

# **CIELO WASTE SOLUTIONS CORP.**

## **Financial Statements**

For the Six-Month Period ended October 31, 2019

(Expressed in Canadian dollars)

	Page
Notice of No Auditor Review	2
Statements of financial position	4
Statements of loss and comprehensive loss	5
Statements of changes in shareholders' equity	6
Statements of cash flows	7
Notes to the financial statements	8 – 36

**TO THE SHAREHOLDERS OF CIELO WASTE SOLUTIONS CORP.**

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a) and International Accounting Standards (IAS) 34, the Company discloses the interim financial statements for the period ended October 31, 2019 were prepared by management and were not reviewed by Cielo's independent auditors.

# Cielo Waste Solutions Corp.

## Statement of financial position (Expressed in Canadian Dollars)

	Note	October 31, 2019	April 30, 2019
<b>Assets</b>			
<b>Current Assets</b>			
Cash		326,963	354,258
GST and Other receivable		182,204	128,688
Prepaid expenses		1,830,826	328,291
Inventory	5	185,750	209,754
<b>Total Current Assets</b>		<b>2,525,743</b>	<b>1,020,991</b>
<b>Non Current Assets</b>			
Property, plant and equipment	6	14,124,408	10,905,980
Intellectual property assets	7	1	1
<b>Total Non Current Assets</b>		<b>14,124,409</b>	<b>10,905,981</b>
<b>Total Assets</b>		<b>16,650,152</b>	<b>11,926,972</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	14	3,966,525	2,970,231
Accrued liabilities		5,000	787,611
Short-term loans payable	8&14	25,755	400,912
Current Portion of Long Term Debt	8	1,012,279	1,010,999
Current Portion of Convertible Debt	9	642,190	655,715
		5,651,749	5,825,468
<b>Long Term Liabilities</b>			
Royalty Payable	10	805,089	747,498
Long term loans payable	8	2,375,795	2,355,258
Convertible Debentures	9	4,889,207	-
		13,721,840	8,928,224
<b>Shareholders' Equity</b>			
Share capital	11	17,810,710	15,866,131
Contributed surplus	12&13	6,920,129	6,150,737
Deficit		(21,802,527)	(19,018,120)
<b>Total Equity</b>		<b>2,928,312</b>	<b>2,998,748</b>
<b>Total Liabilities and Equity</b>		<b>16,650,152</b>	<b>11,926,972</b>

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

Subsequent events (Note 18)

Approved and authorized for issue by the Board of Directors on December 18, 2019

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

Signed: "Robin Ray"  
Director

See accompanying notes to financial statements.

## Statements of comprehensive Loss

(Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2019	2018	2019	2018
<b>Sales</b>	-	-	\$ 3,000	-
<b>Cost of Sales</b>	-	-	3,000	-
<b>Gross Profit</b>	-	-	-	-
<b>Expense</b>	\$	\$	\$	\$
Advertising and Promotion	103,064	9,341	261,962	20,770
Amortization on deferred financing charges	61,504	17,389	92,188	34,777
Amortization on property, plant and equipment	42,759	42,319	80,171	84,639
Bad Debt	-	-	-	6,725
Bank Charges	867	244	2,782	542
Consulting	234,680	137,707	363,131	172,638
Development Expense	421,026	-	532,452	-
Interest and accretion expenses (Note 8&9)	343,979	153,341	572,369	287,453
Management Fees(Note 11)	102,229	160,738	204,458	321,476
Office and administrative expenses	68,876	33,226	164,313	69,091
Professional fees	111,416	110,575	149,840	183,725
Salaries and benefits (Note 14)	106,515	129,397	228,462	242,091
Transfer agent and filing fees	28,884	18,070	35,445	22,411
Travel	12,194	10,755	27,938	18,176
<b>Net Loss before other items</b>	(1,637,993)	(823,102)	(2,715,511)	(1,464,514)
Gain(Loss) on settlement of debt with shares	-	(554)	(68,896)	(78,985)
<b>Net loss and comprehensive loss for the period</b>	(1,637,993)	(823,656)	(2,784,407)	(1,543,499)
<b>Loss per share, basic and diluted</b>	(.009)	(.005)	(.015)	(.010)
<b>Weighted average number of outstanding common shares</b>	188,401,365	150,138,427	188,401,365	150,138,427

See the accompanying notes to the financial statements

**Cielo Waste Solutions Corp.**  
**Statements of Changes in Equity**

(Expressed in Canadian Dollars except for number of shares)

	Number of shares	Share Capital	Contributed Surplus		Deficit	Total shareholders' equity
			Options, RSU's and Warrants	Other		
		\$	\$	\$	\$	\$
<b>Balance April 30, 2018</b>	140,192,283	11,110,880	5,433,390	71,482	(16,251,950)	363,802
Shares issued on warrant conversion (Note 11)	2,000,000	400,000				400,000
Shares issued on warrant conversion (Note 11)	875,000	175,000				175,000
Shares issued on warrant conversion (Note 11)	162,500	32,500				32,500
Shares issued on debt conversion (Note 11)	1,960,781	392,156				392,156
Shares issued on warrant conversion (Note 11)	7,125,000	1,425,000				1,425,000
Shares issued on debt conversion (Note 11)	477,363	114,567				114,567
Shares issued on Exercise of Broker Warrants (Note 11)	1,461,500	292,753	(2,853)			289,900
Shares issued on Exercise of Warrants (Note 11)	50,000	10,000				10,000
Shares issued on Exercise of Broker Warrants (Note 11)	608,000	121,926	(41,126)			80,800
Shares issued on debt conversion (Note 11)	228,918	57,230				57,230
Shares issued on Exercise of Warrants (Note 11)	900,000	180,000				180,000
Shares issued on Exercise of Warrants (Note 11)	941,180	188,236				188,236
RSU Vesting (Note 13)			321,476			321,476
Share issuance Costs		(697,898)				(697,898)
Net loss for the period					(1,543,499)	(1,543,499)
<b>Balance October 31, 2018</b>	156,982,525	13,802,350	5,710,887	71,482	(17,795,449)	1,789,271
<b>Balance April 30, 2019</b>	175,687,011	15,866,132	6,079,255	71,482	(19,018,120)	2,998,749
Shares issued for fair value on prepaid interest and warrants issued at fair value on convertible debenture issuance (Note 11)	3,024,000	241,920	39,797			281,717
Shares issued for fair value on prepaid interest and warrants issued at fair value on convertible debenture issuance (Note 11)	2,361,000	177,075	28,453			205,528
Shares issued on debt conversion (Note 11)	133,300	13,300				13,300
Shares issued for fair value on prepaid interest and warrants issued at fair value on convertible debenture issuance (Note 11)	3,060,750	260,164	41,961			302,125
Shares issued on debt conversion (Note 11)	400,710	40,071				40,071
Shares issued for fair value on prepaid interest and warrants issued at fair value on convertible debenture issuance (Note 11)	2,329,500	232,950	37,666			270,616
Shares issued on debt conversion (Note 11)	1,660,400	234,956				234,956
Shares issued for fair value on prepaid interest and warrants issued at fair value on convertible debenture issuance (Note 11)	4,590,000	596,700	96,722			693,422
Shares issued on debt conversion (Note 11)	510,710	51,071				51,071
Shares issued for fair value on prepaid interest and warrants issued at fair value on convertible debenture issuance (Note 11)	125,000	11,250	1,997			13,247
Shares issued for fair value on prepaid interest and warrants issued at fair value on convertible debenture issuance (Note 11)	1,137,500	102,375	18,187			120,562
Fair Values of finders' warrants (Note 12)			45,590			45,590
Fair Values of finders' warrants (Note 12)			19,243			19,243
Fair Values of finders' warrants (Note 12)			2,930			2,930
Fair Values of finders' warrants (Note 12)			12,097			12,097
Fair Values of finders' warrants (Note 12)			10,015			10,015
Fair Values of finders' warrants (Note 12)			1,165			1,165
Fair Values of finders' warrants (Note 12)			1,165			1,165
Fair Values of finders' warrants (Note 12)			45,793			45,793
Fair Values of finders' warrants (Note 12)			19,102			19,102
Fair Values of finders' warrants (Note 12)			1,308			1,308
Fair Values of finders' warrants (Note 12)			32,359			32,359
Fair Values of finders' warrants (Note 12)			107,297			107,297
Fair Values of finders' warrants (Note 12)			2,087			2,087
RSU Vesting (Note 13)			204,458			204,458
Share issuance Costs		(17,254)				(17,254)
Net loss for the period					(2,784,407)	(2,784,407)
<b>Balance October 31, 2019</b>	195,019,881	17,810,710	6,848,647	71,482	(21,802,527)	2,928,312

