CIELO WASTE SOLUTIONS CORP.
(FORMERLY CIELO GOLD CORP.)

Financial Statements

April 30, 2015

(Expressed in Canadian dollars)

ACHAN

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A CHAN AND COMPANY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
Cielo Waste Solutions Corp. (formerly Cielo Gold Corp.)

We have audited the accompanying financial statements of Cielo Waste Solutions Corp. (formerly Cielo Gold Corp.) (the "Company"), which comprise the statements of financial position as at April 30, 2015 and April 30, 2014, the statements of loss and comprehensive loss, the statements of changes in equity and the statements of cash flows for the year ended April 30, 2015 and April 30, 2014, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2015 and April 30, 2014, and its financial performance and its cash flows for the year ended April 30, 2015 and April 30, 2014 then ended in accordance with International Financial Reporting Standards.

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

"A Chan and Company LLP"
CHARTERED ACCOUNTANTS

Vancouver, BC
August 28, 2015

CIELO WASTE SOLUTIONS CORP. (FORMERLY CIELO GOLD CORP.)
Statements of Financial Position
(Expressed in Canadian dollars)

		April 30 2015		April 30 2014
ASSETS				
Current				
Cash and cash equivalents	**$**	**32,429**	$	12,931
Accounts receivable (Note 5 &11)		**-**		245,000
GST receivable		**17,890**		19,133
Prepaid expense		**4,950**		60,000
		55,269		337,064
Intellectual Property Assets (Note 4)		**5,720,933**		620,000
	$	**5,776,202**	$	957,064
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable	**$**	**230,728**	$	211,642
Accrued liabilities (Note 11)		**284,156**		97,626
Short Term Loan Payable (notes 5 & 11)		**2,627,549**		728,444
		3,142,433		1,037,712
Long Term Loan Payable (notes 5)		**159,632**		182,572
Convertible Debentures (notes 6)		**85,281**		-
		3,387,346		1,220,284
Shareholders' equity				
Share capital (Note 7)		**5,567,669**		1,657,836
Shares subscribed , but not issued		**-**		25,000
Contributed surplus (Note 8 & 9)		**777,466**		730,790
Deficit		**(3,956,279)**		(2,676,846)
		2,388,856		(263,220)
	$	**5,776,202**	$	957.064

Nature and continuance operation and basic of presentation (Note 1 and 2)
Commitments (Note 15)
Subsequent events (Note 16)

Approved and authorized for issue by the Board of Directors:

"Don Allan " — Director

" Robin Ray " — Director

See accompanying notes to financial statements

CIELO WASTE SOLUTIONS CORP. (FORMERLY CIELO GOLD CORP.)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the Years Ended April 30		2015		2014
Expenses				
Advertising and Promotion	**$**	**7,690**	$	1,474
Bank charges		**939**		3,387
Consulting fees (Note 11)		**215,175**		283,184
Filing fees		**78,433**		28,587
Interest and accretion expenses (Note 5 & 6)		**38,192**		3,232
Management fees (Note 11)		**514,110**		-
Office expenses (Note 11)		**171,254**		62,461
Professional Fees (Note 11)		**190,781**		220,243
Share based compensation (Note 9)		**23,515**		1,942
Wages and Benefits (Note 11)		**-**		435,470
Travel		**41,207**		52,877
Net loss before other income (expenses)		**(1,281,296)**		(1092,857)
Other income		**2,500**		-
Gain on settlement of debts with shares (Note 7)		**11,000**		-
Loss on settlement of long-term debt (Note 5)		**(11,637)**		-
Loss and comprehensive loss for the year	**$**	**(1,279,433)**	$	(1,092,857)
Loss per share – basic and diluted	**$**	**(0.03)**	$	(0.04)
Weighted average number of shares outstanding		**44,761,566**		27,048,200

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)

