



**CIELO**

Window to a Cleaner World™

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**QUARTERLY HIGHLIGHTS**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2020**

## **CIELO WASTE SOLUTIONS CORP.**

### **Management's Discussion and Analysis – Quarterly Highlights**

**Nine Months Ended January 31, 2020**

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#### **Notice to Reader**

The following is management's discussion and analysis – quarterly highlights (“MD&A”) in respect of the results of operations and financial position of CIELO WASTE SOLUTIONS CORP. (the “Company” or “Cielo”) for the nine months ended January 31, 2020 and 2019. The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”), and presented in Canadian dollars, which is the Company’s functional currency. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company are available on SEDAR and may be accessed at [www.sedar.com](http://www.sedar.com).

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51- 102F1, in accordance with National Instrument 51- 102 – Continuous Disclosure Obligations. It should be read in conjunction with the Company’s audited annual financial statements for the year ended April 30, 2019, together with the notes thereto, and the accompanying unaudited interim condensed financial statements and related notes for the nine months ended January 31, 2020.

#### **Forward Looking Statements**

The information presented in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward-looking statements" or "forward-looking information" (collectively "forward-looking statements") as those terms are used in securities laws applicable in Canada.

These forward-looking statements also include, but are not limited to, factors that may affect our ability to achieve our objectives and to successfully develop and commercialize our renewable diesel refineries.

Such forward-looking statements, including but not limited to those with respect to the price of renewable fuels, the timing and amount of estimated future economic and viability of refining projects, capital expenditures, costs and timing of refining projects, permitting timelines, title to refining projects, the timing and possible outcome of pending refining projects and other factors and events described in this MD&A involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The reader should verify all claims and do their own due diligence before investing in any securities mentioned or implied in this document. Investing in securities is speculative and carries a high degree of risk.

These statements are based on management’s current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Forward-looking statements are based on management’s current plans, estimates, projections, beliefs, and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.

#### **Date of Report**

The information in this report is presented as of March 13, 2020.

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#### **ABOUT CIELO**

Cielo Waste Solutions Corp. (“Cielo” or the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on February 2, 2011 as a wholly owned subsidiary of Arris Holdings Inc. (“AHI”). Pursuant to an arrangement agreement with AHI dated March 1, 2011 and the supplement to the arrangement agreement dated June 9, 2011, (collectively the “Arrangement Agreement”), the Company spun out from AHI and became a reporting issuer after the Arrangement Agreement became effective on June 9, 2011 (“Effective Date”). Commencing August 3, 2011, the Company’s common shares started trading on Canadian Stock Exchange (“CSE”) under the symbol CMC. Commencing December 9, 2019, the Company’s common shares started trading on the OTCQB Venture Market (“OTCQB”) under the symbol CEIWF. The symbol was updated to CWSFF on December 17, 2019.

The principal and registered office of the Company is located at 610 – 475 West Georgia Street, Vancouver, BC V6B 4M9.

Originally a mineral property acquisition and development company, a change in the board of directors in June 2013 resulted in a new direction for the Company. The Company's strategic focus is on the refining of municipal and construction waste into a renewable diesel fuel. The Company changed its name to Cielo Waste Solutions Corp. on August 12, 2013 to more clearly identify its focus on renewable diesel and waste solutions.

#### **CORPORATE OVERVIEW AND OVERALL PERFORMANCE**

Since the Company’s fundamental change of business to renewable diesel refining, the Board of Directors and management of the Company have been working toward commercializing its proprietary technology to allow it to enter the fast and growing waste industry by refining landfill and municipal and commercial waste into a high quality renewable diesel. Cielo has identified opportunities throughout the world and is poised to capitalize on these and local opportunities. While Cielo has generally not been taking purchase orders while focusing on the construction and commissioning of its first commercial refinery, the Company has continued to communicate with those who had previously submitted purchase orders or expressed interest to facilitate revenues upon the completion of the commissioning phase.

