CIELO

Fueling the Sustainable
Energy Transition

CIELO WASTE SOLUTIONS CORP.

Audited Consolidated Financial Statements

For the Years Ended April 30, 2023 and 2022

MANAGEMENT'S REPORT

To the shareholders of Cielo Waste Solutions Corp. ("Cielo" or the "Company"):

The accompanying consolidated financial statements of Cielo have been approved by the Board of Directors and prepared in accordance with International Financial Reporting Standards. The management of Cielo ("Management") is responsible for the integrity and objectivity of the information presented in the consolidated financial statements including the amounts based on estimates and judgments. The consolidated financial information contained in the management's discussion and analysis is consistent with the consolidated financial statements.

Management maintains accounting systems and related internal controls, policies, and procedures to provide reasonable assurance that assets are safeguarded, transactions are authorized, and complete and accurate financial records are maintained to provide reliable information for the preparation of the consolidated financial statements in a timely manner.

The Board of Directors oversee management's responsibility for financial reporting through the Audit Committee of the Board of Directors. The Audit Committee comprised of three directors, have reviewed and recommended the consolidated financial statements for approval to the Board of Directors. The consolidated financial statements have been further reviewed by the Board of Directors prior to their approval.

KPMG LLP Chartered Professional Accountants, the Company's external auditors, who are appointed by the Company's shareholders, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

"Signed"	"Signed"
Ryan Jackson Chief Executive Officer	Jasdeep K. Dhaliwal Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cielo Waste Solutions Corp.

Opinion

We have audited the consolidated financial statements of Cielo Waste Solutions Corp. (the "Company"), which comprise:

- the consolidated statement of financial position as at April 30, 2023 and April 30, 2022
- the consolidated statement of loss and comprehensive loss for the years then ended
- the consolidated statement of changes in shareholders' equity for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2023 and April 30, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material Uncertainty Related to Going Concern

We draw your attention to Note 3 of the financial statements, which indicates the Company has not yet generated revenue from is planned commercial operations, has accumulated losses of $109 million as at April 30, 2023, generated a loss of $36 million for the year then ended, has a working capital deficit of $12.5 million and requires additional capital to fund costs relating to research, development and other corporate activities over the next year and beyond.

As stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended April 30, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of the audit report, we have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Assessment of the recoverable amount of certain Property, Plant, and Equipment (PP&E)

Description of the matter

We draw attention to Notes 4 and 7 to the financial statements. The carrying amounts of the Company's PP&E (or non-financial assets) are reviewed at each reporting date to determine whether this is any indication of impairment. If any such indication exists, the recoverable amount of the cash generating unit (CGU) is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. During the year ended April 30, 2023, the Company identified an indication of impairment related to certain PP&E in Aldersyde, Alberta and Fort Saskatchewan and recorded an impairment charge relating to these assets of approximately $25.6 million. The estimation of the of the recoverable amount required the Company to make significant assumptions related to the expected future use of certain assets and the cost to replace certain assets.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of certain PP&E as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the expected future use of certain assets and the cost to replace certain assets.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We evaluated the Company's assumptions related to expected future use of certain assets by comparing them to minutes of the meetings of the Board of Directors and Company press releases
- We compared the Company's assessment of replacement cost of certain PP&E to cost estimates provided by industry suppliers. We considered changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions used to determine replacement cost.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Ernest Trevor Hammond.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
June 20, 2023

Cielo Waste Solutions Corp.

Audited consolidated Statements of Financial Position

All amounts Canadian $000's, except share and per share amounts

As at	Note	April 30, 2023	April 30, 2022
Assets			
Current Assets			
Cash & cash equivalents		1,153	2,656
Restricted investments		180	25
Accounts receivable		89	118
Prepaid expenses		466	945
Inventory	5	132	394
		2,020	4,138
Non-current Assets			
Right-of-use assets	6	151	453
Property, plant and equipment	7	25,308	46,938
Intangible assets	8	1,887	2,002
		27,346	49,393
Total Assets		**29,366**	**53,531**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		1,394	1,952
Royalty payable	9	889	889
Deferred fees	15	2,250	-
Current portion of lease liability	10	113	133
Current portion of long term loans	11	9,861	-
		14,507	2,974
Non-current Liabilities			
Lease liability	10	61	430
Deferred fees	15	-	2,250
Long-term loans	11	-	14,278
		61	16,958
Total Liabilities		**14,568**	**19,932**
Shareholders' Equity			
Share capital	13	111,980	99,769
Contributed surplus	13	11,890	6,720
Deficit		(109,072)	(72,890)
Total Shareholders' Equity		**14,798**	**33,599**
Total Liabilities and Shareholders' Equity		**29,366**	**53,531**

Going Concern (Note 3), Commitments (Note 17), and Subsequent Events (Note 20)

Signed on behalf of the Board

/s/ "Ryan Jackson" * /s/ "Larry Schafran"*

Cielo Waste Solutions Corp.

Audited consolidated Statements of Loss and Comprehensive Loss

All amounts Canadian $000's, except share and per share amounts

		Years ended April 30	
$000's, except per share amounts	**Note**	**2023**	2022
Expenses and other income			
Financing costs	14	2,418	1,516
General and administrative		3,638	6,869
Research and development		2,104	5,467
Share based compensation	13	464	1,762
Depreciation and amortization		634	443
Impairment of property, plant and equipment	7	25,630	-
Loss (Gain) on settlement of debt with shares	11 & 13	1,977	(350)
Fair value change of warrant liability		-	(492)
Other (income) expenses	18	(683)	104
Loss before income taxes		**(36,182)**	(15,319)
Deferred income tax recovery	19	-	874
Net and comprehensive loss		**(36,182)**	(14,445)
Loss per share			
Basic	*13*	*(0.04)*	*(0.02)*
Diluted	*13*	*(0.04)*	*(0.02)*

The accompanying Notes to Financial Statements are an integral part of these Financial Statements

Cielo Waste Solutions Corp.

Audited consolidated Statements of Changes in Shareholders' Equity

All amounts Canadian $000's, except share and per share amounts

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2021	**79,673**	**3,278**	**(58,446)**	**24,505**
Shares issued on debt conversion	4,710	-	-	4,710
Shares issued for purchase of IP	2,050			2,050
Shares issued for warrant exercise	13,323	(1,221)	-	12,102
Shares issued for option exercise	92	(27)	-	65
Share based compensation	-	2,927	-	2,927
Share issuance costs	(78)	-	-	(78)
Fair value of bonus warrants issued	-	1,762	-	1,762
Net and comprehensive loss for the period	-	-	(14,444)	(14,444)
Balance, April 30, 2022	**99,770**	**6,719**	**(72,890)**	**33,599**
Balance, April 30, 2022	**99,770**	**6,719**	**(72,890)**	**33,599**
Shares issued on public offering	9,775	-	-	9,775
Fair value of warrants issued	(2,653)	2,653	-	-
Fair value of warrants issued for debt settlement	-	1,676	-	1,676
Shares issued for warrant exercise	27	-	-	27
Fair value of shares issued for debt	6,389	-	-	6,389
Share based compensation	-	464	-	464
Share issuance costs	(1,328)	378	-	(950)
Net and comprehensive loss for the period	-	-	(36,182)	(36,182)
Balance, April 30, 2023	**111,980**	**11,890**	**(109,072)**	**14,798**

Cielo Waste Solutions Corp.

