CIELO WASTE SOLUTIONS CORP.

Annual Information Form

For The Year Ended April 30, 2021

December 31, 2021

GLOSSARY AND INTERPRETATION

Glossary

The following is a glossary of certain definitions used in this Annual Information Form ("Annual Information Form" or "AIF"). Certain defined terms used exclusively in specific sections of this AIF are not included in this glossary. Words below importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders. All dollar amounts herein are in Canadian dollars, unless otherwise stated.

"**1888**" means 1888711 Alberta Inc., a private Alberta corporation which is a party to the License Agreement and the IP Purchase Agreement.

"**Aldersyde Facility**" has the meaning ascribed thereto under the heading "General Development of the Business – Three Year History – Year Ended April 30, 2019 - Aldersyde Facility Updates".

"**Aldersyde Project**" has the meaning ascribed thereto under the heading "Description of the Business - Waste to Fuel Processes and Research and Development Activities".

"**BCBCA**" means the *Business Corporations Act* (British Columbia) and the regulations thereunder, as amended.

"**Cielo**" or the "**Company**" means Cielo Waste Solutions Corp., a company formed under the laws of the Province of British Columbia and extra-provincially registered in the Province of Alberta.

"**Cielo Board**" means the board of directors of Cielo, as constituted from time to time.

"**Cielo Shares**" means the Class A common shares in the capital of Cielo.

"**CP Rail**" means Canadian Pacific Railway Limited.

"**CSE**" means Canadian Securities Exchange.

"**Elbow River**" has the meaning ascribed thereto under the heading "Description of the Business – Products and Purchase Agreement".

"**Elbow River Diesel Purchase Agreement**" has the meaning ascribed thereto under the heading "Description of the Business – Products and Purchase Agreement".

“**FCF**” has the meaning ascribed thereto under the heading "General Development of the Business – Three Year History – Year Ended April 30, 2021 – Aldersyde Facility Updates".

"**Fort Saskatchewan Facility**" has the meaning ascribed thereto under the heading "General Development of the Business – Three Year History – Subsequent Developments (following April 30, 2021) – Fort Saskatchewan Land Purchase".

"**Fort Saskatchewan Loan**" has the meaning ascribed thereto under the heading "General Development of the Business – Three Year History – Subsequent Developments (following April 30, 2021) – Fort Saskatchewan Land Purchase".

“**gph**” means US gallons per hour, a volumetric flow rate measurement equals that of a liquid US gallon moving each hour.

“**IP Purchase Agreement**” has the meaning ascribed to it under the heading "General Development of the Business – Three Year History – Subsequent Developments (following April 30, 2021) – IP Purchase Agreement".

"**License Agreement**" means the license agreement entered into between Cielo and 1888, dated June 14, 2016, as amended and restated on November 1, 2017, pursuant to which Cielo held an exclusive global licence to the Technology on which its facilities are and will be based.

“lph” means litres per hour, a volumetric flow rate measurement equals that of a liquid metric litre moving each hour.

“**MSW**” means municipal solid waste.

“**R&D Facility**” has the meaning ascribed thereto under the heading "General Development of the Business – Three Year History – Subsequent Developments (following April 30, 2021) – Fort Saskatchewan Land Purchase".

"**Refinery Fees**" has the meaning ascribed thereto under the heading "Description of the Business – License Agreement and IP Purchase Agreement".

"**Renewable Fuels**" means liquid fuel that meets the requirements of the *Renewable Fuels Regulation* (Canada), the *Renewable Fuels Standard Regulation* (Alberta), any superseding regulations or similar regulations or legislation to be categorized as a ‘renewable fuel’.

"**Renewable U**" has the meaning ascribed thereto under the heading "Description of the Business – Renewable U MOUs".

"**Renewable U MOUs** " has the meaning ascribed thereto under the heading "Description of the Business – Renewable U MOUs".

"**Royalty**" has the meaning ascribed thereto under the heading "Description of the Business – License Agreement and IP Purchase Agreement".

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Technology**" has the meaning ascribed thereto under the heading “General Development of the Business - Subsequent Developments (following April 30, 2021) – IP Purchase Agreement”.

"**TSXV**" means TSX Venture Exchange.

"**United States**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

“**UMO**” has the meaning ascribed thereto under the heading “Description of the Business - Waste to Fuel Processes and Research and Development Activities”.

Interpretation of Production Amounts

Any references to the Company’s historical or future production in litres per hour (or lph) of distillate refers to a distillate product that consists of diesel and naphtha. Future production of distillate may also consist of kerosene upon installation of a distillate fractionation system. The Company continues to conduct research and development activities with a goal of refining its processes to enable it to produce renewable fuels. Any reference to planned production capacity of facilities in this AIF refers to either distillate production or, assuming the Company is successful in being able to produce renewable fuels, renewable fuels.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements. Forward-looking statements may relate to anticipated events or results and may include information regarding the Company’s financial position, business strategy, growth strategies, budgets, operations, financial results, plans and objectives. Particularly, information regarding Cielo’s expectations of future results, research and development activities, project milestones, performance, achievements, prospects or opportunities or the markets in which it operates is forward-looking information. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "plan", "target", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "believe", "predict", "potential", "scheduled", "estimates", "forecast", "projection". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts nor assurances of future performance but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

This Annual Information Form contains forward-looking statements that include but are not limited to: Cielo’s business strategy, objectives and opportunities; in general, production forecast including project timelines, corporate goals and objectives associated with the Aldersyde Facility, the R&D Facility and any full-scale production facility; expected timing to complete the Loan, partial repayment of the Fort Saskatchewan Loan and amendments to the Fort Saskatchewan Loan; anticipated projects and the results therefrom including production of distillate and waste derived fuel at both the Aldersyde Facility and for the R&D Facility; the objectives of the Aldersyde Facility and the purpose(s) to be served by the Aldersyde Facility; the timeline for certain milestones for the Aldersyde Facility, leading up to commissioning and start-up in March or April 2022; the generation of revenue at the Aldersyde Facility; the anticipated benefits realized at the Aldersyde Facility following the completion of the Aldersyde Project milestones; details of, and activities in connection with, the third phase of enhancements following completion of the Aldersyde Project; the intended completion of engineering feasibility studies and the substance thereof, including the design of a distillate fractionation system and its effects and the design of a UMO pre-treating and pre-conditioning system and the effects and benefits thereof, including the potential for additional revenues streams; additional purposes of the Aldersyde Facility and the effects thereof, including returns generated with respect to future facilities; the use for the Company's site in Fort Saskatchewan, including for the construction of the R&D Facility and for the future construction of a full-scale facility; the objectives associated with the R&D Facility; the design and construction of an additional full-scale facility(s) at Fort Saskatchewan or other locations; potential capacity for Cielo's future full-scale facilities; the anticipated data and related benefits from the R&D Facility and the use of such data; the ability to complete anticipated milestones and enhancements at the Aldersyde Facility and at the Fort Saskatchewan location; further research with plastics, railway ties and other waste; the anticipated timeline and milestones for the construction and commissioning of the R&D Facility; the intended outcomes to be realized from and following the commissioning of the R&D Facility; experimentation, testing and analysis to follow process testing of the R&D Facility and details of the related activities, and the subsequent commencement of utilizing other waste materials; plans related to the design of a full-scale facility in Fort Saskatchewan following testing and analysis at the R&D Facility and subsequent construction and the timing thereof; expected costs related to research and development activities and future capital requirements for 2022; expectations regarding joint arrangements, including the potential use of the land near Medicine Hat, Alberta; expectations regarding technology and intellectual property owned by Cielo; plans to use renewable energy sources at facilities; supply and demand fundamentals for fuels from waste and renewable fuels; industry conditions; and the anticipated impact of the factors discussed under the heading "Risk Factors". Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

These forward-looking statements and other forward-looking information are based on the Company's opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company currently believe are appropriate and reasonable in the circumstances as of the date hereof. There can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the success of the Company's research and development activities to achieve steady-state production; its ability to build and operate facilities; its ability to retain key personnel; its ability to maintain good relationships with joint arrangement partners, customers and suppliers; its ability to deploy capital expenditure projects as planned and to execute on expansion plans; its ability to continue investing in infrastructure to support growth; its ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in the waste to energy industry or the global economy; and changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risks factors described under the heading entitled ''Risk Factors''.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and the risks described in greater detail in ''Risk Factors'' should be considered carefully by readers. These risk factors should not be construed as exhaustive. Although Cielo has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to Cielo or that it presently believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this Annual Information Form represents the Company's expectations as of the date of this Annual Information Form (or as the date they are otherwise stated to be made) and are subject to change after such date. However, Cielo disclaims any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

All the forward-looking information contained in this Annual Information Form is expressly qualified by the foregoing cautionary statements.

CORPORATE STRUCTURE

Cielo Waste Solutions Corp. was incorporated under the BCBCA 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, the Company spun out from AHI and became a reporting issuer effective on June 9, 2011.

The registered office of the Company is located at 610 – 475 West Georgia Street, Vancouver, BC Canada, V6B 4M9 and the head office of the Company is located at Suite 1100, 605 5th Avenue S.W., Calgary, AB Canada, T2P 3H5.

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 converting waste, including municipal and commercial waste, into fuels. The Company amended its articles to change its name to Cielo Waste Solutions Corp. on August 12, 2013, to more clearly identify its focus on converting waste to fuel.

Commencing August 3, 2011, the Cielo Shares started trading on the CSE under the symbol CMC. Commencing December 9, 2019, the Cielo Shares started trading on the OTCQB Venture Market ("OTCQB") under the symbol CEIWF, which was updated to CWSFF on December 17, 2019. The Cielo Shares were delisted from the CSE and began trading on the TSXV on June 24, 2021 under the symbol CMC.

The fiscal year end of the Company is April 30.

Cielo has one subsidiary, Cielo Fort Saskatchewan Corp., which is incorporated under the *Business Corporations Act* (Alberta) and Cielo holds 100% of the voting shares of Cielo Fort Saskatchewan Corp.

GENERAL DEVELOPMENT OF THE BUSINESS

Since the Company's fundamental change of business strategy in 2013 to convert waste to fuel, the Cielo Board and management have been working toward commercializing proprietary technology in order to allow it to enter into the developing waste to energy industry whereby it will convert waste into fuels. The Company's Aldersyde Facility is currently capable of converting wood derivative waste materials into a distillate product that consists of diesel and naphtha.

Three Year History

Year Ended April 30, 2019

Aldersyde Facility Updates

In June 2018, the Company received its permit from the Ministry of Environment and Parks (Alberta) pursuant to the *Environmental Protection and Enhancement Act* (Alberta), which was required for Cielo to begin operations at its first facility in Aldersyde, Alberta (the "Aldersyde Facility").

On June 29, 2018, the Company initiated the start-up and commissioning of the Aldersyde Facility. The Company progressed through its initial stages and at that time set a strategy to construct the Aldersyde Facility to initially target outputs between 500 and 1,000 lph and thereafter 1,800 and 2,000 lph of distillate. (See section entitled "Subsequent Developments (following April 30, 2021) – Aldersyde Facility" and "Description of the Business" for details regarding the current status of the Aldersyde Facility.)

In August 2018, the Company achieved the first production of raw distillate from the Aldersyde Facility.

In September 2018, the Company received from Maxxam Analytics, an independent arms-length testing laboratory, favorable lab results confirming the Company's ability to convert wood biomass with a consistency like sawdust into a high-quality distillate employing UMO as the carrier fluid. The remaining steps of the initial commissioning stage at the time included the application of a distillation process to the distillate to produce diesel and naphtha.

In November 2018, the Company initiated the conversion of its raw distillate made from wood waste feedstock into diesel and naphtha at the Aldersyde Facility.

Other Developments

Exercise of Warrants

In July 2018, the Company successfully closed an Early Warrant Exercise Incentive Program (the "Program") initially announced in June 2018. Pursuant to the Program, holders of warrants that were exercisable into Cielo Shares at a price of $0.20 per Cielo Share that exercised their warrants on or before June 29, 2018, before the expiration dates of the warrants between July 2018 and November 2018 would be entitled to receive $0.0875 per warrant exercised, payable as a non-transferable fixed rate royalty. As a result, 10,162,500 outstanding warrants were exercised at the exercise price of $0.20 per Cielo Share. The Company issued 10,162,500 Cielo Shares and received gross proceeds of $2,032,500 and granted royalties payable totaling $889,219.

Private Placements – Cielo Shares and Warrants

In December 2018, the Company completed the first tranche of a non-brokered private placement by issuing 6,726,200 units (each a "2018 Unit") at $0.13 per unit, with each 2018 Unit consisting of one Cielo Share and one warrant, for total gross proceeds of $874,406.

In December 2018, the Company also completed the second tranche of a non-brokered private placement by issuing 2,076,923 2018 Units for total gross proceeds of $270,000.

In February 2019, the Company completed the third tranche of a non-brokered private placement by issuing 3,845,884 2018 Units for total gross proceeds of $499,965.

In April 2019, the Company completed the fourth tranche of a non-brokered private placement by issuing 113,998 2018 Units for total gross proceeds of $14,818.

Each warrant from the first, second, third and fourth tranche of the private placement of 2018 Units was exercisable into one Cielo Share at an exercise price of $0.20 per share and an expiration date of the earlier of 36 months from the date of issuance of the 2018 Units and the date that is 30 days from the date that the Company provides notice to the warrant holder that the expiration date of the warrants has been accelerated as a result of the Cielo Shares trading at $0.40 for 20 consecutive trading days, any time after 4 months and a day from the date of issuance of the units. All of the warrants have been exercised in accordance with their terms as of the date of this AIF.

Year Ended April 30, 2020

Aldersyde Facility Updates

During the initial commissioning of the Aldersyde Facility, Cielo identified some areas in the process that management believed, on the advice of its consulting engineers, would improve operations. The main areas were the heating of the process with electrical heat, intended to provide better control of operating temperatures, while reducing emissions and recovering more of the carrier fluid from the waste stream for reuse in the process. Most of these improvements were completed by late December 2019. On January 4, 2020, Cielo began recommissioning the plant.

In March 2020, due to the public health COVID-19 crisis, and to protect its staff and contractors, Cielo paused all operations of the Aldersyde Facility and temporarily laid-off plant operators while maintaining essential personnel. The operators were brought back to work on August 11, 2020, and plant recommissioning began on August 30, 2020.

Other Developments

Private Placements - The A Convertible Debentures

During the period from May 6, 2019, to July 16, 2019, the Company issued 512.175 unsecured convertible debenture units (the “A Convertible Debenture Units”) for gross proceeds of $5,121,750. The A Convertible Debentures Unit each consist of one (1) $10,000 unsecured convertible debenture (the “A Debentures”) and 5,000 share purchase warrants (the “A Debenture Warrants”). The A Debentures bear interest at a simple rate of 15% per annum, with the initial two (2) years of interest being prepaid (the “A Prepaid Interest”) by the issuance of Cielo Shares at a price of $0.10, on the date of issuance of the A Debentures (the “A Debentures Issuance Date”). 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 Debentures Issuance Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four (4) months and a day following the A Debentures Issuance Date at a price of $0.06 for the A Principal and $0.10 for the A Interest Balance. All of the A Convertible Debentures have been converted into Cielo Shares in accordance with their terms as of the date of this AIF.

Each A Debenture Warrant was exercisable for a term of 48 months from the A Debentures Issuance Date at an exercise price of $0.25 per Cielo Share, subject to acceleration if Cielo Shares trade at $0.50 or higher for at least five (5) consecutive trading days, in which event Cielo may provide a notice to holders of the A Debenture Warrants that the term of the A Debenture Warrants will terminate 30 days from the date of notice. All of the A Debenture Warrants have been exercised in accordance with their terms as of the date of this AIF.

