CIELO

Fueling the Sustainable Energy Transition

CIELO WASTE SOLUTIONS CORP.

Management's Discussion and Analysis

For the three and nine months ended January 31, 2022 and 2021

ADVISORIES

The following Management's Discussion and Analysis ("MD&A") of financial position and results of operations for Cielo Waste Solutions Corp. ("Cielo" or the "Company"), dated March 21, 2022, should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended January 31, 2022, and 2021, and the audited financial statements and notes thereto for the years ended April 30, 2021, and 2020. The audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). As described in Note 15 to the unaudited condensed consolidated interim financial statements for the three and nine months ended January 31, 2022, and 2021, certain comparative period information presented for the three and nine months ended January 31, 2021 was restated. As described in Note 20 to the audited financial statements for the years ended April 30, 2021, and 2020, certain comparative period information presented as at and for the year ended April 30, 2020 was restated. The comparative period information presented in this MD&A, including the summary of quarterly results, has also been restated to reflect the correction of these errors. See section entitled "Restatement of January 31, 2021 Comparative Period Financial Information" for additional information.

All amounts in the following MD&A are stated in Canadian Dollars unless otherwise stated. This MD&A was approved and authorized for issuance by the Board of Directors of the Company on March 21, 2022.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable Canadian securities laws. Forward-looking information may relate to anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information 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.

Management's expectations, estimates and projections are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. All forward-looking information in this MD&A is qualified by these cautionary statements.

This MD&A contains forward-looking information that include, but are not limited to:

- the Company's strategic intent and corporate goals and objectives;
- anticipated benefits from the termination of the License Agreement (as defined below);
- the objectives of the Aldersyde Facility (as defined below) and the purposes to be served by the Aldersyde Facility;
- the timeline for certain milestones for the Aldersyde Facility, including details of, and activities in connection with, the Aldersyde Facility;
- estimated cost requirements to achieve steady-state production on a commercial scale at the Aldersyde Facility;
- the generation of revenue at the Aldersyde Facility and the anticipated benefits that may be realized at the Aldersyde Facility following the completion of the Aldersyde Facility project milestones;
- productions forecasts for the Aldersyde Facility for 2022 and 2023;
- the purpose of the research and development facility in Fort Saskatchewan, Alberta (the "R&D Facility") and the anticipated benefits from the R&D Facility's data output to facilitate the design of a full-scale commercial facility;

- estimated costs for the design, procurement and construction of the R&D Facility;
- the anticipated timeline and milestones for the construction and commissioning of the R&D Facility;
- experimentation, testing and analysis at the R&D Facility and details of the related activities, and the subsequent testing of other waste materials, including plastics and railway ties;
- plans related to the design of a full-scale commercial facility in Fort Saskatchewan following testing and analysis at the R&D Facility and subsequent construction and the timing thereof; and
- demand fundamentals for fuels from waste and renewable fuels.

These statements and other forward-looking information are based on management's opinions, estimates and assumptions in light of experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management currently believe are appropriate and reasonable in the circumstances. There can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information contained in this MD&A is based on the following assumptions and material factors: the Company's ability to build and operate facilities; the Company's ability to retain key personnel; the Company's ability to maintain good relationships with joint arrangement partners, customers and suppliers; the Company's ability to execute on expansion plans; the Company's ability to continue investing in infrastructure to support growth; the Company's 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 Company's industry or the global economy; and the changes in laws, rules, regulations, and global standards. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, are 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'' in the Company's Annual Information Form for the year ended April 30, 2021 ("AIF"), and the Company's MD&A for the year ended April 30, 2021 ("Annual MD&A"), each of which are available on SEDAR at www.sedar.com.

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'' in the AIF and Annual MD&A, and should be considered carefully by readers. These risk factors should not be construed as exhaustive. Although we have 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 us or that we presently believe 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. Forward-looking information is provided in this MD&A for the purpose of giving information about management's current expectations and plans and allowing investors to get a better understanding of our operating environment. Readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as the date they are otherwise stated to be made) and are subject to change after such date. Except as specifically required under applicable securities laws in Canada, Cielo assumes no obligation to publicly update or revise any forward-looking information to reflect new information, events or circumstances that may arise after March 21, 2022. All forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

GOING CONCERN

The Company has not yet generated revenue from its planned commercial operations and has accumulated losses of $70.7 million as at January 31, 2022 and generated losses of $4.4 million and $12.2 million for the three and nine months ended January 31, 2022, respectively.

Working capital deficiency as at January 31, 2022 was $10.2 million, compared to $0.7 million deficiency as at April 30, 2021. The increase in working capital deficiency of $9.5 million was mainly due to: (i) the decrease in cash balance which was used to fund research, development, and corporate activities; (ii) the addition of a $12.0 million mortgage loan, with First Choice Financial ("FCF") and KV Capital ("KV") as lenders, for the asset purchase in Fort Saskatchewan, Alberta (the "Existing Loan"); and (iii) partially offset by the decrease in short-term warrant liability upon the exercise of warrants.

On February 18, 2022, the Company, as borrower, closed an $11.0 million mortgage loan with FCF, as lender (the "New Loan"). The New Loan carries an annual interest rate of 3%, has a term of 24 months, maturing on February 18, 2024, and is secured by Cielo's land and facilities in Fort Saskatchewan and Aldersyde, Alberta. The Company utilized $5.5 million of the net proceeds of the New Loan to repay a portion of the Existing Loan, and the balance of the New Loan will be used for general working capital purposes. In addition, on March 18, 2022, the Company completed the extension of the term of the Existing Loan from 12 months to 24 months, now maturing on September 1, 2023. After the closing of the New Loan and the extension of the Existing Loan, the Company's working capital deficiency of $10.2 million was improved by approximately $16.7 million to a working capital surplus of $6.5 million. See "Subsequent Events" for additional information.

The Company will require additional capital to fund costs relating to research, development and other corporate activities over the next year and beyond, and to fund payments of short-term indebtedness as they become due and otherwise fund the working capital deficiency. The Company will continue to explore alternatives to generate additional financing, which may include raising additional equity and debt or entering into strategic partnerships; however, there is no assurance that these initiatives will be successful.

The Company has not reached planned commercial operations and its ability to continue as a going concern is dependent on its ability to generate revenue and positive cash flow from operating activities, and its ability to obtain additional financing to fund the cost of research, development and other corporate activities. These matters create material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

BUSINESS OVERVIEW

- **Formation:** Cielo was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. Cielo is a publicly traded company with its shares listed to trade on the TSX Venture Exchange ("TSXV") under the symbol "CMC", as well as on the OTCQB Venture Market, under the symbol "CWSFF".

