



Management's Discussion and Analysis

For The Three Months and Years Ended April 30, 2023, and 2022



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Ryan Jackson | Message to Shareholders | YE 2023

“The past year has proven to be a challenging but impactful one as we focused on right-sizing the organization. While we proceed on our path to commercialization, management’s ongoing commitment to increasing shareholder value through responsible stewardship of the company will continue to be our North star.”

Dear Shareholders,

The Cielo team has focused on every aspect of the business with a revised strategic vision in mind that was developed when Jasdeep and I joined Cielo as management in June 2022. Looking back, I can confidently say that we are on track to execute the stated goals we intend to complete in the coming year. We improved our balance sheet, delivered our short-term operational goals, and engaged in our first full-scale facility planning. We cancelled or restructured past agreements with past partners and lenders, allowing us to plan for the future. We revised our Calgary office lease and leased out our Fort Saskatchewan property, which allowed us to continue to service our debt while we market it for sale.

Any company is only as good as the people running it and I believe with the dedication, drive, and passion of our team, we are positioned to achieve all of our future goals now and into the future.

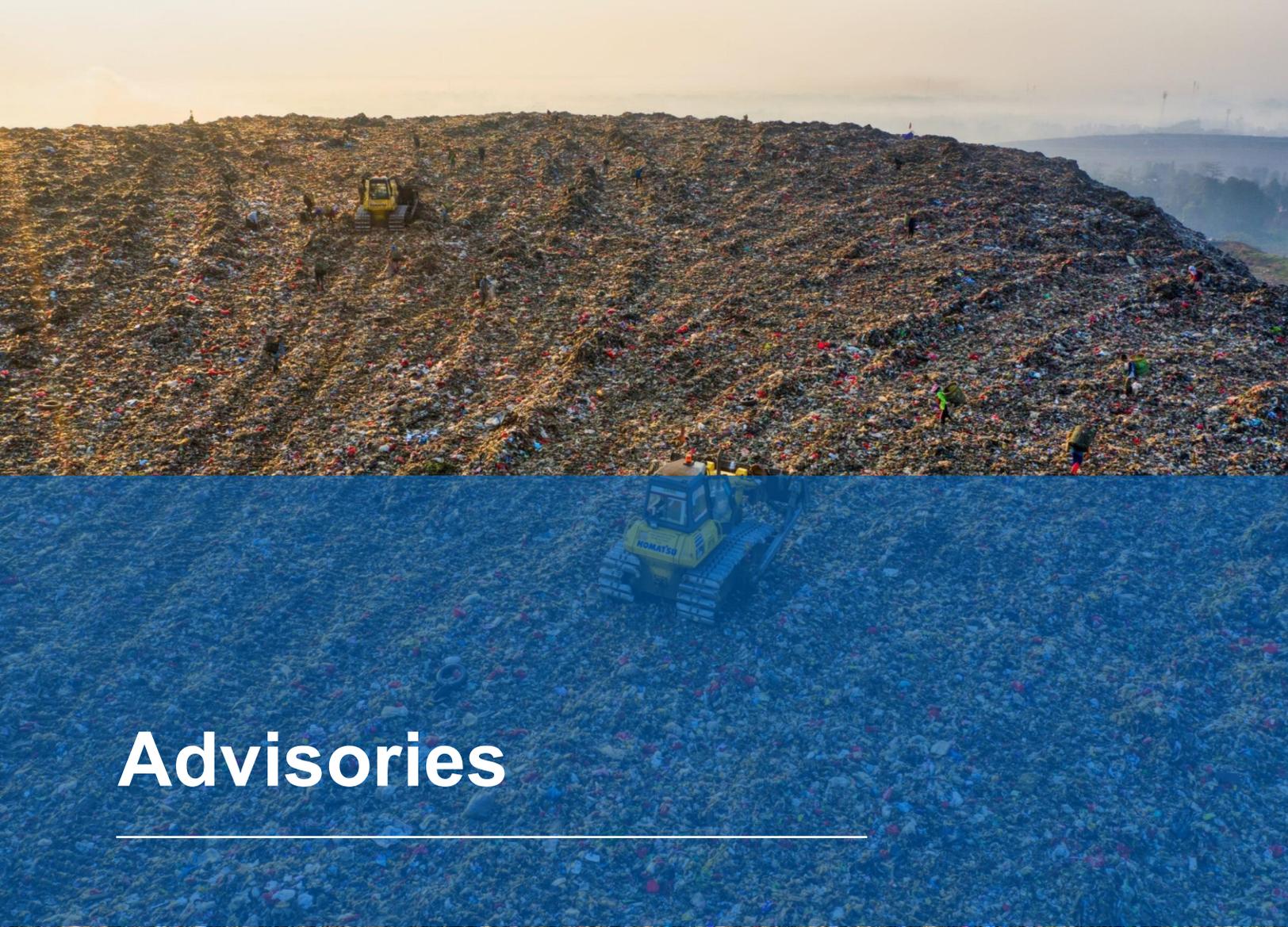
Achieving Milestones

The arrival and commissioning of our skid unit at our Research and Development Facility was one of the most important milestones of this fiscal year. This completes a year’s worth of investment in the design and fabrication. The operations team worked tirelessly to create the highest standard of fabrication and were meticulous in their approach. Their unwavering dedication is what we are most proud of. While we await our approval from the AEPA, the work preparing for the operation of the facility continues.

Conclusion

As you read this 2023 year-end MD&A, we believe the degree of execution we took on each of our strategic pillars to bring the company to where it is today will become apparent. As we reflect on the achievements and challenges faced throughout the year, we acknowledge the journey has been full of highs and lows, demonstrating Cielo’s resilience and adaptability. I would like to thank our Board of Directors for their unwavering service and dedication. I would also like to thank our shareholders for remaining loyal, supportive, and patient through the past year and we look forward to executing Cielo’s plans in the upcoming year.

Ryan Jackson



Advisories

The following Management’s Discussion and Analysis (“MD&A”) of financial position and results of operations for Cielo Waste Solutions Corp. (“Cielo” or the “Company”), dated June 20, 2023, should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the audited consolidated financial statements and notes for the years ended April 30, 2023, and 2022. The audited financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).



All amounts in the following MD&A are stated in Canadian Dollars unless otherwise stated. All capitalized terms not otherwise defined in this MD&A have the meaning given to them in the audited consolidated financial statements and notes for the years ended April 30, 2023, and 2022. This MD&A was approved and authorized for issuance by the Board of Directors of the Company on June 20, 2023.

Cautionary Statement

On Forward-Looking Information

This MD&A contains forward-looking statements and forward-looking information (collectively “forward-looking information”) within the meaning of applicable Canadian securities laws. Forward-looking information may relate to anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified using forward-looking terminology such as “anticipate,” “plan,” “target,” “continue,” “estimate,” “expect,” “may,” “will,” “project,” “should,” “could,” “believe,” “predict,” “potential,” “scheduled,” “estimates,” “forecast,” “projection”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts nor assurances of future performance but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

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

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

- The Company’s strategic intent, corporate goals, and objectives;
- The Company’s intention to become one of the leading waste-to-fuel companies using an economically sustainable technology while minimizing environmental impact;
- The Company’s plan to complete railroad tie testing using its R&D facility and that that will lead its ability to construct future, full-scale commercial facilities that will convert waste feedstocks to energy fuels;
- The type of testing to occur at the R&D facility and the types of waste to be used by the Company;
- Terms, cost and timing for significant events and milestones the Company intends to undertake, such as testing at the R&D Facility and the formation of the Dunmore Entity and construction of the Dunmore Facility;
- Whether or not the Company, indirectly or directly, will acquire the Dunmore Land, and the timing and terms thereof, and the Dunmore Land being the location of the Company’s first full-scale commercial facility;
- The suitability of Cielo’s energy fuels for various purposes, including diesel engines, aviation, or marine jet fuels, and transporting heavy oil;
- The Company’s initiative to collect and process data through the operation of the R&D facility, optimize the design and allow for scale up to a commercial facility;
- The potential future ability to refine distillate into diesel, higher value low-sulfur diesel, kerosene, and naphtha;
- The Company’s belief that continued research will enable it to generate waste derived fuels;
- The Company’s ability to, while not a primary focus, achieve the standards for renewable and biofuels and, if so achieved, the resulting fuel product warranting a premium in comparison to the fuel products derived from traditional upstream development activities, and the ability of the Company to operate its business without having to achieve standards for renewable and biofuels;
- Expectations regarding its business, financial condition, and results of operations;
- The discharge of security and related matters regarding the Company’s property in Aldersyde;
- The future state of the legislative and regulatory regimes, domestic and foreign, in which the Company conducts business and may conduct business in the future;
- Expansion in domestic and other markets;
- Marketing and business plans and short-term objectives;
- Ability to obtain and retain the licenses, permits and other regulatory approvals and personnel it requires to undertake its business, including but not limited to research and development activities;
- The ability to complete proposed financing activities, the terms and timing thereof, the parties involved, and the allocation and use of proceeds from such financing activities as disclosed;
- The Company’s future and proposed financing activities and whether they will occur as planned or at all
- Anticipated trends and challenges in the market and the general economic, financial market, regulatory and political conditions in which the Company operates.