Cielo has also started acting on interest expressed by third parties with respect to potential joint venture opportunities, which management believes will allow for easier financing of additional refineries. Management believes that entering into such agreements effectively removes the financing and scale-up risk associated with those refineries (in particular the next couple to be built) and allows the Company to earn profits as well as ongoing management fees during both the construction and operation of such joint venture refineries. See below for additional detail on existing memorandums of understanding for potential joint ventures.

Cielo had planned two phases (Phases I and II) for reaching optimal production output in creating a blueprint for its refineries. Cielo’s initial plan for Phase I was to build a refinery targeting a nominal production rate of 356 litres per hour and, for Phase II, Cielo had considered building a second refinery, targeting a production rate of 1824 litres per hour. During the year ended April 30, 2018, Cielo focused on the construction of its first commercial refinery and, following the end of the year ended April 30, 2018, Cielo completed construction for Phase I and began the Phase I commissioning stage. As Cielo progresses through this Phase I commissioning stage, modifications to both design and construction intended to improve the processes

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continue to be made. Continued improvements have increased targeted outputs from 356 litres per hour to between 500 and 1,000 litres per hour. With respect to Phase II, management then determined that it would be more efficient to upgrade the current refinery to a greater capacity, targeting outputs of between 1,800 and 2,000 litres per hour, such that all Cielo refineries would produce at least at this rate at a minimum. More recently, management has increased its targeted outputs for future refineries other than the Aldersyde refinery to 4,000 litres per hour. The Company has decided that there is enough feedstock available at each new location announced to fabricate and commission two 2,000 lph refineries. However, upon review with engineering and contractors, it has been determined that it would likely be simple and more economical (capex) for Cielo to scale up to a single 4,000 lph from 2,000 lph in each new location.

In order to run the refineries on a continuous flow basis, and not in a two-step process, Cielo needs to be able to generate and maintain more heat throughout the reactor and distillation towers and ancillary equipment, which Cielo originally planned would be achieved by purchasing and installing a second boiler and re-engineering the existing boiler, which was indicated in the Management's Discussion and Analysis for the six-month period ended October 31, 2018. However, Cielo's internal engineering and design team analyzed and determined that it would be substantially more effective and efficient to move from a hot oil boiler to electric heat. Cielo's engineering team believes that electric heat has many advantages, some of which include much higher temperatures, less capex to purchase, ease of operations and precise temperature controls. The higher temperatures allow Cielo to substantially increase the biomass feedstock percentage, which will also increase production, hydrogen & renewable content, increase centane and greatly reduce the sulfur content. Cielo has implemented this new electric system however the extra cost and time to do so has delayed the intended timeline for commercialization. Cielo is also currently focused on the desulfurization process. To date, the Company has produced approximately 50,000 liters of renewable naphtha, kerosene, and high- grade diesel and is stored on site. It plans to sell a portion of the fuels, which contain sulfur, to interested parties, and to retain some of this inventory until it has been desulfurized. Cielo is working with a third- party desulfurization company as well as a large engineering firm to finalize this process.

During the year ended April 30, 2019, Cielo made notable strides in furthering the commercialization of its technology. Cielo announced the beginning of its commissioning process (June/July 2018), the first production of raw distillate made from wood waste feedstock (August 2018), the first conversion of raw distillate into renewable fuels, including naphtha, kerosene and diesel (November 2018) and its first sale of diesel (April 2019), selling 3,000 liters of diesel (the purchaser had committed to the purchase of 5,000 liters but acquired 3,000 liters prior to the year ended April 30, 2019, returning for an additional 3,000 liters for an aggregate 6,000 litres on or about May 2<sup>nd</sup>, 2019).