- **Strategic Intent:** Cielo's strategic intent is to become one of the leading waste-to-fuel environmental technology companies using its environmentally friendly, economically sustainable technology. Cielo has a patented process that can convert waste feedstocks, including plastics, rubber, organic material and wood derivative waste to fuel. Cielo's business model is to source waste feedstocks from industrial producers and other suppliers and convert the feedstocks into fuels. Having demonstrated its ability to produce diesel and naphtha from waste, Cielo plans to further enhance its Aldersyde Facility and to construct additional facilities that will convert waste feedstocks to energy fuels, including diesel, naphtha, and kerosene. The diesel from Cielo's distillate could be used in diesel engines. Kerosene could be suitable for aviation or marine jet fuel, and naphtha could be used to assist in transporting heavy oil. Cielo's objective is to generate value from converting waste to fuel while ridding the world of unwanted and problematic waste.

- **Waste to Fuel Processes:** Cielo's current process for converting waste to fuel is referred to as thermal catalytic depolymerization. Feedstock is processed with catalyst into a liquid slurry, currently using used motor oil 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 then 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:** Cielo's first facility located in Aldersyde, Alberta ("Aldersyde Facility") is currently converting wood derivative waste into a distillate product that consists of diesel and naphtha. The Company is continuing its research and development activities to achieve steady-state production of its distillate on a commercial scale and is also conducting research and development activities with the intent to produce fuels that would meet the requirements for highway diesel and renewable fuel under applicable legislation in Canada such as the federal Renewable Fuels Regulation and the Alberta Renewable Fuels Standard Regulation. Cielo expects there will be demand for its waste to fuel products regardless of whether its fuel products meet renewable fuel specifications; therefore, Cielo's revenue stream is not dependent on producing renewable fuel. However, renewable fuel is expected to increase the profit margin of Cielo's waste to fuel products.

SUBSEQUENT EVENTS

Closing of $11 Million Mortgage Loan, Partial Repayment and Amendment of Existing Loan

As announced on December 30, 2021, the Company entered into the New Loan with FCF, which was completed on February 18, 2022 (the "Closing Date"). The New Loan carries an annual interest rate of 3%, has a term of 24 months, matures on February 18, 2024, subject to early repayment terms (as described below), and is secured by Cielo's land and facilities in Fort Saskatchewan and Aldersyde, Alberta. The early repayment terms are: (i) Cielo's right to repay the New Loan early, without penalty; and (ii) FCF's right to review Cielo's financial position and business and technological advances on the one-year anniversary of the Closing Date and demand repayment within 90 days if FCF is not satisfied with such review, acting reasonably and in good faith.

The Company has issued 50 million non-transferable share purchase warrants (the "Bonus Warrants"), with each Bonus Warrant entitling FCF to purchase one common share of the Company at an exercise price of $0.22 for a period of 24 months; however, in the event that the New Loan is repaid early in whole or in part, a *pro rata* number of the total Bonus Warrants will have their term reduced to the date that is the later of: (i) 30 days following the date of such repayment; and (ii) 12 months from the date of issuance of the Bonus Warrants.

The Company utilized $5.5 million of the net proceeds of the New Loan to repay a portion of the Existing Loan, and the balance will be used for general working capital purposes. Management believes that the closing of the New Loan is positive for the Company because the New Loan will:

- Further improve the Company's cash position, and provide additional capital to fund (i) the activities at the Aldersyde Facility to achieve steady-state production, and (ii) the cost related to the R&D Facility;
- Allow (i) $5.5 million partial repayment of the Existing Loan without penalty, and (ii) the favorable amendment of the terms of the Existing Loan, as further described below; and
- Generate cash interest savings on the Existing Loan.

In consideration for the partial repayment of the Existing Loan, the terms of the Existing Loan have been amended as follows:

- The Existing Loan was subject to a special covenant in relation to the Company's market capitalization, which entitled FCF and KV to request partial repayments of the Existing Loan when the Company's market capitalization is below certain threshold (the "Market Cap Requirements"). The Market Cap Requirements have been removed in their entirety; and
- For the initial 12-month term, total interest of $0.7 million was withheld by the FCF and KV as an interest reserve (the "Interest Reserve") and applied against the initial 12 monthly payments of interest. A proportionate portion of the Interest Reserve, approximately $0.2 million, was returned to Cielo.

In addition, as a result of the partial repayment of the Existing Loan, the term of 5.5 million of the 12 million bonus warrants that were issued in connection with the Existing Loan (the "Existing Bonus Warrants") has been reduced such that 5.5 million of the Existing Bonus Warrants will, if not exercised, expire on May 19, 2022.

Extension of the Existing Loan

On March 18, 2022, the Company completed the extension of the term of the Existing Loan from 12 months to 24 months, now maturing on September 1, 2023 (the "Loan Extension"). In consideration for the Loan Extension, Cielo has agreed to use the proceeds of the exercise of any and all bonus warrants held by FCF, (whether issued in respect of the Existing Loan or any other loans owed to FCF thereafter) to pay down the balance of the Existing Loan.

THIRD QUARTER FINANCIAL OVERVIEW

- Total assets increased by $6.7 million as at January 31, 2022 compared to April 30, 2021, mainly due to the increase in property, plant and equipment related to the asset purchase in Fort Saskatchewan, Alberta for $13.0 million; the construction activities at the Aldersyde Facility and the R&D Facility; the addition of an intangible asset of $2.0 million for the intellectual property (the "IP") purchase from 1888711 Alberta Inc. ("1888 Inc"), partially offset by the decrease in cash related to the continued research and development activities and general and administrative expenditures.

- Total liabilities decreased by $2.6 million as at January 31, 2022 compared to April 30, 2021 due to the exercise of liability classified warrants, the conversion of convertible debentures and the decrease in accounts payable and accrued liabilities, partially offset by the Existing Loan.

- Total non-current liabilities increased by $2.1 million as at January 31, 2022 compared to April 30, 2021 due to the reclass of deferred fees, the increase in lease liabilities related to the Calgary office lease, partially offset by the conversion of convertible debentures.

- Working capital deficiency as at January 31, 2022 was $10.2 million, compared to $0.7 million deficiency as at April 30, 2021. The increase in working capital deficiency of $9.5 million was mainly due to: (i) the decrease in cash balance which was used to fund research, development, and corporate activities; (ii) the addition of the Existing Loan for the asset purchase in Fort Saskatchewan, Alberta; and (iii) partially offset by the decrease in short-term warrant liability upon the exercise of warrants.