See accompanying notes to the financial statements.

# Cielo Waste Solutions Corp.

## Statement of Cash Flows

(Expressed in Canadian Dollars)

Six months ended October 31,	2019	2018
<b>Cash (used in) provided by:</b>		
<b>Operating activities</b>		
Loss for the period	(2,784,407)	(1,543,499)
Adjustments for:		
Amortization of PPE	80,171	84,639
Bad Debt Expense	-	6,725
Gain on Settlement of debts with shares	68,896	-
Write-off of payables	-	554
RSU Vesting	204,458	321,476
Amortization of deferred financing costs	92,188	34,777
Accrued interest and accretion expenses	360,637	74,980
	<u>(1,978,057)</u>	<u>(1,020,348)</u>
Changes in non-cash operating working capital		
Other receivable	(53,515)	(203,569)
Prepaid Expenses	(145,535)	37,726
Inventory	24,004	(65,959)
Accounts payable and accrued liabilities	650,813	2,541,138
Cash used in operating activities	<u>(1,502,290)</u>	<u>1,288,988</u>
<b>Financing activities</b>		
Short Term Loans	23,200	443,264
Royalty Payable	-	662,189
Convertible debt issued for cash	5,006,750	-
Share issuance for cash	-	2,601,436
Share issuance costs	(17,253)	(697,898)
Financing cost paid	(239,103)	-
Cash provided by financing activities	<u>4,773,594</u>	<u>3,008,991</u>
<b>Investing activities</b>		
Purchase of property plant and equipment	(3,298,599)	(4,535,750)
Cash provided by investing activities	<u>(3,298,599)</u>	<u>(4,535,750)</u>
<b>Increase (decrease) in cash</b>	<b>(27,295)</b>	<b>(237,771)</b>
<b>Cash, beginning of period</b>	<b>354,258</b>	<b>560,891</b>
<b>Cash, end of period</b>	<b>326,963</b>	<b>323,120</b>
<b>Supplemental items:</b>		
<b>Interest paid in cash</b>	<b>\$ 211,732</b>	<b>\$ 212,473</b>
<b>Tax Paid in Cash</b>	<b>-</b>	<b>-</b>
<b>Non-cash activities:</b>		
Fair value of shares issued for debt settlement	\$ 286,027	\$ -
Fair Value of shares issues for interest expense	12,040	-
Fair Value for regular warrants issued	264,783	-
Fair value of shares issued for debt settlement	286,027	74,953
Fair value of Broker warrants issued	300,151	-
Accrual for fair value of restricted share units not yet vested	204,458	-

See accompanying notes to the financial statements.

## **CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Cielo Waste Solutions 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”). 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 610 – 475 West Georgia Street, Vancouver, BC V6B 4M9.

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. The Company changed its name to Cielo Waste Solutions Corp. on August 12, 2013 to more clearly identify its focus on renewable diesel and waste solutions.

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, 2019, the Company had not yet achieved profitable operations, had accumulated losses of \$21,802,527 since its inception, and had a working capital deficit of \$(3,126,006), 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. 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.

In the six months ended October 31, 2019, the Company issued 19,332,870 common shares, 16,627,750 as payment of the Prepaid Interest equal to \$1,622,434 pursuant to the Convertible Debenture Offerings as payment of the Prepaid Interest, the balance in consideration for \$286,027 in the form of debt settlement, and \$51,204 in the form of debt conversion including \$40,000 in debt and \$12,040 in accrued interest. See Note 9 for details regarding the 2019 Convertible Debenture Offerings.

The Company’s operations, as intended, and its financial success are 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, and its ability to ensure sufficient financing is obtained to complete such start-up.

In the year ended April 30, 2019, the Company had begun to agree to potential future joint venture arrangements for the expansion of the Company’s business. On October 31, 2018 the Company executed a Binding Memorandum of Understanding (“GP MOU”) with Renewable U Energy Inc. (“Renewable U”), a privately-owned Alberta corporation. The MOU provides the framework for the Company to enter into a joint venture agreement (“JV Agreement”) with Renewable U to build, commission and operate (“Project”) one refinery initially (“JV Refinery”), with a right of first refusal to enter into further agreements for potential follow-on refineries (together with the JV Refinery, collectively “JV Refineries”) in Grande Prairie, Alberta.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Pursuant to the terms of the GP MOU, Renewable U acquired an option to enter into a second Memorandum of Understanding with the Company for Medicine Hat, Alberta (the “MH Option”). On February 21, 2019, Renewable U exercised the MH Option and entered into another similar Memorandum of Understanding (“MH MOU”) with the Company to build another JV Refinery in the city of Medicine Hat, Alberta.

On February 21, 2019 the Company also entered into an option agreement with Renewable U, pursuant to which the Company granted to Renewable U an option to enter into another memorandum of understanding (“Brooks MOU”) with the Company to build a follow-on joint venture renewable diesel refinery in the City of Brooks AB, on substantially the same or similar terms to the contemplated joint venture refineries in Grande Prairie and Medicine Hat. Renewable U exercised this option and entered into the Brooks MOU with the Company on March 29, 2019.