In the nine months ended January 31, 2020, on July 11, 2019, Cielo held its Grand Opening, with close to 400 people attending. Dozens of tours were conducted showcasing its first refinery running on a continuous-flow basis, producing renewable diesel and naphtha. 100% of the garbage left at the site was collected, including plastic utensils, paper plates, plastic beer cups and food waste, all of which will be used as part of the supply of feedstock to produce more renewable diesel. During the Grand Opening, Cielo was able to demonstrate the ability of the Company's initial refinery to process waste on a continuous flow basis following the successful modification to an electric heat system and waste process. Since the Grand Opening, Cielo has added equipment to grind multiple feedstocks, which include plastics, and has also been commissioning the new equipment. Following these implementations, Cielo has been in continuous flow production since January 7, 2020. Cielo has started production at approximately 30-100lph and intends to slowly ramp it up to 1,000lph with the addition and modification of equipment. In 2020, Cielo plans to complete the final step of Phase I, which may include the addition of desulfurization equipment in the summer of 2020. Once

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1000lph has been reached, Cielo will begin Phase II at the refinery in Aldersyde, which is the addition of extra equipment to increase the productivity to 2,000 lph.

Highlights for the nine-month period ended January 31, 2020 include:

1. Since the Grand Opening in July, the Company has been refining and honing the process and technology in preparation for consistent production, including the installation of instrumentation and automation components to allow for accurate measurements of both feedstock input and renewable fuel output. The majority of these design enhancements have been installed and are currently being tested and commissioned. Cielo began continuously producing distillate from wood waste, twenty-four hours a day, seven days a week ("24/7") on January 7, 2020. Cielo hired five new refinery operators to its staff, who are overseeing operations 24/7.
2. The new heater system that Cielo implemented to efficiently maintain the temperature in the refinery's reactor tower, disclosed in recent months, is working 90% and is proving to keep up with the Company's waste-to-fuel process. The waste recovery system is also now operating and proving to recover significantly more of the catalyst and hydrocarbons, which Cielo believes will increase production and reduce operational costs. Adding the pre-heat and sterilization step to the use of the Used Motor Oil has increased the renewable content of the renewable fuels that the Company will be producing. Cielo is now implementing upgrades to both the reactor and waste line, as well as the infeed hoppers to better stream line the continuous flow production.
3. Cielo received confirmation from a third-party laboratory that the Company's work on desulfurization has been successful and that the renewable diesel can be effectively processed onsite into what will be a saleable product for the highway grade blended mandated market. Cielo is very focused on this final step in the process. While Cielo is also working with a second desulfurization company, it has continued to look at alternate process opportunities. The 2<sup>nd</sup> desulfurization company has now removed 40% of the sulfur but is still working on removing more. Cielo has now engaged the local university, which has developed a desulfurization process they believe would be ideal for Cielo. These tests will continue over the next few months. Management is not concerned with the timing, as management believes Cielo has a current market for its sulfur diesel and intends to begin to begin these sales shortly.
4. As a result of the changes in the frontend process that were implemented, Cielo sought approval of an amendment to Cielo's current permit from Alberta Environment & Parks ("AEP") before the commencement of full scale commercial production. This approval was received in November 2019 for changes that relate to Cielo's proprietary design process, including the installation of electric heat on the exterior of the reactor, as well as to waste handling upgrades and other process enhancements that are now in place at the Company's refinery. Cielo's management is confident that these enhancements will result in the ability to convert larger volumes of waste into high grade renewable fuels on a continuous-flow-basis.
5. Cielo continues to be engaged in meaningful dialogue with Alberta Environment and Parks ("AEP") with respect to securing amendments to the Company's operating permit that, once in place, will allow Cielo to process additional waste feedstocks into high grade renewable diesel at the Aldersyde Facility. Pending such amendments, Cielo expects to immediately request delivery of trail amounts of single use plastics from the City of Calgary for processing at the Aldersyde Facility. These plastics

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are similar to those problematic waste materials currently being disposed of by municipalities across North America into landfills due to a lack of viable and cost-effective alternatives.