These statements and other forward-looking information are based on management's opinions, estimates and assumptions in light of experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management currently believe are appropriate and reasonable in the circumstances. There can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information contained in this MD&A is based on the following assumptions and material factors: the Company's ability to build and operate facilities; the Company's ability to obtain and retain requisite regulatory approvals to operate facilities; the Company's ability to retain key personnel; the Company's ability to maintain good relationships with third parties, including but not limited to joint arrangement partners, lenders, customers and suppliers; the Company's ability to execute on expansion plans; the Company's ability to continue investing in infrastructure to support growth; the Company's ability to obtain and maintain financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in the Company's industry or the global economy; and the changes in laws, rules, regulations, and global standards. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risks factors described under the heading entitled "Risk Factors".

If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and the risks described in greater detail in 'Risk Factors' in this MD&A and should be considered carefully by readers. These risk factors should not be construed as exhaustive. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Forward-looking information is provided in this MD&A for the purpose of giving information about management's current expectations and plans and allowing investors to get a better understanding of our operating environment. Readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as the date they are otherwise stated to be made) and are subject to change after such date. Except as specifically required under applicable securities laws in Canada, Cielo assumes no obligation to publicly update or revise any forward-looking information to reflect new information, events or circumstances that may arise after June 20, 2023. All forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.



Business Overview

Formation:

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

Strategic Intent:

Cielo is focused on becoming a leading waste-to-fuel company whose economically sustainable technology minimizes environmental impacts. Cielo has patented a process that can convert waste feedstocks, including organic material and wood derivative waste, to fuel. Upon completion of necessary research and development activity, Cielo's business model is anticipated to be centred on facilitating the construction and operation of commercial processing facilities with an ultimate objective to generate value by converting waste to fuel, while supporting the global sustainable energy transition. The intention is to generate revenue from charging tipping (or gate) fees for waste disposal services for clients who provide appropriate feedstock, and the sale of products.

Waste to Fuel Process and Product:

Cielo's current process for converting waste to fuel is referred to as thermal catalytic depolymerization (TCD). The feedstock is processed in a liquid slurry, which is heated in a reactor to break down feedstock into smaller molecules. The introduction of catalyst accelerates the reaction and formation of distillate. The distillate produced can be further processed into diesel, naphtha, and kerosene via distillation/fractionation. The utilization of a desulfurization process allows the Company to reduce the sulfur content of the diesel to meet highway diesel specifications, however this desulfurization process is not required in order to produce and sell distillate. Cielo believes that continued research utilizing the R&D Facility may enable the Company to meet the standards for renewable biofuels, however Cielo does not need to meet these standards in order to commercialize its technology and, as such, it is not a primary focus. If Cielo is able to achieve the standards for renewable biofuels, the fuel products would likely warrant a premium.

R&D Facility:

Management believes that successful commercialization of Cielo's technology requires finalizing the testing of various feedstock. Cielo requires continuous innovation with respect to intended feedstock and product/by-products. The Company has built and commissioned a Research and Development Facility ("R&D Facility"), which is a scaled-down facility intended to serve as a blueprint for future full-scale facilities and is expected to give Cielo the flexibility to experiment, verify preliminary financial projections and greatly enhance the quality of its process.

Proposed First Commercial Facility:

The Company's intention is to build the proposed first commercial facility in Dunmore, Alberta (the "Dunmore Facility"). The Company has initiated planning and entered into a commercial purchase and sale agreement to acquire land near Dunmore, Alberta (the "Dunmore Land") on which the Dunmore Facility is expected to be built. As at the date of this MD&A, the Company is in the process of structuring and planning

for the financing of the structure through which the Dunmore Facility will be held and operated (the "Dunmore Entity"). Updates will be provided as they become available.

Going Concern

The Company has not yet completed construction nor generated revenue from its planned commercial operations and has accumulated losses of \$109.1 million as of April 30, 2023, and generated a loss of \$36.2 million for the year ended April 30, 2023. The Company has working capital (defined as total current assets less total current liabilities) deficit of \$12.5 million at April 30, 2023.

Although it is probable that the funds required for the Dunmore Facility and future facilities will be obtained directly through or into the Dunmore Entity and other ventures or entities formed for future facilities, respectively, reducing the amount of capital required by the Company directly, it is anticipated that the Company will require additional capital to fund costs relating to research, development and other corporate activities over the next year and beyond, and to fund payments of short-term indebtedness as they become due and otherwise fund the working capital deficiency. The Company will continue to explore alternatives to generate additional financing, which may include raising additional equity and/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.

2023 Financial Overview

- **Total assets decreased by \$24.2 million as of April 30, 2023**, compared to April 30, 2022, mainly due to impairment of \$25.6 million related to the decommissioning of the prior facility in Aldersyde, partially offset by the fabrication of the R&D facility for \$4.2 million and the decrease in cash related to continued research and development activities and general and administrative expenditures.
- **Total liabilities decreased by \$5.4 million as of April 30, 2023**, compared to April 30, 2022, due to the settlement of the First Mortgage Loan through a debt for shares conversion of \$4.5 million and lower spending at the prior facility in Aldersyde due to decommissioning resulting in a decrease in accounts payable and accrued liabilities of \$0.5 million.
- **Total non-current liabilities decreased by \$17 million as of April 30, 2023**, compared to April 30, 2022, due to the reclass of long-term liabilities to current liabilities, including repayment of the Second Mortgage Loan and deferred fees related to the Renewable U MOUs; and the decrease in lease liabilities related to the Calgary office lease.
- **The net loss for the Company for the fourth quarter of 2023 was \$4.1 million**, and April 30, 2022, the net loss was \$2.2 million. The net loss for the Company in the year ended April 30, 2023 was \$36.2 million, an increase of \$21.7 million from \$14.4 million for the year ended April 30, 2022. The increase in net loss is primarily due to the recognition of impairment of \$25.6 million, offset by a \$5.3 million decrease in general and administrative expenditures, research, and development expenditures, and share based compensation.
- As compared to a working capital of approximately \$1.2 million at April 30, 2022, the Company had working capital deficiency of approximately \$12.5 million as at April 30, 2023, owing primarily to the increase in current liabilities, as described above.



As compared to a working capital of approximately \$1.2 million at April 30, 2022, the Company had working capital deficiency of approximately \$12.5 million as at April 30, 2023, owing primarily to the increase in current liabilities, as described above.

Financing Activities During and Subsequent to the Year Ended April 30, 2023

Public Offering of Securities

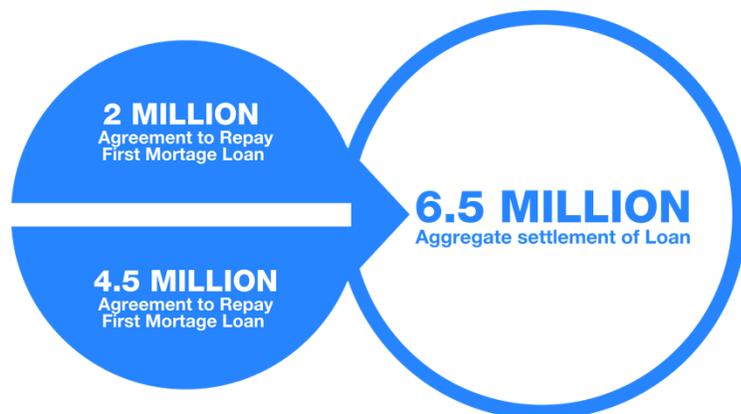
On July 8, 2022, the Company completed a public offering (the "Offering") of units (the "Units") in British Columbia, Alberta, and Ontario, issuing 139.6 million Units at a price of \$0.07 per Unit, including 18.2 million Units issued on the full exercise of an over-allotment option.

