CIELO WASTE SOLUTIONS CORP.

Unaudited Condensed Consolidated Financial Statements

For the Three & Nine Months Ended January 31, 2024 and 2023
and the Year Ended April 30, 2023

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANICAL STATEMENTS

For the Three & Nine Months Ended January 31, 2024 and 2023
and the Year Ended April 30, 2023

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Cielo Waste Solutions Corp.

Unaudited consolidated Statements of Financial Position

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

As at	Note	January 31 2024	April 30 2023
Assets			
Current Assets			
Cash & cash equivalents		23	1,153
Restricted investments		155	180
Accounts receivable		84	89
Prepaid expenses and other		1,301	466
Inventory		126	132
		1,689	2,020
Non-current Assets			
Right-of-use assets		74	151
Property, plant and equipment	5	17,097	25,308
Intangible assets	6	40,767	1,887
		57,938	27,346
Total Assets		**59,627**	**29,366**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		2,231	1,394
Royalty payable	7	889	889
Deferred fees	11	1,250	2,250
Current portion of lease liability		85	113
Current portion of long term loans	8	-	9,861
Short term loan	8	130	-
Other liabilities	9	6,799	
		11,384	14,507
Non-current Liabilities			
Lease liability		1	61
Long-term loans	8	2,433	-
		2,434	61
Total Liabilities		**13,818**	**14,568**
Shareholders' Equity			
Share capital	9	152,056	111,980
Contributed surplus	9	12,095	11,890
Deficit		(118,342)	(109,072)
Total Shareholders' Equity		**45,809**	**14,798**
Total Liabilities and Shareholders' Equity		**59,627**	**29,366**

Going Concern (Note 3), Commitments (Note 13 and 15), and Subsequent Events (Notes 8 & 15)

Signed on behalf of the Board

/s/ *"Ryan Jackson"*　　　　/s/ *"Sheila Leggett"*

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 January 31		Nine Months Ended January 31	
$000's, except per share amounts	**Note**	**2024**	2023	**2024**	2023
Expenses and other income					
Financing costs	10	72	620	709	1,838
General and administrative		546	1,137	2,110	3,021
Research and development		167	442	827	1,407
Share based compensation	9	(113)	143	205	270
Depreciation and amortization		1,315	132	1,976	403
Impairment of property, plant and equipment	5	-	-	3,826	25,366
Loss (Gain) on settlement of debt with shares	9 & 11	-	-	(167)	90
Other (income) expenses	14	(42)	(165)	(218)	(318)
Net and comprehensive loss		**(1,945)**	(2,309)	**(9,268)**	(32,077)
Loss per share					
Basic	*9*	*(0.02)*	*(0.04)*	*(0.12)*	*(0.62)*
Diluted	*9*	*(0.02)*	*(0.04)*	*(0.12)*	*(0.62)*

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	(2,654)	2,836	-	182
Shares issued for warrant exercise	27	-	-	27
Fair value of shares issued for debt	1,889	-	-	1,889
Share based compensation	-	270	-	270
Share issuance costs	(1,097)	-	-	(1,097)
Net and comprehensive loss for the period	-	-	(32,077)	(32,077)
Balance, January 31, 2023	**107,709**	**9,826**	**(105,334)**	**12,568**
Balance, April 30, 2023	**111,980**	**11,890**	**(109,073)**	**14,797**
Shares issued in public offering	670	-	-	670
Shares issued on IP acquisition	38,525	-	-	38,525
Fair value of shares issued for debt settlement (note 11)	833	-	-	833
Share based compensation	-	205	-	205
Shares issued on debt conversion	62	-	-	62
Share issuance costs	(15)	-	-	(15)
Net and comprehensive loss for the period	-	-	(9,268)	(9,268)
Balance, January 31, 2024	**152,055**	**12,095**	**(118,341)**	**45,809**

