options, RSU's and Warrants	Contributed Surplus: Other	Deficit	Total shareholders' equity
		$	$	$	$	$	$
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 settlements	1,550,000	62,000	-	-	-	-	62,000
Shares issued for debt settlements	140,000	4,200	-	-	-	-	4,200
Shares issued for debt settlements	830,000	33,200	-	-	-	-	33,200
Shares issued in facility purchase	5,000,000	200,000	-	-	-	-	200,000
Shares issued for purchase of assets	2,036,364	142,545	-	-	-	-	142,545
Shares issued for debentures t conversion	1,250,000	125,000	-	-	-	-	125,000
Shares distributed for debentures conversion	-	-	(32,000)	-	-	-	(32,000)
Fair values of finders' warrants	-	-	-	35,960	-	-	35,960
Share based compensation	-	-	-	203,024	-	-	203,024
Share issuance costs	-	(8,481)	-	-	-	-	(8,481)
Net loss for the year	-	-	-	-	-	(497,305)	(497,305)
Balance April 30, 2017	102,655,588	7,335,414	-	953,305	71,482	(9,826,261)	(1,466,060)
Balance April 30, 2017	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 debentures conversion (Note 9)	1,250,000	125,000	-	-	-	-	125,000
Shares issued on debentures 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 debentures conversion (Note 9)	625,000	62,500	-	-	-	-	62,500
Shares issued on debt settlements (Note 9)	162,833	19,540	-	-	-	-	19,540
Shares issued for private placements (Note 9)	9,900,000	990,000	-	-	-	-	990,000
Shares issued for private placements (Note 9)	1,538,461	200,000	-	-	-	-	200,000
Shares issued on debentures conversion (Note 9)	1,122,916	112,292	-	-	-	-	112,292
Share based compensation (Note 11)	-	-	-	948,447	-	-	948,447
Warrants issued for financing (Note 10)	-	-	-	3,300,206	-	-	3,300,206
Fair values of finders' warrants (Note 10)	-	-	-	42,739	-	-	42,739
RSU vesting (Note 11)	-	-	-	188,693	-	-	188,693
Share issuance costs (Note 9 & 10)	-	(203,909)	-	-	-	-	(203,909)
Net loss for the year	-	-	-	-	-	(6,425,689)	(6,425,689)
Balance April 30, 2018	140,192,283	11,110,880	-	5,433,390	71,482	(16,251,950)	363,802

See accompanying notes to the financial statements.

Cielo Waste Solutions Corp.

Statements of Cash Flows

(Expressed in Canadian Dollars)

Year ended April 30,	2018	2017
Cash (used in) provided by:	**$**	**$**
Operating activities		
Loss for the year	(6,425,689)	(497,305)
Adjustments for:		
Amortization on property, plant and equipment	170,667	38,372
Bad debt	4,186	-
(Gain) loss on settlement of debts with shares	175,721	(28,411)
Write-off of payables	11,698	(233,606)
Finance expense	3,300,206	-
Stock based compensation	948,447	203,024
RSU vesting	188,693	-
Amortization on deferred financing costs	47,956	11,589
Accrued interest and accretion expenses	119,731	143,065
	(1,458,384)	(363,272)
Changes in non-cash operating working capital		
Other receivable	(39,112)	(1,583)
Prepaid Expenses	(145,872)	(5,117)
Accounts payable and accrued liabilities	499,815	110,828
Cash used in operating activities	(1,143,553)	(259,144)
Financing activities		
Short term loans	(336,370)	251,395
Long term loans and convertible debentures	3,353,576	697,293
Repayments on long term loans	(1,971,744)	-
Share issuance for cash	2,525,000	-
Share issuance costs	(161,170)	(8,481)
Financing cost incurred	-	(23,200)
Cash provided by financing activities	3,409,292	917,007
Investing activities		
Purchase of property, plant and equipment	(1,810,958)	(559,553)
Cash provided by investing activities	(1,810,958)	(559,553)
Increase (decrease) in cash	454,781	98,310
Cash, beginning of year	106,110	7,800
Cash, end of year	560,891	106,110
Non-cash activities:	**$**	**$**
Shares issued for debentures conversion	310,305	125,000
Fair value of warrants issued for financing	3,300,206	-
Fair value of shares issued for debt settlements	1,144,070	99,400
Fair value of shares issued for assets	-	342,545
Fair value of broker warrants issued	42,739	35,960
Accrual for fair value of restricted share units not yet vested	188,693	-

