CIELO WASTE SOLUTIONS CORP.

Financial Statements

For the Six-Month Period ended October 31, 2018

(Expressed in Canadian dollars)

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, 2018 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, 2018	April 30, 2018
Assets			
Current Assets			
Cash		323,121	560,891
GST and Other receivable		254,892	51,324
Prepaid expenses		118,896	156,622
Inventory	5	65,959	-
Total Current Assets		762,868	768,837
Non Current Assets			
Property, plant and equipment	6	9,154,996	4,703,885
Intellectual property assets	7	1	1
Total Non Current Assets		9,154,997	4,703,886
Total Assets		9,917,865	5,472,723
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	14	2,455,299	538,679
Accrued liabilities		4,500	123,381
Short-term loans payable	8&14	1,022,146	567,756
Current Portion of Long Term Debt	8	719,689	504,295
Current Portion of Convertible Debt	9	12,610	-
		4,214,244	1,734,111
Long Term Liabilities			
Royalty Payable	10	694,851	-
Long term loans payable	8	2,625,108	2,818,686
Convertible Debentures	9	594,392	556,124
		8,128,595	5,108,921
Shareholders' Equity			
Share capital	11	13,802,350	11,110,880
Contributed surplus	12&13	5,782,369	5,504,872
Deficit		(17,795,449)	(16,251,950)
Total Equity		1,789,270	363,802
Total Liabilities and Equity		9,917,865	5,472,723

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 12, 2018

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

Signed: *"Robin Ray"*
Director

See accompanying notes to financial statements.

Cielo Waste Solutions Corp.

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2018	**2017**	**2018**	**2017**
Expense	$	$	$	$
Advertising and Promotion	9,341	9,188	20,770	10,628
Amortization on deferred financing charges	17,389	6,481	34,777	13,713
Amortization on property, plant and equipment	42,319	43,019	84,639	86,036
Bad Debt	-	-	6,725	-
Bank Charges	244	230	542	516
Consulting	137,707	257,366	172,638	281,366
Interest and accretion expenses (Note 8&9)	153,341	104,453	287,453	203,208
Management Fees(Note 13)	160,738	-	321,476	-
Office and administrative expenses	33,226	18,354	69,091	44,345
Professional fees	110,575	206,343	183,725	218,659
Salaries and benefits (Note 14)	129,397	6,318	242,091	12,730
Transfer agent and filing fees	18,070	12,266	22,411	17,077
Travel	10,755	6,129	18,176	8,149
Net Loss before other items	(823,102)	(670,147)	(1,464,514)	(896,427)
Gain(Loss) on settlement of debt with shares	(554)	(142,102)	(78,985)	(175,721)
Net loss and comprehensive loss for the period	(823,656)	(812,249)	(1,543,499)	(1,072,148)
Loss per share, basic and diluted	(.005)	(.007)	(.010)	(.010)
Weighted average number of outstanding common shares	150,138,427	112,173,775	150,138,427	112,173,775

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: Options, RSU's and Warrants	Contributed Surplus: Other	Deficit	Total shareholders' equity
		$	$	$	$	$
Balance April 30, 2017	102,655,588	7,335,414	953,305	71,482	(9,826,261)	(1,466,060)
Shares issued for private placements (Note 11)	8,500,000	879,000				879,000
Shares issued on debt conversion (Note 11)	1,250,000	125,000				125,000
Shares issued on debt conversion (Note 11)	105,125	10,513				10,513
Shares issued for private placements (Note11)	5,500,000	550,000				550,000
Shares issued for private placements (Note 11)	8,832,360	1,030,530				1,030,530
Shares issued on debt conversion (Note 11)	625,000	62,500				62,500
Shares issued on debt conversion (Note 11)	162,833	19,540				19,540
Fair Values of finders' warrants (Note 10)			42,739			42,739
Share issuance Costs		(107,722)				(107,722)
Net loss for the period					(1,072,149)	(1,072,149)
Balance July 31, 2017	127,630,906	9,904,775	996,044	71,482	(10,898,410)	73,891
Balance April 30, 2018	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 (Note11)	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	1,461,500	292,753	(2,853)			289,900
Shares issued on Exercise of Warrants	50,000	10,000				10,000
Shares issued on Exercise of Broker Warrants	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	900,000	180,000				180,000
Shares issued on Exercise of Warrants	941,180	188,236				188,236
RSU Vesting			321,476			321,476
Share issuance Costs		(697,898)				(697,898)
Net loss for the period					(1,543,499)	(1,543,499)
Balance July 31, 2018	156,982,525	13,802,351	5,710,887	71,482	(17,795,449)	1,789,271