Private Placements - The B Convertible Debentures

During the period from October 25, 2019, to February 28, 2020, the Company issued 2,432 unsecured convertible debenture units (the “B Convertible Debenture Units”) for gross proceeds of $2,432,000. The B Convertible Debentures Unit each consist of one (1) $1,000 unsecured convertible debenture (the “B Debentures”) and 500 share purchase warrants (the “B Debenture Warrants”). The B Debentures bear interest at a simple rate of 15% per annum, with the initial two (2) years of interest being prepaid (the “B Prepaid Interest”) by the issuance of Cielo Shares at a price of $0.12, on the date of issuance of the B Debentures (the “B Debentures Issuance Date”). 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 Debentures Issuance Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four (4) months and a day following the B Debentures Issuance Date at a price of $0.08 for the B Principal and $0.12 for the B Interest Balance. All of the B Convertible Debentures have been converted in Cielo Shares in accordance with their terms as of the date of this AIF.

Each B Debenture Warrant was exercisable for a term of 48 months from the B Debentures Issuance Date at an exercise price of $0.25 per Cielo Share, subject to acceleration if Cielo Shares trade at $0.50 or higher for at least five (5) consecutive trading days, in which event Cielo may provide a notice to holders of the B Debenture Warrants that the term of the B Debenture Warrants will terminate 30 days from the date of notice. All of the B Debenture Warrants have been exercised in accordance with their terms as of the date of this AIF.

Private Placements - The C Convertible Debentures

During the period from March 30, 2020, to April 20, 2020, the Company issued 753.5 unsecured convertible debenture units (the “C Convertible Debenture Units”) for gross proceeds of $753,500. The C Convertible Debentures Unit each consist of one (1) $1,000 unsecured convertible debenture (the “C Debentures”) and 7,500 share purchase warrants (the “C Debenture Warrants”). The C Debentures bear interest at a simple rate of 15% per annum, with the initial three (3) years of interest being prepaid (the “C Prepaid Interest”) by the issuance of Cielo Shares at a price of $0.07, on the date of issuance of the C Debentures (the “C Debentures Issuance Date”). The principal of the C Debentures (the “C Principal”) together with all accrued interest exceeding the C Prepaid Interest (the “C Interest Balance”) will be repaid 48 months from the C Debentures Issuance Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four (4) months and a day following the C Debentures Issuance Date at a price of $0.05 for the C Principal and $0.07 for the C Interest Balance. All of the C Convertible Debentures have been converted in Cielo Shares in accordance with their terms as of the date of this AIF.

Each C Debenture Warrant was exercisable for a term of 48 months from the C Debentures Issuance Date at an exercise price of $0.07 per Cielo Share, subject to acceleration if Cielo Shares trade at $0.15 or higher for at least five (5) consecutive trading days, in which event Cielo may provide a notice to holders of the C Debenture Warrants that the term of the C Debenture Warrants will terminate 30 days from the date of notice. All of the C Debenture Warrants have been exercised in accordance with their terms as of the date of this AIF.

$1 Million Loan with 1823741 Alberta Ltd.

On April 30, 2020, the company entered into a loan agreement with 1823741 Alberta Ltd. which had a maturity date of April 30, 2022. The loan converted $1,000,000 of payables to an interest only term loan at the simple interest of 7%. This facility was secured by a General Security Agreement. This loan was subsequently paid out early in August 2021.

Year Ended April 30, 2021

Aldersyde Facility Updates

Following the shut-down of the Aldersyde Facility resulting from the COVID-19 pandemic, on August 11, 2020, Cielo's operators began recommissioning the facility after installing new equipment and implementing modifications to the flow process recommended by third party engineers. The installations and modifications were designed to resolve problematic bottlenecks that were restricting production. The operation of the feedstock hoppers, the reacting tower and the waste line had been modified. With the implementation of these three modifications, the Aldersyde Facility was again producing distillate from wood waste. While the recommissioning of the front-end components was in progress, the Aldersyde Facility was converting previously produced distillate into naphtha and diesel, which products are currently in inventory at the Aldersyde Facility.

In October 2020, the Aldersyde Facility reached production of approximately 800 lph (210 gph) of distillate for short production cycles of approximately four hours. Cielo analyzed the operating parameters under these conditions and completed the identified system maintenance requirements. Following the required maintenance, the Aldersyde Facility was producing approximately 800 lph (210 gph) of distillate for approximately 18 hours and then going through a cooling process for approximately eight hours, which was a significant improvement in production run time. The Company refers to this as batch mode and enables the Company to prepare the facility for each subsequent batch through activities such as the removal of waste generated by the waste to fuel conversion process. During the fourth calendar quarter of 2020, the Company produced approximately 67,200 litres (14,737 gallons) of distillate.

In January 2021, as the Company continued to pursue improved production run times targeting a continuous production mode at the Aldersyde Facility, working in conjunction with third party engineers, additional equipment and subsequent modifications to the process were identified that were believed to be required to advance to production run times to achieve continuous production. As these changes were implemented, the Company achieved continuous production in June 2021. However, the resultant outcome led to unintended system bottlenecks and plugging issues which resulted in decreased operational run times. See "Subsequent Developments (following April 30, 2021)".

In February 2021, the Company received a purchase commitment for 900,000 litres (237,800 gallons) of low sulfur diesel at $1.67/litre for an aggregate purchase price of $1,500,000. In connection with the purchase commitment, 3,750,000 warrants were issued to the third party who brokered the purchase and sale, First Choice Financial ("FCF"), each exercisable into one Cielo Share at a price of $0.135 per Cielo Share for two years from the date of issuance, subject to an acceleration clause if Cielo Shares trade at $0.25 or higher for at least ten (10) consecutive trading days, in which event Cielo may provide a notice to holders of the warrants that the term of the warrants will terminate 30 days from the date of notice. FCF also received a cash commission equal to 5% of the aggregate purchase price. It was anticipated the fuel would be produced within four to five months of the date of the commitment; however, delayed production is not a material breach of this agreement provided Cielo makes commercially reasonable efforts to produce the fuel as soon as practicable thereafter and at such time as the purchaser requires the fuel. If the low sulfur diesel cannot be sold at $1.67/litre or higher, then Cielo will produce additional fuel for delivery to or as directed by FCF to the extent required to ensure that the actual aggregate resale price of the fuel to a third-party purchaser is at least equal to $1,500,000. FCF also acquired the option to purchase another 600,000 litres (158,500 gallons) of low sulfur diesel at the same price of $1.67/litre for a period of 6 months, expired on August 22, 2021. All of the FCF Warrants have been exercised in accordance with their terms as of the date of this AIF.

Other Developments

Private Placements - C Convertible Debentures

During the period from May 11, 2020, to September 28, 2020, the Company issued a further 3,941.142 C Convertible Debenture Units on the terms set forth above for gross proceeds of $735,000.

Private Placements – Cielo Shares and Warrants

During the period from November 20, 2020, to December 8, 2020, the Company issued a total of 25,691,000 units at $0.08 per unit (each a “2020 Unit”) for gross proceeds of $2,055,280. Each 2020 Unit consisted of one (1) Cielo Share and one (1) share purchase warrant (a “2020 Private Placement Warrant”).

Each 2020 Private Placement Warrant is exercisable for a term of 36 months from the issuance date of the 2020 Units at an exercise price of $0.12 per Cielo Share, subject to acceleration if Cielo Shares trade at $0.20 or higher for at least five (5) consecutive trading days, in which event Cielo may provide a notice to holders of the 2020 Private Placement Warrants that the term of the 2020 Private Placement Warrants will terminate 30 days from the date of notice. All of the 2020 Private Placement Warrants have been exercised in accordance with their terms as of the date of this AIF.

Private Placements – Convertible Debentures

On April 29, 2021, Cielo issued a total of 10,000 non-interest-bearing, unsecured convertible debentures (the “April 2021 Debentures”), each issued at $1,000 per April 2021 Debenture, for gross proceeds of $10,000,000. The principal amount of the April 2021 Debentures was convertible into Cielo Shares at $1.02 per Cielo Share during the 12-month term of the April 2021 Debentures. On April 30, 2021, the full principal amount of the Debentures was converted into 9,803,920 Cielo Shares at $1.02 per Cielo Share.

Debt Repayment

In March 2021, the Company repaid its then largest secured lender in full, eliminating a senior secured loan of approximately $3,500,000, initially entered on November 2, 2017.

Intellectual Property

In July 2020, the United States Patent and Trademark Office issued a U.S. Patent to 1888 for enhanced distillate oil recovery from thermal processing and catalytic cracking of biomass slurry, from whom Cielo held a worldwide exclusive license to its waste to renewable fuel facility technology pursuant to the License Agreement. In September 2020, the Canadian Patent and Trademark Office issued a Canadian patent to 1888 for the same process, to which Cielo held a worldwide exclusive license pursuant to the License Agreement. Pursuant to the terms of the IP Purchase Agreement, effective December 3, 2021, 1888 transferred the U.S. and Canada patents to Cielo. See “Subsequent Developments (following April 30, 2021) – IP Purchase Agreement” for additional details.

Subsequent Developments (following April 30, 2021)

TSXV Listing

In June 2021, Cielo Shares were listed for trading on the TSXV and were delisted from the CSE.

Aldersyde Facility

In June 2021, the Aldersyde Facility was producing diesel from its distillate storage tank. Cielo achieved production of approximately 53,000 litres (14,000 gallons) of diesel over a 10-day period. The Company’s immediate focus is being directed to achieving steady-state production. Cielo anticipates that the Aldersyde Facility will continue to serve as Cielo’s demonstration facility and a revenue generating facility once the Company achieves commercial production of distillate on a steady-state basis, see "Description of Business – Waste to Fuel Processes and Research and Development Activities" for additional information.

Fort Saskatchewan Land Purchase

On May 26, 2021, the Company entered into an agreement to purchase 60 acres of land and a building in Fort Saskatchewan, Alberta for $13,000,000. The Company closed the acquisition of the land and building on August 23, 2021. The land is intended for development of both a 60-lph research and development facility (the “R&D Facility”) and the first Cielo wholly owned full-scale facility (the “Fort Saskatchewan Facility”). The location of the land provides Cielo with potential access to global markets through the two largest rail lines in Canada and pipelines to deliver fuel directly to off-take clients. $1,000,000 of the total purchase price was paid by way of two refundable deposits by Cielo, and the balance was funded by a loan from KV Capital and FCF (together with KV Capital, the “Lenders”) made available under a commitment letter dated August 13, 2021 between KV

Capital, FCF and the Company (the "Fort Saskatchewan Loan").

Pursuant to the agreement for the Fort Saskatchewan Loan:

- The Fort Saskatchewan Loan has a principal amount of $12,000,000 and an interest rate at 6% per annum;
- The Fort Saskatchewan Loan is secured by the Company's property in Fort Saskatchewan and the Aldersyde Facility (the "Assets");
- The term of the Fort Saskatchewan Loan is 12 months, subject to automatic renewal at the end of the original term for further six-month periods in consideration for a renewal fee equal to 1.5% of the then outstanding balance, subject to the Lenders' rights to terminate the automatic renewal at their discretion.
- The Fort Saskatchewan Loan is interest payment only. For the initial 12 months term, total interest of $720,000 was withheld by the Lenders as an interest reserve (the "Interest Reserve") and applied against the initial 12 monthly payments of interest;
- The Fort Saskatchewan Loan includes a special covenant that provides that Cielo must make the following repayments if its market capitalization falls below $250,000,000: (i) if the market capitalization is below $250,000,000 but above $150,000,000, a $1,000,000 loan repayment is required; (ii) if the market capitalization is below $150,000,000 but above $100,000,000, an additional $1,000,000 loan repayment is required; and (iii) if the market capitalization is below $100,000,000 an additional $1,000,000 loan repayment is required, which amounts may be re-advanced for an additional fee of 2% of the amount re-advanced (the "Market Cap Requirements").
- In connection with the Fort Saskatchewan Loan, Cielo issued 12,000,000 non-transferable bonus warrants (the "Fort Saskatchewan Bonus Warrants") to the Lenders, exercisable for a period of three years from the closing date of the Fort Saskatchewan Loan at an exercise price of $1.00 per Cielo Share.
- Cielo is entitled to repay the Fort Saskatchewan Loan at any time before maturity without penalty. In the event that the Fort Saskatchewan Loan is repaid in whole or in part prior to the expiration of its term, the term of a pro rata number of the Fort Saskatchewan Bonus Warrants will expire on the date that is 90 days following the date of such repayment.

Subsequent to the Company entering into the Fort Saskatchewan Loan, the market capitalization of the Company was below $150,000,000 on certain trading days. As a result, KV Capital requested payment of $2,000,000. The Company is in the process of renegotiating the terms of the Fort Saskatchewan Loan including eliminating the Market Cap Requirements, obtaining additional capital, and reducing the interest costs associated with the Fort Saskatchewan Loan.

Private Placement - $11 Million Mortgage Loan

On December 29, 2021, the Company, as borrower, entered into an agreement with FCF, as lender, pursuant to which Cielo and FCF have agreed that:

- FCF will advance to Cielo a $11 million mortgage loan (the "Loan");
- The term of the Loan will be 24 months and the Loan is subject to an annual simple interest rate of 3%;
- The Loan is also secured by the Assets;
- For the first year of the term, total interest of $330,000 will be withheld by FCF as an interest reserve and applied against the initial 12 monthly payments of interest;
- Cielo will make monthly interest payments in the amount of $27,500 during the second year of the term;
- At any point following the 12 months anniversary of the Closing Date (as defined below), in the event that FCF is acting reasonably and in good faith, dissatisfied upon an evaluation of Cielo's financial condition, business, and technological progress, FCF will be entitled to require the Company to repay the Loan, in whole or in part, within 90 days of the date of such written notice that repayment is required;
- The Company has agreed to issue 50,000,000 non-transferable share purchase warrants (the "FCF Bonus Warrants"). Each FCF Bonus Warrant will entitle FCF to purchase one common share of the Company at an exercise price of $0.22 for a period of 24 months; and
- No commissions are payable in connection with the Loan and there are no guarantors.

The Company may repay the Loan at any time, in whole or in part, without penalty. In the event that the Loan is repaid early in whole or in part, a pro rata number of the total FCF Bonus Warrants will have their term reduced to the date that is the later of: a) 30 days following the date of such repayment; and b) 12 months from the date of issuance of the FCF Bonus Warrants.

The Loan and the issuance of the FCF Bonus Warrants are both subject to the approval of the TSXV. The Loan is anticipated to be closed on or about January 17, 2022 (the actual closing date defined as the "Closing Date").

Use of Proceeds

Upon successful closing of the Loan, Cielo is planning to use $5.5 million of the net proceeds of the Loan to repay a portion of the Fort Saskatchewan Loan (the "Early Repayment"), without penalty to Cielo. The balance will be used for general working capital purposes.

The closing of the Loan is subject to the amendment of the terms of the Fort Saskatchewan Loan in Cielo's favour, as further described below. In addition, as a result of the Early Repayment, the term for 5.5 million of the 12 million Fort Saskatchewan Bonus Warrants will be reduced such that the 5.5 million Fort Saskatchewan Bonus Warrants will, if not exercised, expire 90 days from the date of the Early Repayment.

Anticipated Favorable Amendment of the Fort Saskatchewan Loan

In consideration for the Early Repayment of the Fort Saskatchewan Loan, the Lenders have agreed in principle to:

- Remove the Market Cap Requirements in their entirety; and
- Return to Cielo a proportionate portion of the Interest Reserve, approximately $200,000.

The amendment to the terms of the Fort Saskatchewan Loan, the return of a portion of the Interest Reserve, and the reduction of the term of 5.5 million Fort Saskatchewan Bonus Warrants, will occur only in the event of the closing of the Loan, which is anticipated to be on or about January 17, 2022.