The Company and Renewable U intend to form three incorporated joint venture companies for each of the GP MOU, MH MOU (each an “MOU”) and the Brooks MOU respectively, each to be owned 50.1% by the Company and 49.9% by Renewable U, unless otherwise agreed. In consideration for the opportunity to enter into the JV Agreements with the Company and undertake the respective projects (each a “Project”), Renewable U has paid to the Company a fee of \$250,000.00 fee (each a “Fee”) with respect to each MOU to secure each Grande Prairie, Medicine Hat and Brooks, Alberta and the area surrounding each, in each case encompassing a 250 km radius. The terms of the GP MOU, MH MOU and the Brooks MOU provide that in the event the Company does not execute the JV Agreements for each of Grande Prairie, Medicine Hat or Brooks, Alberta, within certain agreed upon reasonable times, the Company agreed, subject to applicable laws and policies, to issue Renewable U common shares of the Company in lieu of returning the Fee, valued at the greater of: \$0.25 and the average closing price of the Company’s shares during the 5 trading days prior to these shares issuances.

The general terms to be incorporated into each JV Agreement include the following:

- a. Renewable U will be solely responsible for financing 100% of the costs associated with acquiring the land, building and commissioning the initial refinery to be built in each of Grande Prairie, Medicine Hat and Brooks, Alberta (in each case the “Project Costs”, respectively).
- b. The Company will manage each Project overall, overseeing the planning, construction, commissioning and operation of each of the JV Refineries and will receive a management fee for the construction of each JV Refinery equal to 7% of the Project Costs for such JV Refinery subject to certain exclusions, and will continue to receive management fees once operations begin based on industry standards.
- c. For each initial JV Refinery, profits will be split 30% in favour of the Company and 70% in favour of Renewable U, until Renewable U has received profits equaling 100% of the Project Costs for that JV Refinery. Thereafter profits will be split on the basis of 50.1% for the Company, 49.9% for Renewable U, reflecting the respective interests/ownership of the parties.

On or about November 22, 2018, the Company entered into a memorandum of understanding (“Calgary MOU”) with Seymour Capital Incorporated (“Seymour”) on substantially the same terms as the foregoing MOUs for the territory of Calgary, including the grant of an option to Seymour on substantially the same terms as the Calgary MOU for a territory in Ontario outside of the Greater Toronto Area. Seymour also paid a Fee of \$250,000 to the Company to secure the territory of Calgary.



## **CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS (continued)**

On July 30, 2019, the Company entered into a Memorandum of Understanding with Renewable U Lethbridge on the same terms as the previous MOU's. The balance of the full deposit amount of \$250,000 was received on August 30, 2019. This MOU represents the fifth agreement entered into by the Company to build refineries on a joint venture basis.

### **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").

#### (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

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

#### 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, 2019 and 2018, there were no cash equivalents.

#### b) Inventories

Inventories are stated at the lower of cost and net realizable value, with due consideration of obsolescence. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the average costing principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

#### 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.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### h) Earnings (loss) per share

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

#### i) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the statements of loss and comprehensive loss.

#### Financial Assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

#### *Debt Instruments*

There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses).

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### i) Financial instruments

##### Equity Instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

##### Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period. The Company's liabilities classified as other financial liabilities, which include accounts payable and accrued liabilities, short-term loan payable, long term loan, convertible debentures and royalty payable, are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company has classified its financial instruments as follows:

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

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### 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*

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *ii) Financial assets (continued)*

estimated future cash flows of the investment have been affected. When impairment has incurred, the cumulative loss is recognized in the statements of loss and comprehensive loss. For financial assets carried at cost or amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the recoverable amount, determined as the higher of the estimated fair value and the discounted future cash flows generated from use. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of comprehensive loss in the year. Impairment losses may be reversed in subsequent years.

#### 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.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### o) Revenue recognition

##### Revenue from Contracts with Customers

The Company completed its assessment of the effect of IFRS 15 and determined the method of revenue recognition will remain unchanged. The Company's assessment included an examination of contracts for all revenue streams which includes the JV Fee charged on the MOUs and the sale of diesel produced from the plant.

Revenues associated with the deposits charged on the MOUs (see Note 1) will only be recognized when there is persuasive evidence that an arrangement exists which is the JV Agreements have been entered into with the various MOU parties. The Company has already received the deposits of \$1,250,000 plus GST from the five joint venture parties and the amounts are included in the accounts payable as at October 31, 2019.

Revenues associated with the sale of diesel produced from the plant are recognized when there is persuasive evidence that an arrangement exists, the products are completed and delivered, the price is fixed or determinable and when the ultimate collection is reasonably assured. Interest income, if any, is recognized as received. During the six months ended October 31, 2019, the Company only produced incidental diesel products for sale as the Company is still in process of commencing the commercializing process.

#### p) Changes in accounting policies and recent accounting pronouncements

(a) The following standards have been adopted effective May 1, 2018:

##### *Financial Instruments*

IFRS 9 financial instruments ("IFRS 9") replaced IAS 39, Financial Instruments: recognition and Measurement. IFRS 9 includes guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedging requirements.

##### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL. IFRS 9 permit entities to elect into an irrevocable option for equity instruments to report changes in fair value in other comprehensive income.

Classification and measurement of financial assets is dependent on the entity's business model for managing the financial assets and related contractual cash flows. IFRS 9 retains most of the requirements of IAS 39 related to classification and measurement of financial liabilities.

The following table summarizes the impact of the adoption of IFRS 9 on the classification of the Company's financial assets and liabilities:

<b>Asset/Liability</b>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>
Cash	FVTPL	FVTPL
Other receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities at amortized cost	Amortized cost
Short term loan	Other liabilities at amortized cost	Amortized cost
Long term loan	Other liabilities at amortized cost	Amortized cost
Convertible debentures	Other liabilities at amortized cost	Amortized cost
Royalty payable	Other liabilities at amortized cost	Amortized cost



## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial Instruments (continued)*

p) Changes in accounting policies and recent accounting pronouncements (continued):

(a) The following standards have been adopted effective May 1, 2018 (continued):

#### ii. Impairment

IFRS 9 introduces a three stage expected credit loss (“ECL”) model for determining impairment of financial assets. The expected credit loss model does not require the occurrence of a triggering event before an entity recognizes credit losses. IFRS 9 requires an entity to recognize expected credit losses upon initial recognition of a financial asset and to update the quantum of expected credit losses at the end of each reporting period to reflect changes to credit risk of the financial asset. The adoption of the ECL model does not have a material impact on the Company’s consolidated financial statements.

#### *Revenue recognition*

IFRS 15 Revenue from Contracts with Customers, (“IFRS 15”) replaced all pre-existing guidance, including, but not limited to IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 15 Agreements for the Construction of Real Estate in IFRS and IFRIC 13 Customer Loyalty Programmes related to revenue. IFRS 15 contains a single control based model (the “model”) that applies to contracts with customers and allows entities to recognize revenue at a point in time or over time. The model consists of a 5 step analysis of transactions to determine whether, how much, and when revenue is recognized. IFRS 15 also includes additional requirements for revenue accounted for under the standard.

The Company adopted IFRS 15 effective May 1, 2018 and used the cumulative effect transition method; thus, the Company did not apply the requirements of IFRS 15 to the comparative period presented. The effect of applying IFRS 15 initially would have been recognized at May 1, 2018.

b) Future accounting changes

IFRS 16, "Leases" is a new standard that sets out the principle for the recognition, measurement and disclosure of leases. This new 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. For lessors, IFRS 16 carries forward the lessor accounting requirement in IAS 17, with an enhanced disclosure requirement that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. The Company intends to adopt the new standard on the required effective date of May 1, 2019 without restatement of comparative information.