See accompanying notes to the 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 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 April 30, 2018, the Company had not yet achieved profitable operations, had accumulated losses of $16,251,950 since its inception, and had a working capital deficit of $(965,274), 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. In the year ended April 30, 2018, the Company completed a private placement offering of 32,732,360 units for gross proceeds of $3,273,236, each unit consisting of one common share and one half of one share purchase warrant exercisable for one year at $0.20 per warrant (subject to acceleration). The Company also completed a private placement offering of 1,538,461 common shares for gross proceeds of $200,000. The Company also obtained a credit facility to a maximum of $3,500,000. Subsequent to year end, the Company completed an early warrant exercise incentive program designed to encourage the early exercise of up to 16,366,180 unlisted warrants. 10,162,500 warrants were exercised for gross proceeds of $2,032,500. 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 financial statements have been prepared in accordance and compliance with International Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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.

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 April 30, 2018 and 2017, 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
Computer	30%declining balance
Equipment	10% declining balance
Building	4% declining balance

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

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.

The Company has a restricted share unit ("RSU") plan (the "RSU Plan") for certain directors, officers, consultants and employees of the Company. The equity-settled share-based compensation is measured at the fair value of the Company's common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU Plan. The fair value determined at the grant date is charged to income on a straight line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares by the holder or payable in cash to the holder at the Company's option, as applicable, with a corresponding increase in equity (share-based compensation reserve). As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates. On the vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested. The impact of the revision of estimates, if any, is recognized in income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based compensation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Convertible debentures (continued)

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").

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

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

ii) Financial assets

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 standards have been issued but are 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.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Changes in accounting policies and recent accounting pronouncements (continued)

(ii) Revenue

A new standard establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

(iii) Leases

On January 13, 2016 the IASB issued IFRS 16, *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessor. The extent of the impact of the adoption of the standard has not yet been determined by the Company.

4. CASH

	April 30, 2018	April 30, 2017
Cash	560,891	106,110
	560,891	106,110

There is no cash equivalent as at April 30, 2018 and 2017.

5. PROPERTY, PLANT AND EQUIPMENT

	April 30, 2018			April 30, 2017		
	Costs	Accumulated Amortization	Total	Costs	Accumulated Amortization	Total
Land	755,841	-	755,841	755,841	-	755,841
Building	931,499	37,652	893,847	931,499	408	931,091
Computer	24,126	-	24,126	-	-	-
Equipment	672,339	69,303	603,036	672,339	2,300	670,039
Construction in progress	1,829,251	-	1,829,251	42,419	-	42,419
Plant	699,868	102,084	597,784	699,868	35,664	664,204
	4,912,924	209,039	4,703,885	3,101,966	38,372	3,063,594

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company entered into an 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. During the year ended April 30, 2018, the Mortgage was repaid.

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 April 30, 2018 remains the same.

7. SHORT-TERM AND LONG-TERM LOANS PAYABLE

Short-term Loan: The balance of short-term loans payable as at April 30, 2018 is comprised of the following:

$30,138 in loans from third parties (2017-$104,834). These are unsecured and due on demand with interest at prime rate plus 10% to 12% per annum. A total of $735 (2017-$15,334) in interest on these loans has been accrued as at April 30, 2018.

$537,618 in loans from related parties as below:

	April 30, 2018	April 30, 2017
Group of Blue Horizon companies ("BH")	$ -	$ 223,967
Doug Allan, related to Don Allan	-	302,000
1888711 Alberta Inc.	45,817	165,449
Don Allan	381,291	390,221
Don Allan – Note payable matures, due on demand, at annual interest of 5% starting from May 1, 2016	110,510	105,131
	$ 537,618	$ 1,186,768

(Expressed in Canadian dollars)

7. SHORT-TERM AND LONG-TERM LOANS PAYABLE (continued)

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 $10,509 (2017-$5,131) in interest on these related party loans has been accrued as at April 30, 2018. BH and 1888 are related by common officers or directors (i.e. Don Allan is a director and officer of BH and 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.