6. On July 30, 2019, the Company announced that it had entered into a binding Memorandum of Understanding with Renewable U Lethbridge Inc. (“Renewable U LA”) for the territory of Lethbridge, Alberta. The terms are substantially the same as those set out in the four (4) previously announced joint venture memorandums of understanding.
7. On November 28, 2019, the Company announced it had entered into a Supply of Services Agreement with Canadian Pacific effective October 31, 2019, which will expire on October 31, 2025. Pursuant to the terms of the agreement, Cielo anticipates that CP will provide a minimum of 2,500,000 ties to be used as feedstock.
8. On January 7, 2020, the Company began operating full-time on a continuous-flow basis, producing naphtha and diesel from wood biomass. The Aldersyde refinery is operating at approximately 30-100 lph. Production will be increased as operational staff is trained.
9. On January 9, 2020, the Company announced that Renewable U had executed a Memorandum of Understanding for the city of Halifax, Nova Scotia. The Company agreed to reallocate the \$250,000 joint venture fee previously paid with respect to the Memorandum of Understanding for Brooks, Alberta (the “Brooks MOU”). As of January 8, 2020, the Brooks MOU has been terminated. The terms of the Halifax MOU are substantially the same or similar terms to the contemplated joint venture refineries in Grande Prairie and Medicine Hat.

See section entitled “Financial Transactions” for details of the Company’s convertible debenture offerings.

For further details of the terms and conditions of any above-referenced agreements or announcements, please review the Company’s filings on SEDAR.

## **RESULTS OF OPERATIONS**

### **Nine Months Ended January 31, 2020 (“January 31, 2020 Interim Financial Statements”)**

The loss for the nine months ended January 31, 2020 (\$4,887,717), compared to the same period in 2019 (\$2,433,597), was mainly a result of the increased activity related to the Phase I restart and commissioning of the Company’s first commercial refinery, which required the engagement of additional personnel, as well as the securing of additional financing including a loss on settlement of prepaid interest on convertible debt. In particular, the increase in loss was the combined result of the following operating expenditures: \$318,121 for advertising and promotion (2019-\$53,013), \$681,974 for consulting fees (2019-\$198,193), \$1,022,430 in development expense (2019-\$583,049), \$297,810 for office administration expenses (2019 - \$107,116), \$893,956 for interest and accretion expense (2019-\$444,437), \$64,739 for trust and filing fees (2019 - \$33,868), \$168,516 of amortization on deferred finance charges (2019-\$52,167), and \$451,597 in Loss on settlement of debt (2018 -\$266,903 gain).

Revenue for the nine months ended January 31, 2020 was \$3,000, compared to \$Nil on January 31, 2019, as the Company has not yet begun earning revenues on a regular basis from ongoing production.

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### Management's Discussion and Analysis – Quarterly Highlights Nine Months Ended January 31, 2020

On January 31, 2020, the Company's main assets and liabilities were:

Cash - \$160,524 (2019 - \$26,495);  
Prepaid expenses - \$1,227,739 (2019 - \$65,401);  
Due From Affiliated companies \$78,058 (2019-\$6,747)  
Inventory-\$208,260 (2019-\$84,007)  
Property plant and equipment -\$14,819,594 (2019-9,956,300)  
Accounts payable and accrued liabilities - \$4,387,255 (2019 - \$2,239,288);  
Due to Shareholder - \$1,089 (2019 \$367,842)  
Short-term loans payable -\$25,426 (2019 - \$522,494)  
Long-term loans payable, including convertible debts -\$6,696,550 (2019-\$2,956,687)  
Royalty Payable-\$835,528 (2019-\$720,837)  
Due to Affiliated companies -\$Nil (2019 -\$8,029)

### QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly information. It has been derived from the audited financial statements and the unaudited interim financial statements of Cielo. This summary should be read in conjunction with audited financial statements and unaudited interim financial statements of Cielo as contained in the public record for the relevant periods.

Quarterly Financial Information	31-Jan	31-Oct	31-Jul	30-Apr	31-Jan	31-Oct	31-Jul	30-Apr
	2020	2019	2019	2019	2019	2018	2018	2018
<b>Operating data:</b>	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	NIL	NIL	3,000	3,000	NIL	NIL	NIL	NIL
Operating Expenses	1,720,609	1,637,993	1,077,518	336,065	1,235,968	823,102	641,415	338,248
Net Earnings (loss)	(2,103,310)	(1,637,993)	(1,146,414)	(332,593)	(890,080)	(823,656)	(719,846)	(338,462)
<b>Balance sheet data:</b>								
Total assets	16,670,756	16,650,152	15,985,207	11,926,972	10,224,292	9,917,865	7,356,269	5,472,723
Total current liabilities	6,088,060	5,651,749	4,146,503	5,825,468	3,680,158	4,214,243	1,956,282	1,734,108