- On February 18, 2022, the Company utilized $5.5 million of the net proceeds of the New Loan to repay a portion of the Existing Loan. The remaining outstanding principal balance of the Existing Loan is $6.5 million after the partial repayment. In addition, on March 18, 2022, the Company completed the extension of the term of the Existing Loan from 12 months to 24 months, now maturing on September 1, 2023. After the closing of the New Loan and the extension of the Existing Loan, the Company's working capital deficiency of $10.2 million was improved by approximately $16.7 million to a working capital surplus of $6.5 million.

- The net loss for the three months ended January 31, 2022, increased by $2.7 million compared to the same period in the prior year, mainly due to: (i) the increase of $1.3 million in general and administrative expenses related to salaries and benefits for additional employees hired to facilitate the growth of the Company, professional fees for securities and TSXV filings, financing activities, external audit and tax compliance services; and (ii) the increase of $1.2 million in share-based compensation due to the vesting of restricted share units, deferred share units and stock options on December 31, 2021.

- The net loss for the nine months ended January 31, 2022, increased by $6.4 million compared to the same period in the prior year mainly due to: (i) the increase of $3.5 million in research and development expenses mainly related to the Aldersyde Facility; (ii) the increase of $3.5 million in general and administrative expenses due to salaries and benefits for additional employees hired to facilitate the growth of the Company, and professional fees incurred related to the listing of the Company's shares on the TSXV in June 2021, securities and TSXV filings, financing activities, external audit and tax compliance services; (iii) the increase of $1.2 million in share-based compensation due to the vesting of restricted share units, deferred share units and stock options on December 31, 2021; and (iv) partially offset by $1.4 million in fair value change of warrant liability.

THIRD QUARTER OPERATIONAL OVERVIEW

Termination of License Agreement and Execution of IP Purchase Agreement

Pursuant to an agreement entered into between Cielo and 1888 Inc, dated June 14, 2016, subsequently amended and restated on November 1, 2017, Cielo held an exclusive global license, to complete the development and commercialization of the Technology (as defined below) (the "License Agreement"). The Technology, which is patented in Canada and the United States, can utilize waste to produce fuel through a thermal catalytic depolymerization process. Cielo is currently using the Technology at the Aldersyde Facility to produce fuel from wood waste and intends to construct both the R&D Facility and a full-scale facility located in Fort Saskatchewan, Alberta (the "Full-Scale Facility"). Pursuant to the License Agreement:

- 1888 Inc and Cielo agreed to the payment of Royalty and Refinery Fees (as defined below) by Cielo to 1888 Inc in exchange for 1888 Inc providing resources for the development of technology to convert and transform waste to fuel (the "Technology");
- 1888 Inc provided and Cielo accessed capital for the development of the Technology owned by Cielo;
- Cielo provided a license to 1888 Inc to develop the Technology, which included the consent from Cielo for 1888 Inc to develop, improve, and patent the Technology, and 1888 Inc 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 Inc a royalty of $0.05 on every liter of fuel produced by Cielo (the "Royalty") 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 December 3, 2021, Cielo and 1888 Inc executed an agreement pursuant to which Cielo and 1888 Inc agreed that all rights of 1888 Inc 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 IP to Cielo, Cielo agreed to issue 10,000,000 common shares in the capital of Cielo (the "Shares") to 1888 Inc. The Shares are subject to a 4-month hold period expiring on April 4, 2022.

Negotiations on behalf of Cielo were managed by independent members of the Cielo executive team and the terms of the preliminary agreement were approved by Cielo's Board of Directors. While the License Agreement ceased to be a related party agreement upon Mr. Don Allan's resignation as President, Chief Executive Officer ("CEO") and Director of 1888 Inc. on November 10, 2021, Mr. Don Allan did not participate in negotiations and abstained from voting on the matter when considered by Cielo's Board of Directors, as Mr. Don Allan was a beneficial minority shareholder of 1888 Inc as of December 3, 2021.

Cielo anticipates that its stakeholders will benefit from the termination of the License Agreement in that it represents a simplified structure, eliminates any uncertainty as to Cielo's right to the Technology, and improves earnings potential from the termination of all obligations concerning the Royalty and Refinery Fees that would otherwise be payable by Cielo to 1888 Inc. The issuance of the Shares to 1888 Inc does not impact Cielo's working capital, which it is employing to achieve the milestones including Cielo's progress towards commercialization.

Purchase and Sale Agreement with Elbow River Marketing Ltd.

Pursuant to the terms of the Synthetic Diesel Purchase and Sale Agreement with Elbow River Marketing Ltd. ("Elbow River") effective July 19, 2016, and as further amended on December 10, 2021 (the "Elbow River Agreement"), the term of the Elbow River Agreement has been extended to December 31, 2023.

Pursuant to the Elbow River Agreement, and during its term, when the Company commences the production of highway diesel at a commercial scale, the Company is obligated to sell all highway diesel production generated from the Aldersyde Facility to Elbow River. In return, the Company receives the actual sale price for the product obtained by Elbow River less the transportation costs from the Company's facility to the Elbow River terminal ("net revenue") minus a five percent commission calculated based upon net revenue. If the Company fails to deliver highway diesel to Elbow River, and Elbow River has previously committed to deliver highway diesel pursuant to sale agreements with third-party customers, Elbow River may obtain replacement product from a third party at Cielo's cost.

Pursuant to the Elbow River Agreement, the Company has no obligations to Elbow River until the Company can produce highway diesel at a commercial scale. At present, the Company is not able to produce highway diesel at a commercial scale. The Company is awaiting data collected from the Aldersyde Facility and the R&D Facility to estimate the date by which the Company will be capable of producing highway diesel at a commercial scale.

Purchase Commitment with FCF

In February 2021, the Company entered into a purchase commitment with FCF for 900,000 litres of low sulfur diesel at $1.67/litre for an aggregate purchase price of $1.5 million (the "Purchase Commitment"). In connection with the Purchase Commitment, 3,750,000 common share purchase warrants were issued to FCF, each exercisable into one common share of Cielo at a price of $0.135 per common share for a period of two years from the date of issuance. These warrants have been fully exercised in accordance with their terms as of the date of this MD&A. FCF also received a cash commission equal to 5% of the aggregate purchase price of the Purchase Commitment.

Pursuant to the Purchase Commitment, the Company is obligated to make commercially reasonable efforts to produce the fuel as soon as practicable. However, delayed production is not a material breach of the Purchase Commitment, provided Cielo makes commercially reasonable efforts to produce the fuel. In the event the Company is not able to deliver the fuel with a minimum resale price of $1.67 per litre, or a minimum aggregate resale price of $1.5 million, there are no penalty provisions, and the Company would either produce additional fuel to achieve an aggregate resale price of $1.5 million, or refund FCF the balance of the $1.5 million, deducting the actual aggregate resale price achieved.