**Gross Proceeds of
Approximately
\$9.8 million**

Each Unit is comprised of one common share 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 was conducted on a commercially reasonable "best efforts" basis by Echelon Wealth Partners Inc. (the "Agent"). As compensation, the Company paid to the Agent a cash fee of approximately \$0.5 million, an advisory fee of \$0.04 million (the "Advisory Fee") and issued to the Agent an aggregate of 7.3 million broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder thereof to purchase one Unit at an exercise price of \$0.07 per Unit until July 8, 2027.

Repayment of First Mortgage Loan



September 2022: The Company issued 21,428,571 common shares of Cielo at a price of \$0.07 per share and 5,555,555 common shares of Cielo at a price of \$0.09 per share, for an aggregate issuance of 26,984,126 common shares of Cielo.

The result of the issuance of the Repayment Shares A reduction of the Loan to a principal balance of \$4.5 million. In addition, 2,000,000 First Mortgage Bonus Warrants had their term reduced and thereafter expired unexercised on December 7, 2022.

February 2023: The Company issued 64,284,714 units, for a repayment of the balance of \$4.5 million. Each unit consists of one common share and one share purchase warrant exercisable for 3 years at \$0.125 per share.

Repayment of \$2 million on Mortgage Loan

In August 2022, Cielo entered into an agreement to repay \$2 million of the First Mortgage Loan, which was secured by the Company's property in Fort Saskatchewan, Alberta in exchange for the issuance of common shares. In September 2022, the Company issued 21,428,571 common shares of Cielo at a price of \$0.07 per share and 5,555,555 common shares of Cielo at a price of \$0.09 per share, for an aggregate issuance of 26,984,126 common shares of Cielo (the "Repayment Shares"). The result of the issuance of the

Repayment Shares (following a repayment of \$5.5 million repayment of the First Mortgage Loan during the year ended April 30, 2022) was a reduction of the Loan to a principal balance of \$4.5 million. In addition, 2 million First Mortgage Bonus Warrants had their term reduced and thereafter expired unexercised on December 7, 2022.

Repayment of \$4.5 million on Mortgage Loan

In February 2023, the Company entered into a securities for debt agreement to repay the \$4.5 million balance of the First Mortgage Loan, in which the Company agreed to pay the \$4.5 million by issuing 64,284,714 (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. The securities comprising and underlying the Debt Units are subject to a hold period expiring on September 23, 2023.

The agreement also provided for the immediate termination of 4.5 million non-transferable bonus warrants (the "2021 Bonus Warrants"), which had been issued in August 2021 as part of a larger issuance of 12 million non-transferable bonus warrants, exercisable at \$1.00 per share, as an inducement for the First Mortgage Loan and the immediate termination of 50 million non-transferable bonus warrants (the "2022 Bonus Warrants"), which had been issued in February 2022 as an inducement for the Second Mortgage Loan, exercisable at \$0.22 per share, reducing the common shares reserved for issuance by the Company by 54.5 million.

***An Aggregate 56.5 million Bonus Warrants
Were Terminated During Fiscal 2023***

The Company's properties in Fort Saskatchewan, Alberta and Aldersyde, Alberta, which were both used as security for both the First Mortgage Loan and the Second Mortgage Loan, have been or are in the process as at the date of this MD&A of being discharged as security for the First Mortgage Loan, and the Aldersyde property has also been or is in the process as at the date of this MD&A of being discharged as security on the remaining Second Mortgage Loan. The Aldersyde property will no longer be subject to a mortgage or otherwise be considered security for the Second Mortgage Loan.

Proposed Financing

In December 2022, the Company entered into a binding letter of intent regarding a proposed private placement of secured convertible notes for up to an aggregate principal amount of up to \$5 million (the "Financing") to a designated affiliate or assignee of Crestmont Investments, LLC (in either case referred to as "Crestmont"), a New York-based investment firm focused on emerging opportunities in decarbonization, healthcare, technology, and special situations.

The Company and Crestmont entered into a binding letter of intent (the "LOI"), setting out the terms of the proposed Financing. The completion of the Financing was subject to a due diligence review by Crestmont and acceptance by the TSXV and any other relevant regulatory or other consents and approvals.

In February 2023, the Company executed an amended binding letter of intent with Crestmont setting out the amended terms of the Financing, providing for gross proceeds of up to \$5 million for the issuance of up to 40 million units at \$0.125 per unit, each unit to consist of one common share of Cielo, and one common share purchase warrant, each warrant exercisable for a period of 3 years at \$0.14 per common share.

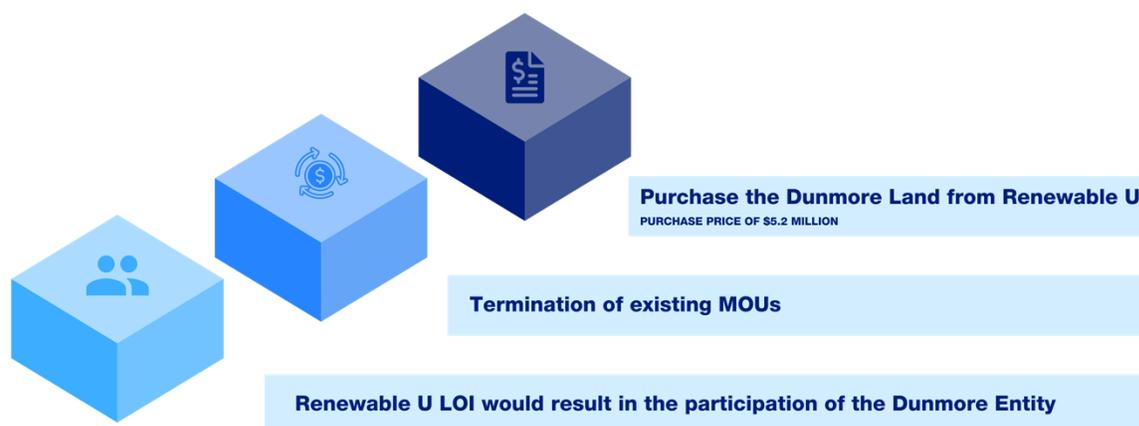
Following the due diligence review, Crestmont expressed an interest in participating in the Dunmore Facility and discussions between Cielo and Crestmont resulted in the further amendment of the terms of the Financing and the execution of a further amended binding letter of intent (the "Second Amended LOI"). The Second Amended LOI provides for the issuance of a promissory note (the "Note") by Cielo in favour of Crestmont, for a minimum amount of CAD \$3 million and up to CAD \$5 million, subject to simple interest at a rate to be determined between 7% and 10%, the Note to mature 24 months from the date of issuance (the "Maturity Date"), however contemplating that the Note may be exchanged for securities of the Dunmore Entity on terms to be determined, on or prior to the Maturity Date, provided that in the event that Crestmont does not agree to such proposed terms, the Note will be repayable by Cielo on the Maturity Date in cash (or earlier in Cielo's discretion, without penalty). The Second Amended LOI also provides for a pre-emptive right to participate in Cielo's second commercial facility proportionate to the amount of Crestmont's participation in the Dunmore Entity, and that the Company's property in Aldersyde, Alberta will be used to secure the Note for up to a maximum of CAD \$3 million.

The Second Amended LOI also provides for the issuance of loan bonus warrants (the "Bonus Warrants"), subject to the approval of the TSXV. The number of the Bonus Warrants to be issued will be calculated by dividing the amount of the Note by the Exercise Price, which will be and is hereby defined as the greater of a) \$0.14 per common shares; and b) the lowest price approved by the TSXV.

The Company paid USD \$0.1 million to Crestmont for the purposes of completing the due diligence review to cover Crestmont's associated, third party, out-of-pocket costs.

The Second Amended LOI provides for the net proceeds of the Financing to be used for the R&D Facility and general working capital. The Financing is subject to customary closing conditions, including the approval of the TSXV, and the Note will also include customary terms and conditions, as well as any other conditions and covenants as agreed by Cielo and Crestmont.

Restructuring of Renewable U Deferred Liability - Memorandums of Understanding



On April 28, 2023, Cielo executed a binding letter of intent (the "RU LOI") with Renewable U and its affiliates regarding the memorandums of understanding entered into between Cielo and Renewable U or its affiliates between 2018 and 2021. The RU LOI provided for the intention of Cielo and Renewable U to enter into definitive agreements regarding the restructuring of Renewable U's proposed investment into Cielo's

proposed first commercial facility. The transactions proposed in the RU LOI would result in the participation of Renewable U in the Dunmore Entity (or other form of repayment as described below) and consequent termination of the MOUs, and the concurrent acquisition of the Dunmore Land by the Dunmore Entity, which land is owned as at the date of this MD&A by Renewable U. See section entitled "Related Party Transactions – Renewable U Energy Inc." for additional detail on the MOUs.

