

CIELO WASTE SOLUTIONS CORP.

(Formerly Cielo Gold Corp.)

Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

Independent Auditors' report

Statements of financial position

Statements of loss and comprehensive loss

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A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2016 and April 30, 2015, the statements of loss and comprehensive loss, the statements of changes in equity and the statements of cash flows for the years ended April 30, 2016 and April 30, 2015, 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, 2016 and April 30, 2015, and its financial performance and its cash flows for the years ended April 30, 2016 and April 30, 2015 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.

Other Matter

We also draw attention to Note 17 of the financial statements which indicates the existence of a restatement to the financial statements for its year ended April 30, 2015 due to reassessment of impairment on its intellectual property assets and an accounting error in measuring the fair value of common shares issued to acquire the intellectual property assets. As a result, our previous report dated August 28, 2015 has been withdrawn.

"A Chan & Company LLP"

CHARTERED PROFESSIONAL ACCOUNTANTS

Burnaby, BC
July 12, 2016

Cielo Waste Solutions Corp. (formerly Cielo Gold Corp)

Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	April 30, 2016	(Restated – See Note 17) April 30, 2015
		\$	\$
Assets			
Current Assets			
Cash		7,800	32,429
GST and other receivable		10,629	17,890
Prepaid expenses		5,633	4,950
Total Current Assets		24,062	55,269
Intellectual property assets	4	1	1
Total Assets		24,063	55,270
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	12	283,738	230,728
Accrued liabilities		137,010	284,156
Short-term loans payable	6&12	1,027,845	2,627,549
		1,448,593	3,142,433
Long Term Liabilities			
Long term loans payable	6	75,367	159,632
Convertible debentures	7	234,306	85,281
		1,758,266	3,387,346
Shareholders' Equity			
Share capital	8	6,776,950	5,027,669
Shares subscribed but not issued	8	32,000	-
Contributed surplus	9&10	785,803	777,466
Deficit		(9,328,956)	(9,137,211)
		(1,734,203)	(3,332,106)
		24,063	55,240

See accompanying notes to financial statements

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

Subsequent events (Note 16)

Approved and authorized for issue by Management on July 12, 2016

"Don Allan "
Director

"Jason Christensen"
Chief Financial Officer

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

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	April 30, 2016	(Restated – See Note 17) April 30, 2015
Expense	\$	\$
Advertising and promotion	700	7,690
Amortization of deferred financing costs	8,539	-
Bank charges	1,039	939
Consulting (Note 12)	123,050	215,175
Interest and accretion expenses (Note 6 & 7)	68,199	38,192
Management fees (Note 12)	-	514,110
Office and administrative expenses (Note 12)	82,165	171,254
Professional fees (Note 12)	282,926	190,781
Share based compensation (Note 10)	-	23,515
Salaries and benefits (Note 12)	9,882	-
Transfer agent and filing fees	34,649	78,433
Travel	6,720	41,207
Net loss before other items	(617,869)	(1,281,296)
Impairment of intellectual property assets (Note 4 and 17)	-	(5,180,932)
Other income	-	2,500
Gain on settlement of debt with shares (Note 8)	426,124	11,000
Loss on settlement of long-term debt	-	(11,637)
Net loss and comprehensive loss for the year	(191,745)	(6,460,365)
Loss per share - basic and diluted	(0.003)	(0.14)
Weighted average number of shares outstanding	66,974,987	44,761,566