See accompanying notes to the financial statements.

Cielo Waste Solutions Corp.

Statement of Cash Flows

(Expressed in Canadian Dollars)

Six months ended October 31,	2018		2017
Cash (used in) provided by:			
Operating activities			
Loss for the period	(1,543,499)		(1,072,149)
Adjustments for:			
Amortization of PPE	84,639		86,036
Bad Debt Expense	6,725		-
Gain on Settlement of debts with shares	554		-
RSU Vesting	321,476		-
Amortization of deferred financing costs	34,777		13,713
Accrued interest and accretion expenses	74,980		58,701
	(1,020,348)		(913,699)
Changes in non-cash operating working capital			
Other receivable	(203,569)		(30,736)
Prepaid Expenses	37,726		(192,119)
Inventory	(65,959)		-
Accounts payable and accrued liabilities	2,541,138		66,111
Cash used in operating activities	1,288,988		(1,070,443)
Financing activities			
Short Term Loans	443,264		180,561
Long term loans and convertible debt	-		273,611
Royalty Payable	662,189		-
Share issuance for cash	2,601,436		1,335,001
Share issuance costs	(697,898)		(107,722)
Cash provided by financing activities	3,008,991		1,681,451
Investing activities			
Purchase of property plant and equipment	(4,535,750)		(409,425)
Cash provided by investing activities	(4,535,750)		(409,425)
Increase (decrease) in cash	(237,771)		201,583
Cash, beginning of period	560,891		106,110
Cash, end of period	323,121		307,693
Non-cash activities:			
Shares issued for debt conversion	-		4,380,000
Shares issued for debt settlement	3,567,062		6,800,000
Fair Value of shares issues for interest expense	-	$	25,000
Fair value of shares issued for debt settlement	74,953	$	714,000

See accompanying notes to the financial statements.

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 #101 – 1500 Howe Street, Vancouver BC V6Z 2N1.

Originally a mineral property acquisition and development company, a change in the board of directors in June 2013 resulted in a new direction for the Company. The Company's strategic focus has turned to the refining of municipal and construction waste into a renewable diesel fuel. The Company changed its name from 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, 2018, the Company had not yet achieved profitable operations, had accumulated losses of $17,795,449 since its inception, and had a working capital deficit of $(3,451,376), which may not be sufficient to sustain operations over the foreseeable future. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. In the six months ended October 31, 2018, the Company converted 10,162,500 warrants for gross proceeds of $2,032,500 as part of the early warrant incentive program designed to encourage the early exercise of these warrants. The Company completed a private placement offering of 2,667,062 common shares for gross proceeds of $459,755 in form of conversion of debt to shares. The Company also completed warrant conversions of 3,960,680 common shares for gross proceeds of $568,936 cash and $180,000 in form of conversion of debt to shares for warrants. The Company's operations, as intended, and its financial success may be dependent upon the successful commercial start-up of its renewable diesel refinery and the economic viability of developing refineries based on the Company's technology.

On October 31, the Company executed a Binding Memorandum of Understanding ("MOU") with Renewable U Energy Inc.("Renewable U"), a privately-owned Alberta corporation. The MOU provides the framework for Cielo 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. Pursuant to the terms of the MOU, Renewable U has an option to enter into a second Memorandum of Understanding with Cielo for Medicine Hat, Alberta.