Unaudited consolidated Statements of Cash Flows

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

	Note	Three months ended January 31		Nine months ended January 31	
		2024	2023	**2024**	2023
Net loss		(1,945)	(2,309)	(9,268)	(32,077)
Adjustments for non cash items:					
Depreciation and amortization		1,315	132	1,976	403
Impairment of property, plant & equipment		-	-	3,826	25,366
Loss (Gain) on settlement of debts with shares		-	-	(167)	90
Share based compensation	9	(113)	143	205	270
Financing costs	10	72	1,059	709	3,304
		(671)	(975)	(2,719)	(2,644)
Changes in working capital:					
Accounts receivables and accrued		79	278	4	(25)
Prepaid expenses		(32)	384	(144)	473
Inventory		7	17	7	3
Accounts payable and accrued		45	(146)	(228)	(2,541)
Cash used in operating activities		**(572)**	(442)	(3,080)	(4,734)
Cash (used in) provided by financing activities:					
Lease liability		(33)	(34)	(100)	(89)
Short term loan	8	130	-	130	-
Long term loan – advances	8	625	-	2,625	-
Long term loan – repayment	8	(165)	(30)	(165)	(30)
Interest paid		(33)	(69)	(173)	(94)
Financing fees		(44)	(80)	(92)	(148)
Finance share issuance		670	-	670	9,775
Share issuance for warrant exercise		-	-	-	27
Share issuance costs	9	(15)	(18)	(19)	(915)
Cash provided or (used) by financing activities		**1,135**	(231)	2,876	8,526
Cash used in investing activities:					
Additions of property plant and equipment	5	(1,202)	(724)	(1,298)	(4,062)
Investments		25	-	25	-
Changes in working capital:					
Deposit on revenue generating assets		(508)	-	(508)	-
Accounts payable and accrued liabilities		1,145	792	855	757
Cash provided or (used) in investing activities		**(540)**	68	(926)	**(3,305)**
Increase (decrease) in cash and cash equivalents		**23**	**(605)**	(1,130)	**487**
Cash and cash equivalents, beginning of period		-	3,773	1,153	2,681
Cash and cash equivalents, end of period		**23**	**3,168**	**23**	**3,168**

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**") 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.

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 under the *Business Corporations Act* (British Columbia).

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 March 27, 2024.

3. GOING CONCERN

The Company has not yet generated revenue from its planned commercial operations and has accumulated losses of $119 million as at January 31, 2024 and generated a loss of $9.3 million for the nine month period ended January 31, 2024. The Company has a working capital deficit (defined as total current assets less total current liabilities) of $9.8 million as at January 31, 2024. The Company currently has no ability to settle its working capital deficiency including any of its debt nor finance its ongoing operating and investment activities nor meet its financing and other contractual commitments. 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 short term obligations and future financing requirements to develop projects acquired in the Expander transaction (Notes 6 and 9). The Company has not reached planned commercial operations and its ability to continue as a going concern is dependent on the continued support of debtholders and lenders (Note 8) as well as other potential investors to fund the cost of research, development, and other corporate activities, including the financing requirements that will be necessary to develop the projects acquired subsequent to period end (Note 15), and its ability to generate revenue and positive cash flow from operating activities. The foregoing may include raising additional equity and/or debt; or entering into strategic partnerships and/or other agreements. There is no guarantee that the Company will be successful in this regard. These matters create a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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

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

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	6,534	-	-	44	-	6,578
Disposition	-	(10,761)	(2,978)	(351)	-	(14,090)
Balance, January 31, 2024	**32,082**	**823**	**1,579**	**10,135**	**86**	**44,705**
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	-	-	82	719	12	813
Disposition	-	-	(114)	-	-	(114)
Balance, October 31 2023	**25,548**	**-**	**389**	**1,603**	**68**	**27,608**
Net Book Value						
Balance, April 30, 2023	-	11,584	4,136	9,558	30	25,308
Balance, January 31, 2024	**6,534**	**823**	**1,190**	**8,532**	**18**	**17,097**

Construction in progress

In the periods ended January 31, 2024, $0.8 million of engineering and development work was undertaken and as part of the Technology and Asset Acquisition (Note 9), the Company acquired projects under development totaling $5.7 million. The projects and their attributed costs are as follows:

Project	Value
Carseland I	$ 372
Carseland Expansion II	639
Slave Lake	4,700
Total	$ 5,711

Disposition of Assets

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 best efforts 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.