The MOUs had been executed between the years 2018 and 2021 with the intention of forming joint ventures for nine (9) territories (each a "Territory", collectively the "Territories") in aggregate. As noted in the terms of the MOUs, Renewable U had delivered to Cielo \$0.25 million per Territory for an aggregate amount equal to \$2.25 million (the "Fees"). The initial five (5) MOUs entered into between the years 2018 and 2020 provided for the repayment of the corresponding Fees, if applicable, by issuing common shares of Cielo at the greater of: \$0.25 per share; and the average of the closing price on the five (5) most recent trading days. The latter four (4) MOUs (collectively the "2021 MOUs") provided for the repayment of the corresponding Fees, if applicable, by way of repayment in cash.

It had been the intention of Cielo and Renewable U that the proposed first commercial facility would be in Dunmore, Alberta. In anticipation of the foregoing, Renewable U had acquired the Dunmore Land and incurred related costs.

Concurrently with the execution of, and as contemplated in, the RU LOI, Cielo and Renewable U executed an agreement of purchase and sale, pursuant to which Cielo (or its assignee, which is anticipated to be the Dunmore Entity) will purchase the Dunmore Land from Renewable U for a purchase price of \$5.2 million. The Company has received a copy of an appraisal prepared by an independent third party for Renewable U in July 2022, indicating a value for the Dunmore 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 (anticipated to be the Dunmore Entity), may, but will not be obligated to, assume the outstanding mortgage on the Dunmore Land of approximately \$1.6 million.

Following the year ended April 30, 2023, in May 2023, Cielo and Renewable U executed two (2) definitive agreements, which have replaced the RU LOI:

1. Regarding the 2021 MOUs, Cielo and Renewable U executed a Termination and Debt Conversion Agreement that provides for the repayment of \$1 million in Fees corresponding to the 2021 MOUs by issuing 16,666,667 common shares of Cielo at a price of \$0.06 per share. The 2021 MOUs Repayment Shares were issued on May 23, 2023, and are subject to a hold period expiring on September 24, 2023. The 2021 MOUs have, as a result, been terminated.
2. Regarding the MOUs for the remaining five (5) of nine (9) territories, including the MOU for Medicine Hat, Alberta (the "Med Hat MOU"), Cielo and Renewable U executed a separate termination agreement acknowledging the \$250,000 Fee per Territory, as well as an agreement between the parties that the value attributed to the Med Hat MOU has increased to \$1 million in total as a result of steps already taken, costs incurred (\$600,000), by Renewable U related to the Med Hat MOU.

Renewable U Investment in First Facility

On or before October 28, 2023 (the "Proposal Deadline"), Cielo is required to submit a 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 the Dunmore Facility, by issuing securities in the Dunmore Entity once formed.

If Cielo fails to provide the Proposal to Renewable U by the Proposal Deadline, Cielo will be required to repay the \$2 million in cash within 60 days.

If Cielo does provide 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:

- The four (4) remaining MOUs other than the Med Hat MOU, Cielo would repay the \$1 million as initially agreed in the respective corresponding MOUs, by issuing common shares of Cielo (the "2018 - 2020 MOUs 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 TSXV; and
- The Med Hat MOU, Cielo would repay the corresponding fee of \$250,000 as initially agreed in the Med 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, subject to the approval of the TSXV; and the verifiable costs incurred by Renewable U in connection with the Med Hat MOU in cash.

The 2018 - 2020 MOUs and the Med Hat MOU will terminate at the time that the Participation Interest is issued to RU (or the funds otherwise repaid as described above).

2023 Operational Overview



2023 Operational Overview

Operational Activities During and Subsequent to the Year Ended April 30, 2023

Executive Changes

In June 2022, Cielo announced the appointment of Ryan Jackson as interim CEO and Jasdeep K. Dhaliwal as interim CFO and Corporate Secretary, Mr. Jackson later becoming CEO and Corporate Secretary, and Ms. Dhaliwal becoming CFO, as well as the appointment of Sheila Leggett as Audit Committee Chair to replace Ms. Dhaliwal. In October 2022, Sheila Leggett became Chairman of the Board, while Larry Schafran became Audit Committee Chair.

In July 2022, the Company announced the appointment of Ryan Carruthers to Executive Vice President, Operations.

Decommissioned Aldersyde Facility

In August 2022, Cielo decommissioned its previous facility in Aldersyde, Alberta. The facility was used to prove concept for the Company's proprietary technology and had been capable of converting wood derivative waste materials into a distillate. Prior to decommissioning, the Company was able to obtain data from the process used at that facility to benefit the design and fabrication of the "scaled down" R&D Facility and future full-scale facilities. The decommissioning of the facility resulted in the recognition of impairment as process equipment was not required for the R&D Facility.

Fort Saskatchewan Lease

The Company entered into a commercial lease with a private, third-party corporation for 15 of the approximately 60 acres owned by Cielo in Fort Saskatchewan, Alberta, which includes the building that is located on the Property. 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 Lease for an additional period of 5 years. The Tenant has the right to terminate the Lease on April 30, 2025, upon three (3) months' notice.

Research and Development Facility

The purpose of the R&D Facility is to achieve a high degree of detailed performance characteristics, feedstock yields, optimum carrier fluid design, reactor design, catalyst experimentation and a detailed material balance for the system. The R&D Facility is expected to give Cielo the flexibility to enhance the quality of the fuel yield. The detailed engineering output is expected to facilitate the design of the Company's first full-scale facility, the Dunmore Facility, with predictable performance, capital cost expectations and operating cost metrics.

The Company completed the commissioning of the R&D Facility in April 2023 and, as at the date of this MD&A, is working with Alberta Environment and Protected Areas ("AEPA") to obtain the requisite permit(s) to begin operating the R&D Facility, as information provided in the previously submitted application amendment was found to be incomplete. The AEPA stated that the application amendment was rejected based on deficiencies and not the proposed project. The AEPA has continued an open dialogue with Cielo and confirmed that the rejection will not influence AEPA's decision on any future applications and amendments. Cielo engaged Matrix Solutions Inc. Environment and Engineering ("Matrix") to assist the Company with the completion of the application for Cielo to AEPA. The Company has also engaged an

AEPA-recommended third-party laboratory to perform the railway tie compositional analysis, which will also be included in the AEPA application, as the Company is not able to operate the R&D Facility until AEPA grants approval.

Calgary Office Lease

The Company assigned its commercial lease agreement for its office space in Calgary to an arm's length third party, and in turn took assignment of a commercial lease for a smaller office in the same building. This resulted in a decrease in the lease term obligation and improved monthly cashflow.

R&D Facility Permit and Testing

The Company anticipates obtaining approval from the AEPA to commence testing at the R&D Facility during the 2023 calendar year, following which the Company's initial focus for testing at the R&D Facility will be on railway ties. It is anticipated that railway tie testing will occur over a period of approximately 8-10 weeks and cost approximately \$75,000.

Thereafter, Cielo intends to continue testing various feedstocks, such as rubber and plastic, which may require modifications to the R&D Facility and consequently additional approval from AEPA. Timing and costs for testing other than railway ties will be determined as and when the Company selects and plans for the testing of the particular feedstocks.

Proposed First Commercial Facility

The Company has initiated the planning of the Dunmore Facility as the proposed first commercial, full-scale facility.

As at the date of this MD&A, the Company is in the process of structuring and planning for the financing of the Dunmore Entity, through which the Dunmore Facility is expected to be held and operated. The Dunmore Entity is expected to be owned wholly or partially by Cielo and the financing of the Dunmore Facility may be obtained directly by the Dunmore Entity (thereby making Cielo's ownership partial), such that Cielo would not be required to issue additional securities or secure additional debt directly.

In April 2023, the Company entered into a commercial purchase and sale agreement to acquire the Dunmore Land, on which the Dunmore Facility is anticipated to be built. The completion of the acquisition of the Dunmore Land is anticipated to be completed on or about August 1, 2023. The Dunmore Land is located next to the CP Rail yard located in Dunmore, Alberta. In addition to the proximity to the CP Rail Dunmore yard, the location is also at the intersection of a significant trade corridor linking both Eastern and Western Canada as well as the United States that allows Cielo access to a broad market. Management believes this to be beneficial to Cielo as, as previously disclosed, it is Cielo's initial and primary intention that the Dunmore Facility process railway ties for CP Rail.

