CIELO

Q2 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights

for the three and six months ended October 31, 2023

MESSAGE TO SHAREHOLDERS

Ryan Jackson
Chief Executive Officer

> "Our strategic initiatives continue to drive innovation and position us for long-term success"

Dear Shareholders,

We are proud to present Cielo's Q2 2024 MD&A Quarterly Highlights for your review. As we navigate the dynamic landscape of our industry, I am proud to share the key achievements and milestones.

Strategic Focus

Our strategic initiatives continue to drive innovation and position us for long-term success. We successfully closed the transaction with Expander Energy Inc. which will play a pivotal role in shaping our future. These initiatives are aligned with our strategy of disposing railway ties and wood waste and creating renewable fuels for the market.

Positioned for Growth

Cielo is well-positioned to capitalize on upcoming feedstock opportunities in Canada and the United States. A result of the market ready technology that is now available for project development. Our proactive approach will drive sustainable profitable growth for the future.

In closing, I want to express my gratitude to our shareholders for your continued support. We are excited about the opportunities that lie ahead and remain committed to delivering value for investors, shareholders and stakeholders alike. Thank you for being part of our journey.

Sincerely,

Ryan Jackson

Chief Executive Officer Cielo Waste Solutions

1. INTRODUCTION

The following Management's Discussion and Analysis – Quarterly Highlights ("MD&A") of financial position and results of operations for Cielo Waste Solutions Corp. ("Cielo" or the "Company"), dated December 15, 2023 should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the unaudited condensed consolidated interim financial statements and notes for the three and six months ended October 31, 2023 and 2022, and the audited consolidated financial statements and notes for the years ended April 30, 2023 and 2022. The 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. This MD&A was approved and authorized for issuance by the Board of Directors of the Company on December 15, 2023. All capitalized terms not otherwise defined in this MD&A have the meaning given to them in the unaudited condensed consolidated financial statements and notes for the three and six months ended October 31, 2023.

Certain statements contained in this MD&A are forward-looking information within the meaning of applicable Canadian securities laws relating to the Company. Please refer to the sections of this MD&A regarding the risks associated with "Forward-looking Statements" and the section entitled "Risk Factors" in the Company's annual audited financial statements and management's discussion and analysis (the "Annual MD&A"), for the year ended April 30, 2023 and 2022, available on SEDAR+ at www.sedarplus.ca for a description of these risk factors.

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". Cielo was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011.

Additional Information

Additional information and disclosure relating to the Company, can be found on the Company's website at https://cielows.com/ and under the Company's profile on the SEDAR+ website at www.sedarplus.ca. Information contained in or otherwise accessible through the Company's website does not form part of this MD&A.

2. CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

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

Management's expectations, estimates and projections are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. All forward-looking information in this MD&A is qualified by these cautionary statements. This MD&A contains forward-looking information that is subject to current and future economic risk, the Company's ability to fund its work through equity or financings, market conditions, and government and regulatory constraints. The forward looking information in this MD&A includes, but is not limited to:

Forward-looking statements	Assumptions	Risk factors
Cielo's ability to meet its working capital needs at the current level. Cielo's expectation to incur further losses in the development of its business. The continued development of Cielo's proprietary TCD Technology, and the anticipated testing, data and results from, and uses for, the R&D Facility. Cielo's objectives and its ability, upon commercialization, to expand domestically and internationally, and the requirements in order to progress to one or more full scale commercial facilities. Future matters related to the sale of the FS Property, including but not limited to the promissory note for $2 million delivered to Cielo. The completion, terms and timing of the proposed transactions to terminate the MOUs with Renewable U, including but not limited to the timeline for the proposal to be delivered, and the purchase of land, amounts to be paid to Renewable U and the method and timing of such payment.	Cielo's belief that waste-to-fuel is a commercially viable and integral part of the future energy sector. The operating activities of Cielo for the twelve-month period ending April 30, 2024, and the costs associated therewith, will be consistent with Cielo's current expectations. Debt and equity markets, exchange and interest rates and other applicable economic conditions are favorable to Cielo. That minimizing environmental impact through technology, while meeting energy market needs is, and will continue to be, a worldwide focus, and that Cielo will be an integral part of this trend through ongoing research, and the future commercialization of its operations. Cielo will collect process data through the operation of the R&D facility and that the data that can be obtained from the R&D Facility will be capable of improving the design and function of the Company's future facilities that utilize the TCD Technology. Ongoing worldwide desire to better the environment; that Cielo will continue investing in infrastructure to support growth, including obtaining and retaining key personnel; that funding and support will continue through strategic partnerships and funding.	There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. A detailed description of the risks and uncertainties pertaining to the Company's operations and proposed operations can be found in the Company's Annual Management's Discussion and Analysis for the fiscal year ended April 30, 2023. The Company is not aware of any significant changes to the risks and uncertainties disclosed at those times, except as disclosed herein. Certain risk factors are included, but are not limited to those, below. Changes in debt and equity markets; timing and availability of external financing on acceptable terms project funding; increases in costs; regulatory compliance and changes in regulatory compliance and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; ongoing uncertainties relating to the COVID-19 virus or similar future viruses. Costs and timing for Company milestones in the current economic environment; the ability to fund the milestones; testing to occur and types of wastes to be used as feedstocks; market viability/timing of fuels.
The timing, terms and anticipated impact of the Acquired Technology and the implementation of the Licensed Technologies, including but not limited to the anticipated acceleration to commercialization and revenues; the expectation that the Asset Purchase Transaction will result in improvement to Cielo's proprietary technology; the terms of and matters related to the License Agreement; the projects to be undertaken by the Company as a result of the completion of the Asset Purchase Transaction and the locations, timelines and costs associated with the projects. The Consolidation and the terms thereof.	The ability of Cielo to integrate the Acquired Business into Cielo's business; that the Company's financial condition and development plans related to the company's projects do not change as a result of unforeseen events; that market conditions that affect the Company, generally, do not change; the regulatory climate in which the Company operates and the laws and policies applicable to Cielo, its business, do not change; the Company's ability to execute on its business plans; the availability and cost of feedstocks to be used in its projects; the capacity of the facilities to be constructed; the ability of each facility to operate as and for such duration(s) as anticipated, without unplanned stoppages or shut-downs; the ability of the Company to secure financing generally for its business and proposed projects on commercially reasonable terms or at all; the ability of the Company to sell the fuels produced by the facilities in a timely manner at commercially reasonable rates; the ability of the Company to secure tipping fees related to feedstocks; existing agreements and new agreements with third parties will be reasonable and enforceable and the relationships with	Should Cielo not raise sufficient capital, it may cease to be a reporting issuer. See Going Concern comments. The state of the legislative and regulatory regimes, both domestic and foreign, in which the Company conducts business and may conduct business in the future; Cielo's 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 impact of competition (existing and late entrants); the changes and trends in the Company's industry or the global economy; and the changes in laws, rules, regulations, and global standards.

	such parties will continue; and the information provided by Expander with respect to pro forma financial model(s) related to the projects being reasonable, complete and accurate.	

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

The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as the date they are otherwise stated to be made) and are subject to change after such date. Except as specifically required under applicable securities laws in Canada, Cielo assumes no obligation to publicly update or revise any forward-looking information to reflect new information, events or circumstances that may arise after December 15, 2023. All forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

3. CORE BUSINESS OVERVIEW

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, which is currently in the research and development stage and implemented in a research and development facility (the "R&D Facility") located in Aldersyde, Alberta, testing to begin upon receipt of approval from Alberta Environment and Protected Areas ("EPA"). Through an asset purchase transaction (the "Asset Purchase Transaction") with Expander Energy Inc. ("Expander") completed in November 2023, the Company also acquired an exclusive license in Canada for all materials to an Enhanced Biomass to Liquids (EBTL™) (the "EBTL Technology") and Biomass Gas to Liquids (BGTL™) technology (the "BGTL Technologies", collectively the Licensed Technologies), as well as an exclusive license in the United States to use the Licensed Technologies for creosote and treated wood waste. See the section entitled "Technology Acquisition" for additional information on the Asset Purchase Transaction.