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 $14 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.

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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 year April 30, 2023, 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 was 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

	January 31, 2024	April 30, 2023
Opening balance	1,887	2,002
Additions	39,966	-
Amortization	(1,086)	(115)
Total Intangible Assets	40,767	1,887

Intangible assets include:

a) The Company's technology (Thermal Catalytic Depolymerization ("TCD Technology")

Intangible assets are amortized using straight-line method, with no residual value, over their anticipated life.

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 (the "License Agreement"), Cielo held an exclusive global license to complete the development and commercialization of technology (the "Technology") to convert and transform waste to fuel. 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 666,666 common shares to 1888 Inc at a price of $3.075 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.

b) Technology and Asset Acquisition (Note 9)

In November 2023, the Company acquired a license to use certain technologies owned by Expander Energy Inc. ("Expander"), namely the "Enhanced Biomass to Liquids (EBTL^{TM}) (the "EBTL Technology") and the "Biomass Gas to Liquids" (BGTL^{TM}) technology (the "BGTL Technology", together with the EBTL Technology, collectively the "Licensed Technologies") as well as contractual arrangements associated with certain development stage projects (together with the Licensed Technologies, the "Acquired Assets).

The Licensed Technology was recorded at Fair Value upon acquisition in the amount of $39.9 million, and will be amortized over their estimated useful life of 10 years.

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

During the three months ended January 31, 2024, the Company recognized an amortization expense of $0.9 million (2023 - $0.04 million), and in the nine months ended January 31, 2024, the Company recognized an amortization expense of $0.9 million (2023 - $0.08 million).

7. ROYALTY PAYABLE

	January 31, 2024	April 30, 2023
Royalty payable – Current	889	889

Pursuant to an early warrant exercise incentive program in 2018 (the "Program"), 451,666 warrants were exercised early in exchange for a $19.6825 per warrant fixed rate royalty.

Royalty certificates were issued to the participants dated July 3, 2018, indicating a payment deadline of July 3, 2020. The Company obtained the requisite approval of the royalty holders to delay the payment deadline as a result of delayed operations, production, and revenues, initially until July 3, 2022, a second time to January 3, 2024, and a third time in January 2024 to July 3, 2024.

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 January 31, 2024, the Company is not in production, and no allocation is required.

8. LOANS

	January 31, 2024	April 30, 2023
Current portion, loans		
Second Mortgage Loan, 3%, due February 18, 2024 (Note 15)	-	9,801
Short term loan	130	-
CEBA loan	-	60
Total current portion long-term loans	**130**	**9,861**
Long term portion, loans		
CEBA loan	-	-
Third Mortgage Loan, 7.5%, due September 1, 2025	2,433	-
Total long-term portion, loans	2,433	-
Total Loans	2,563	9,861

In the three-month period ended January 31, 2024, the CEBA loan was repaid. Per the CEBA program, repayment constitutes $0.04 million cash repayment, and $0.20 million debt forgiveness, which is reflected in Other Income in these financial statements.

In addition, a short-term unsecured loan was obtained from a private lender totalling $0.13 million, bearing interest at 12%, with finance fees of $0.005 million, due and payable on or before March 31, 2024. On March 15, 2024, $0.13 million was repaid and the loan retired.

In the three months ended January 31, 2024, a short term loan in the amount of $0.125 million was advanced by the Third Mortgage lender. The loan was unsecured, and subject to finance fees of 3% and interest of 7.5% per annum. The loan was repaid in January, 2024 in full.