Long-term loans: The balance of long-term loans payable as at April 30, 2018 is comprised of the following:

	April 30, 2018	April 30, 2017
A secured interest bearing loan, at annual rate of 12%, to be matured on June 1, 2022 (See Note 7(a)).	$ 3,500,000	$ -
A secured interest bearing loan, at annual rate of 12%, to be matured on January 16, 2022. This loan was repaid during the year ended April 30, 2018 (See Note 7(b)).	-	1,500,000
A secured interest bearing loan, at annual rate of 18%, to be matured on October 30, 2021. This loan was repaid during the year ended April 30, 2018 (See Note 7(c)).		751,744
Total long-term loans payable	3,500,000	2,251,744
Less: deferred financing costs	(177,019)	-
Less: current portion of long-term loans payable	(504,295)	(214,399)
Long-term loans payable	$ 2,818,686	$ 2,037,345

2019	$ 504,295
2020	885,769
2021	999,441
2022	1,110,495
	$ 3,500,000

(a) On November 2, 2017 the Company entered into a loan agreement (the "Loan Agreement") with BJK Holdings Ltd (the "Lender"), which expires on June 1, 2022. The Loan Agreement permits the Company to draw 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 and postponing the indebtedness of all other lenders of Cielo. The Credit Facility bears simple 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 loaned monies owing under the Credit Facility mature in June 2022. Cielo is able to repay the amounts owing under the Credit Facility without penalty any time after September 30th, 2018. As at April 30, 2018, Cielo has drawn the full $3,500,000 available amount of the Credit Facility. 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. (See Note 10).

(Expressed in Canadian dollars)

7. SHORT-TERM AND LONG-TERM LOANS PAYABLE (continued)

(b) Mortgage with XR Resources Inc. (Note 5) at an interest rate of 12% per annum, calculated monthly, and a General Security 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 would be due and payable. This loan was repaid in November 2017.

(c) Mortgage with FS Business Enterprises Inc. 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 secured by this mortgage and the 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. This loan was repaid in November 2017.

A total of $51,225 (2017 - $4,742) in interest on these long-term loans have been accrued as at April 30, 2018.

8. CONVERTIBLE DEBENTURES

	April 30, 2018	April 30, 2017
Convertible debentures at an interest rate of 12.5%	-	150,000
Convertible debentures at an interest rate of 15.0%	500,000	610,000
Discount on convertible debentures	-	(1,060)
Deferred financing costs	(30,379)	(56,992)
Accrued interest	86,503	28,853
	556,124	730,801
Less current portion	-	(139,347)
	556,124	591,454

During the year-ended April 30, 2016, the Company issued a total of $250,000 of convertible debentures (the “2016 Convertible Debentures”). The 2016 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. $100,000 of the 2016 Convertible Debentures were converted into common shares of the Company during the years ended April 30, 2017.

During the year-ended April 30, 2017, the Company issued a total of $610,000 of convertible debentures (the “2017 Convertible Debentures”). The 2017 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. Unconverted 2017 Convertible Debentures were subordinated and postponed on November 2, 2017 pursuant to the terms of the Credit Facility. The term was extended to the date of repayment of the Credit Facility, up to June 2022. Holders may continue to convert the 2017 Convertible Debentures at any time during the term upon notice.

8. CONVERTIBLE DEBENTURES (continued)

During the year ended April 30, 2018, $260,000 of convertible debentures (the remaining $150,000 of the 2016 Convertible Debentures and $110,000 of the 2017 Convertible Debentures) and $50,304 of interest accrued on the debentures were converted to 3,103,041 common shares.

The foregoing convertible debentures are secured by general security agreements.

Accretion expenses on above convertible debentures of $1,060 was charged to the operation during the year ended April 30, 2018 (2017-$5,213).

Interest expenses on the above convertible debentures of $57,650 was charged to the operation during the year ended April 30, 2018 (2017-$42,060).

Total deferred financing costs of $Nil were incurred for the year ended April 30, 2018 (2017 - $59,160) and $26,614 was charged to the operation during the year ended April 30, 2018 (2017-$11,589).

9. SHARE CAPITAL

a. Authorized:
- unlimited number of Class A common shares without par value; and
- unlimited number of Class B preferred shares without par value (none issued and outstanding).

b. Issued and Outstanding:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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).