Engagement of Investor Relations Firm

In December 2021, the Company 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 CAD $10,000 per month for the initial 3 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 months 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.

Retirement of Cielo Founder, Mr. Don Allan and Appointment to Board of Directors

During the current quarter, the founder of Cielo, Don Allan, retired from his positions as Chair of the Board and President of the Company. Mr. Larry Schafran assumed Mr. Allan's duties as Chair. The executive team, including Mr. Gregg Gegunde, who continues to serve as CEO and Chief Operating Officer assumed Mr. Allan's duties as President. On December 16, 2021, Cielo announced the appointment of Sheila A. Leggett to its Board of Directors. Ms. Leggett has extensive expertise in corporate governance, and sustainable resource development.

Demonstration Facility at Aldersyde, Alberta

Cielo is focused on increasing production rates at the Aldersyde Facility to a commercial level that supports revenue generation. The Company has completed the first phase of improvements to the Aldersyde Facility and commenced the commissioning and start-up as of the date of this MD&A.

- **2020 Development**

During the three months ended December 31, 2020, the Aldersyde Facility had the ability to produce distillate in a batch mode only (operating approximately for 2-3 days, and then shutting down approximately for 3-4 days). During this period approximately 67,200 liters of distillate were produced. See "Aldersyde Cumulative Distillate Production – Actual and Forecast".

To establish a viable continuous commercialized state of production, the Aldersyde Facility required mechanical modifications, which began in December 2020. This included modifications to the existing reactor, the installation of a heater and recycle line on the reactor, the installation of a vacuum pump and improvements to the reactor's waste management system.

- **2021 Development**

At the end of March 2021, the Aldersyde Facility re-started and attained 14 days of continuous run time, averaging flow rates of approximately 1,200 litres per hour and peaking as high as 3,000 litres per hour. However, with higher run times and production flow rates, and due to certain modifications made to the system, plugging became an unanticipated problem in addition to increased stressing of other process equipment, such as heaters and pumps.

For the period from March to September 2021, the Aldersyde Facility operated intermittently, as the Company attempted to address the plugging and process issues to maintain increased continuous production rates and the cumulative distillate production was 180,000 litres. See "Aldersyde Cumulative Distillate Production – Actual and Forecast".

In August 2021, there was a change in leadership and internal technical support, including the addition of significant operational and process engineering experience, strong process technical skills, and the engagement of an external engineering consulting firm.

From August to December 2021, a different approach to assessing and redesigning process flow, and reengineering facility components to address what were believed to be temporary issues to maintaining steady state production was initiated. With a new internal technical team in place, production was reduced in order to study and understand the mechanisms that required redesigning, modification or deletion in the process. A controlled systematic approach was implemented to study the problem, which included data acquisition and data analysis. To accomplish this, sensitivities to operational conditions were adjusted, measured, and recorded. Changes to the process were invoked to control flowthrough volumes under lower loads and various data feedback systems were installed that included additional temperature transmitters on the vapor line, distillate line sight glasses, reconfigured computer control to reduce latency time to control valve actuators, adjusted reactor internal mixing system rotational speeds, adjusted vacuum system pressures, adjusted operating temperatures, modified catalyst feed operation and modifications to the distillate condenser. During this period, under the constraints of intermittently operating at a modified, controlled and reduced state, the data trending observed and measured began to define the modifications and redesign required in order to achieve steady state production. For the three months ended December 31, 2021, approximately 20,000 litres of distillate were produced. See "Aldersyde Cumulative Distillate Production – Actual and Forecast".

Immediately following this activity, the front-end engineering design and design basis memorandum were established. Engineering work that included process flow diagrams, piping and instrumentation, equipment sizing and material balance calculations were completed. The primary areas of the process that required a critical redesign in order to achieve steady state production included the following:

1. *Inlet Mixing* – complete redesign to the process inlet system that ensures that the wood biomass is appropriately dry mixed with the catalyst. The carrier fluid is introduced into the mixed components at the correct step in the process at the required temperature and rate. The prefeed slurry is then temperature and flowrate regulated into the reactor infeed.
2. *Reactor* – complete redesign to the reactor was found to be the best solution. Initial thoughts were to modify the existing reactor, but the number of changes required justified the decision to replace the reactor with a design for purpose. This new design is expected to ensure a more efficient endothermic reaction, proper vapor velocities and better control over all aspects of the operation of the reactor.
3. *Reactor Waste Management* – the addition of a new design that manages the separation of 3-phase flow from the bottom of the reactor that includes product cooling, carried fluid separation and solids waste separation. This is expected to contribute to steady state production.
4. There are also additional changes and modifications to various pieces of equipment and control systems that will ensure better control and more efficient operations.

- **Aldersyde Project Milestones, Status and Estimated Costs**

For the Aldersyde Facility, the Company's scheduled milestones and anticipated timing and estimated costs for each milestone are set out below:

Aldersyde Project Milestones	**Status**	**Estimated Costs**
Engineering design	Commenced - August 2021[1]	$3.5 million
Equipment procurement	Commenced - December 2021	$5.4 million
Construction	Commenced - January 2022 [2]	$1.6 million
Commissioning and start-up	Commenced - March 2022 [3]	$1.0 million
Total		**$11.5 million**

Notes:
1. Aldersyde Facility phase I modifications expected to attain operational stability approaching a constant steady-state production regime by June 2022.
2. Aldersyde Facility shut down for phase II construction to commence in July 2022.
3. Phase I commenced in March 2022. Phase II to commence in September 2022 with distillation refinement equipment installation to commence in November 2022.

The estimated cost requirement to achieve steady-state production on a commercial scale at the Aldersyde Facility is approximately $11.5 million until the end of 2022. For the three months ended October 31, 2021, the Company incurred $2.5 million ($1.2 million was capitalized to property, plant and equipment and $1.3 million was expensed to research and development) in relation to the Aldersyde Facility. For the three months ended January 31, 2022, the Company incurred $1.3 million ($0.5 million was capitalized to property, plant and equipment and $0.8 million was expensed to research and development) in relation to the Aldersyde Facility. Total estimated remaining cost requirement is approximately $7.7 million until the end of 2022.