Cielo's business model is centred on the construction of processing facilities with an ultimate objective to generate value by converting waste to fuel, while producing renewable fuel.

The Company's proprietary process for converting waste to fuel is referred to as thermal catalytic depolymerization ("TCD"), which management believes is complemented by the Licensed Technologies. It is the intention of the Company to build its initial commercial facilities (initially six (6) facilities [the "Licensed Facilities"]) using the Licensed Technologies, anticipating an accelerated path to commercialization and revenues, while continuing to develop, test and eventually implement, or integrate, its proprietary TCD technology (the "TCD Technology").

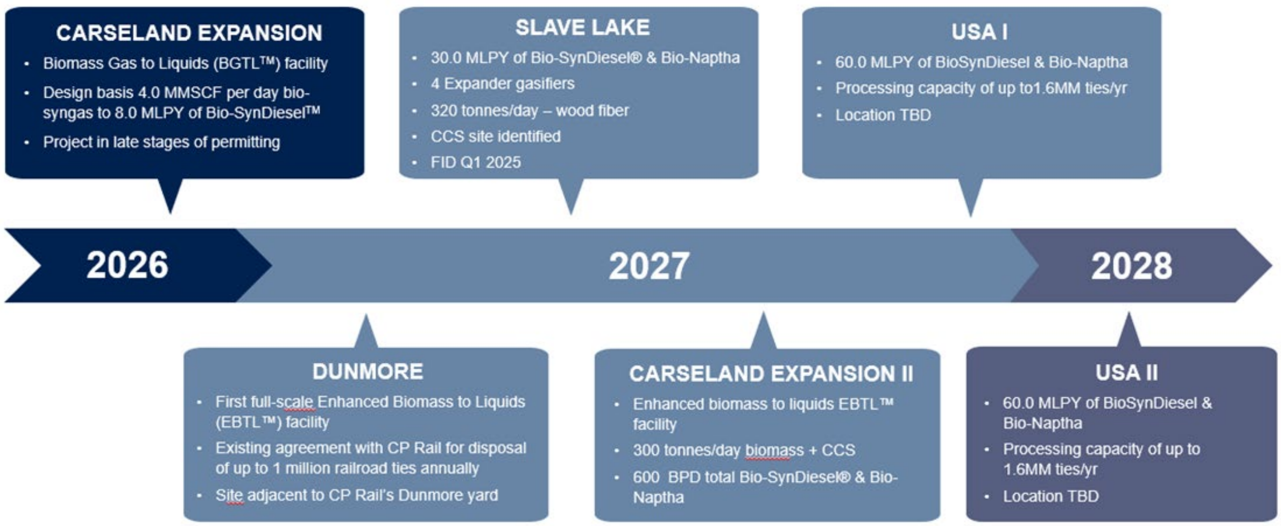
Cielo intends to generate revenue in part from charging tipping (or gate) fees for waste disposal services for clients who provide appropriate feedstock in most of its facilities, as well as the sale of products (i.e. fuels) produced at is facilities.

4. OUTLOOK AND MILESTONES

Cielo's primary business objective is to complete the construction of its first commercial facilities (in addition to its R&D Facility), beginning initially with a smaller-scale Licensed Facility using the BGTL Technology in Carseland, Alberta (the "Carseland Facility"), as well as a full-scale Licensed Facility using the EBTL Technology in Dunmore, Alberta (the "Dunmore Facility").

Concurrently, upon receipt of EPA approval, the Company intends to continue to utilize the R&D Facility to generate the data required to design and define the economics of a commercial facility using the TCD Technology, as well as explore the possibility of integrating the Licensed Technologies with the TCD Technologies, which are complementary in management's view.