### 4. CASH

	<u>October 31, 2019</u>	<u>October 31, 2018</u>
Cash	<u>326,963</u>	<u>323,121</u>
	<u><u>326,963</u></u>	<u><u>323,121</u></u>

There is no cash equivalent as at October 31, 2019 and 2018.

**CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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**5. INVENTORY**

	October 31, 2019	October 31, 2018
Raw Materials	185,750	65,959
	<u>185,750</u>	<u>65,959</u>

All inventory is subject to general security agreements related to a loan from BJK Holdings Ltd. (see Note 8) and outstanding secured convertible debentures (see Note 9).

**6. PROPERTY, PLANT AND EQUIPMENT**

	October 31, 2019			October 31, 2018		
	Costs	Accumulated Amortization	Total	Costs	Accumulated Amortization	Total
Land	755,841	-	755,841	755,841	-	755,841
Building	931,499	90,709	840,790	931,499	55,676	875,823
Computer	66,546	20,450	46,096	24,126	6,081	18,045
Equipment	672,339	156,966	515,373	672,339	99,702	572,637
Construction in progress	11,455,423	-	11,455,423	6,365,001	-	6,365,001
Plant	699,868	188,983	510,885	699,868	132,219	567,649
	<u>14,581,516</u>	<u>457,108</u>	<u>14,124,408</u>	<u>9,448,674</u>	<u>293,678</u>	<u>9,154,996</u>

**7. INTELLECTUAL PROPERTY ASSETS**

As at April 30, 2016, the Company concluded that, due to certain intellectual assets it had acquired being in an idle stage waiting for further development, the intellectual property has been impaired, and the value should have been written down to \$1. The impairment evaluation as at October 31, 2019 remains the same.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 8. SHORT-TERM AND LONG-TERM LOANS PAYABLE

*Short-term Loan:* The balance of short-term loans payable as at October 31, 2019 is comprised of the following:

\$24,666 in loans from arm's length third parties (2018-\$21,662). These are unsecured and due on demand with interest at prime rate plus 10% to 12% per annum. A total of \$4,516 (2018-\$1,511) in interest on these loans has been accrued as at October 31, 2019.

\$1,089 in loans from related parties as below:

	October 31, 2019	October 31, 2018
1888711 Alberta Inc.	-	13,457
Don Allan	1,089	372,893
Don Allan – Note payable matures, due on demand, at annual interest of 5% starting from May 1, 2016	-	113,301
Doug Allan (related to Don Allan)	-	500,833
	<u>\$1,089</u>	<u>\$ 1,000,484</u>

These loans are/were unsecured, non-interest bearing and due on demand except for the \$Nil (2018 -\$113,301) loan, which was 5% interest bearing. A total of \$Nil (2018-\$14,134) in interest on these related party loans has been accrued as at October 31, 2019.

In the six months ended October 31, 2019, the amount due to (from) 1888711 of (\$57,797),( 2018 -\$13,457) has been reclassified to GST and Other receivable. 1888711 is related by common officers and/or directors.

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.

On July 16, 2019, the Company issued Don Allan 400 A Convertible Debenture Units (Note 9) to settle short term debt of \$400,000. A balance of \$1,089 of the short-term debt still remains outstanding at October 31, 2019.

**CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

**8. SHORT-TERM AND LONG-TERM LOANS PAYABLE (continued)**

Long-term loans: The balance of long-term loans payable as at October 31, 2019 is comprised of the following:

	October 31, 2019	October 31, 2018
A Secured interest bearing loan, at annual rate of 12%, to be matured on June 1, 2022 (See Note 8(a)).	\$3,500,000	\$3,500,000
Total long-term loans payable	3,500,000	3,500,000
Less: deferred financing costs	(111,926)	(155,203)
Less: current portion of long-term loans payable	(1,012,279)	(719,689)
Long-term portion of loans payable	\$2,375,795	2,625,108

Principal payments on note payables are due as follows:

2020	\$1,012,279
2021	1,103,718
2022	1,384,003
	<u>\$3,500,000</u>

On November 2, 2017 the Company entered into a loan agreement (the "Loan Agreement") with BJK Holdings Ltd (the "Lender"), which matures on June 1, 2022. The Loan Agreement permitted the Company to draw up to \$3,500,000 (the "Credit Facility") until September 30, 2018, to be used by the Company 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 the Company, subordinating and postponing the indebtedness of all other lenders of the Company. The Credit Facility bears simple interest at 12% annually.

On October 1, 2018 the Company signed a loan repayment extension agreement to delay payments of interest only payable until February 1, 2019, at which time regular monthly payments of \$112,000 of principal together with interest were to become payable until the loaned monies owing under the Credit Facility mature in June 2022. The Lender has allowed for the further delay of payments of interest until the Company begins to earn revenues, or as otherwise to be agreed.

As at October 31, 2019, the Company had drawn the full \$3,500,000 available amount of the Credit Facility. As partial consideration for the Credit Facility, the Company issued 25,000,000 bonus warrants (the "Warrant(s)") to the Lender, each Warrant exercisable to purchase one common share of the Company 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 11).

A total of \$24,703 (2018 - \$24,703) in interest on this long-term loan has been accrued as at October 31, 2019.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

### 9. CONVERTIBLE DEBENTURES

	October 31, 2019	October 31, 2018
Convertible debts at an interest rate of 15.0%	6,086,750	500,000
Deferred financing costs	(740,499)	(17,418)
Accrued interest	185,146	124,420
	<u>5,531,397</u>	<u>607,002</u>
Less current portion	<u>(642,190)</u>	<u>(12,610)</u>
	<u>4,889,207</u>	<u>594,392</u>

During the six months ended October 31, 2019, the Company issued 5,121.75 convertible debenture units (the “A Convertible Debenture Units”) for gross proceeds of \$5,121,750 (the “A Convertible Debenture Offering”). The A Convertible Debentures Units each consist of one (1) \$1,000 unsecured convertible debenture (the “A Debentures”) and 500 share purchase warrants. The A Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the “A Prepaid Interest”) on the date of issuance of the A Debentures (the “A Issue Date”) by the issuance of common shares (the “A Prepaid Interest Shares”) at a price of \$0.10 per A Prepaid Interest Share. The principal of the A Debentures (the “A Principal”) together with all accrued interest exceeding the A Prepaid Interest (the “A Interest Balance”) will be repaid 48 months from the A Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the A Issue Date at a price of \$0.06 for the A Principal and \$0.10 for the A Interest Balance.