Other Developments

Private Placements - Convertible Debentures

On August 3, 2021, the Company completed a non-brokered, convertible debenture financing, and received gross proceeds of $4.0 million. Pursuant to the financing, the Company issued 4,000 non-interest-bearing, unsecured convertible debentures (the "August 2021Debentures"), each issued at $1,000 per August 2021 Debenture, the principal amount of the August 2021 Debentures being convertible into Cielo Shares at $1.25 per share during the 12-month term of the August 2021 Debentures. Following the issuance of the August 2021 Debentures, on September 7, 2021, the full $4.0 million of the principal amount was converted into 3,200,000 Cielo Shares at the conversion price of $1.25 per share.

Exercise of Warrants

In May 2021, 20,589,474 outstanding warrants were exercised at exercise prices between $0.09 to $0.25 per Cielo Share. The Company issued 20,589,474 Cielo Shares and received gross proceeds of $1,918,963.

In September 2021, 3,750,000 outstanding warrants were exercised at the exercise price of $0.135 per Cielo Share. The Company issued 3,750,000 Cielo Shares and received gross proceeds of $506,250.

Debt Repayment

In August 2021, the Company made a payment of $1,003,575 to 1823741 Alberta Ltd., to repay the principal and interest amounts owing to 1823741 Alberta Ltd.

CEO Appointment and Executive Team Changes

- On May 10, 2021, Ms. Stephanie Li assumed the role of Chief Financial Officer.
- On July 23, 2021, Mr. Gregg Gegunde assumed the role of Chief Operating Officer of the Company, and on September 24, 2021, Mr. Gregg Gegunde, also assumed the role of Chief Executive Officer, upon Mr. Don Allan's resignation from his position of Chief Executive Officer.
- On October 12, 2021, Mr. Chris Sabat, the Corporate Secretary and General Counsel assumed the role of Chief Legal Officer and Corporate Secretary and each of Mr. Lionel Robins, formerly SVP Global Development and Indigenous Relations, and Mr. Raphael Bohlmann, formerly SVP Corporate Development and Investor Relations, resigned from Cielo.
- On December 16, 2021, the founder of Cielo, Mr. Don Allan, announced his intention to retire as President of the Company effective February 1, 2022, and in preparation for this transition, he also resigned as Chair of the Board, effective immediately. Effective December 16, 2021, the Board appointed Mr. Larry Schafran as the Chair of the Board of Cielo. Cielo also announced the appointment of Ms. Sheila A. Leggett to its Board of Directors.

Desulfurization

In December 2020, Cielo selected a cost-effective process designed to reduce the sulfur concentration of its diesel to less than 15 ppm to meet industry standard specifications for sulfur for highway diesel. In September 2021, Cielo began the final commissioning procedures for the start-up of its desulfurization unit for an initial run. Based on its initial run, and the operation of the desulfurization unit, the desulfurization process reduced the sulfur content of diesel from 800 ppm to less than 15 ppm (using a diesel processing flow rate that ranged from 500 lph (132 gph) to 1,500 lph (396 gph)).

IP Purchase Agreement

On November 23, 2021, Cielo and 1888 entered into a preliminary agreement, which was superseded by an intellectual property purchase agreement (the "IP Purchase Agreement") dated December 3, 2021. Pursuant to the IP Purchase Agreement, the License Agreement was terminated and 1888 transferred to Cielo the technology in respect of the conversion of waste to fuels (the "Technology"), which the Aldersyde Facility currently uses and which future facilities are anticipated to use (and which Technology includes the patents that Cielo licensed). Under the terms of the IP Purchase Agreement, Cielo issued to 1888 ten million (10,000,000) Cielo Shares in exchange for such termination and transfer of the Technology. See "General Description of the Business – License Agreement and IP Purchase Agreement" for additional information.

Engagement of Investor Relations Firm

In December 2021, Cielo entered into an agreement with Rose & Company Holdings, LLC. ("Rose"), a New York based investor relations and capital markets advisory firm, to assist the Company in developing its investor relations program and expanding its access to institutional investors, effective as of January 1, 2022.

Pursuant to the terms of the agreement, Cielo will pay Rose $10,000 per month for the initial three months of the term, USD $10,000 per month from the fourth to the sixth month inclusive, and USD $12,500 per month thereafter. The term of the engagement is a period of 12 months, subject to automatic 12-month renewals unless terminated by either party upon 60 days' notice, however Cielo may terminate the agreement upon 30 days' notice within the first 6 months of the engagement.

Grant of Stock Options, Restricted Share Units and Deferred Share Units

On December 31, 2021, the Company granted a total of 26,573,197 stock options ("Options") to certain directors, officers, and employees, 5,500,000 restricted share units ("RSUs") to its officers, and 2,100,000 deferred share units ("DSUs") to its directors (the "Grants"). Each Option is exercisable for one Cielo Share at $0.20. The Options will vest at varying times between the date of grant and December 31, 2024, and will expire, unless earlier terminated or exercised, on December 31, 2026. The RSUs will vest at varying times between the date of grant and December 31, 2023 and are payable in cash or Cielo Shares, at the discretion of the Company, upon vesting. The DSUs are payable in cash or Cielo Shares, at the discretion of the Company, upon the later of: (i) the holder ceasing to be a director of the Company; and (ii) 12 months after the holder becomes a director of the Company (except for Cause, as defined in the Plans, in which case the DSUs will not vest).

INDUSTRY OVERVIEW

Waste to Energy Industry

Municipal Solid Waste (MSW) consists of cellulosic materials such as wet organics (compost), plastics, tires, paper, cardboard, sawdust and wood and other day-to-day items such as clothing, newspapers, batteries, product packaging, bottles, and paints. Residential areas, commercial spaces, industries, agriculture, municipal services, manufacturing, construction, and demolition are the major sources of MSW. Waste-to-energy (WtE) or energy-from-waste (EfW) technology uses MSW as feedstock to generate energy in the form of heat, steam, and electricity. WtE companies like Cielo could also produce combustible fuel from waste. In addition to converting waste to energy, WtE also helps in reducing the volume of waste that finally goes into landfills and controlling greenhouse gas (GHG) emissions from MSW.

Management of Cielo believes that low carbon fuels are at the forefront of both policy and business landscapes as countries around the world, including Canada, seek to decrease petroleum dependence and reduce GHG emissions in the transportation sector. After more than a decade of healthy growth for conventional renewable fuels like ethanol and biodiesel, management believes that advanced bioenergy fuels using MSW is currently on the cusp of commercial scale-up. Ensuring a sustainable supply of bioenergy is a key element of the International Energy Agency's (IEA) Net Zero by 2050 – A Roadmap for the Global Energy Sector. Conventional renewable fuels primarily come from dedicated bioenergy crops, which can conflict with food production. In the IEA's net zero emissions roadmap, there would be an emphasis on feedstocks that do not require the use of arable lands. Advanced bioenergy would account for the vast majority of bioenergy supply as contemplated by the IEA's net zero emissions roadmap.

Diesel that is derived from waste is suitable for use in diesel engines and the overall carbon intensity of waste derived diesel should be lower than diesel derived from fossil fuels. Management believes that there is a growing market for waste to diesel product and that there will be demand for such products regardless of whether they classify as renewable fuels under applicable legislation in Canada.

Canadian Regulatory Framework

On December 19, 2020, the federal government published its proposed Clean Fuel Regulations (CFR) in the Canada Gazette, Part I for public review and comment. Release of the final CFR has been delayed into 2022, with regulatory requirements set out in the CFR now expected to come into force in 2023. The CFR, as proposed, would require liquid fossil fuel suppliers to reduce the carbon intensity of the fuels used in Canada from 2016 levels by 12 grams of carbon dioxide equivalent per megajoule (gCO2e/MJ) by 2030, which represents a decrease of approximately 13% in carbon intensity levels below 2016 levels. The CFR will also establish a credit market to give suppliers flexibility in meeting their annual reduction requirements. Suppliers will be able to create credits by: (i) undertaking project(s) that reduce the life cycle carbon intensity; (ii) supplying low carbon intensity fuels; and (iii) investing in advanced vehicle technologies. The CFR will retain the volumetric requirements for low-carbon intensity fuel content currently found in the Renewable Fuels Regulations under the Canadian Environmental Protection Act. The Renewable Fuels Regulations currently require fuel producers and importers to have a renewable fuel content of at least 5% of the volume of gasoline that they produce or import each calendar year and of at least 2% of the volume of diesel fuel and distillate heating oil they produce or import each calendar year.

Under Alberta's Renewable Fuels Standard Regulation, a fuel supplier must ensure that gasoline fuel it places in the Alberta market in a calendar year contains, on average, no less than 5% qualifying renewable alcohol content by volume and a fuel supplier must ensure that the diesel fuel that it places in the Alberta market in a calendar year, on average, no less than 2% qualifying bio-based diesel content by volume. In British Columbia, the British Columbia Low Carbon Fuel Standard, which applies to fuels used for transportation (other than for aircraft and military operations) requires reductions in lifecycle carbon intensity of transportation fuels and requires that contains 5% of gasoline and 4% of diesel volumes must contain renewable fuels. Other jurisdictions in Canada, including Ontario and Saskatchewan, have adopted regulations that require that a portion of diesel be bio-based.

Once Cielo has completed its research and development activities described under "Description of the Business

– Waste to Fuel Processes and Research and Development Activities", Cielo's intends to conduct research and development activities with a goal to produce fuels that meet the requirements to be renewable fuels for the purposes of the federal Renewable Fuels Regulation, the Alberta Renewable Fuels Standard Regulation and the British Columbia Low Carbon Fuel Standard.

Canada is a signatory to the Paris Agreement drafted at the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015. The goals of the Paris Agreement are to prevent global temperature rise from exceeding 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above preindustrial levels. In November 2021, to conclude the 26th Conference of the Parties to the UNFCCC (COP 26), nearly 200 countries including Canada signed the Glasgow Climate Pact, which reaffirms the commitments to limiting global temperature rise set out in the Paris Agreement. The Pact calls for nations to submit new targets to the UNFCCC by the end of 2022 to align with the Paris Agreement's goals, requests that nations take accelerated actions to reduce emissions by 2030, and asks nations to accelerate the development and adoption of policies to transition towards low-emission energy systems. The Pact also includes the party nations' agreement on rules under the Paris Agreement to create a global carbon credit market.

In Canada, in connection with its commitments under the Paris Agreement, the federal government developed the Pan-Canadian Framework on Clean Growth and Climate Change in 2016 (the "PCF"). The PCF requires all provinces and territories to have a carbon price of $30 per tonne in 2020 and rising by $10 per year to $50 per tonne in 2022. In December 2020, the Canadian Government released "A Healthy Environment and a Healthy Economy", which builds on the commitments contained in the PCF, proposing, amongst other things $15 per year increases to the carbon price commencing in 2023, to reach a total of $170 per tonne by 2030. The Greenhouse Gas Pollution Pricing Act (GGPPA), which implements the federal commitment in the Framework to implement a carbon pollution pricing system, received Royal Assent on June 21, 2018. Provinces and territories can choose to implement either an explicit price-based system (such as the system implemented in Alberta) or a cap-and-trade system that meet the minimum federal pricing and emissions reductions targets. The federal pricing system under the GGPPA applies in jurisdictions that do not implement a carbon tax or cap-and-trade system, or that do not meet the federal pricing and emissions reduction minimums.

It is not possible at this time to predict the effect of the Paris Agreement, the Glasgow Climate Pact reached at COP 26 and climate change-related legislation in Canada and the U.S. or whether additional climate-change legislation, regulations or other measures will be adopted at the federal, state, provincial or local levels in Canada and the U.S. However, further efforts by governments and non-governmental organizations to reduce greenhouse gas emissions appear likely, which, together with existing efforts, may reduce demand for oil. Lower carbon fuel producers, such as Cielo's, are intended to produce fewer emissions when producing fuels compared to conventional oil and gas exploration and refining operations, which may help support countries reaching their goals under the Paris Agreement and the Glasgow Climate Pact reached at COP 26. Additionally, Cielo's operations will help reduce emissions from landfills.

United States Regulatory Framework

The U.S. created its Renewable Fuel Standard ("RFS") program in 2005 with the stated intention of reducing GHG emissions and expanding the renewable fuels sector, while reducing U.S. reliance on imported oil. The RFS program is a national policy that requires a certain volume of renewable fuel to replace or reduce the quantity of petroleum-based transportation fuel. Obligated parties under the RFS program are refiners or importers of gasoline or diesel fuel. Compliance is achieved by blending renewable fuels into transportation fuels or by obtaining credits, called Renewable Identification Numbers ("RINs") to meet an Environmental Protection Agency specified Renewable Volume Obligation. The RFS program requires refiners to add annually increasing amounts of renewable fuels to their petroleum products or to purchase RINs in lieu of such blending.

In California, the California Low Carbon Fuel Standard requires a 20% reduction in transportation fuel carbon intensity by 2030. In Oregon, the Clean Fuels Program requires a 10% reduction in transportation fuel carbon intensity from 2015 levels by 2025. In April 2021, the Washington State Legislature passed the Clean Fuels Program legislation, which is intended to establish a low carbon fuel standard in the state to reduce carbon intensity of transportation fuels by 20% below 2017 level by 2038.

DESCRIPTION OF THE BUSINESS

Summary of the Company's Business

The Company's business strategy is focused on converting waste to fuel through proprietary technology centred on a thermal catalytic depolymerization process. Cielo plans to construct facilities that will use waste derived MSW feedstocks to produce low carbon waste to energy fuels, such as diesel, naphtha and kerosene. The Company's Aldersyde Facility is currently capable of converting wood derivative waste materials into a distillate product that consists of diesel and naphtha. One of the Company's immediate initiatives is for the Aldersyde Facility to achieve steady-state distillate production.

Waste to Fuel Processes and Research and Development Activities

Cielo's current process for converting waste to fuel is referred to as Thermal Catalytic Depolymerization ("TCD"). Feedstock is processed with catalyst into a liquid slurry, currently using UMO as a carrier fluid, which is then heated in a reactor at atmospheric pressure to break down feedstock molecules in the reactor. The presence of catalyst accelerates the reaction and formation of distillate. The distillate is produced in the first step of the process and held in a holding tank. The distillate is placed through a distillation process where it is heated to temperatures that produce diesel and naphtha. With the introduction of a fractionation tower, Cielo could also produce kerosene from the distillate.

Aldersyde Facility

The objectives of the Aldersyde Facility are focused on demonstrating the steady-state production of distillate for the sale of diesel and naphtha derived from wood waste utilizing UMO as the carrier fluid. The facility will also serve the purposes of generating revenue, product yield and control systems optimization, operations training, maintenance planning, and establishing best practices. Operational experience and operational philosophy from the Aldersyde Facility will translate to larger full-scale facilities.

Improving the Aldersyde Facility

Cielo is focused on increasing production rates at the Aldersyde Facility to a commercial level that supports revenue generation. Earlier in 2021, the Company implemented various process modifications which resulted in an improvement in production performance and enabled Cielo to achieve continuous production. However, these process modifications created unintended system bottlenecks and plugging issues which resulted in decreased operational run times. Immediate efforts to rectify the system issues proved unsuccessful. In August 2021, Cielo commenced a comprehensive analysis of the Aldersyde Facility by utilizing an internal engineering team, with the support of third-party engineering consultants and technical experts.