See accompanying notes to financial statements

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

	Number of Shares	Share Capital	Shares Subscribed	Contributed Surplus			Total Shareholders' Equity
				Options and Warrants	Others	Deficit	
		\$	\$	\$	\$	\$	\$
Balance April 30, 2014	28,696,372	1,657,836	25,000	688,496	42,294	(2,676,846)	(263,220)
Shares issued for private placements (Note 8)	2,093,544	314,032	(25,000)	-	-	-	289,032
Shares issued for technology (Note 8)	18,000,000	3,060,000	-	-	-	-	3,060,000
Shares issued for debt settlements (Note 8)	353,163	51,974	-	-	-	-	51,974
Discount on loan payable (Note 6)	-	-	-	-	19,333	-	19,333
Equity portion of convertible debts issued (Note 7)	-	-	-	-	3,828	-	3,828
Stock based compensation (Note 10)	-	-	-	23,515	-	-	23,515
Share issuance costs (Note 8)	-	(56,173)	-	-	-	-	(56,173)
Net loss for the year	-	-	-	-	-	(6,460,365)	(6,460,365)
Balance April 30, 2015 (Restated – Note 17)	49,143,079	5,027,669	-	712,011	65,455	(9,137,211)	(3,332,076)
Balance April 30, 2015 (Restated – Note 17)	49,143,079	5,027,669	-	712,011	65,455	(9,137,211)	(3,332,076)
Shares issued for private placements (Note 8)	33,000	2,640	-	2,310	-	-	4,950
Shares issued for debt settlements (Note 8)	398,333	3,983	-	-	-	-	3,983
Shares issued for debt settlements (Note 8)	4,794,580	119,865	-	-	-	-	119,865
Shares issued for debt settlements (Note 8)	12,430,880	621,544	-	-	-	-	621,544
Shares issued for debt settlements (Note 8)	25,049,353	1,001,974	-	-	-	-	1,001,974
Shares to be issued for debt settlements (Note 8)	-	-	32,000	-	-	-	32,000
Equity portion of convertible debts issued (Note 7)	-	-	-	-	6,027	-	6,027
Share issuance costs (Note 8)	-	(725)	-	-	-	-	(725)
Net loss for the year	-	-	-	-	-	(191,745)	(191,745)
Balance April 30, 2016	91,849,225	6,776,950	32,000	714,321	71,482	(9,328,956)	(1,734,203)

See accompanying notes to financial statements

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

Statements of cash flows

(Expressed in Canadian Dollars)

		(Restated – See Note 17)
For the Years Ended April 30	2016	2015
	\$	\$
Cash (used in) provided by:		
Operating activities		
Loss for the year	(191,745)	(6,460,365)
Items not involving cash		
Impairment of intellectual property assets	-	5,180,932
Gain on settlement of debts with shares	(426,124)	(11,000)
Loss on settlement of long-term debts	-	11,637
Amortization of deferred financing costs	8,539	-
Accrued interest and accretion expenses	48,513	34,192
Interest expense settled into shares	7,250	-
Share-based compensation	-	23,515
Changes in non-cash operating working capital		
Other receivable	7,261	1,243
Accounts payable and accrued liabilities	195,129	306,344
Prepaid expenses	(683)	55,050
Cash used in operating activities	(351,860)	(858,452)
Financing activities		
Loans payable	179,941	533,716
Convertible debt issued for cash	150,000	100,000
Share issuance for cash	4,950	289,032
Share issuance costs	(725)	(56,173)
Financing cost paid	(6,935)	(11,025)
Cash provided by financing activities	327,231	855,550
Investing activities		
Other receivable		22,400
Cash provided by investing activities	-	22,400
Increase (decrease) in cash	(24,629)	19,498
Cash, beginning of period	32,429	12,931
Cash, end of period	7,800	32,429
Non-cash activities:		
Shares issued for technology	-	3,060,000
Settled short-term loans with other receivables	-	222,600
Fair value of shares issued for debt settlement	1,746,883	51,974
Fair value of shares issued for interest expense	483	-
Shares to be issued to settle debts	32,000	-
Fair value of warrants allocated	2,130	-
Long-term note payable matured as due on demand loan	100,000	-

See accompanying notes to financial statements

CIELO WASTE SOLUTIONS CORP. (formerly Cielo Gold Corp.)