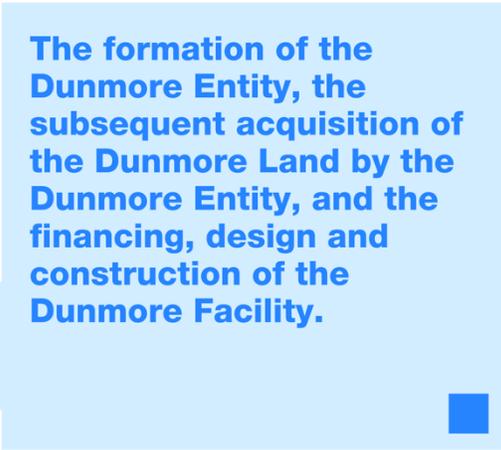
Also, as previously disclosed, Cielo and Canadian Pacific Railway Limited ("CP Rail") CP Rail are party to an agreement, whereby CP Rail has agreed to deliver railway ties to Cielo for a tipping fee. The Company entered into the Supply of Services Agreement with CP Rail effective October 31, 2019. As noted in the terms of the agreement, CP Rail is to provide a minimum of 500,000 railway ties in any calendar year during the term and Cielo is to have the capacity to accept, chip and recycle up to 500,000 railway ties during the term. Once operational, Cielo is to have capacity to accept a total of 700,000 to 1,000,000 railway ties during the term. The term of the agreement commences October 31, 2019, and expires October 31, 2025.

Outlook

The primary business objectives that the Company expects to accomplish or facilitate in the fiscal year ended April 30, 2024 are:



The receipt of approval(s) from the EPA to operate the R&D Facility and the commencement of testing, and thereafter continued testing, at the R&D Facility



The formation of the Dunmore Entity, the subsequent acquisition of the Dunmore Land by the Dunmore Entity, and the financing, design and construction of the Dunmore Facility.

Dunmore Facility

The Company will need to review both existing data and data to be obtained from the R&D Facility (as well as its third-party laboratory) while structuring the Dunmore Entity and for the planning and design of the Dunmore Facility, at which time Cielo expects to be able to determine the anticipated capital costs for its proposed first commercial facility.

Selected Annual Information

2023 2022

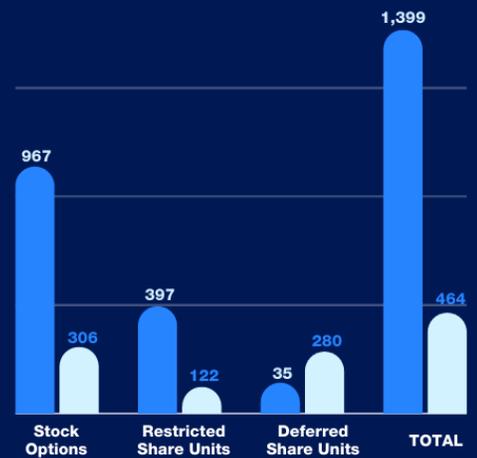
Financing Costs



Research & Development



Share Based Compensation



General & Administrative



Cash Flow Summary

The following summarizes the Company's sources and uses of funds for the year ended April 30, 2023 and 2022



Selected Annual Information

The following table presents selected annual financial information for Cielo, followed by a further breakdown and analysis of the sections below:

(000's)	Three Months Ended April 30		Year Ended April 30	
	2023	2022	2023	2022
Other income (expense)	366	1	683	(104)
Financing costs	580	295	2,418	1,516
General and administrative	619	1,716	3,638	6,869
Research and development	698	899	2,104	5,467
Net loss	(4,503)	(2,197)	(36,182)	(14,445)
Net loss per share – basic & diluted	(0)	(0)	(0.04)	(0.02)

(Thousands of dollars)	April 30, 2023	April 30, 2022
Total assets	29,366	53,531
Total liabilities	14,568	19,932
Total non-current liabilities	61	16,958
Working capital (deficiency)	(12,488)	1,164

Financing Costs

(000's)	Three Months Ended April 30		Year Ended April 30	
	2023	2022	2023	2022
Amortization of deferred financing costs	-	-	-	811
Interest and accretion on loans	561	540	2,338	1,518
Accretion of debentures	-	-	-	120
Accretion of lease liability	19	21	80	64
Capitalized interest	-	(266)	-	(997)
Total	580	295	2,418	1,516

Financing costs increased by \$0.29 million and \$0.90 million for the three months and year ended April 30, 2023, compared to respective periods ended April 30, 2022. In 2022 interest related to the Fort Saskatchewan property and Aldersyde facility were capitalized and included in construction in progress. In fiscal 2023, interest costs were expensed as the facility in Aldersyde was decommissioned (and subsequently impaired) and further improvements to the Fort Saskatchewan property ceased, resulting in an increase in interest expense in the year.

General and Administrative

(000's)	Three Months Ended April 30		Year Ended April 30	
	2023	2022	2023	2022
Professional fees	181	535	1,163	2,441
Salaries and benefits	220	717	1,586	3,097
Property tax and insurance	105	188	524	612
Office and administrative	112	276	366	719
Total	619	1,716	3,638	6,869

General and administrative (G&A) expenses decreased by \$1.1 million and \$3.2 million respectively for the three months and year ended April 30, 2023, compared to the respective periods ended April 30, 2022. The decreases of 70% in comparative quarters and 50% in comparative years are consistent across G&A categories and are a direct result of management's focus on strategic cost controls and reductions.

Research and Development

(000's)	Three Months Ended April 30		Year Ended April 30	
	2023	2022	2023	2022
Operating expenses	401	747	1,107	3,758
Personnel costs	297	152	998	1,709
Total	698	899	2,105	5,467

Research and Development expenses decreased by \$0.2 million and \$3.4 million for the three months and year ended April 30, 2023, compared to 2022. The decommissioning of the facility in Aldersyde resulted in lower operating costs, as it was not in use, and prior to commissioning of the R&D facility, which was commissioned in April 2023.

Share Based Compensation

	Three Months Ended April 30		Year Ended April 30	
	2023	2022	2023	2022
Stock options	194	166	306	967
Restricted share units	-	92	(122)	397
Deferred share units	-	105	280	35
Total	194	363	464	1,399

Share based compensation decreased by \$0.2 million for the quarter and \$1.3 million for the year ended April 30, 2023, compared to the respective prior year periods. The decrease is related to staff reductions,

forfeiture of stock options upon employee resignation and, deferred shared units issued to employees and directors of the Company in December 2021 and March 2022.

Depreciation and Amortization

(000's)	Three Months Ended April 30		Year Ended April 30	
	2023	2022	2023	2022
PP&E	174	79	389	252
Intangible assets	27	19	115	48
Right-of-use assets	29	43	129	143
Total	230	141	634	443

Depreciation and amortization increased by \$0.1 million for the three months and \$0.2 million for the year ended April 30, 2022, compared to the respective prior year periods. The increases were related to the reclass of assets from construction in progress to depreciable assets subsequent to the completion and commissioning of the R&D Facility.

Summary of Quarterly Results

Fluctuations in net loss for each quarter generally relate to the amounts of financing, research, and development, and share based compensation expenses the Company incurred during the respective quarter. The business of Cielo, when in commercial production, is expected to exhibit some seasonality and cyclicity due to overall consumption patterns of refined products, broad macro-economic activity, and extenuating events. Low carbon fuels act as both substitutes and measures to reduce carbon intensities of fossil fuels. Seasonal increases in demand for heating oil can increase diesel prices as refiners may produce more heating oil to meet demand. In addition, broad economic conditions, and geopolitical instability, such as COVID-19 and the ongoing conflict between Russia and Ukraine, can impact the consumption of fuels. In some cases, consumer preferences and rates of adoption of low carbon fuels may partially or completely offset any declines as a result of broad economic declines.

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

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Revenue	-	-	-	-	-	-	-	4
Net Loss	(4,105)	(2,309)	(2,133)	(27,635)	(2,197)	(4,368)	(4,841)	(3,039)
Net Loss Per Share - Basic & Diluted	(0.00)	(0.00)	(0.00)	(0.04)	(0.00)	(0.01)	0.01	(0.00)

The net loss for the three months ended April 30, 2023, was \$2.2 million, a decrease of \$0.1 million compared to the third quarter of fiscal 2023 and no change occurred when compared to the fourth quarter in the prior year.

The decrease of \$0.1 million in net loss was mainly due to (i) a decrease in financing costs of \$0.2 million and a decrease in G&A of \$1.1 million (ii) a decrease in research and development of \$0.3 million and a decrease in share based compensation of \$0.1 million, and (iii) this is offset by a deferred tax recovery of \$0.9 million in Q4 2022 related to bonus warrants issued with the First and Second Mortgage Loans, and no deferred tax recovery was noted in 2023.

