CIELO WASTE SOLUTIONS CORP.

(Formerly Cielo Gold Corp.)

Interim Financial Statements

October 31, 2016

(Expressed in Canadian dollars)

TO THE SHAREHOLDERS OF CIELO WASTE SOLUTIONS CORP.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(2)(d)(i) and International Accounting Standards (IAS) 34, the Company discloses the interim financial statements for the period ended October 31, 2016 were prepared by management and were not reviewed by Cielo's independent auditors.

Don Allan Chief Executive Officer	Shannon Wyzykoski Chief Financial Officer

Dated December 27, 2016 Prepared by Management

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp)

Statements of financial position

(Expressed in Canadian Dollars)

	Note	Oct, 2016	April 30, 2016
		$	$
Assets			
Current Assets			
Cash		52,962	7,800
GST and Other receivable		745	10,629
Prepaid expenses		5,633	5,633
Total Current Assets		59,314	24,062
Fixed Assets			
Equipment Lease		699,868	-
Intellectual property assets	4	1	1
Total Assets		759,209	24,063
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	12	238,295	283,738
Accrued liabilities		137,010	137,010
Short-term loans payable	6&12	1,956,532	1,027,845
		2,331,838	1,448,593
Long Term Liabilities			
Long term loans payable	6	75,367	75,367
Convertible Debentures	7	154,306	234,306
		2,561,511	1,758,266
Shareholders' Equity			
Share capital	8	6,870,950	6,776,950
Shares subscribed but not issued	8	32,000	32,000
Contributed surplus	9&10	785,803	785,803
Deficit		(9,491,055)	(9,328,956)
Total Equity		(1,802,301)	(1,734,203)
Total Liabilities and Equity		759,209	24,603

See accompanying notes to consolidated financial statements

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

Subsequent events (Note 15)

Approved and authorized for issue by Management on December 27, 2016

"Don Allan "
Director

"Shannon Wyzykoski"
Chief Financial Officer

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

Statements of comprehensive Loss

(Expressed in Canadian Dollars)

	Three Months Ended October		Six Months Ended October	
	2016	**2015**	**2016**	**2015**
Expense			$	$
Consulting	-	-	-	8,550
Office and admin	28,130	18,381	50,504	55,266
Professional fees	5,919	286,791	100,144	389,760
Share-based comp	-	-	-	-
Trust and filing fees	4,088	9,434	11,451	16,420
Loss before other items	(38,137)	(314,606)	(162,098)	(469,996)
Other income			-	-
Gain on settlement of debt with shares			-	-
(Loss) on settlement of long term debt			-	-
Net loss and comprehensive loss for the period	(38,137)	(314,606)	(162,098)	(469,996)
Loss per share, basic and diluted	(0.0004)	(0.006)	(0.001)	(0.009)
Weighted average number of outstanding common shares	94,369,224	49,574,412	93,539,224	49,574,412