Additionally, during the six months ended October 31, 2019, the Company issued a total of 505 convertible debenture units (the “B Convertible Debenture Units”, together with the A Convertible Debenture Units, collectively the “2019 Convertible Debenture Units”) for gross proceeds of \$505,000.750 (the “B Convertible Debenture Offering”, together with the A Convertible Debenture Offering, collectively the “Convertible Debenture Offerings”). The B Convertible Debentures Units each consist of one (1) \$1,000 unsecured convertible debenture (the “B Debentures”) and 500 share purchase warrants. The B Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the “B Prepaid Interest”, together with the A Prepaid Interest, collectively the “Prepaid Interest”) on the date of issuance of the B Debentures (the “B Issue Date”) by the issuance of common shares (the “B Prepaid Interest Shares”, together with the A Prepaid Interest Shares, collectively the “Prepaid Interest Shares”) at a price of \$0.12 per B Prepaid Interest Share. The principal of the B Debentures (the “B Principal”) together with all accrued interest exceeding the B Prepaid Interest (the “B Interest Balance”) will be repaid 48 months from the B Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the Issue Date at a price of \$0.08 for the Principal and \$0.12 for the Interest Balance.

During the six months ended October 31, 2019, \$40,000 of principal and \$13,371 of accrued interest on convertible debentures that were issued during the year ended April 30, 2017 (the “2017 Convertible Debentures”), convertible at \$0.10 per common share, were converted to 534,010 common shares. (Note 11)

The 2017 Convertible Debentures are secured by general security agreements, which are subordinated to the general security agreement issued in favor of BJK Holdings Ltd. (see Note 8(a)).

Accretion expenses on the 2017 Convertible Debentures of \$Nil was charged to the operation during the six months ended October 31, 2019 (2018 - \$nil).

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 9. CONVERTIBLE DEBENTURES (continued)

Interest expenses on the 2017 Convertible Debentures of \$35,696 was charged to the operation during the six months ended October 31, 2019 (2018 - \$37,917).

Interest expenses on the 2019 Convertible Debentures Units of \$190,394 was charged based on the fair value of the Prepaid Interest Shares issued to cover the Prepaid Interest of the debentures issued.

Total deferred financing costs of \$804,037 were incurred for the six months ended October 31, 2019 (2018 - \$nil) and \$50,596 was charged to the operation during the six months ended October 31, 2019 (2018 - \$12,961).

### 10. ROYALTY PAYABLE

	October 31, 2019	October 31, 2018
Royalties Payable	889,219	889,219
Discount on Royalties payable	(84,130)	(194,368)
	<u>805,089</u>	<u>694,851</u>

On June 6, 2018, 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, 2018, the Company announced that it had closed the Program. The Company received gross proceeds of \$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 prorata 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.

The Company recorded the royalty payable of \$889,219. The amortized cost of the long-term liability component was accounted for using the effective interest rate method at 15% per annum. The discount recorded of \$227,030 will be amortized to accretion expense over the period of two years. The net amount of 662,189 was recorded as a share issuance cost.

For the six months ended October 31, 2019 the Company amortized \$57,291 (2018-\$32,662) to accretion expense.

### 11. 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:

On June 7, 2018, the Company issued 2,000,000 common shares through the exercise of 2,000,000 warrants, which were eligible for an early warrant incentive program at the price of \$0.20 per share. Each participant is entitled to receive \$0.0875 per warrant exercised (Note 10-Royalty payable). These shares were issued for cash of \$400,000.

## **CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### **11. SHARE CAPITAL (continued)**

On June 15, 2018, the Company issued 875,000 common shares through the exercise of 875,000 warrants, which were eligible for an early warrant incentive program at the price of \$0.20 per share. Each participant is entitled to receive \$0.0875 per warrant exercised, (Note 10-Royalty payable). These shares were issued for cash of \$175,000.

On June 22, 2018, the Company issued 162,500 common shares through the exercise of 162,500 warrants, which were eligible for an early warrant incentive program at the price of \$0.20 per share. Each participant is entitled to receive \$0.0875 per warrant exercised, (Note 10- Royalty payable). These shares were issued for cash of \$32,500.

On July 3, 2018, the Company issued 1,960,781 common shares through a non-brokered private placement offering of units at a subscription price of \$0.16 per share. These shares were issued to settle debts of \$313,725. Using the trading value on the same date, a loss of \$78,431 resulted from these debt settlements.

On July 3, 2018, the Company issued 7,125,000 common shares through the exercise of 7,125,000 warrants which were eligible for an early warrant incentive program at the price of \$0.20 per share. Each participant is entitled to receive \$0.0875 per warrant exercised, (Note 10- Royalty payable). These shares were issued for cash of \$1,425,000.

On August 2, 2018 the Company issued 477,363 common shares at a fair value of \$114,567 using the closing trade price on the same date, to settle debt of \$100,246 which resulted in a loss of \$14,321.

On August 3, 2018, the Company issued 24,000 shares through the exercise of 24,000 finders warrants at the price of \$0.10 per share. The shares were issued for the warrants and cash of \$2,400. \$2,853 was reallocated from reserve to share capital as a result of the warrants conversion.

On August 3, 2018, the Company issued 1,437,500 shares through the exercise of 1,437,500 warrants at the price of \$0.20 per share. The shares were issued for the warrants and cash of \$287,500.

On August 16, 2018, the Company issued 50,000 shares through the exercise of 50,000 warrants at the price of \$0.20. The shares were issued for the warrants and cash of \$10,000.

On August 31, 2018, the Company issued 408,000 shares through the exercise of 408,000 finders warrants at the price of \$0.10 per share. The shares were issued for the warrants and cash of \$40,800. \$41,126 was reallocated from reserve to share capital as a result of the warrants conversion.

On August 31, 2018, the Company issued 200,000 shares through the exercise of 200,000 warrants at the price of \$0.20 per share. The shares were issued for the warrants and cash of \$40,000.

On September 13, 2018, the Company issued 228,918 common shares at a fair value of \$57,230 using the closing trade price on the same date, to settle debt of \$45,784 which resulted in a loss of \$11,446.

On September 13, 2018, the Company issued 900,000 shares through the exercise of 900,000 warrants at the price of \$0.20 per share. The shares were issued for the warrants and debt conversion of \$180,000.

On September 21, 2018, the Company issued 941,180 shares through the exercise of 941,180 warrants at the price of \$0.20. The shares were issued for the warrants and cash of \$188,236.

## **CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### **11. SHARE CAPITAL (continued)**

On November 30, 2018 the Company issued 2,826,025 common shares at a fair value of \$367,383 using the closing trade price on the same date, to settle debt of \$508,684 which resulted in a gain of \$141,301.

On November 30, 2018 the Company issued 3,029,167 common shares at a fair value of \$393,792 using the closing trade price on the same date, to settle debt of \$605,833 which resulted in a gain of \$212,041.

On December 17, 2018, the Company issued 6,726,200 common shares through a non-brokered private placement offering of units, each unit consisting of one common share and one share purchase warrant, at a subscription price of \$0.13 per unit. 6,400,000 shares were issued for cash of \$832,000 and 326,200 common shares were issued to settle debt of \$42,406 resulting in no gain or loss. Warrants were assigned a value of \$134,524 based on the residual value method. The Company paid a 7% cash and warrant commission (\$30,300 cash and 231,000 finders' warrants (Note 12)).

On December 20, 2018, the Company issued 2,076,923 common shares through a non-brokered private placement offering of units, each consisting of one common share and one share purchase warrant, at a subscription price of \$0.13 per unit. All shares were issued for cash of \$270,000. Warrants were assigned a value of \$41,538 based on the residual value method (Note 12).