Liquidity and Capital Resources

Working Capital

Cielo's primary objective for managing liquidity and capital resources is to ensure the Company has sufficient funds available for research, development, commercialization of its technology through the Dunmore Entity, and other corporate activities. The Company has a working capital deficiency of (\$12.5) million at April 30, 2023, compared to the working capital of \$1.16 million as at April 30, 2022. The increase in working capital deficiency of \$13.7 million was mainly due to: (i) the increase in deferred revenue and fees due to the reclassification of the deferred fees payable to Renewable U and long-term loans to current liabilities reclassified as current liabilities (ii) the decrease in accounts payables (iii) this was offset by the decrease in cash balance which was used to fund research, development, and corporate activities.

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

Cash Flow Summary

The following table summarizes the Company's sources and uses of funds for the three months and year ended April 30, 2023, and 2022:

(000's)	Three Months Ended April 30		Year Ended April 30	
	2023	2022	2023	2022
Operating activities	(896)	(3,043)	(4,753)	(16,377)
Financing activities	(192)	5,187	8,314	21,521
Investing activities	(924)	(1,112)	(5,064)	(19,639)

Operating Activities

Net cash used in operating activities was \$0.9 million for the three months and \$4.7 million for the year ended April 30, 2023. The cash used in operating activities was used to fund general and administrative and research and development expenditures, and reduction in accounts payable.

Financing Activities

Public Offering of Units

In July 2022, the Company completed the Offering (see section entitled "2023 Financial Overview – Public Offering of Securities for details).

The gross proceeds of the Offering were used predominantly as anticipated with minor variations as set out below.

Principal Purpose	Anticipated Use	Actual Use
Expenses relating to the Offering (Agent's Fee and Offering expenses)	820	900
Capital equipment and costs (R&D Facility)	4,500	4,200
Research and Development	2,400	2,100
General and Administration Expenses	780	1,300
Total use of gross proceeds	8,500	8,500

Repayment of First Mortgage Loan - Securities for Debt; Cancellation of Warrants

See sections entitled "2023 Financial Overview – Repayment of \$2 million on Mortgage Loan" and "2023 Financial Overview - Securities for Debt – Repayment of \$4.5 million Mortgage Loan" for details regarding the repayment of the First Mortgage Loan, for repayments completed in September 2022 and February 2023 and resulting cancellation of Bonus Warrants.

Investing Activities

Net cash used in investing activities was \$0.9 million for the three months, and \$5 million for the year ended April 30, 2023. This costs primarily relate to capital expenditures for the R&D Facility, including small equipment in the amount of \$0.04 million.

(000's)	Construction In Progress	Land	Building	Equipment	Computers	Total
Corporate	-	-	-	-	-	-
Aldersyde Facility	-	-	-	-	-	-
R&D Facility	4,348	-	-	41	-	4,389
Total	4,348	-	-	41	-	4,389

In July 2022, the Company completed the Offering (see section entitled “2023 Financial Overview – Public Offering of Securities for details).

The Company used a portion of the gross proceeds to fund the capital expenditures for the R&D Facility and further fund research and development activities. (See section entitled “Liquidity and Capital Resources – Financing Activities – Public Offering”).

Contractual Liabilities and Commitments

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:

(000's)	2024	2025	2025 +	Total
Lease obligations	135	59	1	195

In April 2023, the Company negotiated a change in its lease, reducing the obligation from \$0.69 million over three-year period to \$0.12 million over a one-year period.

Off-Balance Sheet Arrangements

As at April 30, 2023, Cielo did not have any off-balance sheet arrangements in place that would materially impact its financial position or results of operations.

Related Party Transactions

Renewable U Energy Inc.

Ryan Jackson was a director and officer of Renewable U during the beginning of the year ended April 30, 2023, while also a director of Cielo. Upon appointment of Mr. Jackson to interim Chief Executive Officer (and subsequently Chief Executive Officer and Corporate Secretary), Mr. Jackson resigned as an officer and director of Renewable U, however continued to hold shares indirectly through a holding corporation. During the year ended April 30, 2023, Mr. Jackson's holding corporation deposited its shares of Renewable U into a blind trust managed by an independent trustee.

The Company entered into MOUs with Renewable U and its affiliates to build and commission nine (9) waste to fuel facilities, at no cost to Cielo other than internal costs, one each in Grand Prairie, Alberta, Calgary, Alberta, Medicine Hat, Alberta, Lethbridge, Alberta, Halifax, Nova Scotia, Toronto, Ontario, Winnipeg, Manitoba, Kamloops, British Columbia, and a location to be determined in the United States. See section entitled “2023 Financial Overview - Repayment of Debt and Acquisition of Dunmore Land – Memorandums of Understanding” for additional detail regarding the MOUs and the termination, or proposed termination, thereof subsequent to the year ended April 30, 2023.

The Company and Renewable U had intended to enter into joint arrangement agreements in respect of the planning, construction, commissioning, and operation of facilities using Cielo's process for the generation of fuel from waste. Under each Renewable U MOU, Renewable U would provide 100% of the funding to build, commission and operate the applicable facility. Cielo would execute the planning, construction,

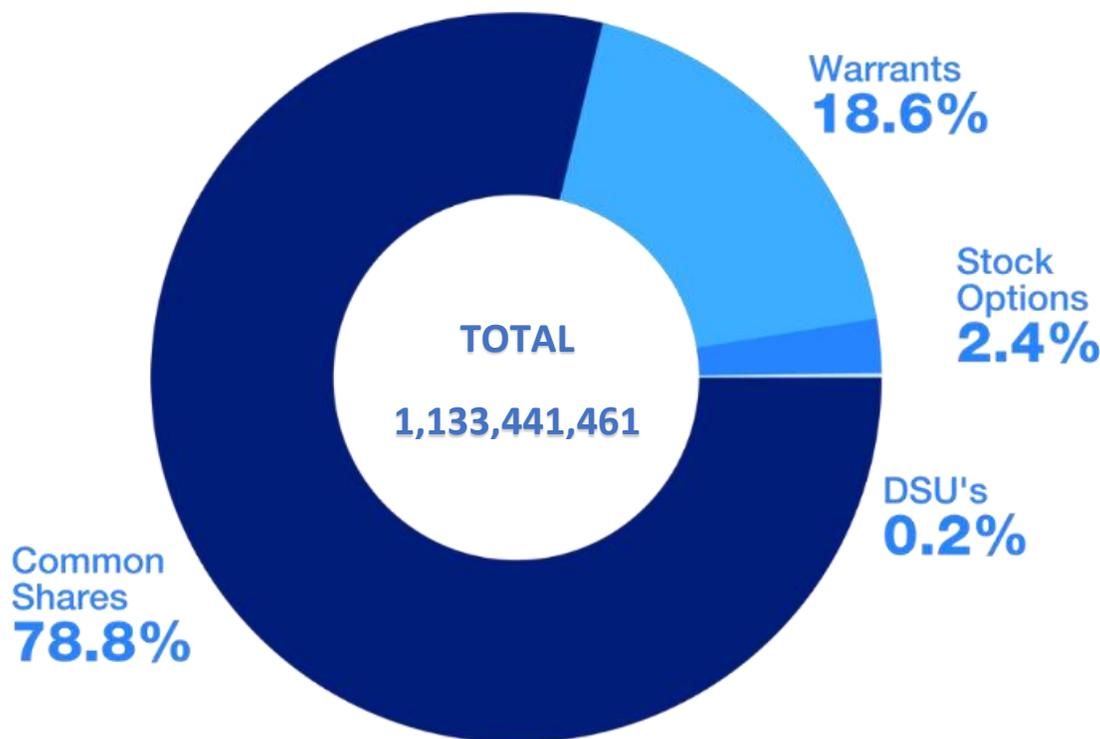
commissioning, and overall management of the project and receive a management fee equal to 7% of certain project costs. Once operational, Cielo was to receive fees for operating the applicable facility, calculated based upon that which is standard for the industry. Each facility was to be owned 50.1% by Cielo and 49.9% by Renewable U. Until Renewable U would recover an amount equal to 100% of the cost of a facility, Renewable U would receive 70% of the profits from the facility in each territory while Cielo would receive 30%. Upon project cost recovery for each facility, Cielo would be entitled to receive 50.1% of the profits, and Renewable U would be entitled to receive 49.9% of the profits of each facility.