Utilizing the findings from this comprehensive analysis, the engineering design work at the Aldersyde Facility has continued since August 2021, with the focus on reducing downtime to achieve steady-state production. Engineering modification and design are being undertaken on three elements of the existing process: (i) the process infeed mixing system, (ii) reactor modifications and improvements, and (iii) the biomass waste system management (together, the "Aldersyde Project"). The Company's schedule for the Aldersyde Project is as follows:

- Engineering design - commenced - August 2021
- Initiation of equipment procurement - commenced - December 2021
- Construction initiation - to commence - January 2022
- Commissioning and start-up - forecast - April 2022

On December 16, 2021, the Company announced that it continued to progress towards the completion of these milestones, including completion of its engineering design work and initiation of equipment procurement for the Aldersyde Facility.

Benefits of Aldersyde Facility Improvements

By completing the planned work for the Aldersyde Project, Cielo anticipates realizing the following benefits at the Aldersyde Facility:

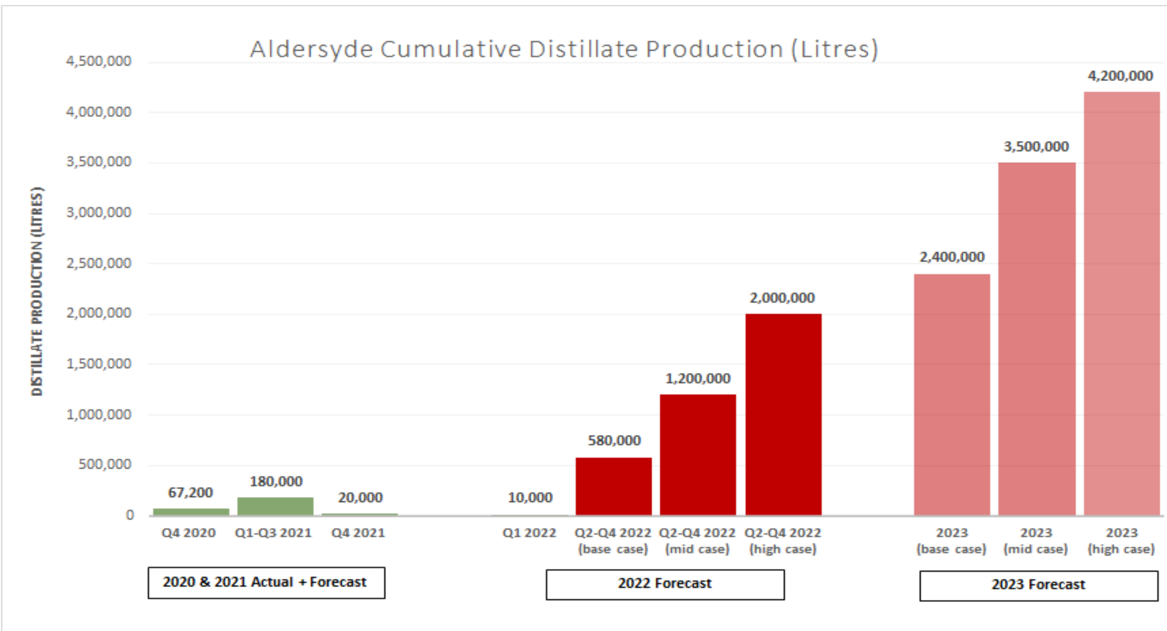
- Improved Reliability – system constraints, process plugging issues and system deficiencies will be addressed.
- Steady-State Production – once current design modifications are implemented, commissioned and optimized, the Aldersyde Facility's maximum throughput level can be established, enabling Cielo to better assess the economics associated with anticipated increases in production rates.

- Potential Production Increases – as steady-state production is stabilized, Cielo can explore production improvements related to limitations of the Aldersyde Facility's physical area and any equipment upgrade requirements needed to support investing in an expansion of the Aldersyde Facility.
- Revenue Generation – as the Aldersyde Facility achieves steady-state production, Cielo will be able to produce both high sulfur content diesel and low sulfur content diesel from distillate and be in a position to generate revenue and report on product sales, volumes and revenue, along with clarity on operating costs plus revenue per litre.

Historical and Forecasted Production

Based upon the historic production level realized at the Aldersyde Facility and the expected outcomes from the Aldersyde Project, Cielo is in a position to predict the cumulative volumes of distillate production at the Aldersyde Facility during 2022 and 2023 with base, mid-case, and high-case scenarios.

The graph below illustrates the historical distillate production that Cielo produced into its storage tanks over the period from Q4 2020 to November 12, 2021. The graph also illustrates the forecasted range of distillate production for 2022 and 2023 calendar years.



2020 and 2021 Actual and Forecast – the 2020 production was realized while operating the facility in a batch mode. Modifications to the Aldersyde Facility were made in early Q1 2021 where continuous production was attained but not sustained due to operational bottlenecks and plugging issues. Currently the facility continues to operate at a reduced rate as the Company addresses the system issues.

2022 Forecast – the Q1 2022 production forecast reflects the Aldersyde Facility downtime associated with the construction activities for the Aldersyde Project. Upon completion and successful commissioning of the Aldersyde Project, a range of forecasted cumulative distillate production volumes are presented for the balance of 2022 as the Aldersyde Facility is anticipated to perform in a steady-state mode with significantly reduced downtime.

2023 Forecast – the 2023 full year forecast reflects a range of cumulative distillate production with increased volumes compared to 2022, as a result of the anticipated continuous operational and systems improvements.

Further Aldersyde Facility Enhancements

Following completion of the Aldersyde Project, Cielo plans to undertake a third phase of enhancements at the

Aldersyde Facility, targeting upgrades to existing instrumentation, measurement and process system controls that are needed to improve production run time, reduce operating costs and optimize process management.

Cielo also anticipates completing engineering feasibility reviews for the following:

- Design of a distillate fractionation system to improve the quality and value of the diesel and naphtha produced at the Aldersyde Facility and enable the production of kerosene in commercial volumes.
- Design of UMO pre-treating and pre-conditioning to drive a more consistent carrier fluid for utilization in the conversion of wood waste into distillate, as well as potentially generating an additional revenue stream by flashing off the light ends of the UMO which could be captured as diesel.

Fort Saskatchewan R&D Facility

Cielo intends to build the R&D Facility with a capacity of 60 lph located on Cielo's land in Fort Saskatchewan, Alberta, which will guide the planning and design for its full-scale waste-to-fuel facility to be located at the site. The R&D Facility will consist of a scaled-down version of a full-scale facility, equipped with the latest process control technology for data trending, system automation, remote monitoring and process analytics.

The objectives of the R&D Facility will be to determine optimal reactor design for various biomass inputs and catalyst combinations in order to maximize distillate production, improve carbon intensity score, and determine the best operational practices. Given the size of the Aldersyde Facility, this data cannot be obtained in a cost-efficient manner from the Aldersyde Facility.

Cielo previously estimated a full-scale facility would have a capacity of approximately 4,000-lph; however, the Company intends to assess the economics of establishing a larger full-scale facility given the significant footprint offered by Cielo's Fort Saskatchewan lands. Since the R&D Facility will have a smaller 60-lph capacity, it will be fabricated and constructed within the warehouse, and the potential Fort Saskatchewan Facility will be constructed on the currently vacant land.

Engineering output data from the R&D Facility will provide critical information to fully understand material balance, energy balance, thermodynamics and fluid mechanics for the system which is required for modelling and scale-up calculations. These calculations would then be provided to a qualified Engineering, Procurement, Construction and Management firm capable of fabricating a full-scale, commercial waste-to-fuel facility.

<u>R&D Facility Activities and Milestones</u>

Current work at the Company's Fort Saskatchewan location is focused on the design, procurement, and construction of the R&D Facility. The primary objective is to produce high quality engineering data for the front-end engineering design of a full-scale waste-to-fuel facility. Thereafter, the R&D Facility will undertake continuous testing of plastics, organics, railway ties, and other waste products. In 2021 the Company made progress on meeting milestones related to construction and commissioning of the R&D Facility as follows:

- Engineering design and document approval - commenced - August 2021
- Detailed engineering - completed - November 2021
- Equipment procurement- completed - November 2021
- Construction - commenced - November 2021

2022 milestones for the R&D Facility are as follows:

- Vessel and equipment fabrication - to commence - January 2022
- Structural fabrication - to commence - February 2022
- Commissioning and start-up - forecast - August 2022
- Pilot testing and control experimentation start-up - forecast - August 2022

<u>Full-Scale Facility Design at Fort Saskatchewan</u>

Once testing and engineering data analysis from the R&D Facility concludes, the Company plans to commence concept work and front-end engineering design for the Fort Saskatchewan Facility. Cielo then intends to construct the Fort Saskatchewan Facility with specific capacity design, production rates, product revenue streams, operating costs, capital costs and overall economic metrics determined based on data from the R&D Facility as well as the operational characteristics observed at the Aldersyde Facility. Contemplation of the design engineering of the Fort Saskatchewan Facility is expected to commence in early 2023.

Expected R&D Costs

Cielo is conducting its own internal research and development in conjunction with specific external research and development expertise to assist in reaching steady-state production on a commercial scale. Recently, Cielo has been focused on building an internal engineering team which can reduce reliance on external engineers or consultants, while ensuring the Company maintains control over all processes and reduce overall costs within the organization. The cost requirements for Cielo to execute on its business strategy until the end of 2022 are:

- Estimated cost requirement of approximately $11.5 million to achieve steady-state production on a commercial scale at the Aldersyde Facility
- Estimated cost requirement of approximately $11.0 million on the design, procurement, and construction of the R&D Facility

Products and Purchase Agreement

Cielo's business model upon achieving stead-state production is to source feedstocks from a wide variety of potential suppliers and convert the feedstocks into fuels to be sold to a wide variety of potential purchasers. The diesel from Cielo's distillate could be used in diesel engines. Naphtha could be used to assist in transporting heavy oil, and kerosene could be suitable for aviation or marine jet fuel.

Cielo entered into a Synthetic Diesel Purchase and Sale Agreement on July 19, 2016 with Elbow River Marketing Ltd. ("Elbow River"). The agreement provides that Cielo will sell, and Elbow River will purchase, all of Cielo's production of diesel from Cielo's diesel production plant, which meets the specifications set out in the agreement (the "Elbow River Diesel Purchase Agreement"). The five-year initial term of the Elbow River Diesel Purchase Agreement will commence upon production by Cielo of diesel that meets the specifications for highway spec diesel. The Elbow River Diesel Purchase Agreement will automatically renew for consecutive two-year terms, unless either party terminates the agreement prior to the commencement of any such renewal period. The agreement, as amended, provides that Elbow River may terminate the agreement if Cielo has not commenced production of diesel meeting the agreed specifications on or before December 31, 2021. Elbow River has not indicated that it wishes to terminate the Synthetic Diesel Purchase and Sale Agreement. Elbow River retains sole discretion over the price at which it will sell the product and will pay Cielo a price equal to the price that Elbow River receives from third party customers, less certain transportation costs and less an agreed upon margin that Elbow River is entitled to. If the calculation of the purchase price is a negative number, then Cielo must pay Elbow River the amount required to ensure that Elbow River earns a minimum margin. Cielo may be obligated to reimburse Elbow River for certain expenses if the actual commercial operations date and/or production volumes differs from the scheduled commercial operations date and/or productions volumes. Furthermore, if Cielo fails to deliver product to Elbow River in a circumstance in which Elbow River has committed to sell such product to a third party, then Elbow River may obtain replacement product from a third party at Cielo's cost.

As disclosed in "Three Year History", Cielo has entered into arrangements to sell diesel it has produced from waste.

Supply/Components

Cielo has in place supply arrangements with multiple third parties for the supply of MSW feedstocks such as sawdust, wood shavings and railway ties, and management believes there is a wide variety of potential supply of feedstocks available to Cielo. Cielo plans to have feedstock agreements in place before commencing permitting or construction of each facility. Potential suppliers/supply industries include:

1. Sawmills
2. Railways (scrap railway ties)
3. Landfill, sewage, and recycling companies
4. Recyclers of plastics
5. Pulp and paper companies

6. Marijuana and Agriculture Wastes
7. Commercial scale consumers of plastic and cardboard

In November 2019, the Company entered into a Supply of Services Agreement with CP Rail effective October 31, 2019, which is scheduled to expire on October 31, 2025. Pursuant to the terms of the agreement, CP Rail is to provide a minimum of 500,000 railway ties in any calendar year during the term and Cielo is to have the capacity to accept, chip and recycle up to 500,000 railway ties during the term. Once operational, Cielo is to have capacity to accept a total of 700,000 to 1,000,000 railway ties during the term. The term of the agreement commences October 31, 2019 and expires October 31, 2025.

Cielo intends to utilize renewable energy sources, such as solar and wind, for its anticipated facilities. To the extent electrical sources are not available, Cielo may use natural gas. Cielo uses some water to assist in its process, which it is able to recirculate. The catalyst Cielo uses in its desulphurization unit and reactor is manufactured by third parties.

Renewable U MOUs

Cielo has entered several memorandums of understanding with Renewable U Energy Inc. ("Renewable U"), a privately-owned Alberta corporation, that set out the terms upon which they may work toward entering into joint arrangement agreements in respect of the planning, construction, commissioning, and operation of facilities using Cielo's process for the generation of fuel from waste (each a “Renewable U MOU”). Cielo and Renewable U currently have memorandums of understanding in place for the following locations: Grand Prairie, AB (dated October 31, 2018); Calgary, AB (dated November 22, 2018); Medicine Hat, AB (dated February 21, 2019); Saskatchewan (previously Lethbridge, and the specifical location in Saskatchewan to be determined, dated July 26, 2019); Halifax, NS (dated January 8, 2020); Toronto, ON (dated March 16, 2021); and Winnipeg, MN; Kamloops, BC, and a location to be determined in the United States (the Winnipeg, Kamloops and United States locations are all under one memorandum of understanding dated March 2021). Each Renewable U MOU is on substantially similar terms.

Under each Renewable U MOU, Renewable U would provide 100% of the funding to build, commission and operate the applicable facility. Cielo would execute the planning, construction, commissioning and overall management of the project and receive a management fee equal to 7% of certain project costs. Once operational, Cielo is to receive fees for operating the applicable facility, calculated based upon that which is standard for the industry.

Each facility would be owned 50.1% by Cielo and 49.9% by Renewable U. Until Renewable U recovers an amount equal to 100% of the cost of a facility, Renewable U will receive 70% of the profits from the facility in each territory while Cielo receives 30%. Upon project cost recovery for each facility, Cielo will be entitled to receive 50.1% of the profits, and Renewable U will be entitled to receive 49.9% of the profits of each facility.

Renewable U paid a fee of $250,000 in connection with each territory under the Renewable U MOUs. The fee was non-refundable unless the parties cannot enter into a definitive agreement, in which case the fee will be repaid by an issuance of Cielo Shares at the greater of $0.25 and the average of the closing market price of Cielo Shares for the previous five (5) trading days, except with respect to the MOUs for Toronto, Winnipeg, Kamloops and the United States location, which would be refunded by way of cash payment.

Each Renewable U MOU contemplates a right of first refusal in favour of Renewable U to enter into further agreements for potential follow-on facilities within the territory set out in the applicable Renewable U MOU (which varies in distance and may include a radius of up to 250 km of the applicable city or town).

Under the Renewable U MOUs, Renewable U represented in relation to each MOU that it has or has access to sufficient resources to finance the project costs in their entirety in a timely manner for each facility. In the event Renewable U is unable to deliver funds for project costs in a timely manner, it would be a material breach of the applicable joint arrangement agreement, if entered into.

Future Facilities

Cielo anticipates beginning engineering design for future facilities in early 2023 if it is successful in achieving steady-state production on a commercial scale at its Aldersyde Facility and reaches a certain level of confidence in the engineering design data derived from its R&D Facility at Fort Saskatchewan, Alberta.