In July 2023 Cielo secured a third mortgage facility (the "Third Mortgage Loan") in the amount of $5 million. Proceeds of the loan were expected to be drawn in increments, and subject to the discretion of the lender, to a maximum of $5 million. After the initial 12-month loan period (ending on July 24, 2024), the lender has sole discretion to evaluate the Company's financial position and business and technological advances and if not satisfied with such, demand repayment of all amounts outstanding (principal and interest) within 90 days of such notice being provided to the Company. In July 2023, the first draw was finalized in the amount of $2 million. Additional amounts of $0.5 million were advanced in the three months ended January 31, 2024. Subsequent to January 31, 2024 an additional and final drawdown of $0.1 million was advanced. The Third Mortgage Loan is secured by the Company's property in Aldersyde, Alberta, bears interest at 7.5% per annum with interest only payable monthly and is due 24 months following the date of each advance. The initial draw of $2 million is due in July 2025 and the subsequent draws of $0.5 million is due in

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November and December 2025 respectively. Prepaid interest of $0.27 million and financing cost of $0.09 million were paid on the proceeds and are amortized over the life of the loan.

Prior to the Third Mortgage Loan, the Company had entered into a prior mortgage loan for $11 million with the lender of the Third Mortgage Loan (the "Second Mortgage Loan"). In July 2023 Cielo entered into an agreement with the lender 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 extinguished upon the close of the transaction on August 2, 2023 (Note 5).

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 January 31, 2024 and 2023, there were no Class B preferred shares issued or outstanding.

Share Consolidation

Effective January 29, 2024, the Company completed a share consolidation (the "Consolidation") on the basis of one post-consolidation common share for every fifteen pre-consolidation common shares of the Company. Special majority approval of the Company's shareholders was obtained at Cielo's annual general and special shareholder meeting held on October 26th, 2023, and the Company's board of directors authorized management to proceed at such time as was advantageous to the Company, which was set by management as January 29, 2024. All share based financial instruments issued prior to the effective date of the share consolidation are subject to the consolidation. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the Consolidation.

On a post-Consolidation basis, the number of common shares issued and outstanding are:

Period ended January 31	**2024**		2023	
Common Shares	Number of Shares	$ Amount	Number of Shares	$ Amount
Balance, beginning of period	59,569,507	111,980,093	44,155,327	99,769,413
Shares issued on IP acquisition[1]	51,366,957	38,525,218	-	-
Financing share issuance	1,116,667	670,000	9,309,524	9,775,000
Issued in settlement of debt	1,249,573	895,641	1,798,942	1,888,889
Issued for warrant exercise	-	-	20,000	27,000
Fair value of warrants issued	-	-	-	(2,653,214)
Share issuance cost	-	(15,080)	-	(1,098,352)
Balance, end of period	**113,302,703**	**152,055,872**	**55,283,793**	**107,708,736**

[1] 9,064,757 Consideration Shares are reserved for issuance, representing 15% of Consideration Shares to be issued upon the expiration of the Indemnification Period (see "Technology & Asset Acquisition" below for further details).

Technology & Asset Acquisition

On September 15, 2023, the Company executed an asset and purchase agreement, which was amended and restated on November 8, 2023 (the "Asset Purchase Agreement"), whereby it agreed to pay a purchase price of $45,323,785 by issuing 60,431,714 common shares of the Company (the "Consideration Shares") at an agreed price of $0.75 per Consideration Share in exchange for the Acquired Assets (Note 6(b)). The transaction closed on November 9,2023. Upon closing, the Company assumed obligations related to the Acquired Assets, including:

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

Also upon closing, Cielo and Expander executed a license agreement (the "License Agreement") setting out the terms of the licenses 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;

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

- 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 (each a "Licensed Facility", collectively the "Licensed Facilities").
- Upfront fees paid to Expander for each Licensed Facility to a maximum of $3.5 million per Licensed Facility based in part 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 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 FID stage for a total of six Licensed Facilities in Canada and the United States within five years of closing (November 2028), 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, including 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 that were issued on closing, 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	36,333,026
January 4, 2024	3,759,149
April 1, 2024	3,759,149
August 28, 2024	3,759,149
November 9, 2024	3,759,149

The remaining 15% of the Consideration Shares will be issued upon the expiration of an indemnification period (the "Indemnification Period") and subject to certain conditions, each as set out in the Asset Purchase Agreement, and are recorded as Other Liabilities in these financial statements, until the date of issuance.