R&D Facility at Fort Saskatchewan, Alberta

The R&D Facility is a scaled-down version (60 LPH) of the Full-Scale Facility. The purpose of this R&D Facility is to achieve a high degree of detailed performance characteristics, feedstock yields, optimum carrier fluid design, reactor design, catalyst experimentation and a detailed material balance for the system. The R&D Facility is expected to give Cielo the flexibility to experiment with a greater range of pressure and temperature regimes, reactor configurations and catalysts to greatly enhance the quality of the fuel yield. The detailed lab-grade engineering output is expected to facilitate the design of the Full-Scale Facility with predictable performance, capital cost expectations and operating cost metrics.

The Company's current work in Fort Saskatchewan 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 the Full-Scale Facility. Thereafter, the R&D Facility will undertake continuous testing of plastics, organics, railway ties, and other waste products.

- **R&D Facility Milestones, Status and Estimated Costs**

For the R&D Facility, the Company's scheduled milestones and anticipated timing and estimated costs for each milestone are set out below:

R&D Facility Milestones	**Status**	**Estimated Costs**
Engineering design and document approval	Commenced – August 2021	$1.5 million
Detailed engineering	Completed – November 2021	
Equipment procurement	Commenced – November 2021	$3.5 million
Building construction	Commenced – November 2021	$1.0 million
Construction - vessel, equipment and structural fabrication	Commenced – March 2022	$1.0 million
Commissioning and start-up	To commence – August 2022	$1.0 million
Pilot testing and control experimentation start-up (Testing plastics, rubber and other waste materials)	To commence – September 2022	$3.0 million
Total		**$11.0 million**

*Targeting the commencement of engineering for full-scale facility in Fort Saskatchewan in November 2022.

The estimated cost requirement for the R&D Facility is approximately $11.0 million until the end of 2022. For the three months ended October 31, 2021, the Company incurred $0.8 million ($0.8 million was expensed to research and development) in relation to the R&D Facility. For the three months ended January 31, 2022, the Company incurred $0.7 million ($0.6 million was capitalized to property, plant and equipment and $0.1 million was expensed to research and development) in relation to the R&D Facility. Total estimated remaining cost requirement is approximately $9.5 million until the end of 2022.

OUTLOOK

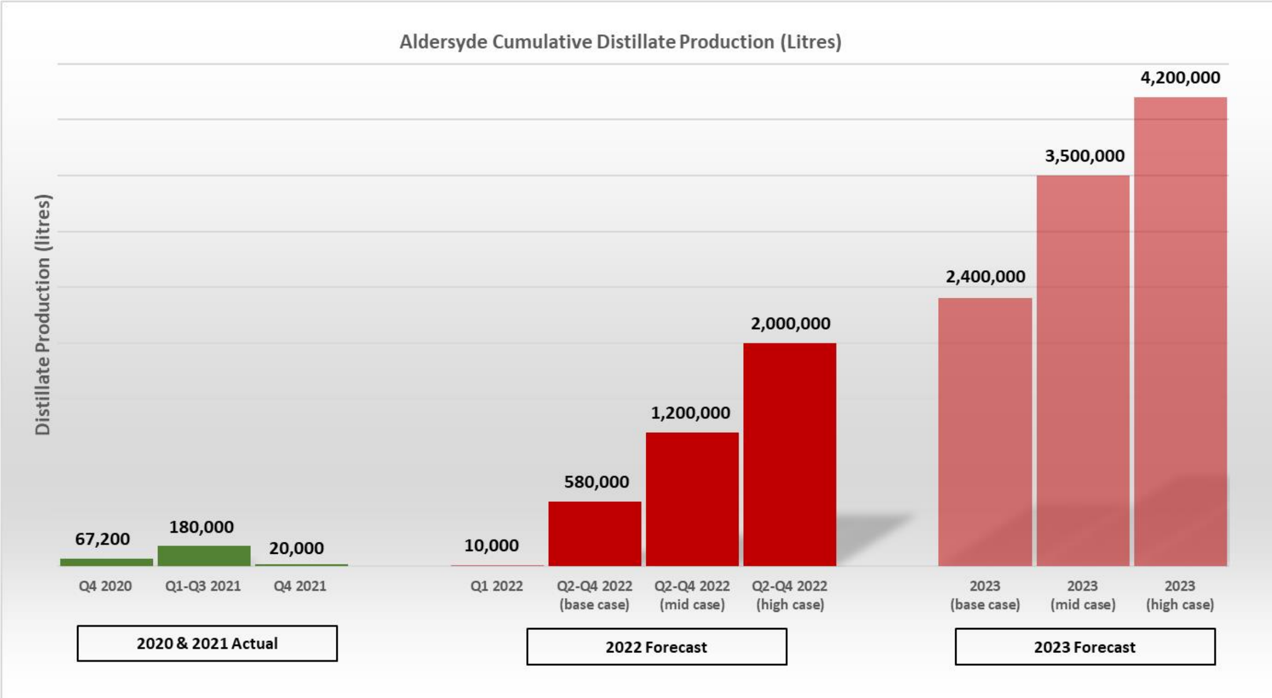
Demonstration Facility at Aldersyde, Alberta

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 used motor oil as the carrier fluid. The Aldersyde 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 philosophy from the Aldersyde Facility will translate to larger full-scale facilities.

Based upon the historic production level realized at the Aldersyde Facility and the expected outcomes from the Aldersyde Facility, 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 from Q4 2020 to the date of this MD&A. The graph also illustrates the forecasted range of distillate production for 2022 and 2023. The timeline in the graph below refers to calendar quarters and calendar years.

Aldersyde Cumulative Distillate Production – Actual and Forecast



2020 and 2021 Actual – 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. The Aldersyde Facility continued to operate at a reduced rate as the Company addressed the system issues in 2021.

2022 Forecast – the Q1 2022 production forecast reflects the Aldersyde Facility downtime associated with the construction activities for the Aldersyde Facility. Upon completion and successful commissioning of the Aldersyde Facility, 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.

The 2022 production forecast provides a cumulative distillate production guidance range from April 2022 to December 2022, inclusive of 580,000 litres as a base case to 2,000,000 litres as the high case. This production forecast is based on the assumption that the Company will execute on its planned Aldersyde Project successfully, with a total estimated remaining cost requirement of $7.7 million until the end of 2022. The funding requirements are determined by the engineering work completed and the engineering drawings for the fabrication, installation and construction of the Aldersyde Facility.

The production rates are based on the observed historical production rates during batch mode operation, the data observed after the modifications made to the Aldersyde Facility in 2021 and the data collected from the work conducted since August 2021 and calculations made from engineering work completed.

The Company has completed phase I of the Aldersyde Facility as of the date of this MD&A, including initial modifications to the mixing system feed, reactor waste management and other control systems. Expected outcome is that the system will operate with greater run times and will target between 400 and 800 litres per hour of distillate production output. Phase II construction is anticipated to commence in July 2022 for the installation of the new reactor, installation of the final front end mixing skid and the final modifications to the reactor waste management system. After phase II construction is complete, the production output target is expected to be approximately 1,000 litres per hour after system stabilization.