See accompanying notes to financial statements

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

	Number of outstanding shares	Share capital	Shares Subscribed	Contributed Surplus Options and Warrants	Other	Total Deficit	shareholders' equity
		$		$		$	$
Balance April 30, 2015	49,143,079	5,027,699	-	712,011	65,455	(9,137,211)	(3,332,076)
Shares issued for private placements (Note 8)	33,000	2,640	-	2,310	-		4,950
Shares issued for debt conversion	398,333	3,983	-	-	-		3,983
Shares issued for debt conversion	4,794,580	119,865	-	-	-		119,865
Shares issued for debt conversion	12,430,880	621,544	-	-	-		621,544
Shares issued for debt conversion	25,049,352	1,001,974	-	-	-		1,001,974
Shares to be issued for debt settlements (Note 8)	-	-	32,000	-	-		32,000
Equity portion of convertible debts issued (Note 7)	-	-	-	-	6,027		6,027
Share issuance costs (Note 8)	-	(725)	-	-	-		(725)
Net loss for the year						(191,745)	(191,745)
Balance April 30, 2016	91,849,224	6,776,950	32,000	714,321	71,482	(9,328,956)	(1,734,203)
Balance April 30, 2016	91,849,224	6,776,950	32,000	714,321	71,482	(9,328,956)	(1,734,203)
Shares issued for debt conversion	1,550,000	77,500	(32,000)				45,500
Shares issued for debt conversion	140,000	7,000					7,000
	-	-					-
	-	-					-
Net Loss for the Period						(123,961)	(123,961)
Balance July 31, 2016	93,539,224	6,861,450	-	714,321	71,482	(9,452,917)	(1,805,664)
Balance July 31, 2016	93,539,224	6,861,450	-	714,321	71,482	(9452,917)	(1,805,664)
Shares Issued for debt conversion	830,000	41,500	-	-	-	-	-
Net Loss for the Period						(38,137)	(38,137)
Balance October 31, 2016	94,369,224	6,9029,250		714,321	71,482	9,491,054	1,843,801

See accompany notes to consolidated financial statements

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

Statements of cash flows

(Expressed in Canadian Dollars)

	Six months ended October 31, 2016	2015
	$	$
Cash (used in) provided by:		
Operating activities		
Loss for the period	(162,098)	(469,996)
Changes in non-cash operating working capital		
Other receivable	9,884	(9,653)
Accounts payable and accrued liabilities	(45,443)	273,647
Cash used in operating activities	(197,657)	(206,002)
Financing activities		
Short Term Loans	928,687	-
Long Term Loans	-	-
Increase (decrease) in note payable	-	6,693
Convertible Debt	(80,000)	100,000
Share issuance for cash	-	73,927
Shares Subscribed and issued	-	-
Share Issuance cost	-	-
Purchase property plant and equipment	(699,868)	(1,199)
Cash provided by financing activities	148,820	179,421
Investing activities		
Issuance of shares for investment	94,000	-
Cash provided by investing activities	94,000	-
Increase (decrease) in cash	45,163	(26,581)
Cash, beginning of period	7,800	32,429
Cash, end of period	52,963	5,848
Non-cash activities:		
Shares issued for technology	-	-
Share issued for accounts payable	-	-
Shares issued for debt settlement	830,000	-

See accompanying notes to consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Cielo Gold Corp. ("Cielo" or the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on February 2, 2011 as a wholly owned subsidiary of Arris Holdings Inc. ("AHI"). and changed its name to Cielo Waste Solutions Corp. on August 12, 2013 to more clearly identify its focus on renewable diesel and waste solutions. Pursuant to an arrangement agreement with AHI dated March 1 2011 and the supplement to the arrangement agreement dated June 9, 2011, (collectively the "Arrangement Agreement"), the Company spun out from AHI and became a reporting issuer after the Arrangement Agreement became effective on June 9, 2011 ("Effective Date'). Commencing August 3, 2011, the Company's common shares started trading on Canadian National Stock Exchange ("CNSX") under the Symbol CMC. The principal and registered office of the Company is located at 700-838 West Hastings St., B.C. V6C 0A6.