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At April 30, 2016, the Company had not yet achieved profitable operations, had accumulated losses of \$9,328,956 since its inception, and had a working capital deficit of (\$1,424,531), 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.

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

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

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

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

Going concern

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

Present value of long-term liabilities

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

Determination of functional currency

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

Income taxes

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

Share-based payments

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

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

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of intellectual property

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

Impairment of intellectual property

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

b) Cash equivalents

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at April 30, 2016 and 2015, 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.

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

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

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.

The Company has classified its financial instruments as follows:

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

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

<u>Financial Instrument</u>	<u>Classification</u>
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").

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

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

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Non-financial assets (continued)

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.

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.

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

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Provisions (continued)

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

m) Research and development expenditures

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

n) Changes in accounting policies and recent accounting pronouncements

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

(i) Financial instruments

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

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

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

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. At the time of entry into the BHBD Interim Agreement, neither party had any directors or officers in common and the transaction was arm’s length.

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

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

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

1. Based on management’s evaluation at the time of the acquisition, the technology was very unique but required significantly more development in order to be ready for building and commercial production; and thus the input characteristic is still not well defined.
2. No other assets, employees, etc. were acquired so this would need to be facilitated and funded by Cielo.
3. The purchase price was paid in shares rather than in cash.

Taking all of the above into consideration, it is concluded that fair value of total shares issued in the amount of \$3,680,000 plus assumption of \$1,500,933 in related liabilities for total of \$5,180,933 was the fair market value for the assets being acquired. Taking into consideration the fact that the technology is still not fully developed which requires significantly more development work and the input is not yet identifiable, this acquisition was considered as an asset acquisition.

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4. INTELLECTUAL PROPERTY ASSETS (continued)

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

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

The Company has reassessed the impairment indicator existed as of April 30, 2015 and concluded that, due to the assets in idle stage awaiting for further development, the intellectual property has been impaired as of April 30, 2015 and the value should have been written down to \$1.00. The impairment evaluation as at April 30, 2016 remains as effective (Note 17).

5. EXPLORATION AND EVALUATION ASSETS

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

6. LOANS PAYABLE

The balance of short-term loans payable as at April 30, 2016 is comprised of the following:

- \$54,602 in loans from third parties (2015 - \$125,402). These loans are unsecured, due on demand with interest at 0% to 14.85% per annum, except for a loan for \$25,000 which is secured by the estate, property and interest in chattels and/or personal property of two vehicles personally owned by Mr. Don Allan, the Chief Executive Officer of the Company, due on demand, with monthly interest at 1% payable monthly. The secured loan for \$25,000 was settled into shares during the year ended April 30, 2016. A total of \$15,102 (2015 - \$9,233) in interest on these loans has been accrued as at April 30, 2016.
- \$973,243 in loans from related parties as below:

	<u>April 30, 2016</u>	<u>April 30, 2015</u>
Blue Horizon Industries ("BHI")	\$ 112,055	\$ 117,548
Doug Allan, related to Don Allan	52,000	52,000
Blue Horizon Bio-Diesel ("BHBD")	-	913,923
Blue Horizon Energy ("BHE")	114,912	806,513
1888711 Alberta Inc.	199,228	100,000
Don Allan	392,548	512,163
Jason Christensen	2,500	-
Don Allan – Note payable matures, due on demand, at annual interest of 5% starting from May 1, 2016	100,000	-
	<u>\$ 973,243</u>	<u>\$ 2,502,147</u>

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6. LOANS PAYABLE (continued)

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

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

The balance of long-term loans payable as at April 30, 2016 is comprised of the following:

\$ Nil in a loan from BHI a company related by Don Allan, a director and officer of both companies (2015 \$Nil). 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 BHI by April 30, 2015 per mutual agreement and resulted in a loss of \$11,637.

\$Nil in a loan from Don Allan, a director and officer of the Company (2015 - \$90,508). 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, As at April 30, 2016, this loan has become due on demand with no fixed terms of repayment and bears annual interest of 5%. (See short-term loans schedule above).