If all of the Consideration Shares were issued on closing, this would represent 49.9% of the issued and outstanding common shares of the Company as at the time of closing, the pre-closing shareholders of the Company retaining 50.1% of the issued and outstanding common shares of the Company. As 85% of the Consideration Shares were issued as of closing, Expander, its shareholders and the Expander Insiders hold approximately 46% of the issued and outstanding shares of the Company as at closing.

The Consideration Shares that were issued on closing are subject to a statutory hold period of four months and one day, which expired on March 10, 2024.

As per the Asset Purchase Agreement, the Purchase Price Allocation (PPA) was determined to be reasonably allocated between Property Plant and Equipment (projects underway) and Technology License. Value assigned to projects are attributed using costs expended to the date of acquisition, the Fair Value of the Technology License was determined using a discounted future cashflows model. Values assigned are as follows:

Asset Acquired	$
Carseland I	372
Carseland Expansion II	639
Slave Lake	4,700
Total Property Plant & Equipment	5,711
Technology License	39,613
Total Assets Acquired	45,324

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

Private Placement of Flow-Through Shares

On December 29, 2023, the Company closed a non-brokered private placement offering of flow through shares (common shares) (the "FT Shares") for gross proceeds of $670,000 by issuing 1,116,666 FT Shares at $0.60 per share. Each FT Share is a common share of the Company issued as a "flow-through share" (as defined in subsection 66(15) of the Income Tax Act (Canada). Certain officers and directors of the Company participated in the Private Placement for a total of $410,000.

Shares for Debt

On December 1, 2023, the Company executed a debt conversion agreement to issue 138,462 common shares (the "Repayment Shares") for full and final repayment of an outstanding liability of $62,307 due to a former officer of the Company at a price of $0.45 per Repayment Share. Upon receiving requisite approvals, the Repayment Shares were issued on January 12, 2024 and are subject to a hold period of 4 months, expiring on May 13, 2024.

Shares for Debt - Repayment of Mortgage Loan

During the year ended April 30, 2023, the Company entered into two separate shares for debt repayment transactions resulting in the issuance of 6,084,656 common shares of the Company in exchange for the settlement of $6.5 million principal outstanding on the First Mortgage Loan (Note 9). The 1,798,942 of common shares issued in the first of these transactions were recognized at a weighted average price of $1.11 per share and the 4,285,714 shares issued in the second of these transactions was recorded at $1.05 per share. Loss on settlement of debt was recorded in the year of $1.9 million.

Public Offering of Securities

On July 8, 2022, the Company closed a public offering (the "Offering") of units (the "Units") issuing 9,309,524 Units at a price of $1.05 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 $1.35 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	$1.05
Exercise price of warrants	$1.35
Expected dividends	Nil
Fair value of warrants granted ($/warrant)	$0.29

The Company allocated $0.77 to each Unit Share and $0.29 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 489,639 broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the Agent to purchase one Unit at an exercise price of $1.05 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	$1.05
Exercise price of warrants	$1.05
Expected dividends	Nil
Fair value of Broker Warrants granted ($/warrant)	$0.38

Warrants

The following share purchase warrants were issued and outstanding on April 30, 2023:

	Number of Warrants	Weighted average exercise price	Reserve amount
Balance April 30, 2022	4,133,333	2.22	2,927,307
Expired in connection with payment on First Mortgage Loan	(800,000)	15.00	-
Cancelled in connection with payment on Second Mortgage Loan	(3,333,333)	3.30	-
Issued in connection with public unit offering	9,309,524	1.35	2,653,214
Broker warrants issued in connection with public unit offering	489,639	1.05	376,856
Issued in connection with repayment of First Mortgage Loan	4,285,714	1.88	1,676,254
Exercised	(20,000)	1.35	-
Balance April 30, 2023 and January 31, 2024	14,064,877	1.29	7,633,631