Below is a diagram setting out milestones expected to be achieved by the Company with their respective timelines, dependent on regulatory approval: Carseland Facility cost is anticipated to be approximately $45 Million, funded by third party lenders. Future project structure is expected to be in the form of Limited Partnerships, or of similar nature (the "Project Entity"), costs are subject to project size, production schedule, engineering and construction costs which will be determined prior to creation of the Project Entity and subject to a bid process. Each Project Entity shall be funded through equity and debt.



Facility Updates

R&D Facility

The R&D Facility, a scaled-down testing unit intended to serve as a blueprint for any future full-scale facility utilizing the TCD Technology is expected to give Cielo the flexibility to experiment and enhance the quality of the process. Cielo shall engage a third party to explore additional improvements and enhancements to the TCD Technology.

Cielo Centre of Excellence (formerly the Aldersyde Facility)

Cielo's Aldersyde facility will be a permanent feature in the Company's strategy, in support of Cielo's ongoing research and development, including the evolution of its TCD process, and other technology.

As Cielo's Centre of Excellence, the facility will be where the science of waste to fuel will continue to advance.

In August 2022, Cielo decommissioned operations at its initial research and development facility in Aldersyde, Alberta. Management has been able to reuse certain ancillary systems, which have been or will be incorporated into the R&D Facility.

This facility demonstrated the ability to convert wood derivative waste materials into a product which can be sold 'as is' or further refined. Cielo obtained additional data from this facility, which has served to identify the limiting conditions that have historically prevented the Company from achieving steady-state production. This data has benefited the design and fabrication of the R&D Facility, planned enhancements and future full-scale facilities utilizing the TCD Technology.

Fort Saskatchewan Property

Cielo assessed alternatives for its Fort Saskatchewan Property ("FS Property"), and took steps intended to maximize its value, including leasing the building and a portion of the lands to secure steady rental income, prior to the sale of the FS Property during the quarter ended October 31, 2023 (the August 2023). The lease was for a term of five (5) years, beginning as of August 1, 2022, at an annual base rent of $0.6 million, plus 90% of the occupancy costs (such as property taxes, insurance, and building maintenance). The tenant was entitled to extend the term of the lease, upon mutual agreement, for an additional period of five (5) years and had the right to terminate the lease up to April 30, 2025 upon three (3) months' notice. The tenant also had a right of first refusal with respect to the sale of the FS Property, which the tenant did not exercise. Rental income for the six periods ending October 31, 2023 totalled $0.2 million

See section entitled "Financings & Finance Restructure – Sale of Fort Saskatchewan Property" for additional information regarding the sale of the FS Property.

Technology Acquisition

See section entitled "Technology Acquisition" regarding the transaction between Cielo and Expander, completed subsequent to October 31, 2023 (November 9, 2023). It is anticipated that the first commercial facilities to be completed by Cielo will utilize the Licensed Technologies rather than Cielo's proprietary TCD Technology with a view to accelerated revenues, however Cielo intends to concurrently continue to develop its TCD Technology.

5. OVERALL PERFORMANCE

Financial Overview

All amounts $000's

As at (Thousands of dollars)	October 31, 2023	April 30, 2023
Total assets	13,940	29,366
Total liabilities	5,319	14,569
Total non-current liabilities	1,941	61
Working capital deficiency	(2,191)	(12,487)

	Three months ended October 31		Six months ended October 31	
(000 of dollars, except per share amounts)	**2023**	**2022**	**2023**	**2022**
Financing costs	60	583	638	1,218
General and administrative	616	902	1,563	1,884
Research and development	222	414	661	964
Share based compensation	187	165	318	127
Impairment of assets and assets held for sale	-	-	3,826	25,366
Net loss per share – basic & diluted	-	-	(0.01)	(0.04)

For the three months ended October 31 2023, the Company had a net loss of $1.4 million, which consisted primarily of (i) general and administrative of $0.6 million; (ii) research & development costs of $0.2 million; (iii) finance costs of $0.05 million; (iv) share based compensation of $0.2 million.