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

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At October 31, 2016, the Company had not yet achieved profitable operations, had accumulated losses of $9,491,055 since its inception, and had a working capital deficit of ($2,272,497), which may not be sufficient to sustain operations over the foreseeable future. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. A number of alternatives including but not limited to obtain bridging loans from directors and/or shareholders or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. On April 28, 2016 Cielo announced a non-brokered private placement offering of up to CAD $1,000,000 in secured convertible debentures, with a minimum subscription of $10,000 per subscriber, each debenture maturing three (3) years from the date of issuance, carrying an interest rate of 15% per annum, and convertible at the option of the holder at a price of $0.10 per common share of Cielo. On June 30, 2016 Cielo announced the closing of the first tranche of $20,000 towards this non-brokered private placement. On November 29, 2016 the Company announced a non-brokered private placement offering of up to CAD $7,000,000 in debentures. The Debentures bear an interest rate of 12% per annum and mature in 36 months from the date of issuance. Each subscribed dollar will also result in the issuance of one full warrant, for an aggregate issuance of up to 7,000,000 warrants, each Warrant allowing the holder to purchase a common share at $0.25 per share within 24 months, unless the stock trades above $0.50 for 5 consecutive days, in which event the Company will be entitled to provide 30 day' notice, after which the Warrants will expire if not exercised. The Company will also be issuing to the Debenture Holders a participation interest to receive an aggregate of up to 33.33% of the profits from the first commercial refinery built by the Company for the life of the New Refinery. In the event Cielo repays in full the Loan Amount plus outstanding interest to the Debenture Holders within 24 months, the Aggregate Participation Percentage will be reduced to 20% of the profits from the New Refinery for the life of the New Refinery. The Debentures will be secured by General Security Agreements, subject to $520,000 in prior security interests. The proceeds of the Offering will be used in part for the purchase of the Property and the Refinery in High River, Alberta, as announced on November 16th, 2016, and for the further development of the renewable diesel technology as well as to construct the New Refinery in High River, Alberta, including permits and applications and ordering long lead

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

items that will be used in this construction, as well as for general expenses and commissions related to the offerings. Both offerings continue to be available.

The Company's continuing operations, as intended, and its financial success may be dependent upon the successful commercial start-up of its renewable diesel refinery and the economic viability of developing refineries based on the Company's technology.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC").

(b) Basis of preparation

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

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:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Determination of functional currency

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

Income taxes

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

Share-based payments

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

Acquisition of intellectual property

In accounting for the acquisition of the intellectual property, the management makes judgements as to whether the intellectual property has already achieved its technological readiness to be characterized as an input for the purpose of classifying the transaction as an acquisition of assets.

Impairment of intellectual property

Upon identifying existence of an impairment indicator, the management makes judgements as to whether an impairment has taken place and also makes estimates as to the assets' recoverable amount.

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, 2016 and 2015, there were no cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Shared-based payments

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

d) Deferred income taxes

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

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

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

e) Valuation of equity units issued in private placements

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

f) Share issuance costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Earnings (loss) per share

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

h) Financial instruments

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

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

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

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

The Company has classified its financial instruments as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Convertible debentures

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

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

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

j) Impairment

i) Non-financial assets

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Financial assets

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

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

k) Intangible assets

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

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

l) Provisions

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

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

m) 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;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

otherwise they are expensed as incurred. The Company assesses whether it has met the relevant criteria for deferral and amortization at each reporting date.

n) Changes in accounting policies and recent accounting pronouncements

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

(i) Financial instruments

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

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

(i) Levies

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

(ii) Impairment of assets

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

4. INTELLECTUAL PROPERTY ASSETS

On January 17, 2013, the Company entered into an interim agreement ("BHBD Interim Agreement") with Blue Horizon Bio-Diesel Inc. ("BHBD"), whereby Cielo intended to purchase certain assets in respect of BHBD's renewable-diesel processing and refinery assets (the "BHBD Assets"). The purchase price was $4,250,000 plus the assumption of certain liabilities in respect of the BHBD Assets. On June 4, 2013 Cielo amended the BHBD Interim Agreement and announced that, pursuant to the Initial Agreement, it would acquire such assets from BHBD for $4.5 million CAD. At the time of entry into the BHBD Interim Agreement, neither party had any directors or officers in common nor was the transaction arm's length.