(v) On March 17, 2017, the Company issued 2,036,364 common shares at a fair value of $142,545 to purchase equipment (Note 5).

(vi) On April 5, 2017, the Company issued 1,250,000 common shares as the result of the conversion of convertible debentures of $125,000.

(vii) On July 17, 2017, the Company issued 8,500,000 common shares through a non-brokered private placement offering of units, each unit consisting of one common share and one half of one share purchase warrant, at a subscription price of $0.10 per unit. 2,700,000 of these shares were issued for cash and 5,800,000 shares were issued at a fair value of $0.105 per unit to settle debts of $580,000. A loss of $29,000 resulted from these debt settlements. Warrants were assigned a value of $Nil based on the residual value method.

(viii) On July 17, 2017, the Company issued 1,250,000 common shares as the result of the conversion of convertible debentures of $100,000 and accrued interest of $25,000.

9. SHARE CAPITAL (continued)

(ix) On August 3, 2017, the Company issued 105,125 common shares as the result of the conversion of convertible debentures of $10,000 and accrued interest of $513.

(x) 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 shares were issued for cash of $550,000. Warrants were assigned a value of $Nil based on the residual value method. The Company paid an 8% cash and warrant commission ($42,400 cash and 424,000 finders' warrants (Note 10)).

(xi) 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 debts of $368,236. Using the trading value on the same date, a loss of $147,294 resulted from these debt settlements. Warrants were assigned a value of $Nil based on the residual value method. (Notes 10 &13)

(xii) On October 6, 2017, the Company issued 625,000 common shares as the result of the conversion of convertible debentures of $50,000 and accrued interest of $12,500.

(xiii) On October 6, 2017, the Company issued 162,833 common shares at a price of $0.12 per share to settle debts to a related party (Note 13) of $19,540. Using the trading value on the same date, no gain or loss resulted from these debt settlements.

(xiv) On November 8, 2017, the Company issued 9,900,000 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 the units were issued for cash of $990,000. Warrants were assigned a value of $Nil based on the residual value method. The Company paid cash commissions totaling $84,076.

(xv) On December 12, 2017, the Company issued 1,538,461 common shares through a non-brokered private placement issuance of common shares, at a subscription price of $0.13 per share. All of the common shares were issued for cash of $200,000.

(xvi) On January 25, 2018, the Company issued 1,122,916 common shares as the result of the conversion of convertible debentures of $100,000 and accrued interest of $12,292.

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.

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.

10. WARRANTS (continued)

On August 31, 2017, the Company issued 424,000 finders' share purchase warrants related to the August 31, 2017 non-brokered private placements (Note 9). Each finder warrant entitles the holder to purchase one common share at a price of $0.10 per common share with an expiry date of August 31, 2018. The fair value of the warrants, 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 as a reduction in the statements of shareholders' equity for the year ended April 30, 2018.

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.

On November 2, 2017, the company issued 25,000,000 warrants to BJK Holdings Ltd. (the "Lender") pursuant to the terms of a loan agreement dated November 2, 2017 (Note 7(a)). At the time of issuance, each warrant was 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. As a result, the Lender had 25,552,649 Warrants as at April 30, 2018 with an Exercise Price of $0.1957. 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 corresponding loan, but not later than 5 years from the issuance date. The fair value of the warrants, which was calculated using the valuation technique, the Black Scholes Option Pricing Model, was $3,300,206. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.64%; expected life – 5 year; expected volatility – 248.35%; and expected dividends – nil. The fair value of $3,300,206 for the warrants was charged to finance expense in the statements of loss and comprehensive loss for the year ended April 30, 2018.

On November 8, 2017, the Company issued 4,950,000 warrants through a non-brokered private placement offering of 9,900,000 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 November 8, 2018 (subject to earlier termination in accordance with 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:

(Expressed in Canadian dollars)

10. WARRANTS (continued)

	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
Issuance-November 2, 2017	25,552,649	$0.20
Issuance-November 8, 2017	4,950,000	$0.20
Expired/cancelled-July 16, 2017	(215,666)	$0.25
Balance, April 30, 2018	41,918,829	$0.20

The above warrants have a weighted average remaining life of 2.90 years.

As at April 30, 2018, 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
4,950,000	0.20	November 8, 2018
25,552,649[3]	0.20	November 2, 2022[2]

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.

