CIELO WASTE SOLUTIONS CORP.

Unaudited Condensed Consolidated Financial Statements

For the Three Months Ended July 31 2023 and 2022
and the Year Ended April 30, 2023

Cielo Waste Solutions Corp.

Unaudited consolidated Statements of Financial Position

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

As at	Note	July 31, 2023	April 30, 2023
Assets			
Current Assets			
Cash & cash equivalents		1,109	1,153
Restricted investments		180	180
Accounts receivable		185	89
Prepaid expenses and other		713	466
Inventory		132	132
Assets held for sale	5 & 15	10,150	-
		12,469	2,020
Non-current Assets			
Right-of-use assets		125	151
Property, plant and equipment	5	12,159	25,308
Intangible assets	6	1,858	1,887
		14,142	27,346
Total Assets		**26,611**	**29,366**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		1,275	1,394
Royalty payable	7	889	889
Deferred fees	11	1,250	2,250
Current portion of lease liability		122	113
Current portion of long term loans	8	60	9,861
Liabilities held for sale	8 & 15	10,143	-
		13,739	14,507
Non-current Liabilities			
Lease liability		24	61
Long-term loans	8	1,930	-
		1,954	61
Total Liabilities		**15,693**	**14,568**
Shareholders' Equity			
Share capital	9	112,809	111,980
Contributed surplus	9	12,021	11,890
Deficit		(113,912)	(109,072)
Total Shareholders' Equity		**10,918**	**14,798**
Total Liabilities and Shareholders' Equity		**26,611**	**29,366**

Going Concern (Note 3), Commitments (Note 13), and Subsequent Events (Note 15)

Signed on behalf of the Board

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

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

Cielo Waste Solutions Corp.

Unaudited consolidated Statements of Loss and Comprehensive Loss

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

		Three Months Ended July 31	
$000's, except per share amounts	**Note**	**2023**	2022
Expenses and other income			
Financing costs	10	577	635
General and administrative		949	981
Research and development		439	550
Share based compensation	9	131	(39)
Depreciation and amortization		344	142
Impairment of property, plant and equipment	5 & 15	2,748	25,366
Loss (Gain) on settlement of debt with shares	9 & 11	(167)	-
Other (income) expenses	14	(181)	(1)
Loss before income taxes		**(4,840)**	(27,634)
Deferred income tax		-	-
Net and comprehensive loss		**(4,840)**	(27,634)
Loss per share			
Basic	*9*	-	*(0.04)*
Diluted	*9*	-	*(0.04)*

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

Cielo Waste Solutions Corp.

Unaudited consolidated Statements of Changes in Shareholders' Equity

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

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2022	**99,769**	**6,720**	**(72,890)**	**33,599**
Shares issued on public offering	9,775	-	-	9,775
Fair value of warrants issued	(2,653)	2,837	-	184
Share based compensation	-	(39)	-	(39)
Share issuance costs	(1,081)	-	-	(1,081)
Net and comprehensive loss for the period	-	-	(27,635)	(27,635)
Balance, July 31, 2022	**105,810**	**9,518**	**(100,525)**	**14,803**
Balance, April 30, 2023	**111,980**	**11,890**	**(109,072)**	**14,798**
Fair value of shares issued for debt settlement	833	-	-	833
Share based compensation	-	131	-	131
Share issuance costs	(4)	-	-	(4)
Net and comprehensive loss for the period	-	-	(4,840)	(4,840)
Balance, July 31, 2023	**112,809**	**12,021**	**(113,912)**	**10,918**

Cielo Waste Solutions Corp.