				Contributed Surplus			
	Number of Shares	Share Capital	Shares subscribed	Options and Warrants	Others	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$
Balance, April 30, 2013	**23,583,372**	**869,586**	**-**	**726,554**	**-**	**(1,583,989)**	**12,151**
Shares issued for technology (Note 7)	3,000,000	620,000	-	-	-		620,000
Shares issued for service (Note 7)	113,000	28,250	-	-	-		28,250
Exercise of warrants (Note 7)	2,000,000	140,000	-	(40,000)	-		100,000
Shares subscribed, but not issued	-	-	25,000	-	-		25,000
Discount on loan payable (Note 5)	-	-	-	-	42,294		42,294
Stock Based Compensation (Note 9)	-	-	-	1,974	-	-	1,942
Loss for the year	-	-	-	-	-	(1,092,857)	(1,092,857)
Balance April 30,2014	**28,696,372**	**1,657,836**	**25,000**	**688,496**	**42,294**	**(2,676,846)**	**(263,220)**
Balance April 30, 2014	28,696,372	1,657,836	25,000	688,496	42,294	(2,676,846)	(263,220)
Shares issued for technology (Note 7)	18,000,000	3,600,000	-	-	-	-	3,600,000
Shares issued for private placements (Note 7)	2,093,544	314,032	(25,000)	-	-	-	289,032
Shares issued for debt settlement (Note 7)	353,163	51,974	-	-	-	-	51,974
Discount on loan payable (Note 5)	-	-	-	-	19,333	-	19,333
Equity portion of convertible debts issued (Note 6)	-	-	-	-	3,828	-	3,828
Stock Based Compensation (Note 9)	-	-	-	23,515	-	-	23,515
Share issuance costs (Note 7)	-	(56,173)	-	-	-	-	(56,173)
Loss for the year	-	-	-	-	-	(1,279,433)	(1,279,433)
Balance April 30, 2015	49,143,079	5,567,669	-	712,011	65,455	(3,956,279)	2,388,856

See accompanying notes to financial statements

CIELO WASTE SOLUTIONS CORP. (FORMERLY CIELO GOLD CORP.)
Statements of Cash Flows
(Expressed in Canadian dollars)

For the Years Ended April 30		2015		2014
Cash flows from (used in)				
Operating activities				
Loss for the year	**$**	**(1,279,433)**	$	(1,092,857)
Items not involving cash				
Gain on settlement of debts with shares		**(11,000)**		-
Loss on settlement of long-term debt		**11,637**		
Accrued interest and accretion expenses		**34,192**		3,232
Share issued for services		**-**		28,250
Share-based compensation		**23,515**		1,942
Changes in non-cash working capital items:				
GST receivable		**1,243**		(8,291)
Prepaid expenses		**55,050**		(60,000)
Accounts payable and accrued liabilities		**306,344**		735,731
Cash flows (used in) operating activities		**(858,452)**		(391,993)
Investing activities				
Other receivable		**22,400**		(22,400)
		22,400		(22,400)
Financing activities				
Loans Payable		**533,716**		277,276
Convertible debts issued for cash		**100,000**		-
Financing cost paid		**(11,025)**		-
Shares issued for cash		**289,032**		125,000
Share issuance costs		**(56,173)**		-
		855,550		402,276
Change in cash during the year		**19,498**		(12,117)
Cash, beginning of the year		**12,931**		25,048
Cash, end of the year	**$**	**32,429**	$	12,931
Supplementary information:				
Cash paid for interest expense	**$**	**-**	$	-
Cash paid for income taxes	**$**	**-**	$	-
Non-cash activities:				
Settled short-term loans with other receivables	**$**	**222,600**	$	-
Shares issued for technology	**$**	**3,600,000**	$	620,000
Shares issued for debt settlement	**$**	**51,974**	$	-
Shares issued for service	**$**	**-**	$	8,250

See accompanying notes to financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Cielo Waste Solutions Corp. (formerly 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 Securities Exchange ("CSE") under the Symbol CMC. The principal and registered office of the Company is located at 102, 4016 Charles Street, Red Deer County, Alberta T4S 2A8.

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

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At April 30, 2015, the Company had not yet achieved profitable operations, had accumulated losses of $3,956,279 since its inception, and had a working capital deficit of $3,087,164, which may not be sufficient to sustain operations over the foreseeable future. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. A number of alternatives including, but not limited to obtain bridging loans from directors and shareholders or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The Company's continuing operations, as intended, and its financial success may be dependent upon the successful commercial start-up of its renewable diesel refinery and the economic viability of developing refineries based on the Company's technology.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a) Statement of Compliance

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

(b) Basis of preparation

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

The financial statements were authorized for issue by the Board of Directors on August 28, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

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

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

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.

Impairment of intellectual property

Judgement is required in assessing whether certain factors would be considered an indicator of impairment. Annually, the Company must assess impairment by reviewing various impairment indicators. As at April 30, 2015 and 2014, consideration has been taken by management regarding various possible indicators and determined no impairment was resulted.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Significant accounting judgments and estimates (Continued)

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 April 30, 2015 and 2014, there were no cash equivalents.

c) Shared-based payments

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

d) Deferred income taxes

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (Continued)

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.

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").