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. As the Aldersyde Facility begins to operate at a greater controlled steady state mode, the operational run time factors will allow for greater production volumes. By 2023, the operational efficiencies are expected to be further improved and the corresponding annual production is forecasted to be in the range of 2.4 million litres to 4.2 million litres.

Full-Scale Facility at Fort Saskatchewan, Alberta

Once testing and engineering data analysis from the R&D Facility is obtained, the Company plans to commence concept work and front-end engineering design for the Full-Scale Facility. Cielo then intends to construct the Full-Scale 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 Full-Scale Facility is expected to commence in the fourth quarter of 2022.

SELECTED FINANCIAL INFORMATION

(Thousands of dollars)	January 31, 2022	April 30, 2021 (RESTATED)
Total assets	51,852	45,192
Total non-current liabilities	3,624	1,574
Working capital deficiency	(10,159)	(688)

	Three months ended January 31,		Nine months ended January 31,	
(Thousands of dollars, except per share amounts)	2022	2021 (RESTATED)	2022	2021 (RESTATED)
Total revenue	-	-	-	4
Financing costs	249	546	1,222	1,890
General and administrative	1,944	607	5,153	1,614
Research and development	777	599	4,568	1,102
Net loss	(4,368)	(1,620)	(12,248)	(5,825)
Net loss per share – basic & diluted	(0.01)	(0.01)	(0.02)	(0.02)

General and Administrative	Three months ended January 31,		Nine months ended January 31,	
(Thousands of dollars)	**2022**	**2021**	**2022**	**2021**
Professional fees	366	294	1,906	906
Salaries and benefits	1,261	166	2,380	296
Property tax and insurance	125	120	424	263
Office and administrative	192	27	443	149
Total	1,944	607	5,153	1,614

Research and Development	Three months ended January 31,		Nine months ended January 31,	
(Thousands of dollars)	**2022**	**2021**	**2022**	**2021**
Operating expenses	503	308	3,011	486
Personnel costs	274	291	1,557	616
Total	777	599	4,568	1,102

General and Administrative

General and administrative expenses increased by $1.3 million and $3.5 million for the three and nine months ended January 31, 2022, respectively, compared to the same periods in the prior year. The increases were related to salaries and benefits for additional employees hired to facilitate the growth of the Company, professional fees for securities and TSXV filings, financing activities, external audit and tax compliance services. For the nine months ended January 31, 2022, the increase was also due to the professional fees for the listing of the Company's shares on the TSXV in June 2021.

Research and Development

Research and development expenses increased by $0.2 million and $3.5 million for the three and nine months ended January 31, 2022, respectively, compared to the same periods in the prior year. The increases were mainly related to the Aldersyde Facility. In addition, the Aldersyde Facility was shut down due to the COVID-19 pandemic from May to August 2020.

SUMMARY OF QUARTERLY RESULTS

The table below summarizes Cielo's financial results for the last eight fiscal quarters:

(Thousands of dollars, except per share amounts)

	2022			2021 (Restated)				2020 (Restated)
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	-	-	-	-	-	-	4	-
Net loss	(4,368)	(4,841)	(3,039)	(33,884)	(1,620)	(2,929)	(1,276)	(270)
Net loss per share - basic & diluted	(0.01)	(0.01)	(0.00)	(0.07)	(0.01)	0.01)	(0.01)	(0.00)

The net loss for the three months ended January 31, 2022 was $4.4 million, a decrease of $0.5 million compared to the second quarter of fiscal 2022, and an increase of $2.7 million compared to the same period in prior year.

The decrease of $0.5 million in net loss was mainly due to (i) a decrease of $1.3 million in research and development expenses due to the timing of the Aldersyde Project; (ii) lower financing costs in the current quarter due to the commission and transaction fee of $0.6 million for the $4.0 million convertible debenture financing completed in August 2021; (iii) partially offset by an increase of $1.2 million in share-based compensation due to the vesting of restricted share units, deferred share units and stock options on December 31, 2021, and an increase of $0.3 million in professional fees.

The increase of $2.7 million in net loss was mainly due to higher salaries and benefits for additional employees hired to facilitate the growth of the Company, professional fees for securities and TSXV filings, financing activities, external audit and tax compliance services; and higher share-based compensation due to the vesting of restricted share units, deferred share units and stock options on December 31, 2021.

Fluctuations in net loss for each quarter generally relate to the amounts of financing, research and development, and share based compensation expenses the Company incurred during the respective quarter. The business of Cielo, when in commercial production, 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 conditions, and geopolitical instability, such as COVID-19 and the ongoing conflict between Russia and Ukraine, can impact the consumption of fuels. In some cases, consumer preferences and rates of adoption of low carbon fuels may partially or completely offset any declines as a result of broad economic declines.

LIQUIDITY AND CAPITAL RESOURCES

Cielo's primary objective for managing liquidity and capital resources is to ensure the Company has sufficient funds available for research, development and other corporate activities. As at January 31, 2022, the Company had $2.5 million of cash, and working capital deficiency of $10.2 million, compared to $0.7 million deficiency as at April 30, 2021.

On February 18, 2022, the Company, as borrower, closed the New Loan with FCF, as lender. The New Loan carries an annual interest rate of 3%, has a term of 24 months, matures on February 18, 2024, and is secured by Cielo's land and facilities in Fort Saskatchewan and Aldersyde, Alberta. The Company utilized $5.5 million of the net proceeds of the New Loan to repay a portion of the Existing Loan, and the balance of the New Loan will be used for general working capital purposes. In addition, on March 18, 2022, the Company completed the extension of the term of the Existing Loan from 12 months to 24 months, matures on September 1, 2023. After the closing of the New Loan and the extension of the Existing Loan, the Company's working capital deficiency of $10.2 million was improved by approximately $16.7 million to a working capital surplus of $6.5 million. See "Subsequent Events" for additional information.

Total estimated cost requirements for the Aldersyde Facility and the R&D Facility until the end of 2022 are $11.5 million and $11.0 million, respectively. During the period from August 1, 2021 to January 31, 2022, the Company has incurred approximately $3.8 million and $1.5 million in relation to the Aldersyde Facility and the R&D Facility, respectively. Total estimated remaining cost requirements are approximately $7.7 million and $9.5 million until the end of 2022, for the Aldersyde Facility and the R&D Facility, respectively.