The following share purchase warrants were issued and outstanding on April 30, 2023:January 31, 2024:

Exercise Price	Number of Outstanding and Exercisable	Weighted Remaining life (Years)	Weighted average exercise price
$1.875	4,285,714	2.06	$1.875
$1.350	9,289,524	3.43	$1.350
$1.050	489,639	3.43	$1.050

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 each year. Disinterested shareholder approval was obtained at the Company's annual general and special meeting of the shareholders held on October 26, 2023.

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

	Number	Weighted Average exercise Price
Balance April 30, 2022	1,817,459	3.04
Issued	1,179,487	1.20
Forfeited	(817,132)	3.15
Expired	(391,434)	3.00
Balance April 30, 2023	1,788,380	1.81
Issued	12,000	1.50
Forfeited	(120,953)	2.43
Expired	(32,008)	1.43
Balance January 31, 2024	1,647,419	1.78

The following table summarizes the options outstanding and exercisable at January 31, 2024:

Exercise Price	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
$ 0.98	629,744	3.92	$ 0.98	89,572
1.50	12,000	1.41	1.50	5,000
1.50	480,000	3.92	1.50	483,000
3.00	525,675	2.92	3.00	506,222
	1,647,419	3.57	$ 1.78	1,083,794

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 1,720,480 common shares to be reserved for issuance under the Non-Option Plan, being 4% of the issued and outstanding common shares of the Company as at the date the Non-Option Plan became effective. No restricted share units that had been issued under the predecessor restricted share unit plan (the "Predecessor RSU Plan") were outstanding at the time that the Non-Option Plan became effective. Under the Non-Option Plan, the Company may grant restricted share units, performance share units, deferred share units and share appreciation rights to directors, officers, employees and consultants. While the Company intends to settle RSUs by issuance of common shares upon vesting, there is a cash settlement option at the discretion of the Company.

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

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

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

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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 & January 31, 2024	**-**	**2,100,000**

Share-based compensation

	Three months ended January 31		Nine months ended January 31	
	2024	**2023**	**2024**	**2023**
Stock options	(113)	73	205	112
Restricted share units	-	-	-	(122)
Deferred share units	-	70	-	280
Total share-based compensation	**(113)**	**143**	**205**	**270**

Per share amount

Basic and diluted loss per share have been calculated based on the weighted average number of shares outstanding for three period ended January 31, 2024 of 107,451,685 (2023 – 55,293,793).

Basic and diluted loss per share have been calculated based on the weighted average number of shares outstanding for three period ,ended January 31, 2024 of 76,174,356 (2023 – 52,061,228).

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 January 31, 2024 and 2023 as the effect would be anti-dilutive.

10. FINANCING COSTS

	Three months ended January 31		Nine months ended January 31	
	2024	**2023**	**2024**	**2023**
Interest on loans	69	600	697	1,777
Accretion of lease liability	3	20	12	61
Total	**72**	620	**709**	1,838

11. RELATED PARTY TRANSACTIONS

Expander Group of Companies ("Expander")

A director of the Company, is also a director, officer and shareholder Expander Energy Inc., Expander Services Inc., and Expander Engineering Services Inc. and any partially or wholly owned subsidiary (collectively the "Expander Group" or "Expander") and its principals own issued and outstanding common shares of the Company as at January 31, 2024.

In addition to the License Agreement (Note 9), Expander has been engaged through a series of agreements, including an agency agreement to act on the Company's behalf to contract with sub-contractors, to provide management advisory services, engineering services, and project/construction management services.

During the period since closing on November 9, 2024, Expander has provided services related to: engineering and project estimates to reach FID for the Carseland Project; project planning and preliminary evaluation of project needs for the Company's proposed Licensed Facility in Dunmore, Alberta; project planning and engineered modelling to test TCD utilizing various catalyst and prove up economic viability at the Company's facility in Aldersyde, Alberta; and technical assistance on an ad hoc basis, as required, to ensure accurate communication with key stakeholders.