July 18, 2014 the Company announced the execution of the asset purchase agreement (the "Agreement") relating to the previously announced proposed acquisition of intellectual property assets from Blue Horizon Bio-Diesel Inc. ("BHBD"). The purchase agreement allowed the Company to acquire the assets, mainly the right, title and interest in and to the intellectual property in the new technology (the "Assets") for use in its business. The intellectual property included engineering reports, laboratory results, technology studies, business plans, financials projections, contacts and certain working documents accumulated over the life of BHBD. The final agreed purchase price was $5.25 million and the total cost of the acquisition was to be paid for through the issuance of a total of 21 million common shares at deemed valued of $0.25 per share and the assumption of some liabilities of BHBD associated with the Assets. A total of three instalments of 3 million shares were already transferred to BHBD pursuant to the initial interim agreements at total fair Value of $620,000. The remaining 18 million shares were issued through a onetime stock issuance on July 18, 2014. On this date, the fair value of the shares was $0.17 per share, reducing the total fair value of shares issued for the acquisition to be at $3,680,000. Pursuant to the Agreement, the Company has also assumed certain liabilities of BHBD equal to $1,500,933.30. The purchase price was increased as a result of the inclusion of the Alberta Bio-Diesel Producer Credit Program (BPCP), which was not included in the initial assessment.

At the time of the amendment of the BHBD Interim Agreement, Mr. Don Allan, Mr. Robin Ray, and Mr. Doug Lewis were all directors of both parties to the transaction, with Mr. Don Allan also being President and CEO of both parties and Mr. Robin Ray being CFO of both parties. At the time of entry into the Agreement, Mr. Doug Lewis had resigned from the board of directors of BHI (BHBD's parent corporation) but Mr. Don Allan and Mr. Robin Ray continued to hold their positions in both companies that were party to the Agreement, noting that the terms of the Agreement were substantially determined during the first Interim Agreement.

The following items were considered on determining a purchase price for the acquisition of the intellectual property:

1. Based on management's evaluation at the time of the acquisition, the technology was very unique but required significantly more development in order to be ready for building and commercial production; and thus the input characteristic is still not well defined.
2. No other assets, employees, etc. were acquired so this would need to be facilitated and funded by Cielo.
3. The purchase price was paid in shares rather than in cash. Taking all of the above into consideration, it is concluded that fair value of total shares issued in the amount of $3,680,000 plus assumption of $1,500,933 in related liabilities for total of $5,180,933 was the fair market value for the assets being acquired. Taking into consideration the fact that the technology is still not fully developed which requires significantly more development work and the input is not yet identifiable, this acquisition was considered as an asset acquisition.

These assets are fair valued based on fair value of shares issued plus the amount of debts assumed.

(Expressed in Canadian dollars)

4. INTELLECTUAL PROPERTY ASSETS (Continued)

Fair value of 21 million shares issued	$ 3,680,000
Assumption of non-related party debt, not related to other businesses of BHBD	1,075,370
Assumption of related party debt – Don Allan	425,562
Impairment of asset	(5,180,932)
	$ 1

The Company has reassessed the impairment indicator existed as of April 30, 2016 and concluded that, due to the assets being in an idle stage awaiting for further development, the intellectual property has been impaired as of April 30, 2016 and the value should have been written down to $1.00. The impairment evaluation as at October 31, 2016 remains as effective.

5. EXPLORATION AND EVALUATION ASSETS

As at April 30, 2013, management determined that the Gold Hill Midge Property is fully impaired. As a result, the Company wrote down this property and recorded an impairment charge of $18,885 for the year ended April 30, 2013. On November 14, 2013 Cielo elected to let the Midge Property mineral tenure expired and on March 27, 2014 Cielo elected to let the Mineral lease adjacent to the Midge tenure expired. As at April 30, 2016, the Company's impairment evaluation on the Gold Hill Midge Property remains as effective.

6. LOANS PAYABLE

The balance of short-term loans payable as at October 31, 2016 is comprised of the following:

$926,872 in loans from third parties (2015 - $364,602), of which $520,000 have a General Security Agreement, due on demand to five years, with interest at 0% to 18% per annum. A total of $Nil (2015 - $9,174) in interest on these loans has been accrued as at Oct. 31, 2016. Interest will be calculated and accrued at April 30, 2017.