Audited consolidated Statements of Cash Flows

All amounts Canadian $000's, except share and per share amounts

	Note	Year ended April 30 2023	2022
Net loss		(36,182)	(14,445)
Adjustments for non cash items:			
Depreciation and amortization		634	443
Impairment of property, plant & equipment		25,630	-
Bad debt		-	205
Loss (Gain) on settlement of debts with shares		1,977	(350)
Share based compensation	13	464	1,762
Fair value change of warrant liability		-	(492)
Other (gain) loss		144	(4)
Financing costs	14	2,418	1,516
Deferred income tax recovery	19		(874)
		(4,915)	(12,239)
Changes in working capital:			
Accounts receivables and accrued		29	208
Prepaid expenses		711	(695)
Inventory		262	(33)
Deferred revenues & deposits		-	(1,500)
Accounts payable and accrued		(840)	(2,118)
Cash used in operating activities		**(4,753)**	(16,377)
Cash (used in) provided by financing activities:			
Lease liability		(136)	(133)
Long term loan - advances		-	17,500
Long term loan - repayments		-	(1,000)
Interest paid		(169)	(558)
Financing fees		(233)	(700)
Convertible debentures	13	-	4,000
Shares issued in public offering	13	9,775	-
Share issuance for warrant exercise	13	27	2,425
Share issuance for option exercise	13	-	64
Share issuance costs	13	(950)	(77)
Cash provided or (used) by financing activities		**8,314**	21,521
Cash used in investing activities:			
Additions of property plant and equipment	7	(4,217)	(19,583)
Restricted investments		(155)	(25)
Changes in working capital:			
Prepaid expenses		-	5
Accounts payable and accrued liabilities		(692)	(61)
Cash provided or (used) in investing activities		**(5,064)**	(19,664)
Increase (decrease) in cash		**(1,503)**	(14,520)
Cash and cash equivalents, beginning of period		2,656	17,176
Cash and cash equivalents, end of period		**1,153**	2,656

1. REPORTING ENTITY

Cielo Waste Solutions Corp. ("**Cielo**" or the "**Company**") was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. Cielo is a publicly traded company with its shares listed on the TSX Venture Exchange ("TSXV") under the symbol "CMC", as well as on the OTC Venture Market, under the symbol "CWSFF". The registered office of the Company is located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7. The principal office of the Company is located at Suite 2500, 605 5th Avenue S.W. Calgary AB, T2P 3H5.

Pursuant to an agreement entered into between Cielo and 1888711 Alberta Inc. ("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 to convert and transform waste to fuel (the "Technology") (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.

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 pursuant to the License Agreement were terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo issued ten million (10,000,000) common shares in the capital of Cielo (the "Shares") to 1888 Inc (Note 13). The Shares were subject to a 4-month hold period expiring on April 4, 2022.

On July 29, 2021, the Company incorporated a wholly owned subsidiary, Cielo Fort Saskatchewan Corp., to acquire the land and hold the assets for a future proposed facility in Fort Saskatchewan, Alberta. Subsequent to July 29, 2021, the financial statements include the accounts of the Company and its wholly owned subsidiary.

2. STATEMENT OF COMPLIANCE AND BASIS ACCOUNTING

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

These consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars. The accounting policies set out below have been applied consistently to each of the periods presented. These financial statements are prepared on a historical cost basis.

These audited consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on June 20, 2023.

3. GOING CONCERN

The Company has not yet generated revenue from its planned commercial operations and has accumulated losses of $109 million as at April 30, 2023 and generated a loss of $36 million for the year ended April 30, 2023. The Company has a working capital deficit (defined as total current assets less total current liabilities) of $12.5 million as at April 30, 2023. 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 working capital requirements. The Company will continue to explore alternatives to generate additional financing, which may include raising additional equity and/or debt or entering into strategic partnerships or other agreements; 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 obtain additional financing to fund the cost of research, development, and other corporate activities and its ability to generate revenue and positive cash flow from operating activities. These matters create material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they become due. These audited consolidated financial statements do not reflect adjustments that might be necessary should the Company be unable to continue as a going concern. If the going concern assumption were not appropriate, adjustments might be necessary to the amounts and classifications of the Company's assets and liabilities and the reported expenses. These adjustments could be material.

4. SIGNIFICANT ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES

a) Use of judgements and estimates

The preparation of these financial statements require management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The financial statements include judgements and estimates which, by their nature, are uncertain.

The impacts of such judgements and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

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

Going concern

The assessment of the Company's ability to execute its strategy to fund future working capital requirements involves judgment. Budgets and forecasts are subject to significant judgment and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company. The economic climate may lead to adverse changes in cash flow or working capital levels, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity in the future.

Fair value of certain long-term liabilities

In assessing the fair value of certain long-term liabilities either issued as part of a hybrid instrument or issued without interest or interest rate below market, management has to exercise judgment to estimate the fair value interest rate based on market conditions and the risks specific to the liability.

Warrants and Share-based payments

The estimation of the fair value of warrants and share-based payments requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the expected volatility of its own shares, the expected life of instrument issued, and the estimated number of stock options expected to vest and the expected time of exercise of those stock options.

Impairment of property, plant and equipment ("PP&E") and intangible assets

At each reporting date the Company assesses whether there is any indication that PP&E and intangible assets are impaired. PP&E and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. Judgement is applied in assessing whether indicators are present. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and fair value less costs to sell. The estimation of the recoverable amount requires the Company to make significant assumptions related to the expected future use of certain assets and the cost to replace certain assets Cash & cash equivalents and restricted investments

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, and cashable and have an original maturity date of three months or less. Restricted investments are comprised of interest bearing, and renewable Guaranteed Investment Certificates that are required to be posted as security in connection with performance obligations of the Company with maturity dates of less than one year.

b) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the average costing principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

c) Property, plant and equipment

The Company records property, plant and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their estimated useful lives, using the following annual rates:

Asset	Method	Rate
Construction in Progress	no amortization until completion	
Computers	declining balance	50%
Equipment & Plant	declining balance	10%
Building	declining balance	4%

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Borrowing costs in connection with the borrowing of funds that are attributable to the acquisition, construction or production of a qualifying asset are capitalized when the assets take a significant period of time to get ready for use or sale. Other borrowing costs are expensed as incurred.

d) Intangible assets

Intangible assets are non-financial assets and are initially recorded at their cost, which is the fair value of the consideration paid or transferred to obtain control of the asset. Intangible assets are subsequently amortized over their estimated minimum useful life.

e) Shared-based payments

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

In addition to a stock option plan, the Company has a restricted share unit ("RSU") plan (the "RSU Plan") for certain directors, officers, consultants and employees of the Company. The equity-settled share-based compensation is measured at the fair value of the Company's common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU Plan.

The fair value determined at the grant date is charged to income on a straight-line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares by the holder or payable in cash to the holder at the Company's option, as applicable, with a corresponding increase in equity (contributed surplus). As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates.

On the vesting date of stock options and RSU's, the Company revises the estimate to equal the number of equity instruments that ultimately vest. The impact of the revision of estimates, if any, is recognized in income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

f) Deferred income taxes

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

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

g) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to share financing transactions are recorded and charged to share capital when the related shares are issued.

h) Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation if their effect would be anti-dilutive.

i) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the statements of net and comprehensive loss.