Net loss for the six months ended October 31, 2023 was $7.3 million, $22 million less than the period ended October 31, 2022, primarily due, an overall reduction of operating costs of approximately $1.0 million plus recognition of an impairment loss on the Fort Saskatchewan Property of $3.8 million (due to a condition of sale) compared to the impairment recognition related to property, plant and equipment of $25.4 million in 2022.

During the quarter ended October 31, 2023, Cielo had negative operating cash flow of $1.1 million, consistent with prior periods, and as expected in a pre-revenue business. Cielo expects cash flow from operations to be negative during the product development stages of the Company.

The tables below provide further insight into Cielo's primary expenses:

Finance Costs

Periods ended July 31 (Thousands of dollars)	Three months ended October 31 **2023**	 **2022**	Six months ended October 31 **2023**	 **2022**
Interest on loans	56	563	629	1,177
Accretion of lease liability	4	20	9	41
Total	60	583	638	1,218

Financing costs decreased approximately $0.5 million for the 3-and six-month periods, compared to prior year's primarily due to the lessened interest expense as debt decreased from the comparative period, see Financings and Finance Restructure section for additional information.

General & Administrative

Periods ended July 31 ***(Thousands of dollars)***	Three months ended October 31 **2023**	 **2022**	SIx months ended October 31 **2023**	 **2022**
Professional fees	152	511	515	692
Personnel	250	112	502	672

Property tax and insurance	55	169	151	336
Office and administrative	159	110	395	184
Total	**616**	**902**	**1,563**	**1,884**

In comparison to prior year comparative periods:

- general & administrative costs were reduced approximately $0.3 million in the three-month period, and six-month periods;
- professional fees decreased approximately $0.1 million in the six month period, and $0.4 million in the three-month due to decreased corporate development activities;
- personnel increased approximately $0.1 million in the three month period due to a recategorization of personnel costs, while the six-month period realized a $0.1 million reduction as Cielo continues to reduce staff to minimize its personnel costs.
- property tax reduction of $0.1 million in the 3-month period, and $0.2 million in the six-month period is due to the disposition of the FS Property in the current period.
- office and administration cost increase in the quarter of $0.05 million, and the six-month period of $0.2 million is the result of costs associated with the exit of former Calgary office.

Research & Development

Periods ended	**Three months ended October 31**		**Six months ended October 31**	
(Thousands of dollars)	**2023**	**2022**	**2023**	**2022**
Operating expenses	102	194	301	458
Personnel	120	220	360	506
Total	**222**	**414**	**661**	**964**

Research & Development decreased approximately $0.30 million from comparative period, due to Cielo's focus on design and fabrication of the R&D Facility.

Other income

Periods ended	**Three months ended October 31**		**Six months ended October 31**	
(Thousands of dollars)	**2023**	**2022**	**2023**	**2022**
Rental income	(5)	154	176	153
Other costs	-	-	-	-
Total other income (expense)	**(5)**	**154**	**176**	**153**

Rental income decreased $0.1 million in the three months ended October 31, 2023 as the leased FS Property was sold in the period. See section entitled "Financings & Finance Restructure – Sale of Fort Saskatchewan Property" for additional information regarding the sale of the FS Property. Rental income increased in the six-month period over the comparative period, as the leased portion of the FS Property increased, resulting in increased rents commencing July, 2023.

Outstanding securities summary

As at	October 31, 2023	December 5, 2023
Issued & Outstanding	910,209,275	1,682,790,549
Options Outstanding - Vested & exercisable	13,213,770	13,213,770
Warrants outstanding (exercisable)	210,973,159	210,973,159
Outstanding (Diluted)	*1,134,396,205*	*1,906,977,478*
Options Outstanding - unvested	13,234,822	13,234,822
DSU's outstanding - unvested	2,100,000	2,100,000
Indemnification shares (Tech asset acquisition)	-	133,894,833
Outstanding (Fully diluted)	*1,149,731,027*	*2,058,283,656*

As at the date of this MD&A, there were no changes to the numbers of issued and outstanding securities set out above.