$1,029,660 in loans from related parties as below:

	Oct 31, 2016	**Oct 31, 2015**
Blue Horizon Industries (BHI)	$109,055	$117,005
Doug Allan, related to Don Allan	52,000	52,000
Blue Horizon Bio-Diesel (BHBD)	-	913,923
Blue Horizon Energy (BHE)	114,912	805,471
1888711 Alberta Inc.	259,464	61,574
Don Allan	394,229	455,169
Don Allan – Note payable matures, due on demand, at annual interest of 5% starting from May 1, 2016	100,000	100,000
	$1,029,660	$2,505,142

6. LOANS PAYABLE (continued)

These loans are unsecured; non-interest bearing and due on demand except for the $100,000 loan which is 5% interest bearing. In addition to the loans originally assumed as part of the acquisition cost of the intellectual property, which is for Don Allan of $425,562 and for BHBD of $718,300, the loans above were incurred as result from these companies charging to the Company its share of operating expenses and funding the Company's operation after the acquisition of the intellectual property (See Note 12).

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

The balance of long-term loans payable as at Oct 31, 2016 is comprised of the following:

$Nil in a loan from Don Allan, a director and officer of the Company (2015 - $90,508).

$75,367 in loans from third parties (2015 - $69,124). This loan is unsecured, 5% interest bearing, with a maturity date on November 1, 2017.

There are no new long-term loan payables in 2016; previous new loans in 2015 were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 14.85% per annum (2015 – 14.85% per annum). The debt discount of $19,333 was credited to contributed surplus, debited to loans payable and being amortized over the term of the loans.

During the six months ending Oct 31, 2016, the Company has not accrued any interest and accretion expenses; this will be calculated at April 30, 2017 (2015 - $Nil) in connection with the long-term loans.

7. CONVERTIBLE DEBT

During 2015, the Company announced a concurrent non-brokered private placement offering of up to CAD $250,000 in secured convertible debenture, with a minimum subscription of $25,000 per subscriber. The Convertible Debentures will mature two (2) years from the date of issuance, carry an interest rate of 12.5% per annum, and be convertible at the option of the holder at a price of $0.10 per common share of Cielo. Upon initial closing date, April 8, 2015, the Company issued $100,000. The amortized cost of the long-term liability component was accounted for using the effective interest rate method at 14.85% per annum. The equity component was assigned the residual amount of $3,828 after deducting the financing cost of $11,025 and was allocated to the liability component only as the allocation to the equity component was immaterial.

During the year-ended April 30, 2016, the Company closed a second and third tranche and issued a total of $200,000 of convertible debentures under the same terms as tranche one. The amortized cost of the long-term liability component was accounted for using the effective interest rate method at 14.85% per annum. The equity component was assigned the residual amount of $6,027 after deducting the financing cost of $6,935 and was allocated to the liability component only as the allocation to the equity component was immaterial.

The above convertible debentures are secured by general security agreements (the "GSAs"). The GSAs will provide for a first ranking charge over all assets of the Company except for a demonstration plant the

7. CONVERTIBLE DEBT (continued)

Company intends to acquire/lease, if such acquisition or lease occurs, where the debenture holders will receive a second ranking behind any previously secured lender, if applicable.

Accretion expenses on above convertible debentures of $Nil was charged to the operation during the six month period ended October 31, 2016. This will be calculated at year ended April 30, 2017 (2015 - $Nil).

On April 28, 2016 Cielo announced a non-brokered private placement offering of up to CAD $1,000,000 in secured convertible debentures, with a minimum subscription of $10,000 per subscriber. The Convertible Debentures will mature three (3) years from the date of issuance, carry an interest rate of 15% per annum, and be convertible at the option of the holder at a price of $0.10 per common share of Cielo. On June 30, 2016 Cielo announced the closing of the first tranche of $20,000 towards the April 28, 2016 non-brokered private placement. These convertible debentures are securities by General Security Agreements.