Financial Assets

The Company classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (through OCI or through profit or loss)

(ii) those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period. The Company's liabilities classified as other financial liabilities, which include accounts payable and accrued liabilities, long term loans and royalty payable, are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statements of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

j) Convertible debentures

Convertible debentures with both a liability and an equity component(s) are accounted for and presented separately according to their substance based on the definitions of liabilities and equity. The split is made at issuance and not revised for subsequent changes in market interest rates, share prices, or other event that changes the likelihood that the conversion option will be exercised. A financial liability represents the Company's contractual obligation to pay cash, and the other is an equity instrument, representing the holder's option to convert the liability into common shares or share purchase warrants attached to the compound instrument. When the initial carrying amount of a compound financial instrument is required to be allocated to its equity and liability components, the equity component(s) is assigned the residual amount after deducting the fair value of the liability component from the proceeds received for the compound instrument as a whole.

k) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated to determine the extent of the impairment loss, if any.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognized in net income (loss). Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

Financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

l) Provisions

Provisions are recorded when a present legal or constructive obligation exists because of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

m) Revenue recognition

Revenue from Contracts with Customers

Revenues associated with the sale of product produced from the R&D facility are recognized when there is persuasive evidence that an arrangement exists, the product(s) is completed and delivered, the price is fixed or determinable and when the ultimate collection is reasonably assured. Proceeds received in advance of delivering produced products are recognized as deferred revenue.

During the years ended April 30, 2023 and 2022, the Company only produced incidental products for sale as the Company is still in the process of conducting research, and is not in commercial production. The incidental income earned have been recognized as Other Income, net of related costs.

Commencing August, 2022, a portion of the property located in Fort Saskatchewan, Alberta was leased to a third party, resulting in rental incomes, which have been recognized as Other Income in the year ended April 30, 2023.

The Company has received fees upon entering memorandums of understanding with various counterparties with the intent to establish definitive joint venture agreements for the expansion of the Company's business in defined geographies. Fees are generally refundable if a definitive agreement is not reached. Accordingly, the fees received are recognized as deferred revenue and fees until definitive agreements have been executed and performance obligations under the respective agreements have been satisfied (Notes 15 & 20).

All amounts Canadian $000's, except share and per share amounts

n) Leases

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

o) New accounting standards and interpretations

There have been no new accounting standards and interpretations issued by the IASB that have, or are expected to have, a material impact on the Company's financial statements for the year ended April 30, 2023.

5. INVENTORY

As at	**April 30, 2023**	April 30, 2022
Raw materials	126	391
Processed product	6	3
Total Inventory	132	394

During the year ended April 30, 2023, the Company recognized $0.03 million of inventory expense (2022 – $0.21 million), and inventory write downs of $0.25 million (2022 - $0.14 million) in Other (Income)/Expenses in the consolidated statement of loss and comprehensive loss.

All amounts Canadian $000's, except share and per share amounts

6. RIGHT OF USE ASSETS

As at	**April 30, 2023**	April 30, 2022
Cost		
Balance, beginning of period	724	272
Additions	90	452
Modifications	(360)	-
Balance end of period	454	724
Accumulated Amortization		
Balance, beginning of period	271	129
Additions	128	142
Modifications	(96)	-
Balance end of period	303	271
Net book value	151	453

In September 2021, the Company entered into a lease agreement for office space through 2027. The lease agreement includes a rent-free period of 14 months from September 2021 to October 2022 inclusive (the "2021 Lease"). The lease payments commenced November 1, 2022, for five years. The annual base rent increased from $0.10 million to $0.15 million during the lease term. In April 2023, the Company entered into an Assignment and Novation agreement, whereby it wholly assigned the 2021 Lease, terminating its asset and related obligation, in April 2023.

In April, 2023, the Company entered into a new lease agreement, through the Assignment and Novation agreement of the 2021 Lease, for office space to September 20, 2024 (the "2023 Lease"). Lower base rent of $0.07 million per annum, payable monthly for the duration of the lease, is reflective of reduced office space under the new lease. The change in leases has been accounted for as a lease modification resulting in a reduction of the associated lease asset and liability (see Note 10). The resulting gain of $0.15 million was recognized in Other Income in the consolidated statement of loss and comprehensive loss.

All amounts Canadian $000's, except share and per share amounts

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Construction in Progress	Land	Building	Equipment	Computers	Total
Balance, April 30, 2021	24,126	756	932	1,410	91	27,315
Additions	7,008	10,167	2,994	349	61	20,579
Disposals	-	-	-	-	(66)	(66)
Balance, April 30, 2022	31,134	10,923	3,926	1,759	86	47,828
Additions	4,348	-	-	41	-	4,389
Completed CIP	(9,934)	661	631	8,642	-	-
Balance, April 30, 2023	**25,548**	**11,584**	**4,557**	**10,442**	**86**	**52,217**
Accumulated Amortization						
Balance, April 30, 2021	-	-	141	497	53	691
Additions	-	-	110	115	27	252
Disposals	-	-	-		(53)	(53)
Balance, April 30, 2022	-	-	251	612	27	890
Additions	-	-	170	190	29	389
Impairment loss	25,548	-	-	82	-	25,630
Balance, April 30, 2023	**25,548**	**-**	**421**	**884**	**56**	**26,909**
Net Book Value						
Balance, April 30, 2022	31,134	10,923	3,675	1,147	59	46,938
Balance, April 30, 2023	**-**	**11,584**	**4,136**	**9,558**	**30**	**25,308**

Transfer of Construction in Progress

Construction in Progress ("CIP") included costs for projects under development, including building and land improvements, capitalized interest, and equipment. Upon completion of the respective projects, the assets were transferred to their respective depreciable asset categories.

Impairment of Property, Plant & Equipment

As a result of testing outcomes and substantially increased cost estimates to complete the original facility in Aldersyde, Alberta, the Company ceased its initial development plans and evaluated the future use of the facility in the Company's operations. In addition, the Company's initially planned development for a research and development ("R&D") facility in Fort Saskatchewan were changed to focus on a new R&D facility in Aldersyde. As a result of the changes, the Company no longer expected that it will recover all of the associated costs and related equipment through the normal course of business and this triggering event resulted in an impairment charge of approximately $25.6 million during the year ended April 30, 2023.

To assess the recoverable amount of these assets, the Company reviewed its listing of equipment and made assumptions as to its expectations of being able to economically utilize the equipment as part of either the planned new R&D facility or future commercial facilities. Based on this analysis, the recoverable amount of assets not expected to be utilized in future operations was based on fair value less cost to sell, being a nominal value. For specific assets that are expected to remain in use in future periods the Company determined the recoverable amount using a replacement cost approach. The Company will continue to assess the ability to utilize the specific assets and will test for impairment in future periods if circumstances indicate the assets are no longer expected to be utilized.

All amounts Canadian $000's, except share and per share amounts

Asset Purchase in Fort Saskatchewan, Alberta

In August 2021, the Company completed the purchase of 60 acres of land and an approximately 32,000 square feet industrial building in Fort Saskatchewan, Alberta for $13,000,000 (the "Asset Purchase"). The purchase price and additional directly attributable costs were allocated approximately $10.1 million to the land and $3.0 million to the building.