### Explanation of Quarterly Variances.

The loss for the three-month period ended January 31, 2020, which was \$2,103,310, consisted of \$38,856 of management fees (2019-\$141,173), \$138,162 of salaries and benefits (2019-\$123,369), \$321,587 of interest and accretion expenses (2019-\$156,984), \$133,497 of office and administrative expenses (2019-

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\$38,025), \$42,757 of amortization of property plant and equipment expenses (2019-\$42,321), \$65,295 of professional fees (2018-\$51,027), \$318,843 of consulting expenses (2019-\$25,555), \$489,978 development expenses (2019-\$583,049), \$56,159 of advertising and promotion (2019-\$32,243), \$76,328 of amortization on deferred finance charges (2019-\$17,390) , (\$382,701) loss on settlement of debt (2019 \$345,888 Gain) and \$39,147 of other expenses (2019-\$24,652), including, bank charges, bad debts agent fees and travel.

Revenue for the three months ended January 31, 2020 was \$Nil, compared to \$NIL for the 3 months ended January 31, 2019.

The increase in the loss for the three-month period ended January 31, 2020 (\$2,103,310) (2019 – (\$890,080)) can be attributed to several factors: 1) in 2020 the Company incurred \$382,701 in loss on settlement of debt compared to (2019 - \$345,888 gain) due to early conversion of convertible debt which 2 years of interest was prepaid and expensed in the quarter ; 2) the Company had increased consulting expense of \$318,843(2019-\$ 25,555) due to investor relations changes and activity; 3) the Company incurred increased interest and accretion expenses of \$321,587 (2019-\$156,984) attributed to interest charged on the convertible debentures issued in the same quarter; and 4), the Company had increased office and administration expense \$133,497 (2019-\$38,025) due to increased insurance charges with the operation of the Aldersyde plant.

#### **LIQUIDITY AND CAPITAL RESOURCES**

As at January 31, 2020, the Company had \$160,524 cash, and working capital deficit of \$(4,236,899). The Company is not subject to external working capital requirements.

During the nine months ended January 31, 2020, the Company used \$2,145,348 in operating activities mainly due to increased losses due to increased development expense incurred while preparing production. The Company received \$5,988,157 inflow from its financing activities mainly through the proceeds of the Convertible Debenture Unit Offerings (see “Financial Transactions” for more detail).

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

#### **CONTINGENCIES / LEGAL PROCEEDINGS**

The Company does not have any legal proceedings.

#### **FINANCIAL TRANSACTIONS**

1. On May 7, 2019, the Company announced a private placement offering (the “A Convertible Debenture Offering”) of convertible debenture units (the “A Convertible Debenture Units”). The A Convertible Debentures Units each consist of one (1) \$1,000 unsecured convertible debenture (the “A Debentures”) and 500 share purchase warrants (the “A Warrants”). The A Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the “A Prepaid Interest”) on the date of issuance of the A Debentures (the “A Issue Date”) by the issuance of common shares (the “A Prepaid Interest Shares”) at a price of \$0.10 per A Prepaid Interest Share. The principal of the A Debentures (the “A Principal”) together with all accrued interest exceeding the A Prepaid Interest (the “A Interest Balance”) will be repaid 48 months from the A Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after

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four months and a day following the A Issue Date at a price of \$0.06 for the A Principal and \$0.10 for the A Interest Balance.

Throughout the A Convertible Debenture Offering, Cielo issued 512,175 A Convertible Debenture Units, consisting of \$5,121,750 in A Convertible Debentures, 2,560,625 A Warrants, and 15,363,750 A Prepaid Interest Shares, for aggregate gross proceeds of \$5,121,750.