Unaudited consolidated Statements of Cash Flows

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

	Note	Three months ended July 31	
		2023	2022
Net loss		(4,840)	(27,635)
Adjustments for non cash items:			
Depreciation and amortization		344	142
Impairment of property, plant & equipment		2,748	25,366
Loss (Gain) on settlement of debts with shares		(167)	-
Share based compensation	9	131	(39)
Other (gain) loss		(2)	-
Financing costs	10	577	635
		(1,209)	(1,531)
Changes in working capital:			
Accounts receivables and accrued		(95)	(52)
Prepaid expenses		(96)	323
Inventory		-	(4)
Accounts payable and accrued		(27)	(432)
Cash used in operating activities		**(1,427)**	(1,696)
Cash (used in) provided by financing activities:			
Lease liability		(34)	(32)
Long term loan - advances	8	2,000	-
Interest paid		(80)	(180)
Financing fees		(220)	-
Shares issued in public offering		-	9,775
Share issuance costs	9	(4)	(897)
Cash provided or (used) by financing activities		**1,662**	8,666
Cash used in investing activities:			
Additions of property plant and equipment	5	(39)	(226)
Changes in working capital:			
Prepaid expenses		-	(2,100)
Accounts payable and accrued liabilities		(240)	(981)
Cash provided or (used) in investing activities		**(279)**	(3,307)
Increase (decrease) in cash		**(44)**	3,663
Cash and cash equivalents, beginning of period		1,153	2,681
Cash and cash equivalents, end of period		**1,109**	6,344

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

1. REPORTING ENTITY

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

Pursuant to an agreement entered into between Cielo and 1888711 Alberta Inc. ("1888 Inc"), dated June 14, 2016, subsequently amended and restated on November 1, 2017, Cielo held an exclusive global license, to complete the development and commercialization of the technology to convert and transform waste to fuel (the "Technology") (the "License Agreement"). The Technology, which is patented in Canada and the United States, can utilize waste to produce fuel through a thermal catalytic depolymerization process.

On December 3, 2021, Cielo and 1888 Inc executed an agreement pursuant to which Cielo and 1888 Inc agreed that all rights of 1888 Inc to utilize the Technology and receive payment of royalty and refinery fees pursuant to the License Agreement were terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo issued ten million (10,000,000) common shares in the capital of Cielo (the "Shares") to 1888 Inc (Note 13).

On July 29, 2021, the Company incorporated a wholly owned subsidiary, Cielo Fort Saskatchewan Corp., to acquire the land and hold the assets for a future proposed facility in Fort Saskatchewan, Alberta. Subsequent to July 29, 2021, the financial statements include the accounts of the Company and its wholly owned subsidiary. In June 2023, the Company amalgamated with its wholly owned subsidiary.

2. STATEMENT OF COMPLIANCE AND BASIS ACCOUNTING

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and using the accounting policies outlined by the Company in its annual financial statements for the year ended April 30, 2023. These unaudited condensed consolidated interim financial statements do not include all the information required for the full annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended April 30, 2023.

These unaudited consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on September 26, 2023.

3. GOING CONCERN

The Company has not yet generated revenue from its planned commercial operations and has accumulated losses of $114 million as at July 31, 2023 and generated a loss of $4.8 million for the period ended July 31, 2023. The Company has a working capital deficit (defined as total current assets less total current liabilities) of $1.2 million as at July 31, 23. 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, fund working capital requirements, and to meet the financing requirements outlined in Note 15 Subsequent Events. 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, including the financing requirements outlined in Note 15 Subsequent Events, 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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES

The significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented. The policies are unchanged from the policies disclosed in the notes to the audited consolidated financial statements for the year ended April 30, 2023. The use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the audited consolidated financial statements for the year ended April 30, 2023

5. PROPERTY, PLANT AND EQUIPMENT.

Cost	Construction in Progress	Land	Building	Equipment	Computers	Total
Balance, April 30, 2022	31,134	10,923	3,926	1,759	86	47,828
Additions	4,348	-	-	41	-	4,389
Completed CIP	(9,934)	661	631	8,642	-	-
Balance, April 30, 2023	25,548	11,584	4,557	10,442	86	52,217
Additions	-	-	-	39	-	39
Transferred to assets held for sale	-	(10,161)	(2,852)	-	-	(13,013)
Balance, July 31, 2023	**25,548**	**1,423**	**1,705**	**10,481**	**86**	**39,243**
Accumulated Amortization						
Balance, April 30, 2022	-	-	251	612	27	890
Additions	-	-	170	190	29	389
Impairment loss	25,548	-	-	82	-	25,630
Balance, April 30, 2023	25,548	-	421	884	56	26,909
Additions	-	-	47	239	3	289
Transferred to assets held for sale	-	-	(114)	-	-	(114)
Balance, July 31 2023	**25,548**	**-**	**354**	**1,123**	**59**	**27,084**
Net Book Value						
Balance, April 30, 2023	-	11,584	4,136	9,558	30	25,308
Balance, July 31, 2023	**-**	**1,423**	**1,351**	**9,358**	**27**	**12,159**

Assets held for Sale

The Company transferred net book value of $12.9 million, comprised of the land and building located in Fort Saskatchewan, Alberta, to Assets held for sale (Note 15).