The Aldersyde Facility is Cielo's first facility capable of converting wood derivative waste materials to fuel. In addition to production of fuels for sales to third parties, Cielo intends to use its Aldersyde Facility for ongoing research and development activities that will continue to develop, improve and demonstrate Cielo's concepts. Cielo is currently working on improving and optimizing its Aldersyde Facility to achieve steady-state production on a commercial scale, as described further under "Description of Business – Waste to Fuel a Processes and Research and Development Activities".

Cielo's long-term plans are to build more 100% Cielo owned facilities in North America. Cielo anticipates using a scalable model for its future facilities. The first full-scale 100% owned Cielo facility is planned to be built in Fort Saskatchewan, near Edmonton, Alberta. The Company recently acquired land in Fort Saskatchewan that will be used for this facility.

Renewable U acquired land located outside of Medicine Hat, Alberta, in Dunmore, Alberta, which is expected to be the site for facilities that Cielo and Renewable U may jointly develop. The 80-acre parcel of land Renewable U acquired is located directly east of CP Rail's Dunmore Rail Yard and is located between the TransCanada #1 Highway and CP Rail's main line. This location is expected to provide Cielo with the flexibility to bring in various waste feedstocks and ship the end-products out by rail and/or by other ground transportation.

Specialized Skill and Knowledge

Cielo's Aldersyde Facility operates at atmosphere pressure. The TCD process requires specialized skills and knowledge. Such skills and knowledge include the areas of engineering and operations. To date, the Company has been successful in locating and retaining employees and consultants with such skills and knowledge and believes it will continue to be able to do so.

Competitive Conditions and Position

As a waste to fuel company, Cielo may compete with other entities in the businesses of both waste management as well as fuel production, including biodiesel producers, other waste to fuel producers and conventional fuel producers. It is possible the Company may compete with other entities that have greater financial resources and technical facilities. Competition could adversely affect the Company's ability to acquire suitable properties, feedstocks, offtake arrangements, or prospects in the future or to raise the capital necessary to continue with operations.

Changes in waste management, including developments to assist in increased recycling and composting of solid wastes may result in less feedstock being available to the Company. The Company may compete with other waste management companies for feedstock.

Intangible Properties

Patents were granted in both Canada and the U.S. to 1888 for the Technology that Cielo uses at its Aldersyde Facility and plans to use at additional facilities. The Technology, which is the subject of these patents in the U.S. and Canada can convert waste feedstocks, including plastics, rubber, organic material and wood derivative waste to fuel through the TCD process. The patents underlying the Technology were transferred from 1888 to Cielo under the terms of the IP Purchase Agreement on December 3, 2021. See "License Agreement and IP Purchase Agreement" below for additional information.

Cielo currently utilizes two different catalysts, one in the desulphurization unit and the other in the reactor. Both catalysts are manufactured by third parties for Cielo.

License Agreement and IP Purchase Agreement

1888 and Cielo first entered into the License Agreement on June 14, 2016, which was subsequently restated and amended through a binding agreement dated November 1, 2017. Pursuant to the License Agreement:

- 1888 and Cielo agreed to the payment of Royalty and Refinery Fees by Cielo to 1888 in exchange for 1888 providing resources for the development of the Technology;
- 1888 provided and Cielo accessed capital for the development of the Technology owned by Cielo;
- Cielo provided a license to 1888 to develop the Technology, which included the consent from Cielo for 1888 to develop, improve, and patent the Technology, and 1888 obtained patents concerning the Technology;

- Cielo had the right to develop and improve the Technology and did continue and will continue to develop the Technology to commercialization and beyond;
- Upon commercialization of the Technology, Cielo was to pay 1888 a royalty (the “Royalty”) of CAD $0.05 on every liter of fuel produced by Cielo as well as an additional sum for each refinery beyond the initial refinery constructed by Cielo (the "Refinery Fees"); and
- Certain rights for the termination of the Royalty and Refinery Fees were provided to Cielo.

On November 22, 2021, Cielo and 1888 executed a preliminary agreement pursuant to which Cielo and 1888 agreed that all rights of 1888 to utilize the Technology and receive payment of Royalty and Refinery Fees were terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo agreed to issue ten million (10,000,000) Cielo Shares to 1888. On December 3, 2021, upon receiving the approval from TSXV, Cielo and 1888 Inc executed the definitive IP Purchase Agreement and successfully closed this transaction including the issuance of ten million (10,000,000) Cielo Shares to 1888 Inc. The Cielo Shares issued to 1888 are subject to a 4-month hold period expiring on April 4, 2022.

Seasonality and Cyclicality

The business of Cielo is expected to exhibit some seasonality and cyclicality due to overall consumption patterns of refined products, broad macro-economic activity, and extenuating events. Low carbon fuels act as both substitutes and measures to reduce carbon intensities of fossil fuels. Seasonal increases in demand for heating oil can increase diesel prices as refiners may produce more heating oil to meet demand. In addition, broad economic activity and extenuating events, such as COVID-19, can negatively impact the consumption of fossil fuels. In some cases, consumer preferences and rates of adoption of renewable fuels may partially or completely offset any declines as a result of broad economic declines.

Environmental Protection

The current and future operations of Cielo are and will be subject to various laws, rules and regulations governing the protection of the environment. Cielo’s obligations to protect the environment under the regulatory regimes in which the Company does and will operate may affect the financial position, operational performance and earnings of the Company. Management believes all of the Company’s activities are materially in compliance with applicable environmental legislation. See "Industry Overview" and "Risk Factors - *Environmental Regulations could have a significant impact on the energy industry*" for additional information".

Employees

As of April 30, 2021, Cielo had 15 employees. As of the date of this AIF, Cielo has 22 employees. The Company also utilizes consultants to carry on some of its activities.

Social or Environmental Policies

Cielo is focused on ensuring the health and safety of its employees, contractors and partners, while also striving to minimize the environmental footprint of its operations. Improvements to Cielo’s health and safety measures are being employed across Cielo’s operations.

RISK FACTORS

The following are certain factors relating to the Company’s business which investors should carefully consider. The following information should be read in conjunction with the detailed information appearing elsewhere in this Annual Information Form. These risks and uncertainties are not the only ones the Company faces. Additional risk and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair Cielo’s operations. If any such risks actually occur, the business, financial condition, liquidity and results of Cielo’s operations could be materially adversely affected.

The Company faces operational risks and its facilities may fail performance expectations.

Waste to fuel production operations generally involve a high degree of risk including hazards and risks normally encountered in obtaining feedstock, process design, the fluctuation of fuel prices and possible damage to, or destruction of the producing facilities, damage to life or property, environmental damage and possible legal liability. Certain operational risks include fire, explosion, and spills. The costs of any of these incidents could have a material adverse effect on the Company's business, financial condition, results of operations, legal liability, cash flows or prospects.

The performance of the Company's TCD and related systems at its Aldersyde Facility and potential additional facilities may encounter problems due to the failure of technology, the failure to combine technologies properly, operator error or the failure to maintain and service the facilities properly. There is no certainty that the facilities will result in production of commercial quantities of fuels, low carbon or otherwise. Refining operations are subject to hazards such as equipment failure and fuel storage areas, which may result in environmental pollution and consequent liability. Many potential problems and delays are beyond the Company's control, such as COVID related facility closures and supply chain disruptions. Any problem with the Company's facilities, whether originating from its technology, design, or installation, could have a material adverse effect on the Company's business, financial condition, results of operations, legal liability, cash flows or prospects.

The Company is currently dependent upon its Aldersyde Facility, which is primarily in a research and development stage, and has not commenced construction of full-scale facilities. The Company's commercial success depends on its ability to achieve steady-state production and develop and operate its facilities.

As of the date of this AIF, all the Company's refining activities are conducted at its Aldersyde Facility and its existing regulatory approvals are specific to that location. The Company is, and will be until additional facilities are built, solely dependent on the Aldersyde Facility for revenue generation. The Company recently acquired land in Fort Saskatchewan, near Edmonton, Alberta, where the R&D facility is being built and a100% owned full-scale facility may be built, and Renewable U has secured land near Medicine Hat, in Dunmore Alberta, where additional facilities may be built. Neither the Company nor Renewable U hold land for any other planned facilities. Licensing or construction delays or cost over-runs in respect of the development of new facilities could delay, diminish or prevent the Company's ability to convert waste to fuels at these facilities.

The Aldersyde Facility is currently capable of converting certain wood derivative waste materials into a distillate product that consists of diesel and naphtha. The instillation of a fractionation tower at Aldersyde will be required to produce kerosene from the distillate. The Company is continuing its research and development activities to achieve steady-state production on a commercial scale. There can be no assurance that the Company will be successful in achieving steady-state production on a commercial scale. The Company's business strategy also includes producing a fuel that can be classified as highway diesel and renewable fuel under applicable legislation in Canada. If the Company is unable to achieve its goal of reaching steady-state production, it may have a material adverse effect on its growth strategies, the demand and price for its products, cash flows, and financial performance. Additionally, if the Company is unable to produce highway diesel on a commercial scale or renewable fuel, it may have an adverse effect on the price for its products and cash flows.

In addition to risks associated with the Company's efforts to refine its processes to be able to achieve steady-state production and produce highway diesel on a commercial scale or renewable fuels, there is no assurance that the Company or its joint arrangements will be successful in its or their plans to design, build, own, and operate additional facilities that convert waste into distillate, highway diesel or renewable fuels.

Construction of facilities may take many years to complete, and market conditions can change from the Company's forecasts. As a result, the Company may be unable to fully realize the expected returns, which could negatively impact the Company' s financial condition, results of operations, and cash flows. A number of factors related to the development and operation of individual facilities could adversely affect the Company's business, including but not limited to:

- regulatory changes that affect the demand for or supply of low carbon fuels and the prices thereof, which could have a significant effect on the Company's cash flows and financial condition;
- regulatory changes to waste management policies or changes to the waste collection industry that could reduce the amount of waste available to be used at the proposed facilities;
- changes in the regulations in the regions where the Company operates or is developing new facilities;
- ability to obtain regulatory permits on acceptable terms;
- changes in energy commodity prices, such as diesel fuel and naphtha;
- a decrease in the availability, pricing and timeliness of delivery of raw materials and components necessary for the facilities to function;
- the competitive landscape if an increased number of waste to energy facilities become operational; and

- unexpected delays in the development and completion of facilities as well as unforeseen events giving rise to force majeure or unexpected delays once such facilities are operational.

Any of these or other factors could prevent the Company from completing or operating its projects, or otherwise adversely affect its business, financial condition, and results of operations.

The Company or its anticipated joint arrangement partners will need to raise capital for research and development activities and the construction and development of facilities, which may not be available on acceptable terms, or at all.

The final amount of capital expenditures relating to research and development activities and the development of the Company's facilities may be significantly greater than expected, in which case the Company may be required to curtail or delay research and development activities or construction and development of Company facilities, which would reduce the Company's planned production capacity and adversely affect its growth plans, cash flows and financial condition.

The Company will rely on certain intellectual property to operate facilities.

Cielo relies or may rely on a combination of patents, trademarks, trade names, trade secrets, confidentiality agreements and other contractual restrictions on disclosure to protect its intellectual property rights. Cielo also enters into confidentiality agreements with employees, consultants and other third parties, and controls access to and distribution of Cielo's confidential information. Cielo's success will depend in part on its ability to maintain or obtain and enforce patent and other intellectual property protection for Cielo's process and technologies and to preserve trade secrets, and to operate without infringing upon the proprietary rights of third parties. Setbacks or failures in these areas could negatively affect Cielo's ability to compete and materially and adversely affect Cielo's business, financial condition, and results of operations.

If Cielo is unable to protect intellectual property or if a competitor develops or obtains exclusive rights to a breakthrough technology, the impact on Cielo's business and financial performance may be significant. Developments in technology could trigger a fundamental change in waste processing and the renewable energy industries, which may adversely impact volumes at its facilities and ultimately the Company's financial performance.

Cielo may, in the future, seek additional patents or file patent applications.

There can be no assurance that Cielo will be successful in obtaining patents it applies for in the future. Third parties may infringe on patents Cielo held by Cielo from time to time. To counter infringement or unauthorized use, Cielo may need to file infringement claims, and in an infringement claim, there is risk that a court will decide that a patent of Cielo's is invalid or unenforceable, in whole or in part, and that Cielo does not have the right to stop the other party from using the invention at issue. Additionally, there can be no assurance that the scope of any claims granted in any patent will provide Cielo with adequate protection for the processes used by Cielo currently or in the future. Cielo cannot be certain that the creators of the technology it uses were the first inventors of inventions and processes covered by the patents and patent applications or that they were the first to file. Accordingly, there can be no assurance that the patents Cielo has access to, including those patents transferred under the IP Purchase Agreement, will be valid or will afford Cielo with protection against competitors with similar technology or processes.

Under the terms of the IP Purchase Agreement, the License Agreement was terminated, and the Technology was transferred to Cielo. A dispute arising from the IP Purchase Agreement could have a material adverse effect on Cielo's operations and financial condition.

The Company may conduct some of its operations through joint arrangements and its partners' interests may not always align with those of Cielo

Cielo currently has executed several MOUs with Renewable U. Cielo and Renewable U may be unable to agree on terms to enter one or more joint arrangements. Cielo may conduct some of its operations through joint arrangements, including with Renewable U, in which Cielo may share control over certain economic and business interests. There would be a variety of risks associated with the Company's interest in the joint arrangements, including:

- potential disagreements with Cielo's joint arrangement partners about how to construct, operate or finance a facility;

- joint arrangement partners may have economic, business or legal interests, or goals that are inconsistent with Cielo's goals and interests;
- joint arrangement partners may be unable to meet their, or may not meet their obligations under the arrangements with them; and
- disagreements with joint arrangement partners over the exercise of their rights under the agreements that will govern their relationship with Cielo.

Failure by Cielo, or an entity in which Cielo has a joint arrangement interest, to adequately manage the risks associated with the Renewable U MOUs or joint arrangements Cielo may enter into with Renewable U or any other party, and any differences in views amongst Cielo and its joint arrangement partners, which could prevent or delay actions that are in the best interest of Cielo or the joint arrangement, could have a material adverse effect on Cielo's, or its joint arrangement's, financial performance, results of operations, and liquidity.

In accordance with the Renewable U MOUs, Cielo is in the process of negotiating joint arrangement agreements with Renewable U which would replace the Renewable U MOUs. There can be no assurance that Cielo and Renewable U will enter into definitive joint arrangement agreements, or that the definitive agreements, if entered into, will reflect the terms and conditions as set forth in the Renewable U MOUs. Under the Renewable U MOUs, Renewable U will be obligated to finance the construction costs for the facilities. There can be no assurance that Renewable U will be able to obtain such financing on acceptable terms or at all.

Cielo is dependent on third parties for feedstock and significant interruptions in Cielo's access to certain key inputs may impair operations at its facilities

As feedstocks comprise the primary input in converting waste to fuels, changes in the price or availability of feedstocks can significantly affect Cielo's business. Cielo is dependent on third parties for its feedstock and relies on obtaining long-term contracts for the supply of feedstock materials. There can be no assurance that the Company will be able to contract for feedstock or re-contract with any given party upon expiry of a given contract, nor is there any assurance that the Company would be able to replace lost feedstock because of a failure to renew an existing contract.

The price or availability of feedstock is influenced by many factors, including market demand, policies with respect to collection or management of waste and general economic and regulatory factors. The significance and relative effect of these factors on the price or availability of feedstock is difficult to predict. Any event that tends to negatively affect the supply of feedstock could increase feedstock prices and potentially harm Cielo's business. In addition, Cielo may also have difficulty, from time to time, in physically sourcing feedstock on economic terms due to supply shortages. Such a shortage could require Cielo to suspend operations until feedstock is available at economical terms, which would have a material adverse effect on its business, results of operations and financial position.