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The table below outlines current contracts underway. Invoiced and outstanding amounts include GST, estimated and contract remaining amounts are excluding GST.

Three and Nine Month Period ended January 31, 2024	Carseland Technology Fee	Carseland Gasifier Engineering services	Dunmore Scoping	Aldersyde Scoping	Advisory Services	Total
Total Estimated Contract	***$ 750***	***$ 480***	***$ 184***	***$ 49***	***-***	***$ 1,463***
Deposit invoice	-	240	92	25	0	357
Work completed	788	197	16	28	12.6	1,041
Amount Paid	-	(330)	-	-	0	(330)
Amount (prepaid) outstanding	**$ 788**	**$ (132)**	**$ 92**	**$ 28**	**$ 13**	**$ 788**
contract remaining	**$ -**	**$ 292**	**$ 169**	**22**	**ongoing**	**472**

Private placement of flow through shares

Certain officers and directors of the Company participated in the Private Placement for a total of $410,000 as part non-brokered private placement offering of flow through shares (common shares) (the "FT Shares") for gross proceeds of $670,000 by issuing 1,116,666 FT Shares at $0.60 per share. Each FT Share is a common share of the Company issued as a "flow-through share" (as defined in subsection 66(15) of the Income Tax Act (Canada).

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. Common shares of Renewable U held by Mr. Jackson indirectly through a holding company, were 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 January 31, 2024 and 2023, 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.

In the nine months ended January 31, 2024, 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 and certain other conditions. 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 waiver of remaining conditions (i.e financing), by March 29, 2024 and closing on May 30, 2024; and

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- a total deposit of $0.6 million, comprised of a cash deposit paid in May 2023 of $0.1 million plus issuance of $0.5 million of common shares at $0.45 per share, subject to the approval of the TSX Ventur Exchange, the total amount of which will be applied against the purchase price upon closing or, in the event that the transaction doesn't close, will be set off against any other amounts owing by the Company to Renewable U (see (b) below).

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 seeking financing to complete the purchase.

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 nine month period ended January 31, 2024 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, as amended (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 March 29, 2024 (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.

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. As the Company anticipates submitting a proposal to Renewable U in advance of the Proposal Deadline, the Company has not accrued the additional costs that may be incurred if a proposal is not submitted.

Private Placement of Flow Through Shares

Certain directors and officers of the Company participated in a private placement offering of flow-through shares for gross proceeds of $410,000 (Note 9 – Private Placement of Flow-Through Shares).

Deferred Fees

	January 31, 2024	April 30, 2023
Opening Balance	2,250	2,250
Termination of 2021 MOU (Note 11b(i)	(1,000)	-
Total	**1,250**	**2,250**

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

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 January 31, 2024 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.

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 January 31, 2024, 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 January 31, 2024 to the contractual maturity date. The amounts are equivalent to the following contractual undiscounted cashflows.

Year ending January 31	2025	2026	After 2026
Accounts payable and accrued liabilities	9,030	-	-
Royalty payable	889	-	-
Loans	130	2,433	-
Lease liability	85	1	-
Total	10,134	2,434	-

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As at January 31, 2024, the Company had $0.02 million cash on hand and a working capital deficit of approximately $9.8 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 January 31, 2024, the Company had US dollar denominated accounts payable of approximately $nil. 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.

13. COMMITMENTS AND CONTINGENCIES

As at January 31, 2024, the Company is committed to expenditures under various contracts with service providers for general and administrative services as follows:

Period ended January 31	**2025**	**2026**	**2027**	**Total**
Lease obligations	90	1	-	91
Total contractual obligations	*90*	*1*	-	*91*

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 terms were as follows: a) term of 5 years, beginning as of August 1, 2022, subject to extension for an additional 5 years upon mutual approval and subject to termination upon 3 months' notice if prior to April 30, 2025; b) 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); and c) a right of first refusal held by the Tenant regarding the purchase of the FS Property. 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.