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

Transfer of Construction in Progress

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

Impairment of Property, Plant & Equipment

In the three months ended July 31, 2022, as a result of testing outcomes and substantially increased cost estimates to complete the original facility in Aldersyde, Alberta, the Company ceased its initial development plans and evaluated the future use of the facility in the Company's operations. In addition, the Company's initially planned development for a research and development ("R&D") facility in Fort Saskatchewan were changed to focus on a new R&D facility in Aldersyde. As a result of the changes, the Company no longer expected that it will recover all of the associated costs and related equipment through the normal course of business and this triggering event resulted in an impairment charge of approximately $25.6 million during the year ended April 30, 2023.

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

6. INTANGIBLE ASSETS

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

	July 31, 2023	April 30, 2023
Opening balance	1,887	2,002
Additions	-	-
Amortization	(29)	(115)
Total Intangible Assets	1,858	1,887

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

On December 3, 2021, Cielo and 1888 Inc executed a definitive agreement pursuant to which Cielo and 1888 Inc agreed that all rights of 1888 Inc to utilize the Technology and receive payment of royalty and refinery fees pursuant to the License Agreement were terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo issued ten million (10,000,000) Shares to 1888 Inc at a price of $0.205 per share. Upon transfer of the patents and related intellectual property, Cielo recognized an intangible asset of $2.0 million. The intangible asset is depreciated on a straight-line basis over the estimated remaining useful life of the patent of 16 years and is recognized as depreciation expense in the statement of income. During the three months ended July 31, 2023, the Company recognized an amortization expense of $0.03 million (2022 - $0.03 million).

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7. ROYALTY PAYABLE

	July 31, 2023	April 30, 2023
Royalty payable – Current	889	889

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

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

Once production and sales begin, the Company is required under the royalty terms to allocate 10% of gross sales to the payment of the royalties. As at July 31, 2023, the Company is not in production, and no allocation is required.

8. LOANS

	July 31, 2023	April 30, 2023
Current portion, loans		
Second Mortgage Loan, 3%, due February 18, 2024 (Note 15)	10,143	9,801
CEBA loan	60	60
Total current portion long-term loans	**10,203**	**9,861**
Long term portion, loans		
CEBA loan	-	-
Third Mortgage Loan, 7.5%, due September 1, 2025	1,930	-
Total long-term portion, loans	1,930	-
Total Loans	12,133	9,861

In July 2023 Cielo secured a third mortgage facility (the "Third Mortgage Loan") in the amount of $5 million. Proceeds of the loan are expected to be drawn in increments, and upon agreement and discretion by the lender, to a maximum of $5 million. In July 2023, the first draw was finalized in the amount of $2 million. The Third Mortgage Loan is secured with the Aldersyde Property, bears interest at 7.5% per annum with interest only payable monthly and is due on September 1, 2025. Prepaid interest $0.15 million and financing cost of $0.07 million were remunerated from the proceeds of the first draw.

In July 2023 Cielo entered into an agreement with the lender of the Second Mortgage Loan to sell its Fort Saskatchewan Property to the lender for consideration that includes retirement of the Second Mortgage Loan. The balance outstanding under the Second Mortgage Loan was transferred to Liabilities held for sale on the statement of financial position as at July 31, 2023. Subsequent to quarter end, the transaction closed resulting in the extinguishment of this liability (Note 15).

9. SHARE CAPITAL

The aggregate number of Class A common shares and Class B preferred shares which are authorized and may be issued is unlimited. As at July 31, 2023 and 2022, there are no Class B preferred shares issued or outstanding.