The Company and Renewable U intend to form an incorporated joint venture, to be owned 50.1% by Cielo and 49.9% by Renewable U, unless otherwise agreed. In consideration for the opportunity to enter into the JV Agreement with Cielo and undertake the Project, Renewable U has paid to Cielo a $250,000.00 fee ("Fee") to secure the territory of Grande Prairie, Alberta and the surrounding area encompassing a 250 km radius. In the event that Renewable U exercises its option within 45 days to enter into a second Memorandum of Understanding for Medicine Hat, Alberta, Renewable U will pay Cielo an additional $250,000.00, to secure the territory of Medicine Hat, Alberta and the surrounding area within a 50 km

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

radius. In the event Cielo does not execute the JV Agreement for Grande Prairie, subject to an exclusion, by January 29, 2019, Cielo has agreed, subject to applicable laws and policies, to issue Renewable U common shares of Cielo in lieu of returning the Fee, valued at the greater of: $0.25 and the average closing price of Cielo's shares during the 5 trading days prior to January 29, 2019.The general terms to be incorporated into the 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 JV Refinery ("Project Costs"), as well as for the initial refinery contemplated to be built in Medicine Hat, Alberta, if Renewable U exercises its option.
b. Cielo will manage the Project overall, overseeing the planning, construction, commissioning and operation of the JV Refineries and will receive a management fee for the construction of the JV Refinery equal to 7% of the Project Costs subject to certain exclusions, and will continue to receive management fees once operations begin based on industry standards.
c. Profits will be split 30%in favor of Cielo and 70% in favor of Renewable U, until Renewable U has received profits equaling100% of the Project Costs. Thereafter profits will be split on the basis of 50.1% for Cielo, 49.9% for Renewable U, reflecting the respective interests/ownership of the parties.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a) Statement of Compliance

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

(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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

Going concern

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

Present value of long-term liabilities

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

Income taxes

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

Share-based payments

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

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, 2018 and 2017, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Construction in Progress	no amortization until completion
Computer	30% declining balance
Equipment	10% declining balance
Building	4% declining balance

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

d) Shared-based payments

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

f) Valuation of equity units issued in private placements

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

g) Share issuance costs

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

h) Earnings (loss) per share

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

i) Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Company has classified its financial instruments as follows:

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

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

j) Convertible debentures

Convertible debentures with both a liability and an equity component from the Company's perspective are accounted for and presented separately according to their substance based on the definitions of liability and

j) Convertible debentures (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment

i) Non-financial assets

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

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

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

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

ii) Financial assets

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

m) Provisions

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

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

n) Research and development expenditures

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

o) Changes in accounting policies and recent accounting pronouncements

The following standards have been issued but are not yet effective:

(i) Financial instruments

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

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Revenue

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

(iii) Leases

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

4. CASH

	October 31, 2018	October 31, 2017
Cash	323,121	307,693
	323,121	307,693

There is no cash equivalent as at October 31, 2018 and 2017.

5. INVENTORY

	October 31, 2018	October 31, 2017
Raw Materials	65,959	-
	65,959	-

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

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Costs	Accumulated Amortization	Total	Costs	Accumulated Amortization	Total
Land	755,841	-	755,841	755,841	-	755,841
Building	931,499	55,676	875,823	931,499	19,183	912,316
Computer	24,126	6,081	18,045	-	-	-
Equipment	672,339	99,702	572,637	672,339	36,078	636,261
Construction in progress	6,365,001	-	6,365,001	451,844	-	451,844
Plant	699,868	132,219	567,649	699,868	69,147	630,721
	9,448,674	293,678	9,154,996	3,511,391	124,408	3,386,983