On February 11, 2019, the Company issued 3,845,884 common shares through a non-brokered private placement offering of units, each consisting of one common share and one share purchase warrant, at a subscription price of \$0.13 per unit. All shares were issued for cash of \$499,965. Warrants were assigned a value of \$115,377 based on the residual value method (Note 12).

On February 11, 2019, the Company issued 46,289 common shares at a fair value of \$4,860 using the closing trade price on the same date, to settle debt of \$8,332 which resulted in a gain of \$3,472.

On April 18, 2019, the Company issued 40,000 shares through the exercise of 40,000 finders warrants at the price of \$0.10 per share. The shares were issued for the warrants and cash of \$4,000. \$6,200 was reallocated from reserve to share capital as a result of the warrants conversion.

On April 18, 2019, the Company issued 113,998 common shares through a non-brokered private placement offering of units, each unit consisting of one common share and one share purchase warrant, at a subscription price of \$0.13 per unit. 113,998 common shares were issued to settle debt of \$14,280 resulting in no gain or loss. Warrants were assigned a value of \$6,270 based on the residual value method.

On May 6, 2019, the Company issued 3,024,000 common shares at a fair value of 241,920 using the closing trade price on the same date, to settle the prepaid interest portion associated with the A Convertible Debenture Units.

On May 31, 2019, the company issued 2,361,000 common shares at a fair value of 177,075 using the closing trade price on the same date, to settle the prepaid interest portion associated with the A Convertible Debenture Units .

On June 20, 2019, the Company issued 133,300 common shares as the result of the conversion of convertible debentures of \$10,000 and accrued interest of \$1,330.



## **CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### **11. SHARE CAPITAL (continued)**

On June 26, 2019, the company issued 3,060,750 common shares at a fair value of 260,164 using the closing trade price on the same date, to settle the prepaid interest portion associated with the A Convertible Debenture Units.

On June 26, 2019, the Company issued 400,710 common shares as the result of the conversion of convertible debentures of \$40,000 and accrued interest of \$10,071.

On July 9, 2019, the company issued 2,329,500 common shares at a fair value of 232,950 using the closing trade price on the same date, to settle the prepaid interest portion associated with the 2019 A Convertible Debenture Units.

On July 16, 2019, the Company issued 1,660,400 common shares at a fair value of \$234,956 using the closing trade price on the same date, to settle debt of \$166,060 which resulted in a loss of \$69,896.

On July 16, 2019, the company issued 4,590,000 common shares at a fair value of 596,700 using the closing trade price on the same date, to settle the prepaid interest portion associated with the A Convertible Debenture Units.

On July 30, 2019, the Company issued 510,710 common shares at a fair value of \$51,071 using the closing trade price on the same date, to settle debt of \$166,060 which resulted in a no gain or loss.

On October 25 2019, the Company issued 125,000 common shares at a fair value of 11,250 using the closing trade price on the same date, to settle the prepaid interest portion associated with the B Convertible Debenture Units.

On October 31 2019, the Company issued 1,137,500 common shares at a fair value of 102,375 using the closing trade price on the same date, to settle the prepaid interest portion associated with the B Convertible Debenture Units.

### **12. WARRANTS**

On June 7, 2018 the Company had 2,000,000 warrants exercised. The warrants were eligible for an early warrant incentive program at the price of \$0.20 per share. Each participant is entitled to receive \$0.0875 fixed royalty per warrant exercised, (Note 10 - Royalty payable). The shares were issued for cash of \$400,000.

On June 15, 2018 the Company had 875,000 warrants exercised. The warrants were eligible for an early warrant incentive program at the price of \$0.20 per share. Each participant is entitled to receive \$0.0875 fixed royalty per warrant exercised. (Note 10 - Royalty payable). The shares were issued for cash of \$175,000.

On June 22, 2018 the Company had 162,500 warrants exercised. The warrants were eligible for an early warrant incentive program at the price of \$0.20 per share. Each participant is entitled to receive \$0.0875 fixed royalty per warrant exercised, (Note 10 - Royalty payable). The shares were issued for cash of \$32,500.

## **CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### **12. WARRANTS (continued)**

On July 3, 2018 the Company had 7,125,000 warrants exercised. The warrants were eligible for an early warrant incentive program at the price of \$0.20 per share. Each participant is entitled to receive \$0.0875 fixed royalty per warrant exercised, (Note 10 - Royalty payable). The shares were issued for cash of \$1,425,000.

On August 3, 2018 the Company had 24,000 Finder's warrants exercised. The shares were issued for warrants and cash of \$2,400.

On August 3, 2018 the Company had 1,437,500 warrants exercised. The shares were issued for warrants and cash of \$287,500.

On August 16, 2018 the Company had 50,000 warrants exercised. The shares were issued for warrants and cash of \$10,000.

On August 31, 2018 the Company had 408,000 Finders' warrants exercised. The shares were issued for warrants and cash of \$40,800.

On August 31, 2018 the Company had 200,000 warrants exercised. The shares were issued for warrants and cash of \$40,000.

On September 13, 2018 the Company had 900,000 warrants exercised. The shares were issued for warrants and debt conversion \$180,000.

On September 21, 2018 the Company had 941,180 warrants exercised. The shares were issued for warrants and cash of \$188,236.

On December 17, 2018, the Company issued 6,726,200 warrants through a brokered placement offering of 6,726,200 units, each unit consisting of one common share one share purchase warrant (Note 11). 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 December 17, 2021 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of \$66,000 based on the residual value method.

On December 17, 2018, the Company issued 231,000 finders' warrants related to the December 17, 2018 brokered placements (Note 11). Each finder warrant entitles the holder to purchase one common share at a price of \$0.20 per common share with an expiry date of December 21, 2021. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$21,275. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.95%; expected life – 3 year; expected volatility – 176.78%; and expected dividends – nil. The fair value of \$21,275 for finders' warrants was allocated to share issuance costs as a reduction in the statements of shareholders' equity for the year ended April 30, 2019.

On December 20, 2018, the Company issued 2,076,923 warrants through a non-brokered private placement offering of 2,076,923 units, each unit consisting of one common share one share purchase warrant (Note 11). 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 December 20, 2021 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of \$41,538 based on the residual value method.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 12. WARRANTS (continued)

On February 11, 2019, the Company issued 3,845,884 warrants through a non-brokered private placement offering of 3,845,884 units, each unit consisting of one common share one share purchase warrant (Note 11). 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 February 11, 2022 (subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of \$115,337 based on the residual value method.

On April 18, 2019 the Company had 40,000 finders' warrants exercised. The shares were issued for warrants and cash of \$4,000.

On April 18, 2019, the Company issued 113,998 warrants through a non-brokered placement offering of 113,998 units, each unit consisting of one common share one share purchase warrant (Note 11). 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 April 18, 2021,(subject to earlier termination upon the terms of the warrants). Warrants were assigned a value of \$6,270 based on the residual value method.