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

The number of common shares issued and outstanding:

Period ended July 31	**2023**		2022	
Common Shares	Number of	$ Amount	Number of Shares	$ Amount
Balance, beginning of period	893,542,609	111,980,093	611,682,938	79,672,607
Issued for debenture conversion	-	-	12,462,500	709,500
Issued in settlement of debt (Note 11b)	16,666,667	833,333	-	-
Issued for warrant exercise	-	-	20,589,474	11,631,157
Issued for option exercise	-	-	445,000	66,296
Share issuance cost	-	(4,255)	-	(4,632)
Balance, end of period	**910,209,276**	**112,809,171**	**645,179,912**	**92,074,928**

Debenture conversions

In the three months ended July 31, 2023 no debentures were converted, in the period ended July 31, 2022, the Company converted debentures of $709,500 into 12,462,500 common shares. The carrying value of the debentures were reclassified on the conversion dates

Shares for Debt - Repayment of Mortgage Loan

During the year ended April 30, 2023, the Company entered into two separate share for debt repayment transactions resulting in the issuance of 91,269,841 common shares of the Company in exchange for the settlement of $6.5 million principal outstanding on the First Mortgage Loan (see Note 9). The 26,984,127 of common shares issued in the first of these transactions were recognized at a weighted average price of $0.074 per share and the 64,285,714 shares issued in the second of these transactions was recorded at $0.07 per share. Loss on settlement of debt was recorded in the year of $1.9 million (Note 9 "Warrants").

Public Offering of Securities

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

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

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

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

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

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

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

Warrants

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

	Number of Warrants	Weighted average exercise price	Reserve amount
Balance April 30, 2022	62,000,000	0.37	2,927,307
Expired in connection with payment on First Mortgage Loan	(12,000,000)	1.00	-
Cancelled in connection with payment on Second Mortgage Loan	(50,000,000)	0.22	-
Issued in connection with public unit offering	139,642,856	0.09	2,653,214
Broker warrants issued in connection with public unit offering	7,344,589	0.07	183,615
Issued in connection with repayment of First Mortgage Loan	64,285,714	0.125	3,214,286
Exercised	(300,000)	0.09	(27,000)
Balance April 30, 2023 and July 31, 2023	210,973,159	0.10	8,951,422

As at July 31, 2023, the Company had the following warrants outstanding:

Exercise Price	Number of Outstanding and Exercisable	Weighted Remaining life (Years)	Weighted average exercise price
$0.125	64,285,714	2.57	$0.125
$0.090	139,342,856	3.94	$0.090
$0.070	7,344,589	3.94	$0.070

Stock Options

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

The Company's Board of Directors approved the further amendment of the Company's stock option plan (the "2022 Amended Stock Option Plan") on September 15, 2022, subject to the approval of the Exchange and the Company's shareholders. Shareholders voted in favour of the plan at the Annual General Meeting on October 27, 2022 and in December 2022 the Plan was approved by the Exchange. The amendment was primarily made to provide for certain changes made to the policies of the Exchange, including the ability to exercise options via "net exercise" or "cashless exercise" methods. As with the previous plan, under the 2022 Amended Stock Option Plan, a maximum of 10% of the Company's issued and outstanding shares as at the date of grant may be granted (excluding any outstanding options). Under the 2022 Amended Stock Option Plan, the Company may grant options to its directors, officers, employees, and consultants. As a "rolling" stock option plan under the policies of the TSXV, the 2022 Amended Stock Option Plan is subject to the approval of the Company's shareholders every year. In addition, because the number of common shares reserved for issuance under the 2022 Amended Stock Option Plan and the Non-Option Plan (Note 9 - Restricted Share Units and Deferred Share Units), "disinterested shareholder approval" must be obtained.

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

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

	Number	Weighted Average exercise Price
Balance April 30, 2022	27,261,875	$ 0.20
Issued	17,692,308	0.08
Forfeited	(12,256,987)	0.21
Expired	(5,871,503)	0.20
Balance April 30, 2023	26,825,693	$ 0.12
Issued	180,000	0.10
Expired	(403,124)	0.13
Balance July 31, 2023	26,602,569	$0.12

The following table summarizes the options outstanding and exercisable at July 31, 2023:

Exercise Price	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
$ 0.065	10,492,308	4.42	$ 0.065	933,332
0.100	180,000	1.92	0.100	60,000
0.100	7,200,000	4.42	0.100	5,400,000
0.200	8,499,296	3.42	0.200	5,843,450
0.310	230,965	3.67	0.310	76,988
	26,602,569	4.07	$ 0.120	12,313,770

Restricted Share Units and Deferred Share Units

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

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

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

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

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

	RSU	DSU
Balance April 30, 2022	3,666,667	2,100,000
Forfeited	(3,666,667)	-
Outstanding April 30 & July 31, 2023	**-**	**2,100,000**

Share-based compensation

Period ended July 31	2023	2022
Stock options	131	(22)
Restricted share units	-	(122)
Deferred share units	-	105
Total share-based compensation	**131**	**(39)**

During the period ended July 31, 2022, options were forfeited and expired due to the departure of personnel, resulting in a reversal of the share-based compensation expense recorded in prior periods for instruments that had not fully vested at the time of forfeiture.