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

The Company completed the purchase of land with an existing idle bio-diesel refinery located on it in High River, Alberta (“High River Property”) from XR in April 2017. The purchase price consisted of 5,000,000 common shares of the Company (issued) at a fair value of $200,000, a vendor take-back mortgage of $1,500,000 (the “Mortgage”) and $500,000 cash payments (paid). The Mortgage was subject to interest, at a rate of 12% per annum, calculated monthly, and a General Security Agreement against the High River Property, including all physical improvements but excluding intellectual property. The Mortgage payments were agreed to be as follow: a monthly payment of interest only for the period from April 21, 2017 to May 16, 2017 of $12,238.75, $15,000 on June 16, 2017 and monthly payments of principal and interest of $35,492.70 on July 16, 2017 and continuing on the 16th of each month thereafter to and including the 16th days of January 2022 at which time the balance of outstanding principal and interest was to be due and payable. The Company incurred the related legal costs of $17,134. A total purchase price of $2,217,134 was allocated as follows: $755,841 to land, $931,499 to building and $529,794 to equipment. During the year ended April 30, 2018, the Mortgage was repaid.

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, 2018 remains the same.

8. SHORT-TERM AND LONG-TERM LOANS PAYABLE

Short-term Loan: The balance of short-term loans payable as at October 31, 2018 is comprised of the following:

$21,662 in loans from third parties (2018-$151,394). These are unsecured and due on demand with interest at prime rate plus 10% to 12% per annum. A total of $1,511 (2018-$19,681) in interest on these loans has been accrued as at October 31, 2018.

(Expressed in Canadian dollars)

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

$1,000,484 in loans from related parties as below:

	October 31, 2018	**October 31, 2017**
Group of Blue Horizon Companies (BH)	$ -	$184,427
1888711 Alberta Inc.	13,457	7,049
Don Allan	372,893	400,419
Don Allan – Note payable matures, due on demand, at annual interest of 5% starting from May 1, 2016	113,301	107,787
Doug Allan- related to Don Allan, due on demand, at annual interest of 12% (subject to increase in the event of default)	500,833	
	$1,000,484	$699,682

These loans are/were unsecured, non-interest bearing and due on demand except for the $100,000 loan, which is 5% interest bearing and the 500,000 loan which is 12% interest bearing, (subject to increase in the event of default). A total of $14,134 (2018-$7,787) in interest on these related party loans has been accrued as at October 31, 2018. BH and 1888 are 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.

Long-term loans: The balance of long-term loans payable as at October 31, 2018 is comprised of the following:

	October 31, 2018	October 31, 2017
(a) A Secured interest bearing loan, at annual rate of 12%, to be matured on June1, 2022(See Note 8(a)).	$3,500,000	$ -
(b) A Secured interest bearing loan, at annual rate of 12%, to be matured on January 16, 2022. This loan was repaid during the year ended April 30, 2018(See Note 8(b)).	-	1,416,791
(c) A Secured interest bearing loan, at annual rate of 12%, to be matured on January 16, 2022. This loan was repaid during the year ended April 30, 2018(See Note 8(c)).		527,262

(Expressed in Canadian dollars)

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

Total loans payable	3,500,000	1,944,053
Less: deferred financing costs	(155,203)	
Less: current portion of long-term loans payable	(719,689)	(270,452)
Long-term portion of loans payable	$2,625,108	$1,673,601

Principal payments on note payables are due as follows:

2019	$719,689
2020	1,065,552
2021	1,202,251
2022	512,508
	$3,500,000

(a) On November 2, 2017 the Company entered into a loan agreement (the "Loan Agreement") with BJK Holdings Ltd (the "Lender"), which 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 Cielo primarily for the conversion of its first commercial refinery (the "Commercial Refinery") on its property in High River, Alberta (the "Property"). The Credit Facility is structured as a non-revolving line of credit with security held by the Lender over all assets, including the Property and all other real property of Cielo, subordinating and postponing the indebtedness of all other lenders of Cielo. The Credit Facility bears simple interest at 12% annually.

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 payments of principal together with interest will become payable until the loaned monies owing under the Credit Facility mature in June 2022. Cielo is able to repay the amounts owing under the Credit Facility without penalty any time.