8. SHARE CAPITAL

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

b. Issued and Outstanding:

As at the end of the period ending October 31, 2016, the Company had 94,369,224 common shares issued and outstanding. As at the end of the year ending April 30, 2016, there were 91,849,224 common shares issued and outstanding.

(i) Nil share purchase warrants or stock options were exercised during the three month period ending October 31, 2016.

(ii) On October 27, 2016, the Company issued 830,000 common shares at fair value of $41,500, using the closing trading price on the same date, to settle accounts payable in the amount of $41,500 respectively. No gain or loss resulted from these debt settlements.

9. WARRANTS

215,966 share purchase warrants were issued and outstanding as at October 31, 2016 and 9,227 broker warrants expired in the quarter ending October 31, 2016, on August 28, 2016 (2015 – 1,223,354). Each warrant entitles the holder to purchase one common share for a period of twenty-four (24) months at a price of $0.25 per common share. Warrants issued as part of private placement units were valued using the residual value method and deemed to have fair value at $Nil upon issuance. The remaining share purchase warrants are to expire on July 16, 2017. As at the date of these financial statements, the Company has 216,966 share purchase warrants outstanding.

Warrants issued as private placement units during the year ending April 30, 2016 were valued using the residual value method of $2,310.

(Expressed in Canadian dollars)

10. STOCK OPTIONS

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 20% of the issued and outstanding common shares of the Company at the time of approval of the Option Plan. The shareholders of the Company approved an amendment to the Stock Option Plan at the Annual and Special Meeting of the shareholders on October 27, 2016, authorizing 18,687,884 options to be granted at the discretion of the board of directors of the Company. Options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

No other options had been granted as of October 31, 2016

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

Continuity of the Company's option is as follows:

	Number	Weighted average exercise price	
Balance, April 30, 2013	4,191,674	$	0.30
Issuance	280,000		0.25
Expired/cancelled	4,191,674		0.30
Balance, April 30, 2014	280,000*		0.25
Issuance	-		-
Expired/cancelled	-		-
Balance, April 30, 2015	280,000**	$	0.25
Balance, April 30, 2016	280,000***	$	0.25
Balance, October 31, 2016	280,000***	$	0.25

* Options exercisable as at April 30, 2014 – Nil
** Options exercisable as at April 30, 2015 – 280,000
*** Options exercisable as at April 30, 2016 – 280,000
No new options were issued for the three months ending October 31, 2016

The Company used the Black-Scholes option pricing model and the following assumptions to determine the fair values of the stock options described above: risk-free interest rate of 1.09-1.15%, dividend yield of 0%, expected volatility of 120%, forfeiture rate of 0% and expected life of 2.00-2.75 years. The stock-based compensation recorded for the vested options during the year ended April 30, 2016 was $23,515.

11. RELATED PARTY TRANSACTIONS

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

At October 31, 2016, other receivables from the Company and a company (1888711 Alberta Inc.) related by Don Allan (officer and director of 1888711 Alberta Inc.), Mel Angeltvedt (director and officer of 1888711 Alberta Inc.), and Robin Ray (CFO of 1888711 Alberta Inc.) as at $Nil (2015 - $Nil).
Accounts payable and accrued liabilities balances at October 31, 2016 outstanding to officers and directors of the Company in the amount of $NIL (2015 - $585,754). Management fee payable, included in accounts payable and accrued liabilities balances, to 1888711 Alberta Inc., a company related by common directors and officers (Don Allan, director and officer, Mel Angeltvedt, director and officer, and Robin Ray, officer) was at $Nil (2015 - $Nil).

Total salaries, management and director's fees of $Nil (2015 - $Nil) were paid to Don Allan. During the April 30, 2016 year, net repayments to Don Allan to reduce loan account, after settling $52,500 of the amount into shares which were issued to a third party on the direction of Don Allan, was $67,115 (2015 - $Nil) (See Note 6).