Per share amounts

Basic and diluted loss per share have been calculated based on the weighted average number of shares outstanding for period ended July 31, 2023 of 905,861,450 (2022 - 695,722,769).

The effect of any potential exercise of warrants and stock options is excluded from the calculation of diluted loss per share for the periods ended July 31, 2023 and 2022 as the effect would be anti-dilutive.

10. FINANCING COSTS

Period ended July 31	2023	2022
Interest on loans	572	614
Accretion of lease liability	5	21
Total	**577**	**635**

11. RELATED PARTY TRANSACTIONS

Renewable U Energy Inc. ("Renewable U")

Ryan Jackson (currently the CEO and a director of the Company) was the CEO, director and a beneficial shareholder of Renewable U at the same time as being a director of the Company. In June 2022, Mr. Jackson was appointed CEO of the Company and resigned from his positions as CEO and director of Renewable U. He continues to hold, indirectly through a holding company, 10% or less of the issued and outstanding shares of Renewable U which shares have been deposited into an irrevocable blind trust managed by a trustee.

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

Pursuant to the MOUs, in consideration for the opportunity to enter into joint arrangement agreements, Renewable U and its affiliates paid $0.25 million to the Company for the execution of each MOU. The fees are non-refundable unless a joint arrangement agreement is not executed by the end of August, 2023 (or such other date as agreed by Cielo and Renewable U), other than as a result of the apparent inability of Renewable U to fund the joint venture projects. For the periods ended July 31, 2023 and 2022, fees received were $Nil. As at April 30, 2023, the Company received total deferred fees of $2.25 million.

Pursuant to the MOUs, the Company would also be responsible for overseeing the planning, construction, commissioning, and operation of each facility and would receive a management fee for the planning and construction of each facility equal to 7% of the project costs for such facility subject to certain exclusions and would continue to receive management fees once operations begin based on industry standards.

During the year ended April 30, 2022, no transactions were entered into with Renewable U.

In the three months ended July 31, 2023, a series of transactions, as described below, were entered into with Renewable U:

a) ***Offer to purchase Dunmore Land***

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

The Offer of Purchase, as amended since the original agreement, provides for completion of due diligence by September 29, 2023, and an anticipated closing date of October 28, 2023. Cielo, or its assignee, may, but is not obligated to, assume the outstanding mortgage on the Land of approximately $1.6 million. The Company is completing its due diligence review of the Land and seeking financing to complete the sale.

b) Termination of Memorandums of Understanding ("MOU")

(i) 2021 MOUs - Termination and Debt Conversion Agreement

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

The four (4) 2021 MOUs terminated upon the issuance of the 2021 MOUs Repayment Shares. The Repayment Shares were issued in the period ended July 31, 2023 and recognized at fair market value of $0.83 million, and realized a gain on settlement of debt in the amount of $0.17 million.

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

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

Under the Termination Agreement, on or before October 28, 2023 (the "Proposal Deadline"), Cielo is required to submit a proposal (the "Proposal") to Renewable U setting out the terms upon which $2 million owing by Cielo to Renewable U would be exchanged for a participation (equity) interest in the Dunmore Entity. In the event that Cielo fails to submit the Proposal by the Proposal Deadline, Cielo will be required to repay the $2 million in cash within 60 days. The $2 million is reflective of the $1.25 million in fees previously advanced to Cielo under the MOUs plus $0.75 million in relation to costs incurred and steps taken by Renewable U in connection with one of the MOUs. Cielo expects that the Proposal will be submitted by the Proposal Deadline and that a $2 million cash payment will not be required.