In addition to feedstock, Cielo's business is dependent on several other key inputs and their related costs, including raw materials (including UMO), catalyst, supplies and equipment related to its operations, as well as electricity, water and other utilities. Any significant interruption, price increase or negative change in the availability or economics of the supply chain for key inputs could curtail or preclude Cielo's ability to develop facilities or continued production and may have a material adverse impact on its business and results of operations.

Environmental regulations could have a significant impact on the energy industry

All phases of operating low carbon fuel production facilities present environmental risks and hazards. Cielo is subject to environmental regulation implemented or imposed by a variety of federal, provincial and municipal laws and regulations as well as international conventions. Among other things, environmental legislation provides for restrictions and prohibitions on spills and discharges, as well as emissions of various substances produced in association with low carbon fuel operations. Legislation also requires that facility sites be operated, maintained, abandoned and reclaimed in such a way that would satisfy applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner Cielo expects may result in stricter standards and enforcement, larger fines, penalties and liability, as well as potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Cielo to incur costs to remedy such discharge.

Renewable energy regulations are evolving, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's operations. The Company cannot predict the nature of any future laws, regulations, interpretations or applications towards renewable energy policies, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. The Company's business may suffer if environmental policies change to no longer encourage the development and growth of low carbon fuels. Public opinion can also exert a significant influence over the regulation of the renewable energy industry. A negative shift in the public's perception in the feasibility of renewable energy could affect future legislation or regulations in Canada and abroad which may have an adverse effect on Cielo's business.

Failure to comply with government regulations could subject Cielo to civil and criminal penalties, require Cielo to forfeit property rights and may affect the value of Cielo's assets or Cielo's ability to conduct its business. Cielo may also be required to take corrective actions, including, but not limited to, installing additional equipment, which could require Cielo to make substantial capital expenditures. Cielo could also be required to indemnify its employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. These could result in a material adverse effect on Cielo's business, financial condition and results of operations.

Cielo has a limited operating history and a history of net losses and it may not achieve or maintain profitability in the future

The Company has no history of significant or consistent earnings and there is no assurance that the Aldersyde Facility or any future facility will generate earnings, operate profitably, or provide a return on investment in the future.

Cielo has not generated sufficient positive cash flow on a consistent basis to cover corporate overhead costs and interest and principal payments on loan obligations. Cielo's ability to do so going forward will depend in part on factors over which management has no control. It may be a significant period of time before Cielo achieves consistent revenues while, concurrently, Cielo expects to incur significant costs in connection with ongoing research and development activities and with the potential construction of its Fort Saskatchewan Facility near Edmonton, Alberta.

Few low carbon fuel facilities are developed into profitable businesses without significant help from government subsidies. Major expenses may be required to establish the facility business. It is impossible to ensure that the current business plan by the Company will result in a profitable commercial production operation.

In addition, Cielo's prospects must be considered in light of the risks and uncertainties encountered by an early-stage company in the rapidly-evolving low carbon fuel market, where supply and demand may change significantly in a short period of time.

Cielo's efforts to grow its business may be more costly than it expects, and it may not generate enough revenue to offset its operating expenses. Cielo may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications and delays in obtaining governmental licenses and the other risks described in this AIF. The amount of any future losses will depend, in part, on Cielo's ability to generate revenue on the one hand and any increases in its expenses on the other hand. If Cielo continues to incur losses in the future, the net losses and negative cash flows incurred to date, together with any such future losses, will have an adverse effect on Cielo's shareholders' equity and working capital. As a result of the numerous risks and uncertainties associated with Cielo's business and industry, Cielo is unable to accurately predict when, or if, Cielo will be able to achieve profitability. Even if Cielo achieves profitability at some point in the future, Cielo may not be able to sustain profitability in subsequent periods. If Cielo is unable to achieve and sustain profitability, the market price of the Cielo Shares may significantly decrease and Cielo's ability to raise capital, expand its business or continue its operations may be impaired.

The results of Cielo's operations will depend on commodity prices

The profitability of the Company's operations will be significantly affected by changes in the market price of various fuels derived from waste. The level of interest rates, the rate of inflation, world supply and stability of exchange rates can all cause significant fluctuations in fuel prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of diesel fuel has fluctuated widely in recent years, and future serious price declines could cause continued commercial production to be impracticable. Depending on the price of diesel fuels, cash flow from operations may not be sufficient to fund growth or pay the Company's obligations. Market fluctuations and the price of fuels derived from waste, may render refining uneconomical. Short-term operating factors relating to the production of fuels from waste, such as the increased feedstock costs or drop in low carbon fuel prices, could cause the refining operation to be unprofitable in any particular accounting period.

The Company requires permits and authorizations to conduct its operations

Cielo's existing and proposed operations require, and Cielo's planned growth will require, licenses, permits and in some cases renewals of these licenses and permits from various governmental authorities both domestically and abroad. Cielo's ability to obtain, amend, comply with, sustain, or renew such licenses and permits on acceptable, commercially viable terms are subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. Cielo's inability to obtain, amend to conform to its operations, or extend a license or a loss of any of these licenses or permits may have a material adverse effect on its business, financial condition, and results of operations.

Improvements in or new discoveries of alternative energy technologies could have a material adverse effect on Cielo's financial condition and results of operations

Because Cielo's business depends on the demand for oil products, including diesel, any improvement in or new discoveries of alternative energy technologies (such as fuel cells), government mandated use of such technologies or government restrictions or quotas on the use of oil that increase the use of alternative forms of energy and/or reduce the demand or market for oil, and related products could have a material adverse impact on Cielo's business, financial condition and results of operations.

New or changing technologies may be developed, consumers may shift to alternative fuels or alternative fuel vehicles (such as electric or hybrid vehicles) other than the fuels from waste Cielo produces (which shift may be accelerated in response to climate change), and there may be new entrants into the low carbon fuels production industry that could meet demand for lower-carbon transportation fuels and modes of transportation in a more efficient or less costly manner than Cielo's technologies and products, which could also have a material adverse effect on its business.

In the event Cielo's competitors or future competitors design or implement new methodologies or new technology relating to the refining or re-refining of waste it could reduce demand for diesel or make its facilities uneconomic.

Developments with respect to low-carbon fuel policies and the market for alternative fuels may affect demand for Cielo's fuels and could adversely affect financial performance.

Low-carbon fuel policies, blending credits, and stricter fuel efficiency standards to help reach GHG emissions reduction targets help drive demand for Cielo's fuels derived from waste. Any changes to, a failure to enforce, or a discontinuation of any of these policies, goals, and initiatives could have a material adverse effect on Cielo's business.

Cielo's operations face risks of interruption and casualty losses

Cielo may be subject to unexpected events and natural hazards, including severe weather events, interruption of utilities and infrastructure or occurrence of pandemics, which could cause sudden or complete cessation of its day-to-day operations. Sever weather events that could affect operations at Cielo's facilities, including wildfires or flooding, may become more frequent as a result of climate change. Any failure to respond effectively or appropriately to such events could adversely affect Cielo's operations, reputation, and financial results.

The Company's facilities will be its principal operating assets. As a result, operations could be subject to significant interruption if one or more of facilities were to experience a major accident or mechanical failure, be damaged by severe weather or other natural or man-made disaster, such as an act of terrorism, or otherwise be forced to shut down. If any facility or plant were to experience an interruption in operations, earnings from the facility or plant could be materially adversely affected (to the extent not recoverable through insurance) because of lost production and repair costs.

Insurance may not be adequate or provided for losses Cielo may incur

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which such corporations cannot insure or against which they may elect not to insure.

Although Cielo obtains, or may obtain, insurance to protect against certain risks, there are limitations on insurance coverage that may not be sufficient to cover the full extent of such costs, or a particular risk may not be insurable in all circumstances, or the Company may elect not to obtain insurance in certain circumstances. A significant event that is not fully insured could have a material adverse effect on Cielo's financial position, results of operations and cash flows

Certain of Cielo's directors and officers serve as director and/or officers of other companies

Certain of the directors and officers of the Company also serve, or may serve, as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and/or officers to be in a position of conflict with respect to the Company. Ryan Jackson is a director of Cielo as well as a director, officer and beneficial shareholder of Renewable U. Situations may arise where a director and officer will be in competition with the Company or be subject to conflicting interests, as a result of their positions with such other entities. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the BCBCA which require a director or officer of a corporation who is a party, has a material in interest in, or is a director or an officer of or has a material interest in any person who is a party to, a contract or transaction with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the BCBCA. Certain directors or officers may determine that they are unable to continue in their positions with the Company as a result of a conflict of interest, which could have a material adverse effect on the Company's business.

Cielo is vulnerable to the potential difficulties associated with rapid growth.

Cielo believes that its future success depends on its ability to manage the rapid growth that it has experienced, and the continued growth that it expects to experience. The Company's expected growth depends on its ability to leverage its industry experience and relationships with its partners, customers, and vendors to ensure the economic viability of pursued opportunities. While the Company intends to focus on managing its costs and expenses over the long term, it expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

The waste to energy market is a relatively new industry

Since the waste to energy industry is in a nascent stage in Canada, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in Cielo's and, few, if any, established companies whose business model Cielo can follow or upon whose success it can build.

Accordingly, investors should rely on their own estimates regarding the potential size, economics and risks of the waste-to-energy market in deciding whether to invest in Cielo Shares.

There is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. The Company could also be subject to other events or circumstances that adversely affect the waste-to-energy industry, such as reductions in fuel consumption.

We rely on certain key personnel and may be subject to labour disruptions

Cielo's success will depend on its directors and officers to develop its business and manage its operations and on its ability to attract and retain key personnel. The loss of any key person, including but not limited to the Company's CEO, or the inability to find and retain new key people, could have a material adverse effect on Cielo's business. No assurance can be provided that Cielo will be able to attract or retain key personnel in the future, which may adversely impact its operations.

Cielo is also exposed to the risk of labour disruption in its operations. While Cielo does not anticipate any material labour disruptions in the near future, any prolonged work stoppages or other labour disputes could have an adverse impact on Cielo's financial results.

The Company may not be able to secure adequate or reliable sources of funding required to operate Cielo's *business*

Cielo's business is dependent on having access to sufficient capital and financial resources to fund its research and development activities, its general and administrative costs and its growth and investment in operations. Any failure to maintain adequate financial resources could impair Cielo's research and development and growth or its ability to satisfy financial obligations as they come due. There can be no assurance that adequate capital resources will be available in the future on acceptable terms or at all.

Cielo's ability to obtain additional financing, when required; will depend on investor and lender demand, success of Cielo's research and development activities, operating performance, the condition of the capital markets and other factors. Cielo cannot guarantee that additional financing will be available on favourable terms when required, or at all. If Cielo raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of Cielo's existing securityholders. Cielo's existing securityholders will experience dilution, perhaps to a substantial level, if Cielo raises the additional financing through the sale of shares of common stock. If Cielo is unable to obtain adequate financing or financing on terms satisfactory to management when required, Cielo's ability to continue to support research and development activities and the operation or growth of its business could be significantly impaired and its operating results will likely be harmed.

We face competition for other producers of low carbon fuel

There is competition within the low carbon fuel industry which is considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production.

Cielo faces competition from other producers of fuels from waste with respect to the procurement of feedstock and selling of such fuels. Such competition could be intense, thus driving up the cost of feedstock and driving down the price for Cielo's products. Competition will likely increase if profit margins available to low carbon fuels producers rise. Additionally, new companies may enter the market, thus increasing the competition.

Other companies may have greater success in the recruitment and retention of qualified employees, as well as in conducting their own production and fuel marketing operations, and may have greater access to feedstocks, market presence, economies of scale, financial resources, and engineering, technical and marketing capabilities, which may give them a competitive advantage.

The loss of one or more of Cielo's larger customers could have a material adverse effect on its business

Upon achieving steady-state production, the loss of one or more of Cielo's larger offtake customers could have a material adverse effect on its business, financial condition, results of operations and cash flow. In addition, financial difficulties experienced by customers could adversely impact their demand for Cielo's services and cause them to request amendments to contracts with them.

Cyberattacks may cause disruptions to the Company's operations and could have a material effect on its business

Cielo is dependent on technology in its operations and if the technology fails, it could adversely impact the financial and operational performance of the Company. A cybersecurity incident including a breach of secure and private information could negatively impact Cielo's financial performance, subject it to criticism or affect its relationships with customers, employees, investors and other stakeholders. Cyber incidents including theft, alteration or destruction could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to its reputation. A breach of the Company's cyber/data security measures could have a material adverse effect on the Company's business, operations, financial condition and operating results.

The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation, results of operations, cash flows and financial condition.

Although to date the Company has not experienced any material losses relating to cyberattacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Any of these factors could have a material adverse effect on the Company's results of operations, cash flows and financial position.

The market value of Cielo's Shares may fluctuate

The market price of Cielo Shares, as a publicly traded stock, can be affected by many variables not directly related to the corporate performance of the Cielo, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of Cielo Shares in the future cannot be predicted.

Covid-19 and other outbreaks may further disrupt Cielo's operations

As a result of the COVID-19 pandemic, the Company paused all operations at the Aldersyde Facility and temporarily laid-off operators while maintaining essential personnel. The operators were brought back to work on August 11, 2020. While the Company was able to re-commence work, the ultimate extent of any continuing impacts of the COVID-19 pandemic on the Company's business, financial condition, results of operations, cash flows and prospects will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the COVID-19 pandemic and actions taken to contain or prevent its further spread, among others. Any of the foregoing events could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, and prospects.

In addition, the continued impact of COVID-19 may have adverse impacts on the Company, including, among others:

- volatility in the global capital markets, which may increase cost of capital and adversely impact access to capital;
- continued impacts on workforces throughout the regions in which COVID-19 is present, which may result in the Company's workforce being unable to work effectively;
- supply chain disruptions.

Future local, regional, national or international outbreaks of contagious diseases, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price of and demand for oil, (and correspondingly, decrease the demand for Cielo's fuels which could have a material adverse effect on its business, financial condition, results of operations and cash flows). Additionally, such an outbreak, if uncontrolled, may result in temporary shortages of staff to the extent Cielo's work force is impacted, which may have a material adverse effect on its business.

Litigation and legal claims could have an adverse impact on Cielo's business

Cielo may be subject to legal proceedings and governmental investigations from time to time related to its business and operations. Lawsuits or claims against the Company could have a material adverse effect on its business, financial condition, results of operations and cash flow.

Acquisitions entail numerous risks and may disrupt Cielo's business or distract management

Cielo considers and evaluates acquisitions of, or significant investments in, complementary assets as part of its business strategy. Acquisitions involve numerous risks, including unanticipated costs and liabilities, and difficulty in integrating the operations and assets of the acquired assets. Any acquisition could have a material adverse effect on Cielo's business, financial condition, results of operations and cash flow.

The Company may incur substantial debt to finance future acquisitions and also may issue equity securities or convertible securities for acquisitions. Debt service requirements could be a burden on Cielo's results of operations and financial condition. Cielo would also be required to meet certain conditions to borrow money to fund future acquisitions. Acquisitions could also divert the attention of management and other employees from

Cielo's day-to-day operations and the development of new business opportunities. Even if the Company is successful in integrating future acquisitions into its operations, the Company may not derive the benefits such as operational or administrative synergies expected from acquisitions, which may result in the Company committing capital resources and not receiving the expected returns. In addition, the Company may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets.

Risks related to Politics and the Economy

Cielo may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes or shifts in political attitude in certain countries may adversely affect Cielo's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on price controls, export controls, income taxes and maintenance of assets. The effect of these factors cannot be accurately predicted.