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

These loans were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 14.85% per annum (2015 – 14.85% per annum). The debt discount of \$19,333 was credited to contributed surplus, debited to loans payable and being amortized over the term of the loans.

During the year ended April 30, 2016, the Company accrued an interest and accretion expenses of \$15,735 (2015 - \$24,959) in connection with the long-term loans.

7. CONVERTIBLE DEBENTURES

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.

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

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7. CONVERTIBLE DEBENTURES (continued)

During the year-ended April 30, 2016, the Company closed a second and third tranche and issued a total of \$150,000 of convertible debentures under the same terms as tranche one. The amortized cost of the long-term liability component was accounted for using the effective interest rate method at 14.85% per annum. The equity component was assigned the residual amount of \$6,027 after deducting the financing cost of \$6,935 and was allocated to the liability component only as the allocation to the equity component was immaterial.

The above convertible debentures are secured by general security agreements (the “GSAs”). The GSAs will provide for a first ranking charge over all assets of the Company except for a demonstration plant the Company intends to acquire/lease, if such acquisition or lease occurs, where the debenture holders will receive a second ranking behind any previously secured lender, if applicable.

Accretion expenses on above convertible debentures of \$3,448 was charged to the operation during the year-ended April 30, 2016 (2015 - \$134).

8. SHARE CAPITAL

- a. Authorized: unlimited number of common shares without par value
unlimited Class B preferred shares without par value (none issued and outstanding)
- b. Issued and Outstanding:
 - (i) As of April 30, 2016, Nil share purchase warrants were exercised since the year ending April 30, 2015.
 - (ii) On July 18, 2014, the Company issued 18,000,000 common shares (2014 – 3,000,000 common shares) at fair values of \$3,060,000, using the closing trading price on the same date (2014 - \$620,000) for a part of an acquisition of intellectual property asset (Note 4).
 - (iii) On June 27, 2014, the Company issued 1,130,334 common shares by cash through non-brokered private placements under an offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of \$0.15 per unit. Warrants were assigned with value of \$Nil based on residual value of method.
 - (iv) On July 23, 2014, the Company issued 685,334 common shares by cash through non-brokered private placements an offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of \$0.15 per unit. Warrants were assigned with value of \$Nil based on residual value of method.
 - (v) On July 23, 2014, the Company issued 100,000 common shares at a fair value of \$14,000, using the closing trading price on the same date, to settle debt of \$25,000 which resulted in a gain of \$11,000.
 - (vi) On August 28, 2014, the Company issued 531,039 common shares by cash through non-brokered private placements an offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of \$0.15 per unit. Warrants were assigned with value of \$Nil based on residual value of method.
 - (vii) On July 16, 2015, the Company issued 33,000 common shares by cash through non-brokered private placements under an offering of units, each consisting of one common share and one half of one share purchase warrant, at a subscription price of \$0.15 per unit. Warrants were assigned with value of \$2,310 based on residual value of method.

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8. SHARE CAPITAL (continued)

- (viii) On July 16, 2015, 398,333 units were also issued at a fair value of \$3,983, using the closing trading price on the same date, to settle loans owing to Don Allan in the amount of \$52,500 and to settle interest payments owing to a third party in the amount of \$7,250 and resulted in a gain of \$55,767.
- (ix) On November 4, 2015, the Company issued 4,794,580 common shares at fair value of \$119,865, using the closing trading price on the same date, to settle accounts payable in the amount of \$239,729 and resulted gain on debt settlements of \$119,865.
- (x) On November 27, 2015, the Company issued 25,049,353 common shares at fair value of \$1,001,974, using the closing trading price on the same date, to settle related party loans owing to BHBD and BHE in the amount of \$913,923 and \$338,545 respectively and resulted gain on debt settlements of \$250,494.
- (xi) On December 18, 2015, the Company issued 12,430,880 common shares at fair value of \$621,544, using the closing trading price on the same date, to settle related party loans owing to BHE and to settle accounts payable in the amount of \$548,544 and \$73,000 respectively. No gain or loss was resulted from these debt settlements.
- (xii) During the year-ended April 30, 2016, the Company settled a \$25,000 short term secured loan and a \$7,000 short term unsecured loan into shares of the Company at deemed value of \$0.05 per common share. These shares were issued subsequent to the year-end April 30, 2016 (See Note 16).