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

In the event that Cielo does submit the Proposal to Renewable U, Renewable U can either: a) accept the terms of the Proposal, in which case an agreed upon $2 million will be exchanged for a 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 Company will issue 5 million common shares, as originally agreed in the MOUs at $0.25 per share, and $0.60 million in cash.

The 2018 – 2020 MOUs and the Medicine Hat MOU will terminate at the time that the participation interest is issued to Renewable U or the funds otherwise repaid as described above.

Deferred Fees

	July 31, 2023	April 30, 2023
Opening Balance	2,250	2,250
Termination of 2021 MOU (Note 11b(i)	(1,000)	-
Total	**1,250**	**2,250**

12. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair Value Measurement

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable.

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

As at July 31, 2023 and April 30, 2023, the Company has no financial instruments recorded at fair value on a recurring balance. Fair value of the Company's financial instruments approximate their carrying value due to their relatively short term to maturity or recent issuance.

Risk Management

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

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

- Liquidity risk
- Market risk
- Credit risk

Liquidity Risk

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

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

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

The Company's exposure to liquidity risk is dependent on its research and development activities and associated commitments and obligations, and the raising of capital. The Company relies on external financing to support its operations. To date, the research and development activities have been funded primarily through debt, convertible debentures, and the exercise of common share purchase warrants. Management constantly monitors capital markets. There are no assurances that funds will be available to the Company when required. As at July 31, 2023, the Company's cash is not subject to any external restrictions. The Company also continuously monitors actual and projected expenditures and cash flows.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from July 31, 2023 to the contractual maturity date. The amounts are equivalent to the following contractual undiscounted cashflows.

Year ending July 31	2024	2025	After 2026
Accounts payable and accrued liabilities	1,247	-	-
Royalty payable	889	-	-
Loans	10,203	1,815	-
Lease liability	122	24	-
Total	12,461	1,839	-

As at July 31, 2023, the Company had cash balance of approximately $1.1 million and a working capital deficit of approximately $1.2 million. Management continues to monitor and consider different alternatives to secure adequate financing to meet the Company's longer term cash requirement for commercializing its operations and developing new facilities. See Note 3 for additional information relating to the risk of Company's ability to continue as a going concern.

Market Risk

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

Interest Rate Risk

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

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency. As at July 31, 2023, the Company had US dollar denominated accounts payable of approximately $0.03 million. The Company's exposure to currency risk is not significant.

Credit Risk

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

As at July 31, 2023 the carrying amounts of the Company's cash, GST and other receivables approximate their fair value due to their short-term nature.

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

13. COMMITMENTS AND CONTINGENCIES

As at July 31, 2023, the Company is committed to expenditures under various contracts with service providers for general and administrative services as follows:

Period ended July 31	2024	2025	2026 +	Total
Lease obligations	134	25	-	159
Total contractual obligations	*134*	*25*	-	*159*

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

14. LESSOR

The Company entered into a commercial operating lease (the "Lease") with a private, third-party corporation (the "Tenant') for 15 of the approximately 60 acres owned by Cielo in Fort Saskatchewan, Alberta (the "FS Property"), which includes the building that is located on the FS Property (together the "Leased Premises"). The Lease is for a term of 5 years, beginning as of August 1, 2022, at an annual base rent of $0.6 million plus 90% of the occupancy costs for the Leased Premises (such as property taxes, insurance, and building maintenance). As at July 1, 2023, the Tenant leased the remaining acres of land, for additional rents of $0.4 million per year, for a total of $1.0 million per annum, or $0.8 million per month.

The Tenant may extend the term of the Lease for an additional period of 5 years upon mutual approval. The Tenant also has the right to terminate the Lease upon three (3) months' notice if such notice occurs prior to April 30, 2025. The Tenant has a right of first refusal with respect to the purchase and sale of the land by the Company.

In connection with the sale of the Fort Saskatchewan Property (Note 15), the lessor agreement was assigned from Cielo to the purchaser.

Rental income for the three months ending July 31, 2023 was approximately $0.18 million (2022 $nil), and is included in Other (Income) expenses.