6. FINANCINGS AND FINANCE RESTRUCTURE

$5 Million Financing Secured

In July 2023 Cielo secured a third mortgage facility (the "Third Mortgage Loan") for up to $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 completed in the amount of $2 million. The Third Mortgage Loan is secured by the Company's property in Aldersyde, Alberta (on which the R&D Facility is situated), bears interest at 7.5% per annum, interest only payable monthly and is due on September 1, 2025. Prepaid interest of $0.15 million and financing cost of $0.07 million were remunerated from the proceeds of the first draw. Following the end of the quarter ended October 31, 2023, on November 1, 2023, Cielo completed a second draw of $0.5M Prepaid interest of $0.03 million and financing cost of $0.02 million were remunerated from the proceeds of the second draw.

Renewable U ("Renewable U") Restructuring

In May 2023, Cielo executed agreements with Renewable U whereby Cielo and Renewable U agreed to:

1. *Terminate four of nine MOUs* effective May 23, 2023, with 16,666,667 common shares of Cielo issued at $.06/share. The shares were valued at the price of Cielo common shares at the date of closing of the transaction l, at approximately $0.8 million, resulting in a gain on settlement of debt in the amount of $0.2 million in the period.
2. *Terminate remaining five of nine MOUs* as and when follows:
   a. If Renewable U accepts a proposal to be delivered by Cielo to Renewable U by March 29, 2024 (amended from October 28, 2023) setting out the terms on which the liabilities associated with the remaining MOUs owing to Renewable U would be exchanged for a participation (equity) interest in the entity to be formed to own and operate the proposed facility in Dunmore, Alberta (the "Dunmore Entity"), termination to be effective as of the date the participation (equity) interest is issued; or
   b. If Renewable U doesn't accept the proposal, termination to be effective upon the issuance of common shares of Cielo on the terms of repayment set out in the MOUs, plus cash consideration for $0.6 million in incurred costs; or
   c. If Cielo fails to make the proposal to Renewable U by March 29, 2024 (unless extended), termination to be effective upon the repayment of $2 million in cash within 60 days of March 29, 2024 (or any extended date).
3. In total, Renewable U may participate for up to $2 million in equity in the Dunmore Entity if Renewable U accepts the proposal.

For further detail, please refer to Note 11 in the accompanying financial statements and 10 Related Party Transactions detailed below.

Sale of Fort Saskatchewan Property

In July 2023, the Company entered into a purchase and sale agreement to sell the FS Property to the lender of the Second Mortgage Loan (Note 8) (the "Purchaser") in exchange for:

1. retirement of the principal amount of an $11 million mortgage loan (the "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 proceeds in excess of $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 FS Property, extinguishment of the Second Mortgage Loan and related accrued interest, and the assignment of the lessor arrangement 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.

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 in the consolidated Statement of Loss and Comprehensive Loss

Share Consolidation

Following receipt of the requisite special majority approval of the Company's shareholders at Cielo's annual general and special shareholder meeting held on October 26th, 2023, the Company's board of directors has authorized management to proceed with a share consolidation (the "Consolidation") on the basis of one post-consolidation common share for every fifteen pre-consolidation common shares of the Company. Management may enact the consolidation at such time as is optimal, and the Company will circulate a letter of transmittal to its registered shareholders with respect to the Consolidation at the appropriate time. The Consolidation is subject to the approval of the TSX Venture Exchange. An update will be provided with the effective date of the Consolidation once determined.

Private Placement of Flow-Through Shares

On December 7, 2023, the Company announced a private placement of flow-through private placement on a non-brokered basis (the "**Private Placement**"). The Company intends to raise up to $6 million in gross proceeds by issuing up to 150,000,000 flow-through shares (the "**FT Shares**") at a price of $0.04 per FT Share.