On May 6, 2019 the Company issued 504,000 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 9). Each warrant entitles the holder to purchase one common share at a price of \$0.25 per common share with an expiry date of May 6, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$39,797. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.6%; expected life – 4 year; expected volatility – 266.48%; and expected dividends – nil. The fair value of \$39,797 for finders' warrants was allocated to deferred financing costs.

On May 6, 2019 the Company issued 574,667 finders' warrants related to the May 6, 2019 issuance of the A Convertible Debenture Units (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 May 6, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$45,590. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.6%; expected life – 4 year; expected volatility – 266.48%; and expected dividends – nil. The fair value of \$45,590 for finders' warrants was allocated to deferred financing costs.

On May 31, 2019 the Company issued 393,500 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 9). Each warrant entitles the holder to purchase one common share at a price of \$0.25 per common share with an expiry date of May 31, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$28,453. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.38%; expected life – 4 year; expected volatility – 231.34%; and expected dividends – nil. The fair value of \$28,453 for finders' warrants was allocated to deferred financing costs.

On May 31, 2019 the Company issued 302,667 finders' warrants related to the May 31, 2019 issuance of the A Convertible Debenture Units (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 May 31, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$22,173. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.38%; expected life – 4 year; expected volatility – 231.34%; and expected dividends – nil. The fair value of \$22,173 for finders' warrants was allocated to deferred financing costs.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 12. WARRANTS (continued)

On June 26, 2019 the Company issued 510,125 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 9). Each warrant entitles the holder to purchase one common share at a price of \$0.25 per common share with an expiry date of June 26, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$41,961. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.41%; expected life – 4 year; expected volatility – 233.15%; and expected dividends – nil. The fair value of \$41,961 for finders' warrants was allocated to deferred financing costs.

On June 26, 2019 the Company issued 293,666 finders' warrants related to the June 26, 2019 issuance of the A Convertible Debenture Units (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 June 26, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$24,442. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.41%; expected life – 4 year; expected volatility – 233.15%; and expected dividends – nil. The fair value of \$24,442 for finders' warrants was allocated to deferred financing costs..

On July 9, 2019, the Company issued 388,000 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 9). Each warrant entitles the holder to purchase one common share at a price of \$0.25 per common share with an expiry date of July 9, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$37,666. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.58%; expected life – 4 year; expected volatility – 233.92%; and expected dividends – nil. The fair value of \$37,666 for finders' warrants was allocated to deferred financing costs.

On July 9, 2019 the Company issued 674,667 finders' warrants related to the July 9, 2019 issuance of the A Convertible Debenture Units (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 July 9, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$66,203. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.58%; expected life – 4 year; expected volatility – 233.92%; and expected dividends – nil. The fair value of \$66,203 for finders' warrants was allocated to deferred financing costs.

On July 16, 2019, the Company issued 765,000 warrants through a non-brokered placement offering of the A Convertible Debenture Units (Note 9). Each warrant entitles the holder to purchase one common share at a price of \$0.25 per common share with an expiry date of July 16, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$96,722. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 231.67%; and expected dividends – nil. The fair value of \$96,722 for finders' warrants was allocated to deferred financing costs.

On July 16, 2019 the Company issued 1,093,333 finders' warrants related to the July 16, 2019 issuance of the A Convertible Debenture Units (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 July 16, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$139,656. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 231.67%; and expected dividends – nil. The

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

### 12. WARRANTS (continued)

fair value of \$139,656 for finders' warrants was allocated to deferred financing costs.

On October 25, 2019, the Company issued 25,000 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 9). Each warrant entitles the holder to purchase one common share at a price of \$0.25 per common share with an expiry date of October 25, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$1,997. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 180.41%; and expected dividends – nil. The fair value of \$1,997 for finders' warrants was allocated to deferred financing costs.

On October 31, 2019, the Company issued 227,500 warrants through a non-brokered placement offering of the B Convertible Debenture Units (Note 9). Each warrant entitles the holder to purchase one common share at a price of \$0.25 per common share with an expiry date of October 31, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$18,187. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 180.63%; and expected dividends – nil. The fair value of \$18,187 for finders' warrants was allocated to deferred financing costs.

On October 31, 2019 the Company issued 25,000 finders' warrants related to the October 31, 2019 issuance of the B Convertible Debenture Units (Note 9). Each finder warrant entitles the holder to purchase one common share at a price of \$0.12 per common share with an expiry date of October 31, 2023. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was \$2,087. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.52%; expected life – 4 year; expected volatility – 180.63%; and expected dividends – nil. The fair value of \$2,087 for finders' warrants was allocated to deferred financing costs.

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

	Number	Weighted average exercise price
Balance, April 30, 2019	38,873,762	\$0.20
Issued -May 6, 2019	504,000	\$0.25
Issued -May 31, 2019	393,500	\$0.25
Issued -June 26, 2019	510,125	\$0.25
Issued -July 9, 2019	388,250	\$0.25
Issued -July 16, 2019	765,000	\$0.25
Issued -October 25, 2020	25,000	\$0.25
Issued -October 31, 2023	227,500	\$0.25
*Adjustment October 31, 2019	1,239,665	\$0.20
Balance, October 31, 2019	42,926,802	\$0.203

\*The warrant adjustment is an adjustment to the outstanding BJK warrants. The above warrants have a weighted average remaining life of 2.6 years.

**CIELO WASTE SOLUTIONS CORP.**

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

**12. WARRANTS (continued)**

As at October 31, 2019, 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
6,726,200	0.20	December 17,2021
2,076,923	0.20	December 20,2021
3,845,884	0.20	February 11,2022
113,998	0.20	April 18,2022
504,000	0.25	May 6, 2023
393,500	0.25	May 31, 2023
510,125	0.25	June 26, 2023
388,250	0.25	July 9, 2023
765,000	0.25	July 16, 2023
25,000	0.25	October 25, 2023
227,500	0.25	October 31, 2023
27,350,422	0.20	November 2, 2022

## Notes:

- 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 \$0.40 or higher for a period of twenty (20) or more days, at the option of the Company.
- The Warrants expire on the earlier of (i) November 2, 2022 and (ii) the later of (A) November 2, 2019 and (B) 6 month following full repayment of a credit facility to BJK Holdings Ltd. but not later than 5 years from the issuance date.
- 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 27,350,422 Warrants as at October 31, 2019.
- 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 \$0.50 or higher for a period of five (5) or more days, at the option of the Company.

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

	Number	Weighted average exercise price
Balance, April 30, 2019	231,000	\$0.20
Issued May 6, 2019	574,667	\$0.10
Issued May 31, 2019	302,667	\$0.10
Issued June 26, 2019	293,666	\$0.10
Issued July 9, 2019	674,667	\$0.10
Issued July 16, 2019	1,093,333	\$0.10
Issued October 31, 2019	25,000	\$0.10
Balance, October 31, 2019	3,195,000	\$0.1072

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 12. WARRANTS (continued)

The above broker warrants have a weighted average remaining life of 3.47 years.