DIVIDENDS AND DISTRIBUTIONS

Dividends

Cielo has not historically paid any dividends and does not intend to implement a dividend policy as at the date of this AIF. The declaration and payment of future dividends, if any, and the amount of any dividends, will be in the sole discretion of Cielo's Board based on various factors and conditions from time to time, which may include Cielo's financial results, operations, outlook for commodity prices, future capital requirements and the satisfaction of the liquidity and solvency tests imposed by the BCBCA for the declaration and payment of dividends.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares and Preferred Shares

The authorized capital of the Company currently consists of an unlimited number of Class A Common Shares and an unlimited number of Class B Preferred Shares. No shares of any other class are authorized for issuance. As of the date of this AIF, there are currently 662,129,912 Class A Common Shares issued and outstanding, and nil Class B Preferred Shares issued and outstanding. The Class A Common Share currently trade on the TSXV under the ticker symbol "CMC".

Class A Common Shares

Dividends. The holders of Class A Common Shares shall be entitled to receive such dividends as the Cielo Board, in their discretion, may declare.

Return of Capital. In the event of a liquidation, dissolution, or winding-up of the Company, either voluntarily or involuntarily, or other distribution of assets or property of the Company amongst its shareholders for the purpose of winding up its affairs or for any other purpose as considered appropriate by the Cielo Board, the holders of Class A Common Shares will be entitled to participate in the remaining assets and property of the Company.

Voting Rights. Subject to applicable corporate and securities laws, the registered holder of Class A Common Shares shall be entitled to receive notice of and attend all meetings of shareholders of the Company and shall, in respect of each Class A Common Share so held, be entitled to one vote at any such meeting or to consent to a resolution in writing to be signed by all or any of the shareholders of the Company.

The rights, restrictions, conditions, and limitations attached or related to the Class B Preferred Shares are as follows:

Class B Preferred Shares

Dividends. The holders of Class B Preferred Shares shall be entitled to receive such dividends as the Cielo Board, in their discretion, may declare, in preference to the holders of the Class A Common Shares and the holders of any other shares ranking junior to the Class B Preferred Shares as may be fixed in accordance with the Articles of the Company.

Return of Capital. Unless subordinated in priority by the special rights and restrictions attached to any particular series of Class B Preferred Shares, and subject to applicable corporate and securities laws, the holders of Class

B Preferred Shares as a class shall be entitled, in the event of a liquidation, dissolution, or winding-up of the Company, either voluntarily or involuntarily, or other distribution of assets or property of the Company amongst its shareholders for the purpose of winding up its affairs or for any other purpose as considered appropriate by the Cielo Board, to receive in priority before any distribution shall be made to the holders of Class A Common Shares or any other shares of the Company ranking junior to the Class B Preferred Shares with respect to repayment of capital, the amount paid up with respect to each Class B Preferred Share held by each holder respectively together with the premium (if any) payable respectively on redemption of each such series of Class B Preferred Shares and all accrued and unpaid dividends (if any) which, for such purpose, shall be calculated as if such dividends were accruing on a day-to-day basis up to the date of such distribution.

Voting Rights. Subject to applicable corporate and securities laws, except as hereinafter referred to or as required by law or in accordance with any voting rights which may from time to time be attached to any series of Class B Preferred Shares, the holders of Class B Preferred Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Company; provided that the holders of Class B Preferred Shares as a class shall be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof, or as required by applicable corporate laws.

Options

At its annual general and special meeting of the Company's shareholders held on October 29, 2019, the Company sought and obtained the approval of the shareholders for a "rolling" stock option plan (the "Predecessor Option Plan") and a "rolling" restricted share unit plan (the "Predecessor RSU Plan", together with the Predecessor Option Plan collectively the "Predecessor Plans"). The Predecessor Option Plan provided that the number of Cielo Shares to be reserved for issuance under the Predecessor Option Plan could not exceed Six Percent (6%) of the issued and outstanding Cielo Shares at the time of grant and the Predecessor RSU Plan provided that the number of Cielo Shares to be reserved for issuance under the Predecessor Option Plan could not exceed Four Percent (4%) of the issued and outstanding Cielo Shares at the time of grant.

In anticipation of listing on the TSXV, the Cielo Board adopted a new "rolling" 10% stock option plan (the "SOP") and a new "fixed" 4% non-option incentive plan (the "Non-Option Plan", together with the "SOP" referred to collectively as the "New Plans"), in lieu of the Predecessor Plans. The New Plans were adopted by the Cielo Board on June 11, 2021 and approved by disinterested shareholders of Cielo at the annual general and special meeting of the shareholders of Cielo held on October 21, 2021.

As at April 30, 2021, there were 1,020,000 vested and 375,000 unvested Options issued and outstanding pursuant to the Predecessor Option Plan and no restricted share units issued and outstanding pursuant to the Predecessor RSU Plan.

As at the date of this AIF, there were 10,328,913 vested and 17,194,284 unvested Options issued and outstanding; 1,833,333 vested and 3,666,667 unvested RSUs issued and outstanding; 2,100,000 unvested DSUs issued and outstanding; all pursuant to the New Plans.

Warrants

As at the date of this AIF, there were 12,000,000 Fort Saskatchewan Bonus Warrants issued to the Lenders in connection with the Fort Saskatchewan Loan, each exercisable into Cielo Shares at $1.00 per Cielo Share until August 23, 2024 (provided that if the Fort Saskatchewan Loan is repaid in whole or in part during its term, a pro rata number of the warrants will have their term reduced to the date that is 90 days from such repayment). The outstanding warrants do not have voting or any other rights of Cielo Shares.

Convertible Debentures

As at the date of this AIF, there were nil convertible debentures issued and outstanding.

Trading Price and Volume

The Cielo Shares are listed for trading on the TSXV and trade under the symbol "CMC" as at the date of this AIF (having commenced trading on June 24, 2021). During the year ended April 30, 2021, the Cielo Shares were trading on the CSE under the symbol CMC.

The following table sets forth for the calendar periods indicated, the high and low closing sale prices and trading volumes for the Cielo Shares.

Month	High ($)	Low ($)	Volume
May 2020	$0.045	$0.035	3,403,353
June 2020	$0.045	$0.035	7,128,254
July 2020	$0.045	$0.035	9,324,531
August 2020	$0.045	$0.035	8,739,291
September 2020	$0.100	$0.040	35,663,057
October 2020	$0.135	$0.055	51,377,380
November 2020	$0.110	$0.075	29,811,428
December 2020	$0.095	$0.070	19,225,233
January 2021	$0.100	$0.075	45,504,143
February 2021	$0.960	$0.080	236,811,402
March 2021	$1.620	$0.650	292,897,433
April 2021	$1.160	$0.780	102,511,853
May 2021	$0.920	$0.670	69,455,005
June 2021	$1.200	$0.750	73,871,632
July 2021	$1.650	$1.060	105,491,791
August 2021	$1.400	$1.000	39,629,680
September 2021	$1.220	$0.300	236,501,833
October 2021	$0.650	$0.230	173,122,129
November 2021	$0.433	$0.250	80,028,741
December 2021	$0.255	$0.190	73,072,892

Prior Sales of Securities

During the year ended April 30, 2021, the Company issued the following securities not listed or quoted on a marketplace:

Private Placement – Convertible Debentures ("CD"), Warrants and Finder's Warrants

Date	CD Issued	Warrants Issued	Finder's Warrants Issued	Price Per CD ($)	Gross Proceeds ($)
May 11, 2020	228	1,710,000	240,000	1,000	228,000
May 24, 2020	218.8	1,641,000	240,000	1,000	218,800
June 11, 2020	476.34	3,572,565	440,000	1,000	476,342
June 30, 2020	250	1,875,000	400,000	1,000	250,000
July 24, 2020	475	3,562,500	640,000	1,000	475,000
August 24, 2020	50	375,000	80,000	1,000	50,000
September 9, 2020	250	1,875,000	240,000	1,000	250,000
September 11, 2020	374	2,805,000	105,600	1,000	374,000
September 24, 2020	500	3,750,000	800,000	1,000	500,000
September 28, 2020	1,119	8,392,500	174,400	1,000	1,119,000
April 29, 2021	10,000	Nil	Nil	1,000	10,000,000

Private Placement – Cielo Shares, Warrants and Finder's Warrants

Date	Cielo Shares Issued	Warrants Issued	Finder's Warrants Issued	Price Per Cielo Share ($)	Gross Proceeds ($)
November 20, 2020	6,315,000	6,315,000	430,000	0.08	505,200
December 4, 2020	19,376,000	19,376,000	1,506,080	0.08	1,550,080

Issuance of Options and Warrants

Date	Securities Issued/Granted	Type of Transaction	Price Per Security ($)	Gross Proceeds ($)
June 5, 2020	5,450,000 Options	Nil	0.10	Nil
March 29, 2021	500,000 Options	Nil	1.25	Nil
February 24, 2021	3,750,000 Warrants	Nil	0.135	Nil

Subsequent to April 30, 2021, and up to the date of this AIF, the Company issued the following securities not listed or quoted on a marketplace:

Date	Securities Issued/Granted	Type of Transaction	Price Per Security ($)	Gross Proceeds ($)
August 3, 2021	4,000 CD	Private Placement	1,000	4,000,000
August 13, 2021	12,000,000 Warrants	Private Placement	1.00	Nil
December 31, 2021	26,573,197 Options	Grant of Options	0.20	Nil
December 31, 2021	5,500,000 RSUs	Grant of RSUs	0.20	Nil
December 31, 2021	2,100,000 DSUs	Grant of DSUs	0.20	Nil

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth the name, municipality of residence, office held with the Company as of the date of the AIF and principal occupation during the five preceding years of each director and executive officer. The term of office for each of director will expire at the time of the next annual meeting of Cielo's shareholders. As at the date of this AIF, the directors, and executive officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately 25,046,457 Cielo Shares, representing approximately 3.78% of the issued and outstanding Cielo Shares.

Name, Municipality of Residence and Position with Cielo	Positions Held during the Last Five Years	Director Since
Larry Schafran [1] New York, New York United States *Chair of the Board of Directors and Director*	Mr. Schafran was appointed as the Chair of the Board of Directors effective December 16, 2021. Mr. Schafran is a private investor with interests in "disruptive" technologies. He recently co-founded a new oil/gas recovery company (Legacy Oil, Inc.) that "adopts" stranded, orphaned and/or marginal oil/gas wells. Mr. Schafran is New York City-based and recently served on numerous boards, some of which are: as a Director and Audit Committee Chair of VerifyMe Inc. (VRME), which provides individual, document and product authentication and anti-counterfeiting services, and Glasstech Inc. (a manufacturer of furnaces that manufacture automotive glass and glass for solar panels). In addition, he currently serves as a Director of Wright Investors' Service Holdings, Inc. (IWSH), formerly National Patent Development Corp.	September 8, 2021
Don Allan [1] Red Deer, Alberta Canada *President & Director*	Mr. Allan was the President and CEO of the Company, and Chair of the Board of Directors from March 2013 to September 2021. Mr. Allan resigned from the position of CEO in late September 2021 to	March 1, 2013

	facilitate the growth of the Company. On December 16, 2021, Don Allan, announced his intention to retire as President effective February 1, 2022, and in preparation for this transition, he also resigned as Chair of the Board, effective immediately.	
Jasdeep K. Dhaliwal (1) (2) Calgary, Alberta, Canada *Director*	Ms. Dhaliwal is a Chartered Professional Accountant with a strong foundation in risk management. Ms. Dhaliwal is experienced in the oversight of financial statements, financial reporting processes, and internal controls. As the principal owner of Jasdeep K. Dhaliwal Professional Corporation, she has extensive experience in the application of accounting standards and financial statement audits.	April 8, 2021
Hon. Peter Mackay Kings Head, Nova Scotia, Canada *Director*	Hon. Peter MacKay served in the Parliament of Canada for over 18 years as a Member of Parliament and cabinet minister for 10 years, including as Minister of Justice and Attorney General, Minister of National Defense, Minister of Foreign Affairs and the Atlantic Canada Opportunities Agency. Mr. MacKay chaired the Government National Security Committee for almost 10 years and served on numerous other interparliamentary committees. Mr. MacKay is currently working with McInnes Cooper and is also a strategic advisor with Deloitte and works nationally and internationally in areas such as aerospace and defense, procurement, infrastructure, and justice reform.	April 8, 2021
Sheila A. Leggett Calgary, Alberta, Canada *Director*	Ms. Leggett currently serves on the advisory board for Nutana Power Ltd. and chairs the technical committee responsible for the International Standards Organization's environmental managements systems standards (14000 series). In addition, Ms. Leggett is a Senior Fellow of the C.D. Howe Institute, sitting on the Energy Policy Committee and from 2016 to 2021, served on the inaugural Calgary Regional Ambassador Council for Women Get on Board. Ms. Leggett was on the Storm Resources Ltd. Board from 2018 to December 2021, on the AESO Board from 2017 to 2020, on the Board of TELUS Spark from 2014 to 2020 (Chair from 2018 to 2020), was on the Alberta Environmental Monitoring, Evaluation and Reporting Agency Board from 2014 to 2016 and was an Executive Fellow at the University of Calgary School of Public Policy from 2016 to 2020. Prior thereto, Ms. Leggett was a member of the National Energy Board (2006 – 2013) where she served as Vice Chair from 2008 to 2013 and was the COO and Board member with the Natural Resources Conservation Board (2001 – 2006).	December 16, 2021
Ryan Jackson (1) Medicine Hat, Alberta, Canada *Director*	Mr. Jackson is currently the majority shareholder and managing director for RAMECO Group's portfolio of companies in consulting, commercial real estate, healthcare, leasing, finance, biotech and green technology, a position he has held since April 2000. Mr. Jackson is also a director and CEO of Renewable U Energy Inc.	May 1, 2021

Notes:
(1) Member of Audit Committee.
(2) Chair of the Audit Committee.
(3) Cielo has entered into memorandums of understanding with Renewable U Energy Inc. and/or its affiliates, as previously disclosed.
(4) The Compensation and Governance Committee of the Cielo Board was wound-up in December 2021, with the intent that the matters previously addressed by that committee will be brought before and resolved by all members of the Cielo Board.

Name, Municipality of Residence and Position with Cielo	Positions Held during the Last Five Years	Officer Since
Gregg Gegunde, P.Eng. Calgary, Alberta, Canada *Chief Executive Officer &* *Chief Operating Officer*	Mr. Gegunde was appointed as the Company's Chief Operating Officer in July 2021 and was appointed Chief Executive Officer in September 2021. From 2014 to 2017, Mr. Gegunde was the SVP of Exploitation, Production and Delivery of Penn West Petroleum Ltd.	July 20, 2021
Stephanie Li, CPA, CA Calgary, Alberta, Canada *Chief Financial Officer*	Ms. Li has been the CFO of the Company since May 10, 2021. Prior to joining Cielo, Ms. Li served as Director of Finance and Controller of Northview Apartment Real Estate Investment Trust from September 2016 to November 2020, and Director of Accounting of Bosa Properties from November 2020 to May 2021.	May 10, 2021
Chris Sabat, LLB Calgary, Alberta, Canada *Chief Legal Officer &* *Corporate Secretary*	Mr. Sabat was general counsel of MacMillan Estate Planning Corp from February 2017 to August 2021. Prior to that, he was senior legal counsel at Penn West Petroleum Ltd from 2014 to 2017.	September 1, 2021

Penalties, Sanctions and Bankruptcy

Corporate Cease Trade Orders

To the knowledge of management and as of the date of this AIF, other than as set forth below, no director or executive officer of Cielo is, or has been, within ten (10) years prior to the date hereof, a director, chief executive officer or chief financial officer of any company (including Cielo) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, in each case in effect for a period of more than thirty (30) consecutive days, that was issued while that person was acting in the capacity of a director, chief executive officer or chief financial officer of that company; or was subject to such an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in that capacity.