In connection with the sale of the Fort Saskatchewan Property (Note 5), the Lease was assigned by Cielo to the purchaser of the FS Property.

Rental income for the three months ending January 31, 2024 was approximately $nil (2023 $0.2 million), and for and nine months ending January 31, 2024 $0.2 million (2023 $0.3 million), and is included in Other (Income) expenses.

15. SUBSEQUENT EVENTS

a) Convertible Debenture Placement

On February 22, 2024, the Company announced a proposed non-brokered private placement offering (the "Offering") of unsecured convertible debenture units of the Company (collectively, the "Convertible Debenture Units") at a price of $1,000 per Convertible Debenture Unit for targeted gross proceeds of up to $5 million through a private placement.

Each Convertible Debenture Unit is comprised of:

(i) one unsecured convertible debenture (each a "Convertible Debenture", collectively the " Convertible Debentures") in the principal amount of $1,000 (the "Principal Amount"); and

(ii) 2,500 detachable share purchase warrants (each a "Warrant", collectively the "Warrants"), each exercisable into common shares of the Company (each such Common Share, a "Warrant Share").

The Principal Amount of the Debentures, together with any accrued and unpaid interest, will mature and become due and payable in cash on the date that is 24 months from the date of issue (the "Maturity Date"), subject to earlier conversion or redemption. The Principal Amount owing under the Debentures will accrue interest from the date of issuance at 12.0% per annum, payable every six (6) months in cash, except the first payment will be paid in November 2024 for the period from issue date to October 31, 2024. As the Convertible Debentures will be an unsecured debt obligation of the Company, each Convertible Debenture will be fully subordinated to all secured debt obligations.

The Principal Amount may be converted, for no additional consideration, into common shares of the Company (the "Conversion Shares") at the option of the debenture holder at any time after the issue date at a conversion price of $0.40 per Conversion Share (the "Conversion Price").

<u>Forced Conversion of Convertible Debentures:</u> The Company may force the conversion of the Convertible Debentures, at the Conversion Price, in the event that the volume weighted average price of the Common Shares on the TSX Venture Exchange (the "TSXV") is greater than $1.00 for any ten (10) consecutive trading days. In the event of a forced conversion, the Company will provide notice to debenture holders by issuing a news release announcing the details of the forced conversion, including the date upon which the forced conversion will occur.

In addition, the principal amount of the Convertible Debentures may be redeemed by the Company at any time without penalty.

<u>Warrants/Warrant Term Acceleration</u>: Each Warrant will entitle the holder to purchase one Warrant Share at a price of $0.70 per Warrant Share for a period of 24 months. However, the Company may accelerate the expiry of the Warrants in the event that the volume weighted average price of the Common Shares on the TSXV is greater than 1.00 for any ten (10) consecutive trading days. In the event of such an acceleration of the expiry of the Warrants, the Company will provide notice to holders of the Warrants by issuing a news release announcing the details, including the accelerated expiry date of the Warrants.

The Company anticipates using the net proceeds of the Offering for the continued advancement of its renewable fuel projects located in Carseland, Alberta, and the Company's railway tie to its project in Dunmore, Alberta, as well as general working capital and corporate growth purposes. Finder's fees of cash and/or non-transferrable warrants may be paid in connection with the Private Placement in accordance with applicable laws.

The Company closed its first tranche of the Offering ("Tranche 1") on March 8, 2024. Pursuant to the closing of Tranche 1, the Company issued 560 Convertible Debenture Units for gross proceeds of C $560,000, consisting of 560 Convertible Debentures and 1,400,000 Warrants. The Convertible Debentures and Warrants, as well as Conversion Shares and Warrant Shares, will be subject to a statutory hold period expiring on the date that is four months and one day after the corresponding closing date, being July 9, 2024 with respect to Tranche 1. No finder fees were paid with respect to Tranche 1.