As at October 31, 2018, Cielo has drawn the full $3,500,000 available amount of the Credit Facility. As partial consideration for the Credit Facility, Cielo has issued 25,000,000 bonus warrants (the "Warrant(s)") to the Lender, each Warrant exercisable to purchase one common share of Cielo at an exercise price of $0.20 (the "Exercise Price"), subject to adjustments for any reorganizations or dilutive events during the term of the Warrants. (See Note 11).

(b) Mortgage with XR Resources Inc. (Note 5) at an interest rate of 12% per annum, calculated monthly, and a General Security against the High River Property, including all physical improvements but excluding intellectual property. A monthly payment of interest only for the period from April 21, 2017 to May 16, 2017 of $12,238.75, $15,000 on June 16, 2017 and monthly payments of principal and interest of $35,492.70 on July 16, 2017 and continuing on the 16th of each month thereafter to and including the 16th days of January 2022 at which time the balance of outstanding principal and interest would be due and payable. This loan was repaid in November 2017.

(Expressed in Canadian dollars)

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

(c) Mortgage with FS Business Enterprises Inc. at an interest rate of 18% per annum and expires on October 30, 2021. The Company had an option for a period of five years, concluding on October 30, 2021, to purchase the equipment secured by this mortgage and the option shall be automatically exercised upon the repayment in full of an amount equal to $699,868 together with all unpaid accrued interest. The Mortgage was secured by all present and after acquired property of the Company to a maximum of $500,000 and a purchase money security interest in the equipment. This loan was repaid in November 2017.

A total of $24,703 (2018 - $58,701) in interest on these long-term loans have been accrued as at October 31, 2018.

9. CONVERTIBLE DEBENTURES

	October 31, 2018	October 31, 2017
Convertible debts at an interest rate of 15.0%	500,000	600,000
Discount on convertible debts	-	(43,280)
Deferred financing costs	(17,418)	-
Accrued interest	124,420	57,208
	607,002	613,928
Less current portion	(12,610)	-
	594,392	613,928

During the year-ended April 30, 2016, the Company issued a total of $250,000 of convertible debentures (the "2016 Convertible Debentures"). The 2016 Convertible Debentures would mature two (2) years from the date of issuance, carry an interest rate of 12.5% per annum, and be convertible at the option of the holder at a price of $0.10 per common share of the Company. The amortized cost of the long-term liability component was accounted for using the effective interest rate method at 14.85% per annum. The equity component was assigned the residual amount of $6,027 after deducting the financing cost of $6,935 and was allocated to the liability component only as the allocation to the equity component was immaterial. $100,000 of the 2016 Convertible Debentures were converted into common shares of the Company during the years ended April 30, 2017.

During the year-ended April 30, 2017, the Company issued a total of $610,000 of convertible debentures (the "2017 Convertible Debentures"). The 2017 Convertible Debentures would mature three (3) years from the date of issuance, carry an interest rate of 15% per annum, and be convertible at the option of the holder at a price of $0.10 per common share of the Company. Unconverted 2017 Convertible Debentures were subordinated and postponed on November 2, 2017 pursuant to the terms of the Credit Facility. The term was extended to the date of repayment of the Credit Facility, up to June 2022. Holders may continue to convert the 2017 Convertible Debentures at any time during the term upon notice.

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

(Expressed in Canadian dollars)

9. CONVERTIBLE DEBENTURES (continued)

During the six-month period ended October 31, 2018 no debentures were converted to common shares.

The foregoing convertible debentures are secured by general security agreements, which are subordinated to the general security agreement issued in favour of BJK Holdings Ltd. (see Note 8).

Accretion expenses on above convertible debentures of $nil was charged to the operation during the six months ended October 31, 2018 (2018-$1,060).

Interest expenses on the above convertible debentures of $37,917 was charged to the operation during the six months ended October 31, 2018 (2017-$50,975).

Total deferred financing costs of $Nil were incurred for the six months ended October 31, 2018 (2017 - $nil) and $12,961 was charged to the operation during the six months ended October 31, 2018 (2017-$13,713).