The purpose of the Private Placement is to advance Cielo's first commercial waste-to-fuels facility in Carseland, Alberta (the "**Carseland Project**"), which will utilize the recently acquired EGTLTM technology under exclusive license to Cielo. Each FT Share will be a common share of the Company issued as a "flow-through share" (as defined in subsection 66(15) of the Income Tax Act (Canada) (the "**ITA**")). The gross proceeds from the sale of FT Shares will be used by the Company to incur qualifying "Canadian renewable and conservation expenses" ("**CRCE**") for the Carseland Project, which will qualify as Canadian Exploration Expenses ("**CEE**") under the ITA and will be renounced in favour of the purchasers of the FT Shares for the 2023 tax year in an aggregate amount of not less than the gross proceeds of the Private Placement.

7. ASSET & TECHNOLOGY ACQUISITION

On September 15, 2023, the Company signed an asset purchase agreement, which was amended and restated on November 8, 2023 (the "Asset Purchase Agreement"), whereby it agreed to pay a purchase price of C$45,323,785.30 by issuing 906,475,706 common shares of the Company (the "Consideration Shares") at a price of $0.05 per Consideration Share in exchange for the acquisition of intellectual property rights in the Licensed Technologies, as well as contractual arrangements associated with certain development stage projects commenced by Expander (together with the Licensed Technologies, the "Acquired Technology"). The Asset Purchase Transaction is anticipated to allow the Company to accelerate its timeline to commercialization and further enhance its existing proprietary technology. The Asset Purchase Transaction closed subsequent to the quarter ended October 31, 2023, on November 9, 2023. Upon closing of the transaction, the Company assumed all obligations related to the Acquired Assets, including:

- certain short-term liabilities of Expander totaling $0.18 million; and
- a 25-year term land lease commitment for $0.02 million per annum, and
- committed up to $1.5 million to be immediately available to pay Expander for engineering and related costs to be incurred for one of the acquired development stage projects in Carseland, Alberta (the "Carseland Project"). .

Also upon closing of the transaction, Cielo and Expander executed a license agreement, which sets 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 has an exclusive license to use the Licensed Technologies in Canada for all feedstock materials and in the USA for creosote and treated wood.
- A Gross Royalty payable ("GOR") 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 paid to the Expander 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 the GOR. The upfront fees are comprised of:
  - Non-refundable technology fee of $0.75 million per Licensed Facility, of which $0.25 million will be applied as a prepayment of the process license fee (below) when the project proceeds. Subsequent to closing the Asset Purchase Transaction, the Company has been invoiced $0.75 million for the Carseland Project technology fee;
  - A one time, non-refundable process licence fee, payable upon achieving a final investment decision ("FID") for the Licensed Facility, of $0.005 million per barrel per day ("BPD") to a maximum of $3.0 million per Licensed Facility. The process licence fee will be applied to the GOR.
- Expander has the right to construct facilities using the Licensed Technologies in the event that opportunities arise that Cielo does not wish to pursue.
- Cielo is required to achieve a 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.

- In the event of material breach of the license agreement by Cielo or if amounts payable under the license agreement are not paid within 60 days of receipt of written notice from Expander providing details of such failure, Expander may terminate the license agreement.

On closing, the Company issued 85% of the Consideration Shares to Expander, Expander's directors and officers (the "Expander Insiders") and Expander's other shareholders. 25% of the Consideration shares, which are held by Expander and the Expander Insiders, were deposited into escrow for release as follows:

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
November 9, 2024	56,387,239

The remaining 15% of the Consideration Shares will be issued upon the expiration of an indemnification period and subject to certain conditions, each as set out in the Asset Purchase Agreement.

8. LIQUIDITY AND FINANCIAL CONDITION

Cash decreased during the three months ended October 31, 2023 due to net cash used in operating activities of $1.1 million. In the six month period, cash decreased by $1.2 million, primarily due to cash used for operating activities $2.6 million offset by cash proceeds from financing activities of $1.7 million.

Net cash used in operating activities was $1.1 million for the quarter ended October 31, 2023. The cash used in operating activities was used to fund:

- general and administrative costs,
- research and development expenditures,
- and to satisfy our amounts payable obligations.

Net cash used in investing activities was $0.05 million for the quarter, and $0.2 million for the six months ended October 31, 2023.