Management fees of $Nil (2015 – Nil), consulting expense of $Nil (2015 - $8,550) and professional expense of $Nil (2015 - $99,041) were paid and or are payable to previous members of management of the Company working as consultants during the year.

Office expense of $371 (2015 - $Nil), salaries and benefits of $12,869 (2015 - $Nil), professional fees of $Nil (2015 - $Nil), rent expense of $14,985 (2015 - $Nil) and telephone expense of $1,690 (2015 - $Nil) were charged back to 1888711 Alberta Inc., a company related by Don Allan (officer and director), Mel Angeltvedt (officer and director), and Robin Ray (CFO).

The Company also received $63,355 (2015 - $100,000) on behalf of 1888711 Alberta Inc. ("1888") from investors of convertible debenture and the amounts were charged to loan payable to 1888711 Alberta Inc. (See Note 6). As of October 31, 2016, the loan payable balance still owing to 1888 was $259,464. This loan as described in Note 6, is unsecured, non-interest bearing with no fixed terms of repayment.

The Company has identified its directors and senior officers as its key management personnel. Short-term compensation earned directly during 2016 by key management was $Nil (2015 - $Nil). No post-employment benefits, other long-term benefits and termination benefits were made during 2016 and 2015.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties. Note 6 also provide information on related party transactions.

12. CAPITAL DISCLOSURES

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital

12. CAPITAL DISCLOSURES (continued)

management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

The Company has not changed its approach in managing its capital during the three months ending Oct 31, 2016.

13. FINANCIAL INSTRUMENTS

Risk Management
The Company's financial instruments consist of cash, other receivable, accounts payable and short-term loans payable; the fair values of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation. The long-term loan payables and convertible debentures were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 10% to 14.85% per annum.

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

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

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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2016, the Company had cash balance of $52,962 and working capital deficit of $2,272,497. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company short term and long term cash requirement.

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. For every one % change in the prime borrowing rate in Canada, the impact to the Company's financial statements for the period ending October 31, 2016 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.

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS (continued)

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

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

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

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2016 and 2015:

	As at Oct 31, 2016		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	52,862	-	-

	As at Oct 31, 2015		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	5,813	-	-

14. COMMITMENTS

On March 4, 2016, the Company announced that it has signed a long-term lease for 2.09 acres and a Right of First Refusal on an additional 8 acres, located in Edmonton, Alberta, The lease was signed with Symmetry Asset Management Inc., for five years with a multiyear extension. The Company is required to pay $9,135.50 for the 2.09 acres per month to Symmetry Asset Management Inc. beginning no later than October 31, 2016. The Company has asked Symmetry for a 12 month extension on this payment and are waiting for a reply.

15. SUBSEQUENT EVENTS

1. On November 1st the Company announced the results of its Annual General and Special Meeting held on October 27, 2016. All the resolutions presented to the shareholders were approved, including the re-election of our auditors, A. Chan & Company, LLC, fixing of the board of directors at five, approval of all director nominees, namely Don Allan, Robin Ray, Chris Dovbniak, Doug Mackenzie, and Mel Angeltvedt, and the amendment to the Company's Stock Option Plan specifically the

15. SUBSEQUENT EVENTS (continued)

increase of the number of options authorized to be issued in accordance with the Plan to 18,687,884, which is 20% of the issued and outstanding shares of the Company.

2. On November 7, 2016 the Company announced that it has granted a total of 5,500,000 incentive stock options to directors/officers/employees and/or consultants under the Company's stock option plan, which was approved at the Company's Annual General and Special Meeting of the shareholders held on October 27, 2016. The options are exercisable at 0.10 per share and will expire on November 7, 2019. Following this grant of options, the Company has 5,780,000 stock options outstanding.