2. On October 11, 2019, the Company announced a private placement offering (the "B Convertible Debenture Offering", together with the A Convertible Debenture Offering, collectively the "Convertible Debenture Offerings") of convertible debenture units (the "B Convertible Debenture Units", together with the A Convertible Debenture Units, collectively the "2019 Convertible

Debenture Units"). The B Convertible Debentures Units each consist of one (1) \$1,000 unsecured convertible debenture (the "B Debentures") and 500 share purchase warrants (the "B Warrants"). The B Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the "B Prepaid Interest", together with the A Prepaid Interest, collectively the "Prepaid Interest") on the date of issuance of the B Debentures (the "B Issue Date") by the issuance of common shares (the "B Prepaid Interest Shares", together with the A Prepaid Interest Shares, collectively the "Prepaid Interest Shares") at a price of \$0.12 per B Prepaid Interest Share. The principal of the B Debentures (the "B Principal") together with all accrued interest exceeding the B

Prepaid Interest (the "B Interest Balance") will be repaid 48 months from the B Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the Issue Date at a price of \$0.08 for the Principal and \$0.12 for the Interest Balance.

As of January 31, 2020, Cielo issued 1,842 B Convertible Debenture Units, consisting of \$1,842,000 in B Convertible Debentures, 921,500 Warrants, and 4,605,000 B Prepaid Interest Shares, for aggregate gross proceeds of \$1,842,000.

Net proceeds of the Convertible Debenture Offerings have been and will be used to complete the commissioning of the Company's refinery in Aldersyde, Alberta, as well as for general working capital and marketing expenses.

Pursuant to the Convertible Debenture Offerings:

- A. On May 6, 2019, the Company issued 3,024,000 common shares at a fair value of 241,920 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A 2019 Convertible Debenture Units.
- B. On May 31, 2019, the Company issued 2,361,000 common shares at a fair value of 177,075 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A 2019 Convertible Debenture Units
- C. On June 20, 2019, the Company issued 133,300 common shares as the result of the conversion of convertible debentures (issued in 2017) of \$10,000 and accrued interest of \$1,330.
- D. On June 26, 2019, the Company issued 3,060,750 common shares at a fair value of 260,164 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A 2019 Convertible Debenture Units.

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- E. On June 26, 2019, the Company issued 400,710 common shares as the result of the conversion of convertible debentures (issued in 2017) of \$30,000 and accrued interest of \$10,071.
- F. On July 9, 2019, the Company issued 2,329,500 common shares at a fair value of 232,950 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A 2019 Convertible Debenture Units.
- G. On July 16, 2019, the Company issued 4,590,000 common shares at a fair value of 596,700 using the closing trade price on the same date, to settle the A Prepaid Interest associated with the A 2019 Convertible Debenture Units.
- H. On July 30, 2019, the Company issued 510,710 common shares at a fair value of \$51,071 using the closing trade price on the same date, to settle debt of \$166,060, which resulted in a no gain or loss.
- I. On October 25, 2019, the Company issued 125,000 common shares at a fair value of 11,250 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B 2019 Convertible Debenture Units.
- J. On October 31, 2019, the Company issued 1,137,500 common shares at a fair value of 102,375 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B 2019 Convertible Debenture Units.
- K. On November 14, 2019, the Company issued 750,000 common shares at a fair value of \$56,250 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.
- L. On November 14, 2019, the Company issued 5,000,000 common shares as the result of the conversion of convertible debentures of \$300,000.
- M. On November 18, 2019, the Company issued 10,750,000 common shares as the result of the conversion of convertible debentures of \$645,000.
- N. On November 22, 2019, the Company issued 900,000 common shares as the result of the conversion of convertible debentures of \$54,000.
- O. On November 27, 2019, the Company issued 8,666,667 common shares as the result of the conversion of convertible debentures of \$520,000.
- P. On December 5, 2019, the Company issued 1,092,000 common shares at a fair value of \$65,550 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.
- Q. On December 19, 2019, the Company issued 1,000,000 common shares at a fair value of \$65,000 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.
- R. On December 20, 2019, the Company issued 1,841,667 common shares as the result of the conversion of convertible debentures of \$110,500.
- S. On December 27, 2019, the Company issued 500,000 common shares at a fair value of \$35,000 using the closing trade price on the same date, to settle the B Prepaid Interest associated with the B Convertible Debenture Units.
- T. On December 31, 2019, the Company issued 1,247,556 common shares at a fair value of \$93,567 using the closing trade price on the same date, to settle debt of \$112,280 which resulted in a gain of \$18,713.
- U. On January 7, 2020, the Company issued 1,333,333 common shares as the result of the conversion of convertible debentures of \$80,000.
- V. On January 16, 2020, the Company issued 1,500,000 common shares as the result of the conversion of 1,500,000 vested Restricted Share Units ("RSU"s) for \$307,500 which was the fair value of the shares on January 12, 2018 the date the RSU's were issued.
- W. On January 27, 2020, the Company issued 675,000 common shares as the result of the conversion of convertible debentures of \$40,500