Capitalized Interest

During the period ended April 30, 2023, additions to Construction in Progress include capitalized borrowing costs of $nil (year ended April 30, 2022 approximately $1.0 million).

8. INTANGIBLE ASSETS

Intangible assets are the Company's patents in Canada and the United States, to utilize waste to produce fuel through a thermal catalytic depolymerization process. Intangible assets are amortized using straight-line method, with no residual value, over their anticipated life.

	April 30, 2023	**Apr 30, 2022**
Opening balance	2,002	-
Additions	-	2,050
Amortization	(115)	(48)
Total Intangible Assets	1,887	2,002

Pursuant to the License Agreement, Cielo held an exclusive global license, to complete the development and commercialization of the Technology (Note 1). The Technology, which is patented in Canada and the United States, can utilize waste to produce fuel through a thermal catalytic depolymerization process.

On December 3, 2021, Cielo and 1888 Inc executed a definitive 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 pursuant to the License Agreement were terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo issued ten million (10,000,000) Shares to 1888 Inc at a price of $0.205 per share . Upon transfer of the patents and related intellectual property, Cielo recognized an intangible asset of $2.0 million. The intangible asset is depreciated on a straight-line basis over the estimated remaining useful life of the patent of 16 years and is recognized as depreciation expense in the statement of income. During the year ended April 30, 2023, the Company recognized an amortization expense of $0.12 million (2022 - $0.05 million).

9. ROYALTY PAYABLE

	April 30, 2023	April 30, 2022
Royalty payable – Current	889	889

Pursuant to an early warrant exercise incentive program in 2018 (the "Program"), 10,162,500 warrants were exercised early in exchange for a $0.0875 per warrant fixed rate royalty.

Royalty certificates were issued to the participants dated July 3, 2018, indicating a payment deadline of July 3, 2020. As a result of delayed operations, production, and revenues, on July 3, 2020, the Company obtained the requisite approval of the holders of the royalties to delay the commencement of payment associated with the royalties for a period of two years until July 3, 2022. In June 2022, the Company further delayed the repayment of the royalties as a result of further delays in operations, production and revenue, and generally for cash flow and working capital purposes, for an additional 18 month period, terminating on January 3, 2024, following receipt of the requisite approval of the holders of the royalties.

All amounts Canadian $000's, except share and per share amounts

Once production and sales begin, the Company is required under the royalty terms to allocate 10% of gross sales to the payment of the royalties. As at April 30, 2023, the Company is not in production, and no allocation is required.

10. LEASE LIABILITY

The Company recognizes a lease liability on leases of office premises, warehouses and office and operational equipment. The present value of the lease and the accretion expenses are calculated using an incremental borrowing discount rate of 15%. The Company's lease obligations are as follows:

	April 30, 2023	April 30, 2022
Balance, beginning of period	563	180
Additions	90	488
modifications	(407)	-
Lease payments	(152)	(169)
Finance costs	80	64
Balance, end of period	174	563

In April 2023, the Company entered into an Assignment and Novation agreement for the 2023 Lease in exchange for the 2021 Lease, resulting in a lease modification and the derecognition of the 2021 Lease (see Note 6).

11. LOANS

	April 30, 2023	April 30, 2022
Current portion, loans		
Second Mortgage Loan, 3%, due February 18, 2024 (Note 13)	9,801	-
CEBA loan	60	-
Total current portion long-term loans	**9,861**	**-**
Long term portion, loans		
CEBA loan	-	60
First Mortgage Loan, 6%, due September 1, 2023 (Note 13)	-	5,652
Second Mortgage Loan, 3%, due February 18, 2024 (Note 13)	-	8,566
Total long-term portion, loans	-	14,278
Total Loans	9,861	14,278

In August 2021, the Company completed a mortgage loan (the "First Mortgage Loan") for $12 million. The loan bears interest at 6% per annum and is due on September 1, 2023. In connection with the First Mortgage Loan, the Company issued 12,000,000 non-transferable bonus warrants ("First Mortgage Bonus Warrants"). The proceeds for this financing were first allocated to the First Mortgage Loan based on its estimated fair value of $10.8 million using an estimated fair value interest rate of 17%. The residual value of $1.2 million was allocated to the First Mortgage Bonus Warrants.

In February 2022, the Company completed a second mortgage loan (the "Second Mortgage Loan") in the amount of $11 million. The Second Mortgage Loan bears interest at 3% and is due on February 18, 2024. In connection with the Second Mortgage Loan, the Company issued 50,000,000 non-transferable bonus warrants ("Second Mortgage Bonus Warrants"). The proceeds for the Second Mortgage Loan were first allocated to the loan based on its estimated fair value of $8.4 million using an estimated fair value interest rate of 17%. The residual value of $2.6 million was allocated to the Second Mortgage Bonus Warrants.

All amounts Canadian $000's, except share and per share amounts

The Company utilized $5.5 million of the net proceeds of the Second Mortgage Loan to immediately repay a portion of the First Mortgage Loan, leaving a principal balance owing of $6.5 million on the First Mortgage Loan. In connection with this repayment, certain covenants were removed and the repayment term was extended. These modifications to the First Mortgage Loan resulted in a gain on loan modification of $0.35 million recorded in the consolidated statement of loss and comprehensive loss in the year ended April 30, 2022.

The First Mortgage Loan and the Second Mortgage Loan are secured in part by the Company's properties in Aldersyde and Fort Saskatchewan, Alberta.

In the year ended April 30, 2023, the lender agreed to exchange $2 million of the principal balance outstanding on the First Mortgage Loan for 26,984,127 common shares (Note 13) as a partial repayment. A loss on settlement of debt was realized of $0.09 million.

Cielo reached an agreement with the lender to repay the remaining principal balance on the First Mortgage Loan in the amount of $4.5 million through an Equity for Debt agreement (the "Agreement"), effective February 22, 2023. The Agreement resulted in the issuance of 64,285,714 units (the "Debt Unit(s)") at a price of $0.07 per Debt Unit, each Debt Unit consisting of one common share of Cielo, and one common share purchase warrant, each warrant exercisable for a period of 3 years at $0.125 per common share. A loss on settlement of debt was realized in relation to these transactions of $1.9 million.

Pursuant to the terms of the Agreement, the lender agreed to discharge security held on the Aldersyde property and surrender the following bonus warrants (Note 13 Warrants):

- 50,000,000 Second Mortgage Bonus Warrants with an exercise price of $0.22, issued in relation to the Second Mortgage Loan, and
- 4,500,000 First Mortgage Loan Bonus Warrants with an exercise price of $1.00, issued in relation to the First Mortgage Loan.

The Debt Units are subject to a hold period, which will expire as to one third on July 23, 2023, one third on August 23, 2023, and one third on September 23, 2023.