9. WARRANTS

During the year-ended April 30, 2016, the Company issued an additional 215,667 share purchase warrants. As of April 30, 2016, the Company had 1,389,021 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 July 16, 2017. Warrants issued as private placement units during 2016 were valued using the residual value method of \$2,310.

During the year-ended April 30, 2015, 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.

10. 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.

No other options have been granted during the year-ended April 30, 2015 and 2016.

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10. STOCK OPTION (continued)

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.

Continuity of the Company’s option is as follows:

	Number	Weighted average exercise price
Balance, April 30, 2015	280,000	\$ 0.25
Balance, April 30, 2016	280,000	\$ 0.25

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.

11. INCOME TAX

At April 30, 2015, the Company has non capital losses carried forward for Canadian income tax purposes totalling approximately \$3,423,000 which will expire from 2031 to 2036 and may be applied against future taxable income. The Company also has approximately \$470,000 of capital losses that may be carried forward and applied against future capital gains. In addition, the Company has approximately \$13,000 of exploration and development costs which are available for deduction against future income for tax purposes. At April 30, 2016, 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, 2016	Year Ended April 30, 2015
	\$	\$
Loss for the year	(191,745)	(1,279,433)
Expected income tax recovery at statutory rates of 26% (2015 – 26%)	(49,854)	(332,653)
Permanent items	(107,622)	11,948
Temporary income tax items not recognized	-	-
Effect of changes in tax rates	-	(1,374)
Current and prior tax attributes not recognized	157,476	322,079
	-	-

The components of deferred tax assets are as follows:

	Year Ended April 30, 2016	Year Ended April 30, 2015
Deferred tax assets		
Non-capital losses and capital loss carried forward	1,073,678	916,202
Mineral properties	3,263	3,263
Less: Unrecognized deferred tax assets	(1,076,941)	(919,465)
Net deferred tax assets	-	-

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12. RELATED PARTY TRANSACTIONS

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

Accounts payable and accrued liabilities balances at April 30, 2016 outstanding to officers and directors of the Company in the amount of \$NIL (2015 - \$Nil). Management fee payable, included in accounts payable and accrued liabilities balances, to a company related by a common director was at \$Nil (2015 - \$67,000).

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

Management fees of \$Nil (2015 - \$514,110), office expense of \$Nil (2015 - \$61), rent expense of \$Nil (2015 - \$8,857), and telephone expense of \$Nil (2015 - \$2,471) were paid and or are payable to BHI and 1888711 Alberta Inc., companies related by Don Allan, a common director and officer of both companies. Consulting expense of \$Nil (2015 - \$196,148) and professional expense of \$517 (2015 - \$35,000) were paid and or are payable to previous members of management of the Company working as consultants during the year.

Office expense of \$1,635 (2015 - \$Nil), salaries and benefits of \$7,435 (2015 - \$Nil), professional fees of \$4,648 (2015 - \$Nil), rent expense of \$22,723 (2015 - \$Nil) and telephone expense of \$2,233 (2015 - \$Nil) were charged back to 1888711 Alberta Inc., a company related by Don Allan, a common director and officer.