Blue Horizon Industries Inc., of which Don Allan was President and CEO until its dissolution on July 2, 2017, was subject to a cease trade order as of March 6, 2012, related to the failure by the company to file interim financial statements by the required deadline.

While Mr. Gegunde was an officer of Penn West Petroleum Ltd. ("Penn West"), the Alberta Securities Commission issued a management cease trade order on August 5, 2014, that applied to directors and officers of Penn West, including Mr. Gegunde. The management cease trade order related to the internal review by Penn West of its accounting practices and certain of Penn West's historical financial statements and related MD&A, which were restated, and ended on September 23, 2014.

Larry Schafran was a director of COPsync, Inc. ("COPsync") from January 2017 to May 2017. On October 4, 2017, COPsync announced that it had filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Louisiana. In a Form 8-K filed on EDGAR dated April 30, 2018, COPsync disclosed that, on the same date, COPsync filed in the Bankruptcy

Court its proposed Plan of Liquidation Pursuant to Chapter 11 of the U.S. Bankruptcy Code (the “Plan”) and Debtor’s Disclosure Statement, and on May 1, 2018, the Court entered an order scheduling a hearing on June 12, 2018, to consider approval of the disclosure statement and establishing June 5, 2018, as the last date for filing objections to the disclosure statement. The Plan was disclosed in the Form 8-K as scheduled to take effect after confirmation of the Plan by the Bankruptcy Court and the satisfaction of conditions precedent to effectiveness of the Plan. Thereafter, the registration of each class of COPsync's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act") was revoked (pursuant to section 12(j) of the Exchange Act) effective July 23, 2018.

Larry Schafran was a director of SulphCo, Inc. ("SulphCo") from March 2011 to September 2011. In a Form 8-K filed by SulphCo dated September 16, 2011, SulphCo disclosed that on September 16, 2011, it had filed for bankruptcy protection under the provisions of Chapter 7 of the United States Bankruptcy Code (the "Bankruptcy Filing") in the United States Bankruptcy Court for the Southern District of Texas - Houston Division (for the purposes of this paragraph, the "Bankruptcy Court"). Effective as of the date of the Bankruptcy Filing, the Bankruptcy Court assumed jurisdiction and control of SulphCo. The Form 8-K disclosed that the Bankruptcy Court would name a receiver, trust, fiscal agent or similar officer at a later date and that the assets of SulphCo would be liquidated in accordance with federal bankruptcy code.

Corporate Bankruptcies

To the knowledge of management and as of the date of this AIF, no director or executive officer of Cielo is, or has been, within the ten (10) years prior to the date hereof, a director, chief executive officer or chief financial officer of any company (including Cielo) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

To the knowledge of management and as of the date of this AIF, no director or executive officer of Cielo has, within the ten (10) years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Penalties or Sanctions

To the knowledge of management and as of the date of this AIF, no director or executive officer of Cielo has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Existing or Potential Conflicts of Interest

To the knowledge of management, and other than as disclosed below or elsewhere in this AIF, there are no known existing or potential conflicts of interest among Cielo, its directors and executive officers, or other proposed members of management as a result of their outside business interests, except that certain of the directors or officers may serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

Ryan Jackson is a director of Cielo as well as a director, officer, and shareholder of Renewable U. As disclosed in this AIF, Cielo and Renewable U entered into the Renewable U MOUs for the potential joint arrangements with Renewable U to construct and operate facilities.

Don Allan was previously a director and officer of 1888 and is a shareholder of 1888, which, as disclosed elsewhere in this AIF, was a party to the License Agreement and is a party to the IP Purchase Agreement with Cielo.

The directors of Cielo will be required by law to act honestly and in good faith with a view to the best interests of the Cielo and to disclose any interests that they may have in any material contract or material transaction. If a conflict of interest arises at a meeting of Cielo Board, any director in a conflict is required to disclose his or her interest and abstain from voting on such matter. The directors and officers of Cielo are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest in respect of Cielo and are required to comply with such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As of the date of this AIF, Cielo is not a party to any material legal proceedings or any regulatory actions. Management does not contemplate any material legal proceedings and is not aware of any material legal proceedings or regulatory actions being contemplated against the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth below or elsewhere in this AIF, none of the following persons has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company:

a) a director or executive officer of the Company;

b) a person or company that beneficial owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of the Company's outstanding voting securities; and

c) an associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).

Renewable U is a company with which Cielo has entered into the Renewable U MOUs with respect to potential joint arrangements to be formed to build and operate multiple facilities as disclosed elsewhere in this AIF (see sections entitled "Description of the Business - Renewable U MOUs"). Ryan Jackson, a director of Cielo, is a director, CEO and shareholder of Renewable U (holding approximately 13% of the issued and outstanding shares of Renewable U).

Don Allan, President and Director of Cielo was previously a director and officer of 1888 and currently indirectly owns approximately 14% of the shares of 1888, which entity is the counterparty to Cielo for the License Agreement and the IP Purchase Agreement. For additional information on the License Agreement see "Description of the Business – IP Purchase Agreement".

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditors

The Company's auditor is KMPG LLP, Chartered Professional Accountants, of KPMG LLP, of Suite 3100, 205 5th Avenue SW, Calgary, AB T2P 4B9. The Company had filed a Notice of Change of Auditor on June 11, 2021, following the resignation at the Company's request of its former auditor, A Chan & Company LLP (the auditor for the years ended April 30, 2020, and 2019).

Transfer Agent and Registrar

The transfer agent and registrar of Cielo's Shares is Olympia Trust Company, of Suite 4000, 520 – 3rd Ave SW Calgary, AB T2P 0R3.

MATERIAL CONTRACTS

Other than contracts Cielo entered into in the ordinary course of business, Cielo has the following material contracts in effect:

- IP Purchase Agreement;
- Renewable U MOUs;
- Fort Saskatchewan Loan; and
- Elbow River Diesel Purchase Agreement.

For details of these material contracts, see "Description of Business – License Agreement and IP Purchase Agreement", "Description of Business – Renewable U MOUs", "Subsequent Developments (following April 30, 2021) - Fort Saskatchewan Land Purchase" and "Description of Business – Products and Purchase Agreement", as applicable. Cielo filed copies of these contracts on SEDAR. The summary descriptions disclose attributes that the Company considers material to but is not complete and is qualified in its entirety by reference to the terms of the material agreements available on SEDAR.

INTEREST OF EXPERTS

KPMG LLP are the auditors of Cielo and have confirmed with respect to Cielo that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including particulars of directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in Cielo's amended and restated information circular for its annual and special meeting of shareholders, which was held on October 21, 2021.

Additional financial information is provided in the Company's comparative annual financial statements and Management Discussion & Analysis for the year ended April 30, 2021.

APPENDIX A: AUDIT COMMITTEE CHARTER

Cielo Waste Solutions Corp. (the "Company") has established and maintains an Audit Committee, (the "Committee") to assist the Board of Directors of the Company (the "Board") in carrying out its oversight responsibility with respect to financial reporting and risk management.

Composition

1. The Committee shall consist of at least three directors. The Board shall appoint the members of the Committee. The Board shall appoint one member of the Committee to be the chair of the Committee (the "Chair").

2. Each director appointed to the committee by the Board shall be "independent" pursuant to Canadian Securities Administrators National Instrument 52-110 - *Audit Committees* and any additional requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the shares of the Corporation are listed for trading.

3. If available, at least one member shall have accounting or related financial management expertise, meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

4. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

5. Any member of the Committee may be removed or replaced at any time by the Board and will automatically cease to be a member of the Committee upon ceasing to be a director. The Board will fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all of its powers if a quorum remains in office.

Primary Duties and Responsibilities

The Committee's primary duties and responsibilities are to:

1. *Annual and Quarterly Financial Reporting*

   (a) review with management and the Company external auditors ("Auditors"), and recommend to the Board for approval and release to shareholders, the quarterly and annual financial statements of the Company, together with related reports to shareholders and management's discussion and analysis ("MD&A") associated with such financial statements;

   (b) review with management and with the Auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;

   (c) review and discuss with management any legal matters which could impact the financial statements;

   (d) discuss with management and the Auditors any proposed changes in major accounting policies or principles, the presentation and effect of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;

   (e) consider consistency of the data reported in the financial statements and related public disclosure documents;

   (f) review audited annual financial statements and related documents in conjunction with the report of the auditors and significant variances between comparative reporting periods as set out in the MD&A;

(g) review, independently of management, and without management present, the results of the annual external audit, the audit report thereon and the auditor's review of the related financial statements and MD&A, and discuss with the Auditor the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the Auditor's preferred treatment and any other material communication with management;

2. *Internal Control Framework*

(a) review and assess the framework of, and consider the integrity of, the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance through discussions with management and the Auditor;

(b) establish and monitor procedures for the receipt, retention and treatment of complaints, including the anonymous submission of complaints received by the Company concerning accounting, internal accounting controls, or auditing matters or instances where a representative has failed to comply with any applicable law, Company control, policy or procedure including the Code of Business Conduct and Ethics and the Disclosure Policy, all of which constitute "whistleblower" issues;

(c) review with management the Company's relationship with regulators and the timelines and accuracy of the Company's filings with regulatory agencies;

(d) consider and review with management:

(i) all unadjusted errors identified by the Auditors;

(ii) the internal control memorandum or management letter containing the recommendations of the Auditors and management's response, if any, including any evaluation of the adequacy and effectiveness of the internal financial controls of the Company and subsequent follow-up to any identified weakness;

3. *External Auditors and Audits*

(a) review with the Auditors the audit function generally, and the objectives, staffing, locations, co-ordination, and scope of proposed audits of the financial statements of the Company;

(b) consider the independence and performance of the Auditors and annually recommend to the Board the appointment or discharge of the Auditor when circumstances are warranted and recommend to the Board the compensation of the Auditors;

(c) review the annual external audit plan with the Auditors and with management and approve the audit plan engagement letter relating thereto, including associated fees

(d) review any problems experienced or concerns expressed by the Auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(e) review and evaluate any recommendations of the Auditors and decide the appropriate course of action;

(f) provide an avenue of communication among the Auditors, management and the Board, and direct the Auditors to report directly to the Committee;

(g) when there is to be a change of auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and related documentation required pursuant to *National Instrument 51-102—Continuous Disclosure Obligations* (or any successor legislation), with respect to a change of auditors and the planned steps for an orderly transition period;

(h) review and approve the Company's hiring policies regarding employees and former employees of the present and former auditors;

(i) review all material written communications between the Auditor and management; and

(j) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of auditors;

4. *Risk Management*

(a) review with management the process of identifying, monitoring and reporting the Company's risk management policies and procedures and the principal risks affecting financial aspects of the Company;

(b) review with the Auditors and management, and monitor the management of, the principal risks that could affect the financial reporting of the Company;

(c) establish and monitor procedures for information security and cyber risk protection for the Company;

(d) review with management all related party transactions and the development of policies and procedures related to those transactions;

(e) consider the amount and terms of any insurance to be obtained or maintained by the Company with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities;

5. *Financing and Other Matters*

(a) review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial statements, including any prospectus, annual reports, annual information forms, MD&A and press releases announcing quarterly or annual financial results;

(b) review findings, if any, from examinations or reviews performed by regulatory agencies with respect to financial matters;

(c) review management's consideration of the Company's compliance with laws and regulations;

(d) review management's assessment of current and expected future compliance with covenants under any financing agreements;

(e) Approve dividends and distributions, material debt and equity financings, transactions affecting authorized capital or the issue and repurchase of shares and debt securities, and all material divestitures and acquisitions;

(f) consider the appointments of the Chief Financial Officer;

(g) in consultation with management understand the Company's capital structure and financial risks arising from exposure to such things as commodity prices, interest rates, foreign currency exchange rates and credit, and review the management of these risks including any proposed hedging of the exposures, including receiving a summary report of the hedging activities and hedge-related instruments.

Meetings and Operations

6. The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair and whenever a meeting is requested by the Board, a member of the

Committee, the Auditors, or an officer of the Company. Meetings of the Committee will correspond with the review of the quarterly and annual financial statements and the associated MD&A.

7. Notice of each meeting of the Committee shall be given to each member of the Committee and to the Auditors, who shall be entitled to attend each meeting of the Committee and who shall attend whenever requested to do so by a member of the Committee, at least 48 hours in advance of each meeting unless a short period is required in the circumstances.

8. Members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

9. A quorum for the transaction of business at a meeting of the Committee shall consist of two members of the Committee present.

10. In the absence of the Chair, the members of the Committee shall choose one of the members present to be chair of the meeting. In addition, the members of the Committee shall choose one of the persons present to be the secretary of the meeting.

11. The Chief Executive Officer, the Chief Financial Officer and other members of senior management shall be invited to attend meetings of the Committee upon the request of the Committee; subject, however, to the requirement that the Committee (i) hold in camera sessions of the members of the Committee, without management representatives present at every meeting of the Committee, and (ii) meet with the Auditors separately and independent of management at every meeting at which the Auditors are in attendance.

12. With the exception of in camera sessions and separate meetings with the Auditors independent of management, the Chief Legal Officer and Corporate Secretary shall attend and minutes shall be kept of all meetings of the Committee.

Authority and Reporting

13. In discharging its duties and responsibilities, the Committee shall have the authority to:

    (a) inspect any and all of the books and records of the Company, its subsidiaries and affiliates;

    (b) if determined necessary by the Committee, institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities;

    (c) discuss with the management of the Company, its subsidiaries and affiliates and staff of the Company, any affected party, contractors and consultants of the Company and its Auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate;

    (d) engage independent counsel and other advisors (including a second firm of external auditors) as it determines necessary to carry out its duties; and

    (e) set and pay the compensation for any independent counsel and other advisors employed by the Committee.

14. The Committee shall after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

Other Matters

15. The Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Committee by any member of the Board, a shareholder of the Company, the Auditors, or management.

16. The Committee will be provided with resources commensurate with the duties and responsibilities set out herein and assigned to it by the Board from time to time, including administrative support.

17. The Committee shall review, on an annual basis this mandate and recommend any changes to the Board.

18. The Committee will perform any other activities consistent with this mandate, the Company's articles and applicable laws as the Committee or the Board deems necessary or appropriate.

Scope and Reliance

19. While the Committee has the responsibilities, duties and authorities herein, it is not required to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditors. The Committee, its Chair and any of its members who have accounting or related financial management experience or expertise, are members of the Board, appointed to the Committee to provide broad oversight to the financial disclosure, financial risk and control related activities of the Company, and are specifically not accountable nor responsible for the day-to-day operation of such activities. Although designation of a member or members as being "financially literate" or a "financial expert" is based on each such individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, designation as being "financially literate" or a "financial expert" does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of any financially literate individual or financial expert, like the role of all Committee members, is to oversee the process and not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

20. The Committee and each member of the Committee shall, absent actual knowledge to the contrary (which shall be promptly reported to the Board), be entitled to rely on (i) the integrity of those persons or organizations within and outside the Company from which it receives information, (ii) the accuracy of the information provided to the Committee by such persons or organizations, and (iii) representations made by management of the Company, the Auditors of the Company, independent counsel, and other advisors and experts to the Company and its subsidiaries.

Pre-Approval Policies and Procedures

The Committee must approve all auditing services to be provided by the Auditor and non-audit services to be performed for the Company or any affiliated entities by the external auditor or any of their affiliates subject to any *de minimus* exception allowed by applicable law. The Committee may delegate to one or more designated independent members of the Committee the authority to pre-approve non-audit services, provided that any audit or non-audit services that have been pre-approved by any such delegate of the Committee must be presented to the Committee for ratification at its first scheduled meeting following such pre-approval.