12. CONVERTIBLE DEBENTURES

	April 30,2023	April 30, 2022
Opening balance	-	504
Debentures issued during the period	-	3,478
Debentures converted during the period	-	(3,982)
Closing balance	**-**	-

During the year ended April 30, 2021, the Company issued a total of 3,941.1 convertible debenture units (the "C Convertible Debenture Units") for gross proceeds of $3.9 million (the "C Convertible Debenture Offering"). During the year ended April 30, 2020, the Company issued a total of 753.5 convertible debenture units for gross proceeds of $0.75 million. The C Convertible Debentures Units each consist of one $1,000 unsecured convertible debenture (the "C Debentures") and 7,500 share purchase warrants. The C Debentures bear interest at a simple rate of 15% per annum, the initial three (3) years of interest prepaid (the "C Prepaid Interest") on the date of issuance of the C Debentures (the "C Issue Date") by the issuance of common shares (the "C Prepaid Interest Shares") at a price of $0.07 per C Prepaid Interest Share. 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 Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the C Issue Date at a price of $0.05 for the C Principal and $0.07 for the C Interest Balance. As at April 30, 2021, $0.36 million of C Debentures remained outstanding. For the year ended April 30, 2022, the remaining $0.36 million of C Debentures were converted into 7,200,000 common shares of the Company. As at April 30, 2022, no C Debentures remained outstanding.

During the year ended April 30, 2020, the Company issued 512.18 convertible debenture units (the "A Convertible Debenture Units") for gross proceeds of $5.1 million (the "A Convertible Debenture Offering"). The A Convertible Debentures Units each consist of one $10,000 unsecured convertible debenture (the "A Debentures") and 5,000 share purchase warrants. The A Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the "A Prepaid Interest") on the date of issuance of the A Debentures (the "A Issue Date") by the issuance of common shares (the "A Prepaid Interest Shares") at a price of $0.10 per A Prepaid Interest Share. The principal of the A Debentures (the "A Principal") together with all accrued interest exceeding the A Prepaid Interest (the "A Interest Balance") will be repaid 48 months from the A Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the A Issue Date at a price of $0.06 for the A Principal and $0.10 for the A Interest Balance. As at April 30, 2021, $0,2 million of A Debentures remained outstanding. For the year ended April 30, 2022, the remaining $0.21 million of A Debentures were converted into 3,575,000 common shares of the Company. As at April 30, 2022, no A Debentures remained outstanding.

Additionally, during the year ended April 30, 2020, the Company issued a total of 2,432.0 convertible debenture units (the "B Convertible Debenture Units") for gross proceeds of $2.4 million (the "B Convertible Debenture Offering"). The B Convertible Debentures Units each consist of one $1,000 unsecured convertible debenture (the "B Debentures") and 500 share purchase warrants. The B Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the "B Prepaid Interest", together with the A Prepaid Interest, collectively the "Prepaid Interest") on the date of issuance of the B Debentures (the "B Issue Date") by the issuance of common shares (the "B Prepaid Interest Shares") at a price of $0.12 per B Prepaid Interest Share. The principal of the B Debentures (the "B Principal") together with all accrued interest exceeding the B Prepaid Interest (the "B Interest Balance") will be repaid 48 months from the B Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the B Issue Date at a price of $0.08 for the B Principal and $0.12 for the B Interest Balance. As at April 30, 2021, $0.14 million B Debentures remained outstanding. For the year ended April 30, 2022, the remaining $0.14 million of B Debentures were converted into 1,687,500 common shares of the Company. As at April 30, 2022, no B Debentures remained outstanding.

On August 3, 2021, the Company completed a non-brokered, convertible debenture financing, and received gross proceeds of $4.0 million (the "Financing") of which $0.52 million was allocated to equity for the conversion feature. 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 shares of the Company at the conversion price of $1.25 per common share. The Debentures and the common shares issued upon the conversion thereof were subject to a statutory 4-month hold period which expired on December 4, 2021.

All amounts Canadian $000's, except share and per share amounts

13. SHARE CAPITAL

The aggregate number of Class A common shares and Class B preferred shares which are authorized and may be issued is unlimited. As at April 30, 2023 and 2022, there are no Class B preferred shares issued or outstanding.

The number of common shares issued and outstanding:

Year ended April 30	**2023**		2022	
Common Shares	Number of Shares	$ Amount	Number of Shares	$ Amount
Balance, beginning of period	662,329,912	99,769,413	611,682,938	79,672,607
Issued for IP purchase (note 8)	-	-	10,000,000	2,050,000
Shares issued on public offering	139,642,856	9,775,000	-	-
Fair value of warrants issued	-	(2,653,214)	-	-
Issued for debenture conversion	-	-	15,662,500	4,709,500
Issued in settlement of debt	91,269,841	6,388,889	-	-
Issued for warrant exercise	300,000	27,000	24,339,474	13,323,085
Issued for option exercise	-	-	645,000	91,663
Share issuance cost	-	(1,326,994)	-	(77,442)
Balance, end of period	**893,542,609**	**111,980,093**	**662,329,912**	**99,769,413**

Debenture conversions

In the year ended April 30, 2023 no debentures were converted. During the year ended April 30, 2022, the Company converted debentures of $4.71 million into 15,662,500 common shares of the Company. The carrying value of the debentures were reclassified to equity on the conversion dates.

Shares for Debt - Repayment of Mortgage Loan

During the year ended April 30, 2023, the Company entered into two separate share for debt repayment transactions resulting in the issuance of 91,269,841 common shares of the Company in exchange for the settlement of $6.5 million principal outstanding on the First Mortgage Loan (see note 11). The 26,984,127 of common shares issued in the first of these transactions were recognized at a weighted average price of $0.074 per share and the 64,285,714 shares issued in the second of these transactions was recorded at $0.07 per share. Loss on settlement of debt was recorded in the year of $1.9 million (Note 13 "Warrants").

Public Offering of Securities

On July 8, 2022, the Company closed a public offering (the "Offering") of units (the "Units") issuing 139,642,856 Units at a price of $0.07 per Unit (the "Offering Price"), for gross proceeds of approximately $9.8 million.

Each Unit is comprised of one common share (each a "Unit Share", collectively the "Unit Shares") and one common share purchase warrant (each a "Warrant", collectively the "Warrants") of the Company. Each Warrant entitles the holder thereof to acquire one common share of Cielo at an exercise price of $0.09 for a period of 60 months. The Warrants commenced trading on the TSX Venture Exchange ("TSXV") under the symbol "CMC.WT" on July 12, 2022.

The Offering Price was allocated between the Unit Shares and the Warrants by first assessing the fair value of the Warrants and then allocating the residual to the Unit Shares. The fair value of each warrant was estimated using the Black-Scholes option pricing model with assumptions as follows:

All amounts Canadian $000's, except share and per share amounts

Risk-free interest rate	3.0%
Expected life (years)	5
Expected volatility	35%
Share price at issuance date	$0.07
Exercise price of warrants	$0.09
Expected dividends	Nil
Fair value of warrants granted ($/warrant)	$0.019

The Company allocated $0.051 to each Unit Share and $0.019 to each Warrant. As compensation, the Company paid to an agent (the "Agent") a cash fee of approximately $0.5 million; an advisory fee of $.04 million (the "Advisory Fee"); and issued to the Agent an aggregate of 7,344,589 broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the Agent to purchase one Unit at an exercise price of $0.07 per Unit until July 8, 2027. The fair value of each Broker Warrant was estimated using the Black-Scholes option pricing model with assumptions as follows:

Risk-free interest rate	3.0%
Expected life (years)	5
Expected volatility	35%
Share price at issuance date	$0.07
Exercise price of warrants	$0.07
Expected dividends	Nil
Fair value of Broker Warrants granted ($/warrant)	$0.025