Renewable U paid a fee of \$250,000 in connection with each territory under the Renewable U MOUs for an aggregate \$2.25 million in fees. The fees were non-refundable unless the parties could not enter into a definitive agreement for any or all territories, in which case the fee was to be repaid by an issuance of common shares of the Company at the greater of \$0.25 and the average of the closing market price of the Company's shares for the previous five (5) trading days, except with respect to the MOUs for Toronto, Winnipeg, Kamloops and the United States location, which would be refunded by way of cash payment.

See section entitled "2023 Financial Overview - Repayment of Debt and Acquisition of Dunmore Land – Memorandums of Understanding" for additional detail regarding the termination, or proposed termination, of the MOUs subsequent to the year ended April 30, 2023.

Outstanding Equity

Cielo's issued and outstanding common shares, along with fully diluted common shares potentially issuable are as follows as at April 30, 2023, and the date of filing, June 20, 2023:



(Number Of Common Shares, Warrants, Options, and Units)	April 30, 2023	April 30, 2022
Common Shares	893,542,609	662,329,912
Total Common Shares Issued and Outstanding	893,542,609	662,329,912
Convertible debentures	-	-
Warrants	203,628,570	62,000,000
Broker Warrants	7,344,589	-
Stock options (vested & unvested)	26,825,693	27,249,695
RSUs	-	3,666,667
DSUs	2,100,000	2,100,000
Total Common Shares Potentially Issuable	239,898,852	95,016,362
Total Common and Fully Diluted Shares	1,133,441,461	757,346,274

Subsequent to the year ended April 30, 2023:

The Company issued 16,666,667 common shares to Renewable U. See section entitled “2023 Financial Overview - Repayment of Debt and Acquisition of Dunmore Land – Memorandums of Understanding” for additional detail.

As at the date of this MD&A, the following securities of Cielo are issued and outstanding:

(Number of common shares, warrants, options, and units)	June 20, 2023
Common shares	910,209,276
Convertible debentures	-
Warrants & broker warrants	210,973,159
Stock options	26,825,693
DSUs	2,100,000
Total Common Shares Potentially Issuable	239,898,852
Total	1,150,108,128

Significant Accounting Policies and Critical Accounting Estimates

Note 4 to the financial statements for the years ended April 30, 2023, and 2022 includes a summary of significant accounting policies.

The preparation of the financial statements in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income, and expenses. Estimates and judgments are evaluated each reporting period and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are subject to inherent risk of uncertainty and actual results may differ from these estimates and assumptions.

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

New Accounting Standards and Interpretations

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

Risk Factors

An investment in the securities of the Company involves numerous and significant risks. Investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. The following are certain factors relating to the Company's business which investors should carefully consider. These risks and uncertainties are not the only ones the Company is facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity, and results of our operations could be materially adversely affected.

Early-Stage Technology Research, Development and Manufacturing Capability

The Company continues to be in the research and development stage. The Company's existing facilities and research and development activities and the research and development of new technologies and processes may require significant spending which may negatively impact our operating results. The Company has earned limited revenues to date and has supported its operations through cash flow from product sales and various debt and equity financings. In Q1 2023, a significant part of the previous Aldersyde facility was deemed to be significantly impaired, at which time an impairment of \$25.6 million was recognized. The Company's operations continue to be subject to all of the risks inherent in a company developing a new technology to market. The likelihood of success of the Company must be considered in light of the problems, expenses and delays frequently encountered in connection with an early-stage development business and the research, development and introduction of new products and new technology.

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

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

The performance of the Company's TCD process and related systems at its R&D Facility and proposed and potential additional facilities, such as the Dunmore Facility, may encounter problems including but not limited due to the failure of technology, the failure to combine technologies properly, operator error or the failure to maintain and service the facilities properly. There is no certainty that the facilities will, or will continue to, result in production of commercial quantities of low carbon fuels. Refining operations are subject to hazards such as equipment failure and fuel storage areas, which may result in environmental pollution and consequent liability. Many potential problems and delays are beyond the Company's control, which may result in closures and supply chain disruptions. Any problem with the Company's facilities, whether originating from its technology, design, installation, or otherwise could have a material adverse

effect on the Company's business, financial condition, results of operations, legal liability, cash flows or prospects.

A number of factors related to the development and operation of individual facilities could adversely affect the Company's business, including:

- Regulatory changes that affect the demand for or supply of low carbon fuels and the prices thereof, which could have a significant effect on the Company's cash flows and financial condition;
- Regulatory changes to waste management policies or changes to the waste collection industry that could reduce the amount of waste available to be used at our facilities;
- Changes in the regulatory in the regions where the Company operates or is developing new facilities;
- Ability to obtain regulatory permits on acceptable terms;
- Changes in energy commodity prices, such as diesel fuel and naphtha;
- A decrease in the availability, pricing, and timeliness of delivery of raw materials and components necessary for the facilities to function;
- The competitive landscape if an increased number of waste-to-energy facilities become operational; and
- Unexpected delays in the development and completion of facilities as well as unforeseen events giving rise to force majeure or unexpected delays once such facilities are operational.

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

The final amount of future capital expenditures relating to the development of our facilities may be significantly greater than expected at this time, in which case we may be required to curtail or delay construction and development of our facilities, which would reduce our planned production capacity and adversely affect our growth plans, cash flows and financial condition. We will likely need to raise capital directly, or indirectly, for the construction and development of our facilities, which may not be available on acceptable terms, or at all.

We will rely on certain intellectual property to operate our facilities

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

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

Cielo has obtained, directly or indirectly, patents and/or filed patent applications in the United States and Canada, and may, in the future, seek additional patents or file patent applications.

There can be no assurance that Cielo will be successful in obtaining patents it applies for in the future. Third parties may infringe on our patents. To counter infringement or unauthorized use, we may need to file infringement claims, and in an infringement claim, there is risk that a court will decide that a patent of

ours is invalid or unenforceable, in whole or in part, and that we have the right to stop the other party from using the invention at issue. Additionally, there can be no assurance that the scope of any claims granted in any patent will provide Cielo with adequate protection for the processes used by Cielo currently or in the future. Cielo cannot be certain that the creators of our technology were the first inventors of inventions and processes covered by the patents and patent applications or that they were the first to file. Accordingly, there can be no assurance that Cielo's patents will be valid or will afford Cielo with protection against competitors with similar technology or processes.

Transition of Key Management Positions

Any significant leadership change or senior management transition involves inherent risks, and any future changes to our management that may occur during the transition could cause significant disruption to the Company and its operations. The failure to adequately manage succession of senior management and other key personnel or the failure of key employees to successfully transition into new roles could cause further disruption to our business. In addition, changes in senior management may create uncertainty among investors, employees, business partners and others concerning the Company's future direction and performance. Any disruption in our operations or adverse impacts from such uncertainty could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Additionally, there can be no assurance that further changes to management will not occur. It is important to note that the Company may not be successful in its search or may not meet its objective on a timely basis. The failure to meet its objective at all or on a timely basis, as well as undergoing other changes to management, could have an adverse effect on the Company's business, financial condition, cash flows and results of operations.

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

Cielo's success will depend on its directors and officers to develop its business and manage its operations and on its ability to attract and retain key personnel. The loss of any key person, or the inability to find and retain new key persons, could have a material adverse effect on Cielo's business. No assurance can be provided that Cielo will be able to attract or retain key personnel in the future, which may adversely impact its operations.

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

The Company's ability to operate as a going concern is in doubt.

The audit opinion and notes that accompany the Company's Financial Statements disclose a going concern qualification to its ability to continue in business. The Financial Statements have been prepared under the assumption that the Company will continue as a going concern. The Company is a research and development stage company and has incurred losses since its inception. The Company has incurred losses resulting in an accumulated deficit of \$109 million as at April 30, 2023, and further losses are anticipated in the development of its business. The Company's ability to continue as a going concern is dependent on its ability to raise capital to fund its future the design of a full-scale commercial waste-to-fuel facility and working capital requirements or its ability to profitably execute its business plan. The Company's plans for the long-term return to and continuation as a going concern include financing its future operations through sales of its Common Shares and/or debt and the eventual profitable full-scale commercial waste-to-fuel facility. Additionally, the volatility in capital markets and general economic conditions in Canada, the U.S. and elsewhere can pose significant challenges to raising the required funds. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's Financial Statements

do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Financial Statements.

Need for Future Financing

The future development of the Company's business is likely to require additional financing or refinancings. There are no assurances that such financing or refinancings will be available, or if available, available upon terms acceptable to the Company. If sufficient capital is not available, the Company may be required to delay the expansion of its business and operations, which could have a material adverse effect on the Company's business, financial condition, prospects, or results of operations.