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- X. On January 31, 2020, the Company issued 500,000 common shares as the result of the conversion of convertible debentures of \$30,000.

The net proceeds of all of the financial transactions above were used as intended and disclosed, without variance. All net funds were used to pay fees such as legal, accounting, engineering, marketing, research and administration.

**TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties have been recorded at their exchange amounts, being the amounts agreed to and by the related parties.

Management compensation for the executive management/officers and directors during the nine-month periods in the year ended January 31, 2020 and 2019 are disclosed as below:

**9 months ended January 31, 2020**

		Consulting fees	Gross Salaries	Stock Options	RSU	
		Paid	Paid	Shares Based	Shares Based	Total
				Compensation	Compensation	
Don Allan	CEO & Director	\$ -	\$ 249,231	\$ -	\$ 156,767	\$ 405,998
Shannon Wyzykoski	CFO	\$ 104,575	\$ -	\$ -	\$ -	\$ 104,575
		\$ 104,575	\$ 249,231	\$ -	\$ 156,767	\$ 510,573

**9 months ended January 31, 2019**

		Consulting fees	Gross Salaries	Stock Options	RSU	
		Paid	Paid	Shares Based	Shares Based	Total
				Compensation	Compensation	
Don Allan	CEO & Director	\$ -	\$ 249,231	\$ -	\$ 252,354	\$ 501,585
Shannon Wyzykoski	CFO	\$ 117,980	\$ -	\$ -	\$ -	\$ 117,980
Chris Dovbniak <sup>1</sup>	Director	\$ 5,787	\$ -	\$ -	\$ -	\$ 5,787
Robin Ray	Director	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500

## CIELO WASTE SOLUTIONS CORP.

### Management's Discussion and Analysis – Quarterly Highlights

#### Nine Months Ended January 31, 2020

	Officer- VP-Business Development and Capital Markets										
Michael Yeung		\$	-	\$	92,308	\$	-	\$	189,266	\$	281,574
		\$	126,267	\$	341,539	\$	-	\$	441,620	\$	909,426

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

Office expense of \$1,704 (2019 - \$2,964), salaries and benefits of \$42,254 (2019 - \$38,447), rent expense of \$8,190 (2019 - \$8,420) and telephone expense of \$613 (2019 - \$632) were charged back to 1888711 Alberta Inc., a company related by officers and directors. A balance of \$78,058 (2019 \$6,747) is owed by 1888711 Alberta Ltd. and is included in GST and Other receivable.

Transactions with related parties have been recorded at their exchange amounts, being the amounts agreed to and by the related parties.

Accounts payable and accrued liabilities balances at January 31, 2020 outstanding to the CEO of the Company in the amount of \$53,917(2019 – \$32,143).

Accounts payable and accrued liabilities balances at January 31, 2020 outstanding to a company owned by the CFO in the amount of \$66,202 (2019 - \$33,814). In the nine months ending January 31, 2020, the Company issued 30 2019 Convertible Debenture Units-A (Note 9) and 15 Convertible Debenture Units-B in exchange for a total of \$45,000 of accounts payable owed to this company.

A director of the Company received \$Nil in fees (2019 - \$5,787) as payment for services provided with construction of the Company's refinery in Aldersyde, Alberta.

A director of the Company received \$Nil in fees (2019 - \$2,500) as payment for professional services provided.