3. On November 16, 2016 the Company announced that it has signed a Commercial Purchase Agreement with XR Resources Inc. to purchase a property located in High River, Alberta, on which there is an existing bio-diesel refinery. This multi-feedstock processing plant was built in 2009 for an approximate capex cost of $10.2 million and was capable of producing 16 million liters/year of bio-diesel. The aggregate purchase price is $2,300,000, consisting of both share and cash consideration. The initial installment of the Purchase Price, to be paid by Cielo to XR in consideration for the rights granted in the Agreement, will be paid in the form of 5,000,000 common shares in capital stock of Cielo at a price of $0.06 per share, which Shares will be held in trust by legal counsel until the transaction is completed. The balance of the Purchase Price is comprised of a cash payment of $2,000,000, to be paid upon satisfaction of the Conditions (see below), along with the release of the Shares to XR. The purchase of the Property and the Refinery is subject to certain conditions (the "Conditions"), including a financing condition, Cielo's ability to acquire required permits, and due diligence being completed by Cielo to its satisfaction on or before February 7, 2017. Once the Conditions have been fulfilled or waived, and the Purchase Price paid, Cielo will acquire all right, title and interest in and to the Property and the Refinery. The anticipated closing date is February 28, 2017.

4. On November 22, 2016 the Company announced that it has awarded the construction contracts for the retrofitting and completion of its planned purchase of a property housing a renewable diesel refinery, previously announced on November 16, 2016 located near High River, Alberta. It is Cielo's intent to retrofit the Refinery with its own proprietary technology to create a new refinery resulting in the production of high quality renewable diesel from municipal solid waste and wood shavings. Construction is expected to begin early in 2017. The companies that have been awarded the construction contracts have agreed to assist Cielo in financing the construction of the Cielo Refinery by deferring profits until the Cielo Refinery is operational and earning revenues. This joint support was key to building a strong and prosperous relationship as Cielo moves towards commercialization in High River and in future locations, such as the secured site in Edmonton. Cielo has awarded the fabrication work to Advanced Metal & Lyncorp Manufacturing Ltd, who are located approximately 5km north of the Refinery. This new manufacturing company has 73,000 sq. ft. of state of the art equipment and is capable of fabricating all of Cielo's equipment needs. Cielo has awarded the electrical and instrumentation work to Electech Contracting Ltd., which is a full service electrical and instrumentation technology integrator located in Calgary, Alberta. Cielo has awarded the millwright work to Kwik-Fab Energy Services from Sundre, Alberta. Kwik-Fab has been working closely with Cielo on maintenance work with its demonstration plant in Red Deer, Alberta and has gained Cielo's full confidence in their professionalism and capabilities.

15. SUBSEQUENT EVENTS(continued)

5. On November 29, 2016 the Company announced a non-brokered private placement offering of up to CAD $7,000,000 in debentures. The Debentures bear an interest rate of 12% per annum and mature in 36 months from the date of issuance. Each subscribed dollar will also result in the issuance of one full warrant, for an aggregate issuance of up to 7,000,000 warrants, each Warrant allowing the holder to purchase a common share at $0.25 per share within 24 months, unless the stock trades above $0.50 for 5 consecutive days, in which event the Company will be entitled to provide a 30 day notice period, after which the Warrants will expire if not exercised. The Company will also be issuing to the Debenture Holders a participation interest to receive an aggregate of up to 33.33% of the profits from the first commercial refinery built by the Company for the life of the New Refinery. In the event Cielo repays in full the Loan Amount plus outstanding interest to the Debenture Holders within 24 months, the Aggregate Participation Percentage will be reduced to 20% of the profits from the New Refinery for the life of the New Refinery. The Debentures will be secured by General Security Agreements, subject to $520,000 in prior security interests. The proceeds of the Offering will be used in part for the purchase of the Property and the Refinery in High River, Alberta, as announced on November 16th, 2016, and for the further development of the renewable diesel technology as well as to construct the New Refinery in High River, Alberta, including permits and applications and ordering long lead items that will be used in this construction, as well as for general expenses and commissions related to this Offering.