10. ROYALTY PAYABLE

	October 31, 2018	October 31, 2017
Royalties Payable	889,219	-
Discount on Royalties payable	(194,368)	-
	694,851	-

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, the Company announced that it had closed the Program. Cielo 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 prorate over an estimated period of two years or less, at the discretion of management. Once production begins, the Company will allocate 10% of gross sales to the payment of the royalties.

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, 2018 the company amortized $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:

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

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

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

(iv) On August 31, 2017, the Company issued 5,500,000 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of $0.10 per unit. All shares were issued for cash of $550,000. Warrants were assigned a value of $Nil based on the residual value method. The Company paid an 8% cash and warrant commission ($42,400 cash and 424,000 finders' warrants (Note 10)).

(v) On September 21, 2017, the Company issued 8,832,360 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of $0.10 per unit. 5,150,000 of these shares were issued for cash of $515,000 and 3,682,360 shares were issued to settle debts of $368,236. Using the trading value on the same date, a loss of $147,294 resulted from these debt settlements. Warrants were assigned a value of $Nil based on the residual value method. (Notes 10 &13)

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

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

(viii) On November 8, 2017, the Company issued 9,900,000 common shares through a non-brokered private placement offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of $0.10 per unit. All of the units were issued for cash of $990,000. Warrants were assigned a value of $Nil based on the residual value method. The Company paid cash commissions totaling $84,076.

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

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

(xi) 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

11. SHARE CAPITAL (continued)

$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.

(xii) 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.

(xiii) 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.

(xiv) 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 unit. 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.

(xv) 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.

(xvi) 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.

(xvii) 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.

(xviii) 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.

(xix) 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.

(xx) 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.

(xxi) On August 16, 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.

(xxii) 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.

(xxiii) 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.

(xxiv) 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.

12. WARRANTS

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

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

On August 31, 2017, the Company issued 424,000 finders' share purchase warrants related to the August 31, 2017 non-brokered private placements (Note 11). Each finder warrant entitles the holder to purchase one common share at a price of $0.10 per common share with an expiry date of August 31, 2018. The fair value of the warrants, calculated using the valuation technique, the Black Scholes Option Pricing Model, was $42,739. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.26%; expected life – 1 year; expected volatility – 178.08%; and expected dividends – nil. The fair value of $42,739 for finders' warrants was allocated to share issuance costs as a reduction in the statements of shareholders' equity for the six months ended October 31, 2018.

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

On November 2, 2017, the company issued 25,000,000 warrants to BJK Holdings Ltd. (the "Lender") pursuant to the terms of a loan agreement dated November 2, 2017 (Note 7(a)). At the time of issuance, each warrant was exercisable to purchase one common share of Cielo at an exercise price of $0.20 (the "Exercise Price"), subject to adjustments for any reorganizations or dilutive events during the term of the Warrants. In accordance with the terms of the warrants, in the event that Cielo issues additional common shares at a price (or convertible securities with an exercise price) lower than the Exercise Price or the market price at the time, whichever is higher, the Lender will be entitled to receive additional securities at a slightly decreased price, subject to the maximums and terms imposed by the Canadian Securities Exchange. As a result, the Lender had 25,411,756 Warrants as at October 31, 2018 with an Exercise Price of $0.1968. The Warrants expire on the earlier of (i) November 2, 2022 and (ii) the later of (A) November 2, 2019 and (B) 6 months following full repayment of the corresponding loan, but not later than 5 years from the issuance date. The fair value of the warrants, which was calculated using the valuation technique, the Black Scholes Option Pricing Model, was $3,300,206. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.64%; expected life – 5 year; expected volatility – 248.35%; and expected dividends – nil. The fair value of $3,300,206 for the warrants was charged to finance expense in the statements of loss and comprehensive loss for the six months ended October 31, 2018.