The Company has not reached planned commercial operations or generated sufficient operational cash flows to meet the Company's planned growth or to fund research, development and corporate activities. The Company will require additional capital to fund costs relating to research, development and other corporate activities over the next year and beyond, and to fund payments of short-term indebtedness as they become due and otherwise fund the working capital deficiency. The Company continues to explore alternatives to generate additional financing, which may include raising additional equity and debt or entering into strategic partnerships; however, there is no assurance that these initiatives will be successful, and they may depend on prevailing commodity prices, general economic conditions and the Company's success in its research and development activities.

If the Company is unable to raise sufficient funds or raise sufficient funds on acceptable terms, then capital expenditures will be reduced, and the Company will prioritize the Aldersyde Facility in advance of the further construction and development of the R&D Facility. See "Going Concern" and "Financing Activities" for additional information.

Financing Activities

Mortgage Loan for Asset Purchase in Fort Saskatchewan, Alberta

In August 2021, the Company entered into the Existing Loan with FCF and KV. The Existing Loan is subject to an annual interest rate of 6% and is secured by charges against Cielo's land and facilities in Fort Saskatchewan and Aldersyde, Alberta. The 12-month term is subject to automatic renewal at the end of the original term for further six-month terms in consideration of a renewal fee equal to 1.5% of the then outstanding balance, subject to FCF and KV's rights to terminate the automatic renewal at their discretion. The Existing Loan is subject to interest payments and Cielo is entitled to repay the Existing Loan at any time before maturity without penalty, in whole or in part. Prior to the partial repayment of the Existing Loan on February 18, 2022, the Existing Loan was subject to Market Cap Requirements, pursuant to which the Company covenanted as follows: (i) if the Company's market capitalization is below $250 million but above $150 million, a $1 million loan repayment is required; (ii) if the Company's market capitalization is below $150 million but above $100 million, an additional $1 million loan repayment is required; and (iii) if the Company's market capitalization is below $100 million, an additional $1.0 million loan repayment is required. Subsequent to Cielo entering into the Existing Loan, the market capitalization of the Company was below $150 million on certain trading days. As a result, KV requested a total loan repayment of $2.0 million.

In connection with the Existing Loan, Cielo issued 12 million Existing Bonus Warrants. Each Existing Bonus Warrant entitles the holder to purchase one common share of the Company at an exercise price of $1.00 for a period of 36 months; however, if the Existing Loan is repaid in whole or in part during its term, a pro rata number of the total Existing Bonus Warrants will have their term reduced to the date that is 90 days subsequent to such repayment.

The Existing Loan was originally funded in August 2021 with the following allocation of the $12 million principal: (i) FCF - $6.0 million, and (ii) KV - $6.0 million. In January 2022, FCF acquired an additional $1.0 million interest in the Existing Loan from KV. As a result, the outstanding $12.0 million principal balance as of January 31, 2022 has been allocated as follows: (i) FCF - $7.0 million, and (ii) KV - $5.0 million.

On February 18, 2022, the Company utilized $5.5 million of the net proceeds of the New Loan to repay a portion of the Existing Loan. The remaining outstanding principal balance of the Existing Loan is $6.5 million after the partial repayment. In consideration for the partial repayment of the Existing Loan, the Market Cap Requirements were removed, and a *pro rata* portion of the total interest amount for the initial 12-month term withheld by the lenders, approximately $175,000, was returned to Cielo. In addition, as a result of the partial repayment of the Existing Loan, the term of 5.5 million of the Existing Bonus Warrants was reduced such that the 5.5 million Existing Bonus Warrants will, if not exercised, expire on May 19, 2022.

On March 18, 2022, the Company completed the extension of the term of the Existing Loan from 12 months to 24 months, now maturing on September 1, 2023 (the "Loan Extension"). In consideration for the Loan Extension, Cielo has agreed to use the proceeds of the exercise of any and all bonus warrants held by FCF (whether issued in respect of the Existing Loan or any other loans owed to FCF thereafter) to pay down the balance of the Existing Loan.

Convertible Debenture Financing

On August 3, 2021, the Company completed a non-brokered, convertible debenture financing, and received gross proceeds of $4.0 million (the "Financing"). Pursuant to the Financing, the Company issued 4,000 non-interest-bearing, unsecured convertible debentures (the "Debentures"), each issued at $1,000 per Debenture, the principal amount of the Debentures being convertible into common shares at $1.25 per share during the 12-month term of the Debentures. Following the issuance of the Debentures, on September 7, 2021, the full $4.0 million of the principal amount was converted into 3,200,000 common shares of the Company at the conversion price of $1.25 per common share. The Debentures and the common shares issued upon the conversion therefore were subject to a statutory 4-month hold period which expired on December 4, 2021.

Share Issuance upon Conversion of Debentures

In June 2021, the principal amount of $0.7 million of debentures was converted into 12,462,500 common shares of the Company at the conversion prices between $0.05 to $0.08 per common share.

Share Issuance upon Exercise of Warrants

In September 2021, 3,750,000 outstanding warrants were exercised at the exercise price of $0.135 per share. The Company issued 3,750,000 common shares and received gross proceeds of $0.5 million.

In May 2021, 20,589,474 outstanding warrants were exercised at the exercise prices between $0.09 to $0.25 per share. The Company issued 20,589,474 common shares and received gross proceeds of $1.9 million.

Share Issuance upon Exercise of Options

In May 2021, 445,000 stock options were exercised at the exercise price of $0.10 per share. The Company issued 445,000 common shares and received gross proceeds of $0.04 million.

In January 2022, 200,000 stock options were exercised at the exercise price of $0.10 per share. The Company issued 200,000 common shares and received gross proceeds of $0.02 million.

Share Issuance for IP Purchase Agreement

In December 2021, 10,000,000 common shares were issued to 1888 Inc in consideration for terminating the License Agreement and transferring the patents and all related IP to Cielo. The common shares are subject to a 4-month hold period expiring on April 4, 2022.

Repayment of Promissory Note

In August 2021, the Company made a payment of $1.0 million to 1823741 Alberta Ltd., to repay the principal and interest amounts owing to 1823741 Alberta Ltd.

OFF-BALANCE SHEET ARRANGEMENTS

As at January 31, 2022, Cielo did not have any off-balance sheet arrangements in place that would materially impact its financial position or results of operations.

RELATED PARTY TRANSACTIONS

Renewable U Energy Inc. ("Renewable U")

For the three and nine months ended January 31, 2022, the CEO, director and shareholder of Renewable U, Ryan Jackson, was also a Director of Cielo.