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

#### **OUTSTANDING SHARE DATA**

As at January 31, 2020, the Company had 230,776,604 common shares, 46,697,395 warrants, 4,225,000 finder/broker warrants, 4,740,000 stock options and 3,250,000 Restricted Share Units issued and outstanding.

30,452,515 share purchase warrants, held by BJK Holdings Ltd., are exercisable at \$0.1642 per share subject to further decrease in the case of further dilutive events and expire on November 2, 2022 or within earlier in the event that the indebtedness owing to BJK Holdings Ltd. is prepaid.

12,763,005 share purchase warrants are exercisable at \$0.20 and expire between December 17, 2020 and April 18, 2022, subject to acceleration provisions.

3,481,874 share purchase warrants are exercisable at \$0.25 and expire between May 6, 2023 and December 27, 2023, subject to acceleration provisions.

231,000 of the finder warrants are exercisable at \$0.20 per share and expire on December 17, 2020.

## **CIELO WASTE SOLUTIONS CORP.**

### **Management's Discussion and Analysis – Quarterly Highlights**

#### **Nine Months Ended January 31, 2020**

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2,939,000 finder warrants are exercisable at \$0.10 and expire between May 6, 2023 and July 16, 2023. The remaining 1,055,000 finder warrants are exercisable at \$0.12 and expire between October 31, 2023 and December 19, 2023.

The options are exercisable at \$0.25 per share for a period of three years from the date of grant and vested immediately upon grant.

The RSUs were originally scheduled to vest at various times over a period of three years or less from the date of grant up to January 12, 2021, however the terms of the vesting periods were amended such that the RSUs will vest 32% on January 16, 2020, 34% on April 16, 2020 and 34% on January 12, 2021, subject to earlier vesting and/or expiry in connection with the termination of an employment agreement. The vesting of the RSUs on January 16, 2020 were satisfied by the issuance of 1,500,000 common shares.

As of the date of this MD&A, the Company has 234,447,437 common shares, 46,992,395 share purchase warrants, 4,550,000 finder/broker warrants, 4,740,000 stock options and 3,250,000 RSUs issued and outstanding.

#### **CRITICAL ACCOUNTING ESTIMATES**

This item does not apply as the Company is a venture issuer.

#### **CHANGE IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

Details are available in the January 31, 2020 notice to reader financial statements, which are available at [www.sedar.com](http://www.sedar.com).

#### **FINANCIAL INSTRUMENTS**

Refer to Note 15 to the Company's financial statements for the nine months ended January 31, 2019.

#### **DIRECTORS AND OFFICERS**

Don Allan	Director, CEO, President
Robin Ray	Director
Doug MacKenzie	Director
Chris Dovbniak	Director
Mel Angeltvedt	Director
Lionel Robins	Director
Shawn Frenette	CFO
Stuart McCormick	Vice President, Compliance and Regulatory Affairs

#### **SUBSEQUENT EVENTS**

- A. On February 7, 2020, the Company announced the closing of 69 B Convertible Debenture Units pursuant to the B Convertible Debenture offering for gross proceeds of \$690,000 at \$1,000 per B Convertible Debenture Unit (see Note 9 for additional details of the B Convertible Debenture Offering. The Company later announced a correction to the details of this tranche as 49 B Convertible Debenture Units were issued for gross proceeds of \$490,000.
- B. On March 3, 2020, the Company announced the closing of 100 B Convertible Debenture Units pursuant to the B Convertible Debenture Offering for gross proceeds of \$100,000 at \$1,000 per B

**CIELO WASTE SOLUTIONS CORP.**

**Management's Discussion and Analysis – Quarterly Highlights**

**Nine Months Ended January 31, 2020**

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Convertible Debenture Unit (see Note 9 for additional details of the B Convertible Debenture Offering).

- C. On March 3, 2020, the Company announced the appointment of Shawn Frenette as Chief Financial Officer.

**ADDITIONAL INFORMATION**

Additional information regarding the Company may be found on SEDAR, [www.sedar.com](http://www.sedar.com).