On November 8, 2017, the Company issued 4,950,000 warrants through a non-brokered private placement offering of 9,900,000 units, each unit consisting of one common share and one half of one share purchase

12. WARRANTS (continued)

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 November 8, 2018 (subject to earlier termination in accordance with the terms of the warrants). Warrants were assigned a value of $Nil based on the residual value method.

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.

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

On August 31,2018 the Company had 408,000 Finder's 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.

(Expressed in Canadian dollars)

12. WARRANTS (continued)

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

	Number	Weighted average exercise price
Balance, April 30, 2018	41,918,829	$0.20
Exercised-July 3, 2018	(10,162,500)	$0.20
Expired/cancelled July 17, 2018	(600,000)	$0.20
Adjustment July 31, 2018	(140,893)	$0.20
Exercised - August 3, 2018	(1,437,500)	$0.20
Exercised - August 16, 2018	(50,000)	$0.20
Exercised - August 31, 2018	(200,000)	$0.20
Exercised - September 13, 2018	(900,000)	$0.20
Exercised - September 21, 2018	(941,180)	$0.20
*Adjustment October 31, 2018	20,215	$0.20
Balance, October 31, 2018	27,506,971	

*The warrant adjustment is an adjustment to the outstanding BJK warrants.
The above warrants have a weighted average remaining life of 3.71 years.

As at October 31, 2018, the Company had share purchase warrants (excluding broker/finder warrants) outstanding enabling holders to acquire the following:

Number of warrants	**Exercise Price per Share ($)**	**Expiry Date**
2,075,000[1]	0.20	November 8, 2018
25,431,971[2,3]	0.20	November 2, 2022

Notes:
1 The warrant expiry date is subject to earlier termination in the event that the market price of the Company's common shares trading on the Canadian Securities Exchange remains at $0.30 or higher for a period of five (5) or more days, at the option of the Company.
2 The Warrants expire on the earlier of (i) November 2, 2022 and (ii) the later of (A) November 2, 2019 and (B) 30 days following full repayment of a credit facility to BJK Holdings Ltd. but not later than 5 years from the issuance date.
3 25,000,000 Warrants were issued to BJK Holdings Ltd. (the "Lender") on November 2, 2018, however as a result of dilutive events and in accordance with the terms of the Warrants, the Lender holds 25,431,971 Warrants as at October 31, 2018.

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

	Number	Weighted average exercise price
Balance, April 30, 2018	656,000	$0.10
Exercised-August 3, 2018	(24,000)	$0.10
Exercised-August 31, 2018	(408,000)	$0.10
Balance, October 31, 2017	224,000	$0.10

(Expressed in Canadian dollars)

12. WARRANTS (continued)

The above broker warrants have a weighted average remaining life of 0.41 years.

As at October 31, 2018, the Company had finder/broker warrants outstanding enabling holders to acquire the following:

Number of warrants	Exercise Price per Share ($)	Expiry Date
224,000	0.10	March 31, 2019

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 "AGSM"), pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 9.5% of the issued and outstanding common shares of the Company at the time of approval of the Option Plan. Options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

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

On November 7, 2016, the Company granted 5,500,000 stock options to employees, consultants, directors and officers under its Stock Option Plan at an exercise price of $0.10 per share exercisable at any time on or before November 7, 2019. The fair value of these stock options is determined to be $203,024 using the Black-Scholes option pricing model with the current assumptions of risk-free interest rate of 1.14%, expected life of 3 years, forfeiture rate of 0%, expected volatility of 225.74% and a dividend rate of 0%.

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

(Expressed in Canadian dollars)

13. STOCK OPTIONS AND RESTRICTED SHARE UNITS (continued)

Continuity of the Company's option is as follows:

	Number	Weighted Average exercise Price
Balance April 30, 2017	5,500,000	$0.10
Issued January 12,2018	4,740,000	$0.25
Balance April 30, 2018	10,240,000	$0.17
Balance August 31, 2018	10,240,000	$0.17

*Options exercisable as at October 31, 2018 – 10,240,000
The above stock options have a weighted average remaining life of 1.57 years.