The Company also received \$150,000 (2015 - \$100,000) on behalf of 1888711 Alberta Inc. ("1888") from investors of convertible debenture and the amounts were charged to loan payable to 1888711 Alberta Inc. (See Note 6). The Company reduced the loan account by deducting the total charge back of expenses plus GST of \$40,004 and also repaid a loan of \$10,768 to 1888. As of April 30, 2016, the loan payable balance still owing to 1888 was \$199,228. This loan as described in Note 6, is unsecured, non-interest bearing with no fixed terms of repayment.

Professional fees of \$2,500 (2015 - \$Nil) was incurred to the Chief Financial Officer and the amount was included as short term loan payable (See Note 6).

The Company has identified its directors and senior officers as its key management personnel. Short-term compensation earned directly during 2016 by key management was \$2,500 (2015 - \$Nil). No post-employment benefits, other long-term benefits and termination benefits were made during 2016 and 2015.

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

13. 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

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13. CAPITAL DISCLOSURES (continued)

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

The Company has not changed its approach in managing its capital as of the year ending April 30, 2016.

14. 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, 2016, the Company had cash balance of \$7,800 and working capital deficit of \$1,424,531. 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 ending April 30, 2016 is not significant.

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

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14. 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, 2016 and 2015:

	As at April 30, 2016		
	Level 1	Level 2	Level 3
Cash	\$ 7,800	\$ -	\$ -

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

15. COMMITMENTS

On March 4, 2016, the Company signed a long-term lease for 2.09 acres and a Right Of First Refusal on an additional 8 acres, located in Edmonton, Alberta. The lease was signed with Symmetry Asset Management Inc., for five years with a multiyear extension. The Company will be paying \$9,132.50 for the 2.09 acres per month and begins no later than October 31, 2016.

16. SUBSEQUENT EVENTS

- On June 15, 2016, the Company announced that it has signed a World Exclusive License Agreement dated June 14, 2016 (the "License Agreement") with 1888711 Alberta Inc. ("1888711") for the further development of its renewable diesel refinery technology.

Pursuant to the License Agreement, the Company has granted a worldwide exclusive license to 18887711 to complete development and engineering of the intellectual property assets it had acquired in or around July 2014 from Blue Horizon Biodiesel Inc. (the "IP Assets"). 18887711 has already begun to complete the development and engineering and anticipates to be able to be ready to

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16. SUBSEQUENT EVENTS (continued)

build the refineries in 2016. At that time, the IP Assets will be a complete technology (the "Technology"), ready for patenting and turning into refineries for production, sale and licensing (the "Refineries").

Further pursuant to the License Agreement, the Company has obtained from 1888711 an exclusive and perpetual license to commercialize the Technology, which will be done by building Refineries for the production of renewable diesel as well as sublicensing the Technology to third parties to build Refineries.

The Company has agreed to pay royalties and commissions to 1888711 from the commercialization of the Technology. Specifically, 1888711 will be entitled to receive: a) a royalty of \$0.05 on every litre produced worldwide arising from the Technology (the "Royalty Payments"); b) \$500,000 for each of the second through eleventh refineries put into production by the Company (aggregate \$5,000,000); and c) \$400,000 for each refinery put into production thereafter (the payments in (b) and (c) referred to as the "Commission Payments").

The Company will be entitled to terminate the Royalty Payments any time after 3 years of the building of such Refinery by making a payment of \$1,200,000 per Refinery and to terminate the Commission Payments any time after 3 years from the date of the building of such Refinery by making a payment of \$1,200,000 per Refinery.

The Company has also been granted a right of first refusal to purchase the Technology, all intellectually property and any and all patents relating to this technology for an amount equal to \$3,000,000.

- b. The Company settled \$77,500 of debts by issuing 1,550,000 common shares of the Company, at a deemed price of \$0.05 per share.
- c. The Company announced closing of the first tranche of its non-brokered private placement offering of up to \$1,000,000 in secured convertible debentures (the "Convertible Debentures"), and received \$20,000 from this tranche.