Warrants

Continuity of the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted average exercise price	Reserve amount
Balance April 30, 2021	24,331,159	0.10	1,220,687
Other shares issued	8,315	0.09	-
Issued in connection with First Mortgage Loan (Note 11)	12,000,000	1.00	1,206,078
Issued in connection with Second Mortgage Loan (Note 11)	50,000,000	0.22	2,595,620
Deferred tax impact	-	-	(874,391)
Exercised	(24,339,474)	0.09	(1,220,687)
Balance April 30, 2022	62,000,000	0.37	2,927,307
Expired in connection with payment on First Mortgage Loan	(12,000,000)	1.00	-
Cancelled in connection with payment on Second Mortgage Loan	(50,000,000)	0.22	-
Issued in connection with public unit offering	139,642,856	0.09	2,653,214
Broker warrants issued in connection with public unit offering	7,344,589	0.07	183,615
Issued in connection with repayment of First Mortgage Loan	64,285,714	0.125	3,214,286
Exercised	(300,000)	0.09	(27,000)
Balance April 30, 2023	210,973,159	0.10	8,951,422

All amounts Canadian $000's, except share and per share amounts

In August 2021, the Company completed the First Mortgage Loan for $12 million (Note 11). In connection with the First Mortgage Loan, Cielo issued 12,000,000 non-transferable First Mortgage Bonus Warrants. Each First Mortgage 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 First Mortgage Loan is repaid in whole or in part during its term, a pro rata number of the total First Mortgage Bonus Warrants will have their term reduced to the date that is 90 days from such repayment

The fair value of the First Mortgage Loan was measured and the residual amount of $1.2 million was allocated to the First Mortgage Bonus Warrants.

The Company completed the Second Mortgage Loan effective February 18, 2022 (Note 11). In connection with the Second Mortgage Loan, the Company issued 50,000,000 Second Mortgage Bonus Warrants with each Second Mortgage Bonus Warrant entitling the lender 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 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 Second Mortgage Bonus Warrants.

The fair value of the Second Mortgage Loan was measured and the residual value of $2.6 million was allocated to the Second Mortgage Bonus Warrants.

The Company utilized $5.5 million of the net proceeds of the Second Mortgage Loan to repay a portion of the First Mortgage Loan. As a result of the partial repayment to the First Mortgage Loan, the term of 5,500,000 of the 12,000,000 First Mortgage Bonus Warrants was reduced such that the 5,500,000 of the First Mortgage Bonus Warrants expired on May 19, 2022.

During the year ended April 30, 2023, the Company entered into two separate transactions to settle the remaining $6.5 million principal outstanding balance on the First Mortgage Loan (Note 11). These transactions resulted in the expiration of all remaining First Mortgage Bonus Warrants. In connection with these transactions, the Company also issued 64,285,714 units (the "Debt Unit(s)") at a price of $0.07 per Debt Unit, each Debt Unit consisting of one common share of Cielo, and one common share purchase warrant, each warrant exercisable for a period of 3 years at $0.125 per common share , and cancelled the remaining 4,500,000 outstanding First Mortgage Bonus Warrants and the 50,000,000 Second Mortgage Bonus Warrants. The fair value of each warrant was estimated using the Black-Scholes option pricing model with assumptions as follows:

Risk-free interest rate	4.1%
Expected life (years)	2
Expected volatility	112.7%
Share price at issuance date	$0.07
Exercise price of warrants	$0.125
Expected dividends	Nil
Fair value of Warrants granted ($/warrant)	$0.03

As at April 30, 2023, the Company had the following warrants outstanding:

Exercise Price	Number of Outstanding and Exercisable	Weighted Remaining life (Years)	Weighted average exercise price
$0.125	64,285,714	2.82	$0.125
$0.090	139,342,856	4.19	$0.090
$0.070	7,344,589	4.19	$0.070

All amounts Canadian $000's, except share and per share amounts

Stock Options

The Company amended its stock option plan (the "Stock Option Plan") effective June 18, 2021. Shareholders voted in favour of the plan at the Annual General and Special Meeting on October 21, 2021. Under the Stock Option Plan, a maximum of 10% of the Company's issued and outstanding shares as at the date of grant may be granted (excluding any outstanding options). Under the Stock Option Plan, the Company may grant options to its directors, officers, employees, and consultants. The Stock Option Plan replaced the Company's previous stock option plan (the "Predecessor Stock Option Plan").

The Company's Board of Directors approved the further amendment of the Company's stock option plan (the "2022 Amended Stock Option Plan") on September 15, 2022, subject to the approval of the Exchange and the Company's shareholders. Shareholders voted in favour of the plan at the Annual General Meeting on October 27, 2022 and in December 2022 the Plan was approved by the Exchange. The amendment was primarily made to provide for certain changes made to the policies of the Exchange, including the ability to exercise options via "net exercise" or "cashless exercise" methods. As with the previous plan, under the 2022 Amended Stock Option Plan, a maximum of 10% of the Company's issued and outstanding shares as at the date of grant may be granted (excluding any outstanding options). Under the 2022 Amended Stock Option Plan, the Company may grant options to its directors, officers, employees, and consultants.

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model with weighted average assumptions as follows:

Year ended April 30	**2023**	**2022**
Risk-free interest rate	3.2%	1.23%
Expected life (years)	4.0	2.5
Expected volatility	113%	95%
Share price at grant date	$ 0.07	$ 0.21
Expected dividends	Nil	Nil
Fair value of options granted during the year ($/share)	$ 0.03	$ 0.11

Continuity of the Company's option plan is as follows:

	Number	**Weighted Average exercise Price**
Balance April 30, 2021	1,700,000	$ 0.51
Issued	27,965,057	0.21
Canceled	(1,078,182)	0.38
Expired	(680,000)	1.25
Exercised	(645,000)	0.10
Balance April 30, 2022	27,261,875	$ 0.20
Issued	17,692,308	0.08
Forfeited	(12,256,987)	0.21
Expired	(5,871,503)	0.20
Balance April 30, 2023	26,825,693	$ 0.12

All amounts Canadian $000's, except share and per share amounts

The following table summarizes the options outstanding and exercisable at April 30, 2023:

Exercise Price	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
$ 0.065	10,492,308	4.67	$ 0.065	933,332
0.100	250,000	0.10	0.100	250,000
0.100	7,200,000	4.67	0.100	4,500,000
0.200	8,652,420	3.67	0.200	5,996,574
0.310	230,965	3.92	0.310	76,988
	26,825,693	4.30	$ 0.120	11,756,894

Restricted Share Units and Deferred Share Units

The Company amended and replaced its restricted share unit plan with a non-option incentive plan (the "Non-Option Plan") effective June 18, 2021. Shareholders voted in favor of the plan at the Annual General and Special Meeting on October 21, 2021. The Non-Option Plan provides for a fixed maximum of 25,807,196 common shares to be reserved for issuance under the Non-Option Plan, being 4% of the issued and outstanding common shares of the Company as at the date the Non-Option Plan became effective. No restricted share units that had been issued under the predecessor restricted share unit plan (the "Predecessor RSU Plan") were outstanding at the time that the Non-Option Plan became effective. Under the Non-Option Plan, the Company may grant restricted share units, performance share units, deferred share units and share appreciation rights to directors, officers, employees and consultants. While the Company intends to settle RSUs by issuance of common shares upon vesting, there is a cash settlement option at the discretion of the Company.