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Impairment (Continued)

i) Non-financial assets (Continued)

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Changes in accounting policies and recent accounting pronouncements (Continued)

(ii) Impairment of assets

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

4. INTELLECTUAL PROPERTY ASSETS

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

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

5. LOANS PAYABLE

The balance of short-term loans payable as at April 30, 2015 is comprised of the following:

$125,402 in loans from third parties (2014 - $44,823). These loans are unsecured, due on demand with interest at 0% to 14.85% per annum, except for a loan for $25,000 is secured, due on December 31, 2015 with monthly interest at 1% payable monthly. A total of $9,233 (2014 - $966) in interest on these loans has been accrued as at April 30, 2015.

$2,502,147 in loans from a director of the Company, an individual related to a director and companies related by a common director (2014 - $683,621). These loans are unsecured, non-interest bearing and due on demand (See Note 11).

5. LOANS PAYABLE (Continued)

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 April 30, 2015 is comprised of the following:

$ Nil in a loan from a company related by a common director (2014 - $100,554). This loan is unsecured, 0% interest bearing until May 1, 2016 and 5% interest bearing on any unpaid principal amount starting from May 1, 2016, with a maturity date on May 1, 2016. This loan was settled against a receivable from this same company by April 30, 2015 per mutual agreement and resulted in a loss of $11,637.

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

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

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

During the year ended April 30, 2015, the Company accrued an interest and accretion expenses of $24,959 (2013 - $2,266) in connection with the long-term loans.

6. CONVERTIBLE DEBT

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

7. SHARE CAPITAL

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

b. Issued

(i) During the year-ended April 30, 2015, Nil share purchase warrants were exercised. During the year-ended April 30, 2014, 2,000,000 share purchase warrants were exercised at $0.05 per warrants for cash proceeds of $100,000.

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

(iii) During the year-ended April 30, 2015, the Company issued 2,446,707 common shares at a fair value of $366,006 through non-brokered private placements under the Unit Offering which offer units of one common share and half share purchase warrant. 353,163 of these units were used to settle loans and liabilities which resulted in a gain of $11,000. During the year-ended April 30, 2015, the Company issued Nil (2014 - 113,000) shares at a fair value of $Nil (2014 - $28,250) for consulting service.

(iv) During the year ended April 30, 2015, the Company incurred legal expense and broker commission of $56,173 (2014 - $Nil)

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

The Company has not issued preferred shares since inception; thus did not have preferred shares outstanding as at April 30, 2015.

8. WARRANTS

During the year-ended April 30, 2015, the Company had 1,223,354 (2014 – Nil) share purchase warrants outstanding, which entitles the holder to purchase one common share for a period of twenty-four (24) months at a price of $0.25 per common share and will expire between June 17, 2016 and August 28, 2016. Warrants issued as private placement units were valued using the residual value method and deemed to have fair value at $Nil upon issuance.

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

(Expressed in Canadian dollars)

9. STOCK OPTION

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

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

No other options have been granted as of April 30, 2015.

Continuity of the Company's option is as follows:

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

* Options exercisable as at April 30, 2014 – Nil
** Options exercisable as at April 30, 2015 – 280,000

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

10. EXPLORATION AND EVALUATION ASSETS

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

11. RELATED PARTY TRANSACTIONS

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

At April 30, 2015, other receivable from members of management of the Company and a company related by a common director was at $Nil. (2014 - $241,600).

Accounts payable and accrued liabilities balances at April 30, 2015 were outstanding to officers and directors of the Company in the amount of $Nil (2014: $7,058). Management fee payable, included in accounts payable and accrued liabilities balances, to a company related by a common director was at $67,000 (2014 - $Nil). See also Note 15.

Management fees of $514,110 (2014 - $Nil), wages and benefits of $Nil (2014 - $435,470), office expense of $61 (2014 - $10,089), rent expense of $8,968 (2014 - $1,894), and telephone expense of $236 (2014 - $2,103) were paid and or are payable to two companies related by a common director and officers and directors of the Company. Consulting expense of $196,148 (2014 - $Nil) and professional expense of $35,000 (2014 - $Nil) were paid and or are payable to previous members of management of the Company working as consultants during the year. See also Note 15.

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

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

12. CAPITAL DISCLOSURES

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

The Company has not changed its approach in managing its capital since the last year ended April 30, 2015.

13. FINANCIAL INSTRUMENTS

Risk Management

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

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

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

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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2015, the Company had cash balance of $32,429 and working capital deficit of $3,087,164. 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 year ended April 30, 2015 is not significant.