Uncertainties Relating to the Company's Business Plans

There is no assurance that broad successful commercial applications may be feasible for the Company. The Company is continuing to explore, develop, and test feedstock and there can be no assurance that the feedstocks will be economic for commercial application, that test results will be successful, if completed at all, that any necessary permits or approvals required in order to commercialize will be obtained by the Company, or that existing technology or products will become profitable. Should the Company fail to achieve any of the foregoing, this could have a material adverse impact on the business and planned business of the Company.

Testing Alternative Waste Feedstock may not Generate Expected Levels of Output

Testing alternative waste feedstocks to produce low carbon waste to energy fuels, such as diesel, naphtha and kerosene involves a high degree of risk including hazards and risks normally encountered in obtaining feedstock, process design, the fluctuation of fuel prices and possible damage to, or destruction of the producing facilities. Additionally, there is a risk that the use of carrier fluids other than used motor oil could be unviable. There is no certainty that the testing of alternative waste feedstocks and other carrier fluids will result in a production of fuels, low carbon or otherwise, on a commercially viable basis on the timetable we anticipate, or at all. Any extended interruption and or volume disruption in the testing process, or a failure of the process for any reason to generate the expected amount of output, could adversely affect the Company's business and operating results

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

Dividend Risk

The Company currently intends to reinvest all future earnings in order to finance the development and growth of its business. Therefore, the Company does not anticipate paying dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition, and other relevant factors. Until the time that the Company does pay dividends, which the Company may never do, the Company's shareholders will not be able to receive a return on their common shares unless they sell them.

Forward-Looking Statements may prove to be inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements. By its nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the heading "Special Note Regarding Forward-Looking Statements."

The market price of the Common Shares may be volatile and is subject to wide fluctuations

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by government and regulatory authorities, the Company, or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares. Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially and adversely affected.

Future sales or issuances of securities and dilution of Common Shares

The Company may issue additional securities to finance future activities. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of Common Shares, or the perception that such sales could occur, may adversely affect the prevailing market price of the Common Shares. With any additional sale or issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Common Share.

The Company may be unable to obtain additional financing on acceptable terms or at all

The continued development of the Company may require additional financing. The failure to raise or procure such additional funds may result in the delay or postponement of the Company's business objectives. There can be no assurance that additional capital or other types of financing will be available if and as needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution.

The Company has a history of Negative Cash Flow

The Company has a history of negative cash flow from operating activities. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of the net proceeds received from the sale of Offered Shares hereunder or other financings to fund such negative cash flow. There can be no assurance that additional capital or other types of financing will be available when needed,

or that these financings will be on terms at least as favourable to the Company as those previously obtained, or available to the Company at all.

We intend to conduct some of our operations through joint arrangement and our joint arrangement partners' interests may not always align with our own.

Notwithstanding the termination or intended termination of the MOUs, we may conduct some of our operations through joint arrangements, including joint arrangements with Renewable U, in which we may share control over certain economic and business interests. There will be a variety of risks associated with our interest in the joint arrangements, including:

- Potential disagreements with our joint arrangement partners about how to construct, operate or finance a facility;
- Joint arrangement partners may have economic, business, or legal interests, or goals that are inconsistent with our goals and interests;
- Joint arrangement partners may be unable to meet their, or may not meet their, obligations under our arrangements with them; and
- Disagreements with joint arrangement partners over the exercise of their rights under the agreements that will govern their relationship with us.

Failure by us, or an entity in which we have a joint arrangement interest, to adequately manage the risks associated with joint arrangements, and any differences in views among us and our joint arrangement partners, which could prevent or delay actions that are in the best interest of us or the joint arrangement, could have a material adverse effect on our, or our joint arrangements', financial performance, results of operations, and liquidity.

We are dependent on third parties for our feedstock and significant interruptions in our access to certain key inputs may impair operations at our facilities.

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

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

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

Environmental regulations could have a significant impact on the energy industry

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

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

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

We have a limited operating history and a history of net losses, and we may not achieve or maintain profitability in the future

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

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

Few low carbon fuel facilities are developed into profitable businesses without significant help from government subsidies. Major expenses may be required to establish the facility business. It is impossible

to ensure that the current business plan by the Company will result in a profitable commercial refining operation.

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

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

The results of our operations will depend on commodity prices

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

We require permits and authorizations to conduct our operations

Cielo's existing and proposed operations require, and Cielo's planned growth will require, licenses, permits and in some cases renewals of these licenses and permits from various governmental authorities both domestically and abroad. As at the date of this MD&A, Cielo is seeking approval from the AEPA to allow feedstocks to be tested at the R&D Facility. Cielo's ability to obtain, amend, comply with, sustain, or renew such licenses and permits on acceptable, commercially viable terms are subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. Cielo's inability to obtain, amend to conform to our operations, or extend a license or a loss of any of these licenses or permits may have a material adverse effect on our business, financial condition, and results of operations.

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

Because our business depends on the demand for oil products, including diesel, any improvement in or new discoveries of alternative energy technologies (such as fuel cells), government mandated use of such technologies or government restrictions or quotas on the use of oil that increase the use of alternative forms

of energy and/or reduce the demand or market for oil, and related products could have a material adverse impact on our business, financial condition and results of operations.

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

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

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

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

Our operations face risks of interruption and casualty losses

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

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

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

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

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

Certain of our directors and officers serve as director and/or officers of other companies

Certain of the directors and officers of the Company also serve, or may serve, as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and/or officers to be in a

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

We are vulnerable to the potential difficulties associated with rapid growth

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

The waste to energy market is a relatively new industry

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

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

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

We may not be able to secure adequate or reliable sources of funding required to operate our business

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

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

continue to support the operation or growth of our business could be significantly impaired and our operating results will likely be harmed.

We face competition from other producers of low carbon fuel

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

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

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

The loss of one or more of our larger customers could have a material adverse effect on our business

Once we begin commercial operations, the loss of one or more of our larger offtake customers could have a material adverse effect on our business, financial condition, results of operations and cash flow. In addition, financial difficulties experienced by customers could adversely impact their demand for our services and cause them to request amendments to our contracts with them.

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

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

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

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

expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

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

The market value of our shares may fluctuate

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

COVID-19 and other outbreaks may further disrupt our operations

As a result of the COVID-19 pandemic, the Company paused all operations of the previous Aldersyde facility and temporarily laid-off operators while maintaining essential personnel. Although the effects of the COVID-19 pandemic have largely improved as at the date of this MD&A, there is no assurance that the pandemic may not again worsen, or that another pandemic may not arise at a future time.

COVID-19 or similar pandemics may have adverse impacts on the Company, including, among others:

- Volatility in the global capital markets, which may increase cost of capital and adversely impact access to capital;
- Continued impacts on workforces throughout the regions in which covid-19 (or any other pandemic) is present, which may result in the company's workforce being unable to work effectively;
- Supply chain disruptions.

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

Litigation and legal claims could have an adverse impact on our business

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

Acquisitions entail numerous risks and may disrupt our business or distract management

We may consider and evaluate acquisitions of, or significant investments in, complementary assets or entities as part of our business strategy. Acquisitions involve numerous risks, including unanticipated costs and liabilities, and difficulty in integrating the operations and assets of the acquired assets. Any acquisition could have a material adverse effect on our business, financial condition, results of operations and cash flow.

It is possible we may incur substantial debt to finance future acquisitions and also may issue equity securities or convertible securities for acquisitions. Debt service requirements could be a burden on our results of operations and financial condition. We would also be required to meet certain conditions to borrow

money to fund future acquisitions. Acquisitions could also divert the attention of management and other employees from our day-to-day operations and the development of new business opportunities. Even if we are successful in integrating future acquisitions into our operations, we may not derive the benefits such as operational or administrative synergies we expect from acquisitions, which may result in us committing capital resources and not receiving the expected returns. In addition, we may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets.

The Russia/Ukraine crisis, including the impact of sanctions or retributions thereto, could adversely affect the Company's business

The Company's operations could be adversely affected by the effects of the escalating Russia/Ukraine crisis and the effects of sanctions imposed against Russia or that country's retributions against those sanctions, embargos, or further-reaching impacts upon energy prices, food prices and market disruptions. The Company cannot accurately predict the impact the crisis will have on its operations and the ability of contractors to meet their obligations with the Company, including uncertainties relating the severity of its effects, the duration of the conflict, and the length and magnitude of energy bans, embargos and restrictions imposed by governments. In addition, the crisis could adversely affect the economies and financial markets of Canada and in general, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. Additionally, the Company cannot predict changes in commodities pricing which may alternately affect the Company either positively or negatively.

Risks related to politics and the economy

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

Additional Information

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