As at October 31, 2019, the Company had finder/broker warrants outstanding enabling holders to acquire the following:

<b>Number of warrants</b>	<b>Exercise Price per Share (\$)</b>	<b>Expiry Date</b>
231,000	0.20	December 20, 2021
574,667	0.25	May 6, 2023
302,667	0.25	May 31, 2023
293,666	0.25	June 26, 2023
674,667	0.25	July 9, 2023
1,093,333	0.25	July 16, 2023
25,000	0.25	October 31, 2023

### 13. 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 "2017 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 2017 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.

At the Annual General and Special Meeting of the shareholders of the Company held on October 29, 2019 (the "2019 AGSM"), the Company sought and obtained the approval of the shareholders to amend the Option Plan (the "Amended Option Plan") and the RSU Plan (the "Amended RSU Plan", together with the Amended Option Plan, collectively the "Amended Plans") from "fixed" plans to "rolling" plans, such that 10% of the issued and outstanding common shares of the Company will at all times be collectively reserved for issuance for the Amended Plans, divided such that 4% of the issued and outstanding common shares will be reserved under the Amended RSU Plan and 6% of the issued and outstanding common shares will be reserved for issuance under the Amended Stock Option Plan.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

### 13. STOCK OPTIONS AND RESTRICTED SHARE UNITS (continued)

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
<b>Balance October 31, 2018</b>	10,240,000	\$0.17
<b>Balance October 31, 2019</b>	10,240,000	\$0.17

\*Options exercisable as at October 31, 2019 – 10,240,000

The above stock options have a weighted average remaining life of 0.57 years.

As at October 31, 2019, 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, 2018, the Company issued 4,750,000 RSU's under its Restricted Share Unit ("RSU") plan as compensation to 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. At the time of grant, the outstanding RSUs were to vest over two or three years, depending on the holder. In the month of January, 2019, the Company and the holders agreed to amend the vesting schedule of the outstanding RSUs.

The amended vesting dates are as follows:

# of RSU	Vesting Date <sup>(1)</sup>
2,375,000	January 12, 2020
2,375,000	January 12, 2021
<b>4,750,000</b>	

1. Subject to earlier expiration and/or vesting in connection the termination of an employment agreement.



## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

### 13. STOCK OPTIONS AND RESTRICTED SHARE UNITS (continued)

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 originally calculated to be recognized proportionally over the full vesting period: year one \$637,710, year two \$261,877 and year three \$74,163. With the amendment of the vesting dates, the amount of fair value of RSUs should be recognized as at October 31, 2019 was \$798,733. For the six months ended October 31, 2019 the Company recorded \$204,458 (2018-\$321,476) of expense related to the RSU's as management fees. As at October 31, 2019, no common shares of the Company were issued and outstanding in respect to the RSUs.

### 14. RELATED PARTY TRANSACTIONS

Management compensation for the executive management/officers and directors during the six months ended October 31, 2018 and 2019 are disclosed as below:

#### 6 months ended October 31, 2019

		Consulting fees Paid	Gross Salaries Paid	Stock Options	RSU	Total
				Shares Based	Shares Based	
				Compensation	Compensation	
Don Allan	CEO & Director	\$ -	\$ 163,000	\$ -	\$ 129,131	\$ 292,131
Shannon Wyzykoski	CFO	\$ 70,059	\$ -	\$ -	\$ -	\$ 70,059
		\$ 70,059	\$ 163,000	\$ -	\$ 129,131	\$ 362,190

#### 6 months ended October 31, 2018

		Consulting fees Paid	Gross Salaries Paid	Stock Options	RSU	Total
				Shares Based	Shares Based	
				Compensation	Compensation	
Don Allan	CEO & Director	\$ -	\$ 162,000	\$ -	\$ 175,350	\$ 337,350
Shannon Wyzykoski	CFO	\$ 90,375	\$ -	\$ -	\$ -	\$ 90,375
Chris Dovbniak	Director	\$ 5,546 <sup>1</sup>	\$ -	\$ -	\$ -	\$ 5,546
Michael Yeung	Officer- VP-Business Development and Capital Markets	\$ -	\$ 60,000	\$ -	\$ 131,513	\$ 191,513
		\$ 95,921	\$ 222,000	\$ -	\$ 306,863	\$ 624,784

(1) Technical consulting fees paid with respect to the construction in progress.

Office expense of \$1,364 (2018 - \$2,073), salaries and benefits of \$26,902 (2018 - \$23,828), rent expense of \$5,422 (2018 - \$5,668) and telephone expense of \$408 (2018 - \$384) were charged back to 1888711 Alberta Inc., a company related by officers and directors. A balance of \$57,797 (2018 \$13,456-owed by) is owed to 1888711 Alberta Ltd. and is included in GST and other receivable.

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 October 31, 2019 outstanding to the CEO of the Company in the amount of \$29,475 (2018 - 44,329).

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 14. RELATED PARTY TRANSACTIONS (continued)

Accounts payable and accrued liabilities balances at October 31, 2019 outstanding to a company owned by the CFO in the amount of \$44,960 (2018 - \$22,160). In the Six month ending October 31, 2019, the Company issued 30 2019 Convertible Debenture Units-A (Note 9) in exchange for \$30,000 of accounts payable owed to this company.

A director of the Company received \$Nil in fees (2018 - \$5,546) as payment for services provided with construction of the Company's refinery in Aldersyde, Alberta.

Also, refer to Notes 8, 11, 12 and 13 for other related party transactions.

### 15. COMMITMENTS

Pursuant to the termination of an executive employment agreement in the three-month period ended October 31, 2019, the Company's future minimum operating cost payments as at October 31, 2019 are as follows:

2019	\$	18,462
2021		124,616
2022		120,000
2023		80,769
	\$	<u>343,847</u>

### 16. 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 further develop its technology and begin operations. 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 October 31, 2019.

### 17. 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:

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 17. FINANCIAL INSTRUMENTS (continued)

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, 2019, the Company had cash balance of \$323,963 and working capital deficit of \$3,126,006. 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 done % change in the prime borrowing rate in Canada, the impact to the Company's financial statements for the period ending October 31, 2019 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.

## CIELO WASTE SOLUTIONS CORP.

Notes to the Financial Statements  
Six Months Ended October 31, 2019  
(Expressed in Canadian dollars)

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### 17. FINANCIAL INSTRUMENTS (continued)

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2019 and 2018:

	As at October 31, 2019		
	Level 1	Level 2	Level 3
Cash	326,963	-	-

  

	As at October 31, 2018		
	Level 1	Level 2	Level 3
Cash	323,121	-	-

### 18. 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.

### 19. SUBSEQUENT EVENTS

On November 11, 2019, the Company announced the issuance of 300 B Convertible Debenture Units pursuant to the B Convertible Debenture Offering for gross proceeds of \$300,000 at \$1,000 per B Convertible Debenture Unit (see Note 9 for additional details of the B Convertible Debenture Offering).

On December 6, 2019, the Company announced the issuance of 437 B Convertible Debenture Units pursuant to the B Convertible Debenture Offering for gross proceeds of \$437,000 (see Note 9 for additional details of the B Convertible Debenture Offering).

On December 6, 2019, the Company announced that it had agreed to settle amounts owing to certain of its contractors for an aggregate of \$112,280 by the issuance of 1,247,556 common shares at a deemed price per share of \$0.09.