The Debentures bear an interest rate of 15% per annum, mature 36 months from the date of issuance and are convertible at the option of the debenture holder at any time before maturity at an exercise price of \$0.10 per common share.

- d. The Company settled \$7,000 of debts by issuing 140,000 common shares of the Company, at a deemed price of \$0.05 per share.
- e. 565,168 warrants with exercise price of \$0.25 per share expired, unexercised.

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17. RESTATEMENT

During the year ended April 30, 2016, the Company discovered an accounting error such that fair value of 18,000,000 common shares issued on July 18, 2014 to complete the acquisition of the intellectual property should have been valued at \$0.17 instead of \$0.20 per share. As a result, share capital and intellectual property prior to any impairment as of April 30, 2015 was overstated by \$540,000. The resulting value of intellectual property should have been \$5,180,933 instead of \$5,720,933, prior to any impairment. The Company further reassessed that the intellectual property as of April 30, 2015 should have been impaired due to the asset was in idle stage in need for further development. The Company therefore restated the value of the intellectual property as of April 30, 2015 to be at nominal value of \$1 and should have included an impairment charge of \$5,180,932 to its statements of operation for the year ended April 30, 2015 (Note 4). The above error and reassessment was corrected in 2016 and resulted in a restatement of its statements of financial position, statement of loss and comprehensive loss and statements of changes in shareholders' equity (deficiency) for 2015.

The effect of the restatement is shown as follows:

	As Previously Reported	Adjustment	As Restated
<u>Statements of Financial Position as at April 30, 2015:</u>			
Intellectual property assets	\$ 5,720,933	\$ (5,720,932)	\$ 1
Total assets	\$ 5,776,202	\$ (5,720,932)	\$ 55,270
Share capital	\$ 5,567,669	\$ (540,000)	\$ 5,027,669
Deficit	\$ (3,956,279)	\$ (5,180,932)	\$ (9,137,211)
Total shareholders' equity	\$ 2,388,856	\$ (5,720,932)	\$ (3,332,076)
Total liabilities and shareholders' equity (deficiency)	\$ 5,776,202	\$ (5,720,932)	\$ 55,270
	As Previously Reported	Adjustment	As Restated
<u>Statements of Loss and Comprehensive Loss for year ended April 30, 2015:</u>			
Impairment on intellectual property	\$ -	\$ (5,180,932)	\$ (5,180,932)
Loss and comprehensive loss for the year	\$ (1,279,433)	\$ (5,180,932)	\$ (6,460,365)
Loss per share – basic and diluted	\$ (0.03)	\$ (0.11)	\$ (0.14)
Deficit	\$ (3,956,279)	\$ (5,180,932)	\$ (9,137,211)
	As Previously Reported	Adjustment	As Restated
<u>Statement of Changes in Shareholders' Equity/(Deficiency) as at April 30, 2015:</u>			
Shares issued for technology	\$ 3,600,000	\$ (540,000)	\$ 3,060,000
Loss for the year	\$ (1,279,433)	\$ (5,180,932)	\$ (6,460,365)
Total share capital	\$ 5,567,669	\$ (540,000)	\$ 5,027,669
Total deficit	\$ (3,956,279)	\$ (5,180,932)	\$ (9,137,211)
Total shareholders' equity (deficiency)	\$ 2,388,856	\$ (5,720,932)	\$ (3,332,076)

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

Notes to the Financial Statements

April 30, 2016

(Expressed in Canadian dollars)

17. RESTATEMENT (continued)

	As Previously Reported	Adjustment	As Restated
<u>Statement of Cash Flows for Year Ended April 30, 2015:</u>			
Loss for the year	\$ (1,279,433)	\$ (5,180,932)	\$ (6,460,365)
Items not involving cash - Impairment on intellectual property	\$ -	\$ (5,180,932)	\$ (5,180,932)
Non-cash activities:			
Shares issued for technology	\$ 3,600,000	\$ (540,000)	\$ 3,060,000