Cash provided through financing activities was $1.7 million for the six months ended October 31, 2023, due to the Third Mortgage Loan, which realized $2.0 million (less costs).

Total assets decreased by $16 million as of October 31, 2023 compared to April 30, 2023, due to the disposition of assets of $14 million, plus a reduction of cash of $1.1 million, and amortization.

Total liabilities decreased by $9 million as of October 31, 2023 compared to April 30, 2023 primarily due to the debt repayment (FS Property Sale) of approximately $10 million, an increase in loans payable in the amount of $2 million (the Third Mortgage Loan) less a reduction in deferred revenue and fees of $1 million in relation to a reduction of the MOU liability settlement, and amounts payables of $0.2 million, which was a result of decreasing overall general and administrative expenses.

At October 31, 2023, the Company had a net working capital deficit of approximately $2.2 million (April 30th, 2023 working capital deficit of $12.4 million).

Going Concern Uncertainty

Cielo has not yet generated revenue from its planned commercial operations and has accumulated losses of $116 million as at October 31, 2023 and generated losses of $2.4 million for the three months and $7.3 million for the six months ended October 31, 2023.

Cielo 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 possible 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 generate revenue and positive cash flow from operating activities, and its ability to obtain additional financing to fund the cost of research, development and other corporate activities. These matters create material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Off-Balance Sheet Arrangements

As at October 31, 2023, Cielo did not have any off-balance sheet arrangements in place that would materially impact its financial position or results of operations.

9. RELATED PARTY TRANSACTIONS

Ryan Jackson (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.

Cielo had entered into nine (9) memorandums of understanding ("MOUs") in total with Renewable U and its affiliates to build and commission waste to fuel facilities, at no cost to Cielo other than internal costs, one each in Grand Prairie, Alberta; Calgary, Alberta; Medicine Hat, Alberta; Lethbridge, Alberta; Halifax, Nova Scotia; Winnipeg, Manitoba; Kamloops, British Columbia; Toronto, Ontario, and a location to be determined in the United States. Pursuant to the MOUs, in consideration for the opportunity to enter into joint arrangement agreements, Renewable U and its affiliates paid a fee of $250,000, to the Company for the execution of each MOU. The fees are non-refundable unless a joint arrangement agreement is not executed by August, 2023 (or such other date as agreed by Cielo and Renewable U), and the deferred fees have been recognized as a current liability.

In the three months ended July 31, 2023, agreements were executed by Cielo and Renewable U. See section entitled ("Financings & Finance Restructure – Renewable U ("Renewable U") Restructure') for information regarding agreements executed between Cielo and Renewable U to terminate the MOUs.

In addition to the termination of the MOUs, Cielo has concurrently entered into an agreement of purchase and sale (the "Offer to Purchase"), pursuant to which Cielo (or its assignee) has agreed to purchase 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 the sastifaciton or waiver of closing conditions by December 15, 2023, and an anticipated closing date of January 5, 2024. 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.

10. SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting, using accounting policies consistent with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income, and expenses. Estimates and judgments are evaluated each reporting period and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are subject to inherent risk of uncertainty and actual results may differ from these estimates and assumptions, please refer to Note 4 in the audited consolidated financial statements for the years ended April 30, 2023 and 2022; and Note 4 in the unaudited condensed consolidated financial statements for the periods ended January 31, 2023 and 2022. Significant estimates are used for, but not limited to, the measurement of the fair value less costs of disposal for the impairment valuation.

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 condensed consolidated interim financial statements for the three month periods ended October 31, 2023.

11. RISK FACTORS

An investment in the securities of Cielo involves numerous and significant risks. Investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's annual audited financial statement and MD&A for the year ended April 30, 2023, available on SEDAR+ at www.sedarplus.ca for a description of these risk factors. There have been no material changes to the Company's risk factors since the date thereof.

12. DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited interim condensed consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim condensed consolidated financial statements, and (ii) the unaudited interim condensed consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer’s generally accepted accounting principles (IFRS). The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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