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

(Expressed in Canadian dollars)

11. 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 April 30, 2015 and 2014:

	As at April 30, 2015		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	32,429	-	-

	As at April 30, 2014		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	12,931	-	-

14. INCOME TAXES

At April 30, 2015, the Company has non capital losses carried forward for Canadian income tax purposes totalling approximately $2,800,000 which will expire from 2031 to 2035 and may be applied against future taxable income. The Company also has approximately $470,000 of capital losses that may be carried forward and applied against future capital gains. In addition, the Company has approximately $13,000 of exploration and development costs which are available for deduction against future income for tax

(Expressed in Canadian dollars)

14. INCOME TAXES (Continued)

purposes. At April 30, 2015, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years

A reconciliation of income taxes at statutory rates is as follows:

	Year Ended April 30, 2015	Year Ended April 30, 2014
	$	$
Loss for the year	(1,279,433)	(1,092,857)
Expected income tax recovery at statutory rates of 26% (2014 – 26%)	(332,653)	(284,143)
Permanent items	11,948	1,094
Temporary income tax items not recognized	-	-
Effect of changes in tax rates	(1,374)	(29,053)
Current and prior tax attributes not recognized	322,079	312,102
	-	-

The components of deferred tax assets are as follows:

	Year Ended April 30, 2015	Year Ended April 30, 2014
Deferred tax assets		
Non-capital losses and capital loss carried forward	916,202	594,123
Mineral properties	3,263	3,263
Less: Unrecognized deferred tax assets	(919,465)	(597,386)
Net deferred tax assets	-	-

15. COMMITMENTS

On June 12, 2014, the Company entered into an agreement for 10 year exclusive rights of its Waste to Fuel refining technology to New Fuel International Inc. (“NFI”) of Seattle, Washington W.S.A. NFI shall have the exclusive right to market and produce renewable biofuel derived from industrial biomass waste streams initially in the U.S. states of California, Oregon, Washington, Hawaii and Alaska, and the Canadian provinces of British Columbia and Ontario. NFI will have all of the Company’s renewable diesel output for the first 7 refineries that go into production. NFI has guaranteed a minimum price of $1.30/liter with a Right Of First Refusal to match any higher price the Company can receive.

The Company has been aggressively moving the technology forward. On November 1, 2014 the Company signed an engineering management agreement with a private consulting firm (Note 11) to implement the final stages of engineering. On December 1, 2014 the consulting firm hired a Falling Apple Solutions to begin the final seven stages of engineering. These include third party evaluation of the new technology and catalyst, patent filings and design engineering.

On January 31, 2015 the Company decided in the best interest of the Company, it should move forward in search of a different consulting company and canceled the existing contract with the private company.

On April 8, 2015 the Company signed a consulting and service agreement with a qualified engineering and management consulting group. This company related by a common director signed a fixed fee contract of $774,000 with Falling Apple Solutions on the same day and engineering begun immediately.

At the time of this report, Falling Apple Solutions have completed phase one and have started phases 2 and 3 of the seven stages of engineering. Falling Apple Solutions believe they should be done all seven phases of the engineering by late January 2016. Once the seven phases are completed the Company is hoping to start construction on the first commercial renewable diesel refinery.

16. SUBSEQUENT EVENTS

1. On June 19, 2015, the Company signed a debt conversion agreement with a third party to settle an interest payable of $7,250 with 48,333 common shares.

2. On July 16, 2015 Cielo announced the closing of the fourth and final tranche of its non-brokered private placement offering as initially news released on June 6th, 2014. Cielo has issued an aggregate of an additional 431,333 units (the “Units”), each Unit consisting of one common share and one-half of one warrant at a price of $0.15 per Unit for gross proceeds of $64,700 under this fourth and final tranche of the Unit Offering (the “Gross Proceeds”). $7,250.00 of the Gross Proceeds was an issuance of securities for debt. Each full Warrant entitles the holder to purchase one common share in the capital stock of the Company (each a Common Share”) for a period of twenty-four (24) months at a price of $0.25 per Common Share. In aggregate, the Company issues 2,878,040 Units for gross proceeds of $430,706.

   The Unit Offering was non-brokered but Cielo paid a broker’s commission with respect to one subscription under the third tranche of this Offering comprised of cash compensation equal to $2,768.15 and 9,227 broker warrants. Each Broker Warrant entitles the holder to purchase one Common Share for a period of twenty-four (24) months at a price of $0.25 per Common Share. No broker’s commission was paid under this fourth and final tranche of the Offering. All securities issued in connection with this fourth and final tranche of the Unit Offering will be subject to a statutory four month hold period.

3. On July 16, 2015 Cielo also announced that it has closed the second tranche of this Private Placement for total proceeds of $200,000. Together with the proceeds of the first tranche at $100,000, the Company has exceeded its maximum offering of $250,000. The Company announces that it will continue the Convertible Debenture Offering and increase the maximum to CAD $350,000. The subscribers of the Convertible Debenture Offering are aware of and have no issue with such increase.