The Company entered into memorandums of understanding (the "MOUs") in total with Renewable U and its affiliates to build and commission nine (9) waste to fuel facilities, at no cost to Cielo other than internal costs, one each in Grand Prairie, Alberta, Calgary, Alberta, Medicine Hat, Alberta, Lethbridge, Alberta, Halifax, Nova Scotia, Toronto, Ontario, Winnipeg, Manitoba, Kamloops, British Columbia, and a location to be determined in the United States. The Company and Renewable U intend to amend the MOU for Lethbridge, Alberta to another location.

Pursuant to the MOUs, the Company will also be responsible for overseeing the planning, construction, commissioning, and operation of each facility and will receive a management fee for the planning and construction of each facility equal to 7% of the project costs for such facility subject to certain exclusions and will continue to receive management fees once operations begin based on industry standards. For the three and nine months ended January 31, 2022, the Company charged Renewable U management fees and recovery of expenses of $0.02 million and $0.09 million, respectively, and made a credit adjustment of $0.06 million to the recovery of expenses related to fiscal Q4 2021 in fiscal Q1 2022. The management fees were recorded as other expenses (income) in the statements of loss and comprehensive loss. As at January 31, 2022, the amount receivable from Renewable U was $0.09 million (April 30, 2021 - $0.1 million).

OUTSTANDING EQUITY

Cielo's issued and outstanding common shares, along with common shares potentially issuable are as follows:

(Number of common shares, warrants, options, and units)	**January 31, 2022**	**April 30, 2021**
Common shares	662,329,912	611,682,938
Total common shares issued and outstanding	662,329,912	611,682,938
Convertible debentures	-	12,462,500
Warrants	12,000,000	24,331,159
Stock options	26,823,196	1,395,000
RSUs	3,666,667	-
DSUs	2,100,000	-
Total common shares potentially issuable	44,589,863	38,188,659
Total	706,919,775	649,871,597

There is no issuance of equity subsequent to January 31, 2022, to the date of this MD&A. The total number of issued and outstanding common shares as of the date of this MD&A is 662,329,912.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting, using accounting policies consistent with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income, and expenses. Estimates and judgments are evaluated each reporting period and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are subject to inherent risk of uncertainty and actual results may differ from these estimates and assumptions. For the three and nine months ended January 31, 2022 and 2021, a summary of significant accounting policies were disclosed in Note 4 to the unaudited condensed consolidated interim financial statements. For the years ended April 30, 2021 and 2020, a summary of significant accounting policies were disclosed in Note 4 to the audited financial statements.

Significant estimates are used for, but not limited to, the measurement of the fair value of convertible debentures, warrant liability, share-based payment transactions, and deferred income taxes.

RESTATEMENT OF JANUARY 31, 2021 COMPARATIVE PERIOD FINANCIAL INFORMATION

As disclosed in Note 20 to the audited financial statements for the years ended April 30, 2021, the Company identified two matters that resulted in restatement of the financial statements for the year ended April 30, 2020, and the opening balance sheet as at May 1, 2020. While the 2021 annual impact of those restatements were included in the audited financial statements for the year ended April 30, 2021, the discrete quarterly impact of those matters has been corrected in the comparative period financial statements presented herein for the three and nine months ended January 31, 2021. The restatement of January 31, 2021 comparative period financial information reflects the following changes:

- In accordance with IFRS, the Company is required to capitalize borrowing costs on qualifying assets, which includes the amounts that the Company has incurred in relation to its construction in progress activities. During the period of commencing construction activities in 2017 through to January 31, 2021, the Company incurred borrowing costs but did not capitalize these costs as required under IFRS. To reflect the correct application of capitalizing borrowing costs for the three and nine months ended January 31, 2021 that was recognized in the annual financial statements for the year ended April 30, 2021, the comparative period financial statements have been restated.
- During the year ended April 30, 2018, the Company completed a $3.5 million financing arrangement with BJK Holdings Ltd., which included $3.5 million of debt financing as well as the issuance of 25.0 million common share purchase warrants (the “BJK warrants”). At the time of recognizing these transactions in the April 30, 2018 audited financial statements, the Company initially recorded the face value of the debt component of the financing at $3.5 million and recorded the estimated fair value of the BJK warrants of $3.3 million as a financing expense in the Statement of Loss and Comprehensive Loss with an offsetting entry recorded in contributed surplus in the Statement of Changes in Shareholders’ Equity. The number of the BJK warrants and their exercise price from this transaction were subject to adjustments for any reorganizations or dilutive events during their term. In preparation of the April 30, 2021 financial statements, the Company determined that the warrant adjustment clause should have resulted in the accounting for the BJK warrants as derivative instruments since their initial recognition rather than as equity instruments in the original accounting. Derivative instruments are required to be recorded at fair value each reporting period, which should have resulted in a warrant liability revalued at each period end incorporating any adjustments to the number of BJK warrants outstanding and their exercise price. As part of the process of updating the cumulative and comparative period impacts of this error, the Company also adjusted the amounts initially recorded for the debt component of the financing and the fair value of the BJK warrants due to errors identified in the initial valuation methodology.

The restatement impact of the two errors described above on the comparative period financial statements have been summarized in the table below. In addition to the two errors, the restatements summarized below include a reclassification of the accelerated amortization of pre-paid interest expense required upon the early conversion of certain convertible debentures that had previously been recognized as “Loss (gain) on settlement of debt with shares” in the Statements of Net and Comprehensive Loss and has now been presented as part of “Financing costs”. This reclassification was recorded to conform with the current period presentation.

(Thousands of dollars except per share amounts)	Three months ended January 31, 2021			Nine months ended January 31, 2021		
Financial Statement Caption	**Amount previously reported**	**Amount restated**	**Change**	**Amount previously reported**	**Amount restated**	**Change**
Financing costs	678	546	(132)	1,783	1,890	107
Loss on settlement of debt with shares	530	(16)	(546)	1,002	(16)	(1,018)
Fair value change in warrants	-	(107)	(107)	-	927	927
Net loss and comprehensive loss	(2,405)	(1,620)	785	(5,808)	(5,825)	(17)
Loss per share	(0.008)	(0.010)	(0.002)	(0.019)	(0.020)	(0.001)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

There have been no new accounting standards and interpretations issued by the International Accounting Standards Board that have a material impact on the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended January 31, 2022, and 2021.

RISK FACTORS

An investment in the securities of the Company involves numerous and significant risks. Investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's AIF dated December 31, 2021 for the year ended April 30, 2021, available on SEDAR at www.sedar.com for a description of these risk factors. There have been no material changes to the Company's risk factors since the date of the AIF.

ADDITIONAL INFORMATION

Additional information related to Cielo is available on SEDAR at www.sedar.com.