The RSUs will vest in equal tranches on the grant date, the first and second anniversaries of the grant date, and were payable in cash or common shares, at the discretion of the Company, upon vesting. The DSUs are payable in cash or common shares, at the discretion of the Company, upon the later of:

(i) the holder ceasing to be a director of the Company (except for Cause, as defined in the Plans, in which case the DSUs will not vest); and

(ii) 12 months after the holder becomes a director of the Company.

The fair value of each RSU and DSU granted during the year ended April 30, 2023 is $0.20 per unit. The number of RSU and DSU outstanding is detailed below:

	RSU	DSU
Balance April 30, 2021	-	-
Issued	5,500,000	2,100,000
Vested - paid in cash	(1,833,333)	-
Balance April 30, 2022	3,666,667	2,100,000
Forfeited	(3,666,667)	-
Outstanding April 30, 2023	**-**	**2,100,000**

All amounts Canadian $000's, except share and per share amounts

Share-based compensation

Year ended April 30	**2023**	**2022**
Stock options	306	967
Restricted share units	(122)	397
Deferred share units	280	35
Total share-based compensation	**464**	**1,399**

During the period ended April 30, 2023, options and RSUs were forfeited and expired due to the departure of personnel, resulting in a reversal of the share-based compensation expense recorded in prior periods for instruments that had not fully vested at the time of forfeiture.

Per share amounts

Basic and diluted loss per share have been calculated based on the weighted average number of shares outstanding for year ended April 30, 2023 of 804,505,449 (2022 651,753,286).

The effect of any potential exercise of warrants and stock options is excluded from the calculation of diluted loss per share for the periods ended April 30, 2023 and 2022 as the effect would be anti-dilutive.

14. FINANCING COSTS

Year ended April 30	**2023**	2022
Amortization of deferred financing costs	-	811
Interest on loans	563	562
Loan accretion	1775	956
Accretion of debentures	-	120
Accretion of lease liability	80	64
Capitalized interest	-	(997)
Total	**2,418**	**1,516**

15. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel are comprised of Cielo's executive officers and the Board of Directors. Compensation of key management personnel is reviewed annually by the Board of Directors against a selected industry peer group to align the interests of key management personnel and shareholders.

Compensation expenses for key management personnel are summarized below:

Year ended April 30	**2023**	2022
Salary and cash bonus	701	1,399
Cash settled share based compensation	-	367
Equity settled share based compensation	340	930
Total	**1,041**	**2,696**

Renewable U Energy Inc. ("Renewable U")

For the year ended April 30, 2022, the CEO, director and a beneficial shareholder of Renewable U, Ryan Jackson was also a director of Cielo. In June 2022, Ryan Jackson was appointed CEO of the Company and resigned from his positions as CEO and director of Renewable U. He continues to hold, indirectly through a holding company, 10% or less of the issued and outstanding shares of Renewable U which shares have been deposited into an irrevocable blind trust managed by a trustee.

The Company entered into nine (9) memorandums of understanding ("MOUs") in total with Renewable U and its affiliates to build and commission 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; Winnipeg, Manitoba; Kamloops, British Columbia; Toronto, Ontario, and a location to be determined in the United States.

Pursuant to the MOUs, in consideration for the opportunity to enter into joint arrangement agreements, Renewable U and its affiliates paid a fee of $0.25 million to the Company for the execution of each MOU. The fees are non-refundable unless a joint arrangement agreement is not executed by the end of August, 2023 (or such other date as agreed by Cielo and Renewable U), other than as a result of the apparent inability of Renewable U to fund the joint venture projects. For the periods ended April 30, 2023 and 2022, fees received were $Nil. As at April 30, 2023 and 2022, the Company received total deferred fees of $2.25 million.

Pursuant to the MOUs, the Company would also be responsible for overseeing the planning, construction, commissioning, and operation of each facility and would 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 would continue to receive management fees once operations begin based on industry standards.

During the year ended April 30, 2023, no transactions were entered into with Renewable U. For the year ended April 30, 2022, the Company charged Renewable U management fees and recovery of expenses of $0.005 million and $0.09 million respectively, and made a credit adjustment of $0.06 million to the recovery of expenses related to the fourth quarter of fiscal 2021. As of April 30, 2023 and 2022, amounts receivable from Renewable U was $nil. See Note 20, Subsequent Events, for additional details.

1888711 Alberta Inc.

A former director and officer of Cielo was also a director and officer of 1888 Inc. for a portion of the year ended April 30, 2022. The former director and officer of Cielo resigned from 1888 Inc. prior to the termination of the License Agreement (see Notes 1 and 8).

During the year ended April 30, 2022 and up to the date of resignation of the director from 1888 Inc., Cielo charged 1888 Inc total expenses of $0.02 million in relation to 1888 Inc using Cielo's office space for business purpose. As at April 30, 2022, the amount receivable from 1888 Inc is $nil. 1888 Inc. qualification as a related party ceased in the year ended 2022.

16. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. In determining the fair value measurement of the Company's financial instruments, the related inputs used in measuring fair value are prioritized according to the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable.
Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

As at April 30, 2023 and 2022, the Company has no financial instruments recorded at fair value on a recurring balance. Fair value of the Company's financial instruments approximate their carrying value due to their relatively short term to maturity or recent issuance.

All amounts Canadian $000's, except share and per share amounts

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, including the development and monitoring of the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Management performs ongoing assessments so that all significant risks related to financial instruments are reviewed and addressed in light of changes to market conditions and the Company's operating activities.

The Company is exposed to the following risks associated with its use of financial instruments:

- Liquidity risk
- Market risk
- Credit risk

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective in managing liquidity is to ensure, to the greatest extent possible, that it will have sufficient liquidity to meet its liabilities when due.

The future cash requirements of the Company are estimated by preparing a budget annually. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. Actual spending relative to budgeted expenditures is monitored regularly by management.

The Company's exposure to liquidity risk is dependent on its research and development activities and associated commitments and obligations, and the raising of capital. The Company relies on external financing to support its operations. To date, the research and development activities have been funded primarily through debt, convertible debentures, and the exercise of common share purchase warrants. Management constantly monitors capital markets. There are no assurances that funds will be available to the Company when required. As at April 30, 2023, the Company's cash is not subject to any external restrictions. The Company also continuously monitors actual and projected expenditures and cash flows.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from April 30, 2023 to the contractual maturity date. The amounts are equivalent to the following contractual undiscounted cashflows.

Year ending April 30	2024	2025	After 2026
Accounts payable and accrued liabilities	1,399	-	-
Royalty payable	889	-	-
Loans	9,861	-	-
Lease liability	113	61	-
Total	12,262	61	-

As at April 30, 2023, the Company had cash balance of approximately $1.3 million and working capital deficit of approximately $12.5 million. Management continues to monitor and consider different alternatives to secure adequate financing to meet the Company's longer term cash requirement for commercializing its operations and developing new facilities. See Note 3 for additional information relating to the risk of Company's ability to continue as a going concern.

Market Risk

All amounts Canadian $000's, except share and per share amounts

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's expenses or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures.

Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was not exposed to fluctuating market interest rates on its debt instruments.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency. As at April 30, 2023, the Company had US dollar denominated accounts payable of under $0.02 million USD. The Company's exposure to currency risk is not significant.

Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company manages its exposure to credit loss by holding cash on deposit with major financial institutions.

As at April 30, 2023 the carrying amounts of the Company's cash, GST and other receivables approximate their fair value due to their short-term nature.

17. COMMITMENTS AND CONTINGENCIES

As at April 30, 2023, the Company is committed to expenditures under various contracts with service providers for general and administrative services. As at April 30, 2023, the Company had contractual obligations as follows:

Year ended April 30	2024	2025	2026 +	Total
Lease obligations	135	59	1	195
Total contractual obligations	135	59	1	195

The Company may be periodically subject to legal proceedings or other similar actions arising in the normal course of business. The amounts involved in such proceedings or actions are not reasonably estimable; however, it is the opinion of management that the ultimate resolution of such proceedings and actions will not have a material impact on the Company's financial position or results of operations.

18. LESSOR

The Company entered into a commercial operating lease (the "Lease") with a private, third-party corporation (the "Tenant') for 15 of the approximately 60 acres owned by Cielo in Fort Saskatchewan, Alberta (the "FS Property"), which includes the building that is located on the FS Property (together the "Leased Premises"). The Lease is for a term of 5 years, beginning as of August 1, 2022, at a monthly base rent of $50,000 plus 90% of the occupancy costs for the Leased Premises (such as property taxes, insurance, and building maintenance). The Tenant may extend the term of the Lease for an additional period of 5 years upon mutual approval. The Tenant also has the right to terminate the Lease upon three (3) months' notice if prior to April 30, 2025. The Tenant has a right of first refusal with respect to the purchase and sale of the land by the Company.

Rental income for the year ending April 30, 2023 was approximately $0.45 (2022 $nil), and is included in Other (Income) expenses.

19. INCOME TAX

The reconciliation to the effective tax rate is as follows:

All amounts Canadian $000's, except share and per share amounts

Year ended April 30	2023	2022
Loss before tax	(36,182)	(15,319)
Expected income tax recovery at statutory rates	23%	23%
Expected income tax provision	(8,322)	(3,523)
Non deductible expenses (non-taxable income)	532	149
Change in unrecognized deferred tax assets	7,790	2,500
Total	-	(874)

Deferred tax assets result from temporary differences that arise due to the differences between the income tax values and the carrying amount of the assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that there will be future taxable profits against which the deductible temporary differences and the carry forward of the unused tax credits and unused tax losses can be utilized. At April 30, 2022, there was insufficient expectations of future taxable profits and the deferred tax asset is unrecognized. The components of the unrecognized deductible assets are as follows:

Deferred tax assets

Year ended April 30	2023	2022
Property, plant, equipment and other	6,360	551
SRED	1,278	682
Deferred fees	518	518
Non-capital losses and capital loss carried forward	7,781	5,135
Less: Unrecognized deferred tax assets	(15,937)	(6,886)
Total	-	-

At April 30, 2023, the Company has non-capital losses carried forward for Canadian income tax purposes of approximately $33.6 million (2022 - $25.4 million) which will expire from 2035 to 2043 and may be applied against future taxable income. The Company also has approximately $0.47 million (2022 - $0.47 million) of capital losses that may be carried forward and applied against future capital gains.

20. SUBSEQUENT EVENTS

Offer to purchase Dunmore Land

Cielo has entered into an agreement of purchase and sale (the "Offer to Purchase"), pursuant to which Cielo (or its assignee) has agreed to purchase the land located near Dunmore, Alberta from Renewable U for a purchase price of $5.2 million, subject to successful completion of the Company's due diligence to determine the land's viability for its intended use. The intended use of the land is for the development and operation of a full scale facility, through a business entity to be formed (the "Dunmore Entity"). The Company has received a copy of an appraisal prepared by an independent third party for Renewable U in July 2022, with a value for the Land of $5.2 million.

The Offer of Purchase provides for certain conditions and provides for an anticipated closing date of August 1, 2023. Cielo, or its assignee, may, but is not obligated to, assume the outstanding mortgage on the Land of approximately $1.6 million.

Termination of Memorandums of Understanding ("MOU")

(i) 2021 MOUs - Termination and Debt Conversion Agreement

Regarding the MOUs for four (4) of nine (9) territories (Note 15 – "Renewable U") Cielo and Renewable U have entered into a "Termination and Debt Conversion Agreement" that provides for the repayment of $1 million in fees corresponding to the 2021 Memorandums of Understanding (the "2021 MOUs") by issuing 16,666,667 common shares of Cielo (the "2021 MOUs Repayment Shares") at an agreed price of $0.06 per share, as approved by the TSX Venture Exchange (the "Exchange").

The four (4) 2021 MOUs terminated upon the issuance of the 2021 MOUs Repayment Shares.

(ii) 2018 - 2020 MOUs and Medicine Hat MOU - Termination Agreement

Regarding the MOUs for the remaining five (5) of nine (9) territories (Note 15 – "Renewable U"), Cielo and Renewable U have entered into a separate termination agreement (the "Termination Agreement", together with the Termination and Debt Conversion Agreement each an "Agreement" and collectively the "Agreements").

With respect to the Medicine Hat MOU, although Renewable U delivered $0.25 million for the one (1) Territory, Cielo and Renewable U agreed that the value attributed by the parties to the Medicine Hat MOU has increased to CAD $1 million in total as a result of steps already taken, and costs incurred, by Renewable U related to the Medicine Hat MOU and the Land.

The Termination Agreement provides for the CAD $2 million to be paid by Cielo as follows:

- On or before October 28, 2023 (the "Proposal Deadline"), Cielo is required to submit a proposal (the "Proposal") to Renewable U setting out the terms on which the $2 million owing to Renewable U would be exchanged for a participation interest in Dunmore Entity once formed (see "Offer to Purchase Dunmore Lands" above).
- In the event that Cielo fails to submit the Proposal to Renewable U by the Proposal Deadline, Cielo will be required to repay the $2 million in cash within 60 days.
- In the event that Cielo does submit the Proposal to Renewable U, Renewable U can either: a) accept the terms of the Proposal, in which case the $2 million will be exchanged for the Participation Interest (securities of the Dunmore Entity) on the terms to be proposed; or b) reject the terms of the Proposal, in which case:
    - With respect to the four (4) 2018 - 2020 MOUs, Cielo would repay the $1 million as initially agreed in the 2018 - 2020 MOUs, by issuing common shares of Cielo (the "2018 - 2020 MOUs Repayment Shares", together with the "2021 MOU Repayment Shares", collectively the "Repayment Shares") at the greater of $0.25 per share and the average of the closing price on the five most recent trading dates, subject to the approval of the Exchange; and
    - With respect to the Medicine Hat MOU, Cielo would repay:
        - The corresponding fee of $0.25 million as initially agreed in the Medicine Hat MOU, by issuing common shares of Cielo at the greater of $0.25 per share and the average of the closing price on the five most recent trading dates, and
        - the verifiable costs incurred by Renewable U in connection with the Medicine Hat MOU in cash.
- The 2018 – 2020 MOUs and the Medicine Hat MOU will terminate at the time that the Participation Interest is issued to Renewable U (or the funds otherwise repaid as described above).

All securities to be issued pursuant to the Agreements, as applicable, including but not limited to the Repayment Shares, shall be subject to a minimum hold period of four months and one day from the date of issuance.