As at October 31, 2018, the Company had options outstanding enabling holders to acquire the following:

Number of options	Exercise Price per Share ($)	Expiry Date
5,500,000	0.10	November 7, 2019
4,740,000	0.25	January 12, 2021

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

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

The grant date fair value of the RSUs is $973,750 and is based on the market price of the Company's common shares at the effective date of January 12, 2018. The amount will be recognized proportionally over the vesting periods: year one $637,710, year two $261,877 and year three $74,4163. For the six months ended October 31, 2018, the Company recorded $321,476 (2018$nil) of expense related to the RSUs as management fees. During the six months ended October 31, 2018, no common shares of the Company were issued in respect to the RSU's.

(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS

Management compensation for the executive management/officers and directors during the three-month periods in the year ended April 30, 2018 and 2019 are disclosed as below:

6 months ended October 31, 2018

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

6 months ended October 31, 2017

		Consulting fees Paid	Gross Salaries Paid	Stock Options Shares Based Compensation	RSU Shares Based Compensation	Total
Shannon Wyzykoski	**CFO**	**$ 19,500**	**$ -**	**$ -**	**$ -**	**$ 19,500**
		$ 19,500	**$ -**	**$ -**	**$ -**	**$ 19,500**

Office expense of $2,073, (2018 - $5,233), salaries and benefits of $23,828 (2018 - $12,919), rent expense of $5,668 (2018-$13,317) and telephone expense of $384 (2018-$1,897) were charged back to 1888711 Alberta Inc., a company related by officers and directors.

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, 2018 outstanding to officers and directors of the Company in the amount of $44,329 (2018 - $nil).

Accounts payable and accrued liabilities balances at October 31, 2018 outstanding to a company owned by the CFO in the amount of $22,160 (2018 - $6,221). The Company issued 150,000 shares in exchange for 150,000 warrants and $30,000 of accounts payable owed to this company.

The Company issued 500,000 shares in exchange for 500,000 warrants and $100,000 of accounts payable owed to a company owned by Michael Young (officer).

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

15. CAPITAL DISCLOSURES

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator. The Company has not changed its approach in managing its capital during the year ending October 31, 2018.

16. FINANCIAL INSTRUMENTS

Risk Management

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

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

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

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, 2018, the Company had cash balance of $323,121 and working capital deficit of $3,451,376. 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, 2018 is not significant.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are

(Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS (continued)

denominated in a currency other than Canadian dollar. Therefore, the Company's exposure to currency risk is minimal.

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

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

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

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2018 and 2017:

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

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

17. 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.

18. SUBSEQUENT EVENTS

On November 1, 2018, the Company received cash of $250,000 as a fee in connection with a binding Memorandum of Understanding ("Ren U MOU") entered into with Renewable U Energy Inc. ("Renewable U") for the Grande Prairie area, dated October 31, 2018, which is being treated as a deposit until the Company and Renewable U enter into a definitive agreement, anticipated to occur on or about January 31, 2019.

On November 7, 2018, the Company received cash of $30,000 as a partial fee in connection an option granted to the Company in the Ren U MOU in connection with the Medicine Hat area, which is being treated as a partial deposit until the Renewable U formally exercises its option and the parties enter into a definitive agreement in connection with Medicine Hat.

On November 8, 2018, 2,075,000 unexercised warrants expired.

On November 22, 2018, the Company received cash of $250,000 as a fee in connection with a binding Memorandum of Understanding ("Seymour MOU") entered into with Seymour Capital Inc. ("Seymour"), for the Calgary area, dated November 21, 2018, which is being treated as a deposit until the Company and Seymour enter into a definitive agreement, anticipated to between February 28, 2019 and April 30, 2019.

On November 30, certain contractors elected to convert $508,684.40 of payables into 2,826,025 common shares at deemed price of $0.18 per share.

On November 30, company insiders converted $605,833.33 in loans into 2,826,025 common shares at a deemed price of .20 per share.