2 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 a credit facility to BJK Holdings Ltd. but not later than 5 years from the issuance date.

3 25,000,000 Warrants were issued to BJK Holdings Ltd. (the "Lender") on November 2, 2018, however as a result of dilutive events and in accordance with the terms of the Warrants, the Lender holds 25,552,649 Warrants as at April 30, 2018.

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

	Number	Weighted average exercise price
Balance, April 30, 2017	447,666	$0.17
Issuance – August 31, 2017	424,000	$0.10
Expired	(215,666)	$0.25
Balance, April 30, 2018	656,000	$0.10

The above broker warrants have a weighted average remaining life of 0.54 years.

(Expressed in Canadian dollars)

10. WARRANTS (continued)

As at April 30, 2018, 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 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%.

On January 12, 2018, the Company granted 4,740,000 stock options to employees, consultants, directors and officers under its Stock Option Plan at an exercise price of $0.25 per share exercisable at any time on or before January 12, 2021. The fair value of these stock options is determined to be $948,447 using the Black-Scholes option pricing model with the current assumptions of risk-free interest rate of 1.80%, expected life of 3 years, forfeiture rate of 0%, expected volatility of 263.82% and a dividend rate of 0%.

Continuity of the Company's option is as follows:

	Number	Weighted average exercise price
Balance, April 30, 2017	5,500,000*	$ 0.10
Issued- January 12, 2018	4,740,000*	$ 0.25
Balance- April 30, 2018	10,240,000*	$ 0.17

*Options exercisable as at April 30, 2018 – 10,240,000
The above stock options have a weighted average remaining life of 2.07 years.

(Expressed in Canadian dollars)

11. STOCK OPTIONS AND RESTRICTED SHARE UNITS (continued)

As at April 30, 2018, 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
4,740,000	0.25	January 12, 2021

On January 12, 2017 the Company issued 4,750,000 RSU's under it's Restricted Share Unit plan as compensation for certain directors, officers and employees. On each applicable vesting date, each RSU allows the holder, at the option of the Company, to either acquire common shares of the Company equal to the value of the RSUs as at the date of vesting or be paid the monetary value of the RSUs as at the date of vesting, subject to applicable withholding taxes. The RSUs vest over two or three years, depending on the holder. The vesting dates are as follows:

# of RSU	Vesting Date
1,833,333	January 12, 2019
1,833,333	January 12, 2020
1,083,334	January 12, 2021
4,750,000	

The grant date fair value of the RSUs is $973,750 and is based on the market price of the Company's common shares at the effective date of January 12, 2018. The amount will be recognized proportionally over the vesting periods: year one $637,710, year two $261,877 and year three $74,4163. For the year ended April 30, 2018, the Company recorded $188,693 of expense related to the RSUs as management fees. During the year ended April 30, 2018, no common shares of the Company were issued in respect to the RSU's.

12. INCOME TAX

	Year Ended April 30, 2018	Year Ended April 30, 2017
	$	$
Loss for the year	(6,425,689)	(497,305)
Expected income tax recovery at statutory rates of 27% (2017-26%)	(1,734,936)	(129,299)
Net adjustments for amortization, deductible and other non-deductible items	1,275,065	49,630
Effect of change in statutory tax rate	44,486	-
Current and prior tax attributes not recognized	415,385	79,669
	-	-

(Expressed in Canadian dollars)

12. INCOME TAX (continued)

	Year Ended April 30, 2018	Year Ended April 30, 2017
Deferred tax assets		
Non-capital losses and capital loss carried forward	1,511,233	1,141,606
Mineral properties and others	105,248	15,004
Less : Unrecognized deferred tax assets	(1,616,481)	(1,156,610)
Net deferred tax assets	-	-

At April 30, 2018, the Company has non capital losses carried forward for Canadian income tax purposes totalling approximately $5,362,000 which will expire from 2031 to 2038 and may be applied against future taxable income. The Company also has approximately $470,000 of capital losses that may be carried forward

and applied against future capital gains. In addition, the Company has approximately $13,000 of exploration and development costs which are available for deduction against future income for tax purposes. At April 30, 2018, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

13. RELATED PARTY TRANSACTIONS

Management compensations for the officers and directors during the years are disclosed as below:

Year Ended April 30, 2018		Consulting fees Paid	Gross Salaries Paid	Stock Options Share Based Compensation	RSU Share Based Compensation	Total
Don Allan	CEO & Director	$ -	$ 158,508	$ 450,212	$ 102,923	$ 711,643
Shannon Wyzykoski	CFO	$ 77,880	$ -	$ 20,009	$ -	$ 97,889
Chris Dovbniak	Director	$ -	$ -	$ 50,024	$ -	$ 50,024
Doug Mackenzie	Director	$ -	$ -	$ 50,024	$ -	$ 50,024
Mel Angeltvedt	Director	$ -	$ -	$ 50,024	$ -	$ 50,024
Robin Ray	Director	$ -	$ -	$ 50,024	$ -	$ 50,024
		$ 77,880	$ 158,508	$ 670,315	$ 102,923	$ 1,009,626

Year Ended April 30, 2017		Consulting fees Paid	Gross Salaries Paid	Stock Options Share Based Compensation	RSU Share Based Compensation	Total
Don Allan	CEO & Director	$ -	$ -	$ -	$ -	$ -
Shannon Wyzykoski	CFO	$ 13,838	$ -	$ -	$ -	$ 13,838
Chris Dovbniak	Director	$ -	$ -	$ 18,500	$ -	$ 18,500
Doug Mackenzie	Director	$ -	$ -	$ 18,500	$ -	$ 18,500
Mel Angeltvedt	Director	$ -	$ -	$ 18,500	$ -	$ 18,500
Robin Ray	Director	$ -	$ -	$ 18,500	$ -	$ 18,500
		$ 13,838	$ -	$ 74,000	$ -	$ 87,838

13. RELATED PARTY TRANSACTIONS (continued)

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 a company owned by the CFO pursuant to a private placement offering of units (Note 9).

Office expense of $7,714, (2017 - $1,818), salaries and benefits of $34,537 (2017 - $27,866), rent expense of $19,377 (2017-$29,980) and telephone expense of $2,234 (2017 - $3,602) were charged back to 1888711 Alberta Inc., a company related by officers and directors (i.e. Don Allan).

Transactions with related parties have been recorded at their exchange amounts, being the amounts agreed to and by the related parties.

Accounts payable and accrued liabilities balances at April 30, 2018 outstanding to officers and directors of the Company in the amount of $Nil (2017 - $22,245).

Also, refer to Notes 7, 9, 10 and 11 for related party transactions.

14. 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 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 year ending April 30, 2018.

15. FINANCIAL INSTRUMENTS

Risk Management
The Company's financial instruments consist of cash, other receivable, accounts payable and accrued liabilities and short-term loans payable; the fair values of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation. The long-term loan payables 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.

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS (continued)

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 April 30, 2018, the Company had cash balance of $560,891 and working capital deficit of $965,274. 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 April 30, 2018 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;
- 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 April 30, 2018 and 2017:

	As at April 30, 2018		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	560,891	-	-

	As at April 30, 2017		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	106,110	-	-

16. 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.

17. SUBSEQUENT EVENTS

On June 6, the Company announced the implementation of an early warrant exercise incentive program (the "Program") designed to encourage the early exercise of up to 16,366,180 unlisted warrants. On July 4, the Company announced that it had closed the Program. Cielo received gross proceeds pf $2,032,500 as a result of the exercise of 10,162,500 warrants. Each participant is entitled to receive $0.0875 per warrant exercised as a fixed rate royalty which will be paid out prorate over an estimated period of two years or less, at the discretion of management. Once production begins, the company will allocate 10% of gross sales to the payment of the royalties.

On July 4, the company announced that certain trade creditors elected to convert their trade debt in an aggregate amount of $313,725 into 1,960,871 common shares at a price of $0.16 per share.

On July 17, 2018, 600,000 unexercised warrants issued on July 17, 2017 pursuant to a private placement offering of units, each units consisting of one common shares and one half of one share purchase warrant, expired.

On Aug 3, the Company announced that it has received $289,000 form the exercise of 1,461,500 warrants at an exercise price of $.20. On the same date, certain contractors elected to convert $100,246 of trade payables into 477,363 shares at a price of $0.21 per share.

On August 16, 2018, the Company issued 50,000 shares as a result of the exercise of 50,000 warrants at a price of $0.20 per warrant.