15. SUBSEQUENT EVENTS

Sale of Fort Saskatchewan Property

In July 2023, the Company entered into definitive agreements to sell its Fort Saskatchewan property (the "Property") to the lender of the Second Mortgage Loan (Note 8) (the "Purchaser") in exchange for:

1) retirement of the principal amount of the $11 million Second Mortgage Loan; and
2) a $2 million promissory note, which is payable to the Company contingent on the Purchaser's re-sale of the Property for no less than $13.5 million prior to September 30, 2024. The Purchaser is required to make a best effort to sell the Property; however, in the event the Property is not re-sold, the $2 million Promissory note will be terminated, and the Company will not be entitled to further proceeds on this disposition.

On August 2, 2023, the transaction closed resulting in the disposition of the Property, extinguishment of the Second Mortgage Loan and related accrued interest, and the assignment of the lessor arrangement (Note 14) to the Purchaser.

As the sale of the Property met the criteria of Assets Held for Sale at July 31, 2023, the Company reclassified the assets and related liabilities to Assets and Liabilities Held for Sale on the statement of financial position. Assets Held for Sale are recognized at the lower of their carrying value and fair value less cost to sell.

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

The promissory note is a contingent asset and, therefore, will not be recognized until the realization of the economic benefit is virtually certain. Accordingly, the difference between the $12.9 million carrying value of Property and the $10.2 million of the liabilities extinguished on this transaction has been recognized as an impairment expense in the consolidated Statement of Loss and Comprehensive Loss.

Technology & Asset Acquisition

On September 15, 2023, the Company signed an asset purchase agreement whereby it agreed to issue 906,475,706 common shares ("Consideration Shares") to a third party, Expander Energy Inc. ("Expander"), in exchange for the acquisition of intellectual property rights in certain technologies owned by Expander ("Licensed Technologies") and contractual arrangements associated with certain development stage projects commenced by Expander. The number of Consideration Shares, once issued, will represent49.9% of Cielo's total shares outstanding at the closing date of the transaction. The transaction is anticipated to allow the Company to accelerate its timeline to commercialization and further enhance its existing proprietary technology. Subject to closing conditions described below, the transaction is expected to close in October 2023.

As part of the transaction, the Company has agreed to advance up to $1.5 million to Expander to progress project engineering during the period up to closing of the transaction. If the transaction does not close, any such advances will be considered a loan, which will bear interest at prime plus three percent (3%), with a minimum interest rate of 7.5%. Otherwise, the advances will be forfeit against engineering works as a prepayment upon closing

At closing of the transaction, Cielo and Expander will execute a license agreement, which will set out the terms of the licenses to be granted by Expander to Cielo, for the use of the Licensed Technologies. The terms of the license agreement are as follows:

- Cielo will have an exclusive license to use the Licensed Technologies in Canada for all feedstock materials and in the USA for creosote and treated wood.
- A royalty payable to Expander of 3% of the gross revenues earned from the sale of products from facilities that are developed and use the Licensed Technologies ("Licensed Facilities").
- Upfront fees to the Licensor for each Licensed Facility to a maximum of $3.5 million per facility based on capacity. The majority of the upfront fee will be applied as an advance against royalties.
- Expander will have the right to construct facilities using the Licensed Technologies in the event that opportunities arise that Cielo does not wish to pursue.

Cielo will be required to achieve a Final Investment Decision (FID) stage for a total of six Licensed Facilities in Canada and the United States within five years, otherwise losing exclusivity of the Licensed Technologies. The license agreement expires in connection with the expiration of the patents on the respective Licensed Technologies, anticipated to be a period of a minimum of 10 years.

All of the Consideration shares will be issued on closing and will be subject to a statutory four month hold period in addition to approximately 40% of the Consideration Shares to be held in escrow (15% for indemnification purposes) as set out below. There are no other conditions attached to the issuance of the shares.

Date of Release from Escrow (subject to 4 month hold)	# of Consideration Shares
Upon Closing	544,995,395
January 4, 2024	56,387,238
April 1, 2024	56,387,239
August 28, 2024	56,387,239
12 months from closing	56,387,239
13 months from closing	135,971,356

The transaction is subject to approval by the TSX Venture Exchange ("TSXV"). The transaction is a "Fundamental Acquisition" as defined by the policies of the TSXV and accordingly, the Company's common shares have been halted from trading and will continue to be halted pending review by the TSXV. The transaction is also subject to closing conditions. Most notably, Cielo is obligated to have $45 million of financing available to advance the development of one of the acquired projects and the execution of certain third-party agreements related to the acquired business.