CIELO

Q3 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights

for the three and nine months ended January 31, 2024

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 March 28, 2024 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 nine months ended January 31, 2024 and 2023, 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 March 28, 2024. 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 nine months ended January 31, 2024.

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. The Centre of Excellence and its proposed uses. 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. 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. 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 and that the TCD Technology can be integrated with, or otherwise complement, the Licensed Technologies. 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 for 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 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; structure for ownership of the projects and means and method of funding. The Convertible Debenture Unit Offering, including the terms of securities issued or to be issued, the expiration of hold periods, and future closings.	The ability of Cielo to integrate the Licensed Technologies and the assets acquired from Expander 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 such parties will continue as intended; and the information provided by Expander with respect to pro forma financial model(s) related to the projects being reasonable, complete and accurate.	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. Risks resulting from the closing of the transaction with Expander, including but not limited to: reliance on third party, including Expander, technology and intellectual property, which is licensed to but not owned by the Company; and reliance on third parties, including Expander, as both a licensor and a service provider.

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 March 28, 2024. 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 leader in waste to fuels industry by using environmentally friendly, economically sustainable and market-ready technologies.

Through an asset purchase transaction (the “Asset Purchase Transaction”) with Expander Energy Inc. (“Expander”) completed in November 2023, the Company 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 wastes. See the section entitled “Technology Acquisition” for additional information on the Asset Purchase Transaction.

Cielo's business model is centred on creating renewable fuels through the construction and operation of processing facilities that convert waste to fuel and through ongoing research and development to improve these processes.

Cielo has also 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. 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, beginning initially with a Licensed Facility using the Licensed Technologies in Carseland, Alberta (the “Carseland Facility”), as well as a full-scale Licensed Facility 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.

The Carseland Facility cost is anticipated to be approximately $45 Million, anticipated to be funded by third party lenders to the Company. It is anticipated that the cost to reach a final investment decision (“FID”) for the Carseland Facility will be $5 Million and it's expected that this will be achieved by October 2024.

Future project structure, including for the Dunmore Facility, is expected to be in the form of limited partnerships or similar, with third party investors as limited partners, or similar (the each a “Project Entity”). Total costs are dependent on project size, production schedule, engineering and construction costs, all of which will be determined to the extent required prior to creation of the Project Entity and subject to a bid process. Each Project Entity is anticipated to be funded through equity and debt in proportions to be determined.

Scoping is underway as at the date of this MD&A for the Dunmore Facility, completion of which is anticipated in June 2024 at a cost of approximately $180,000. At that time, the Company anticipates to be able to determine timing and costs for the following steps.

Operations Update

R&D Facility

Cielo is currently in the process of submitting an amended application for the R&D Facility. The R&D Facility, a scaled-down testing unit for the TCD Technology, is expected to give Cielo the flexibility to experiment and enhance the quality of the process. Cielo has engaged a third party to explore additional improvements and enhancements to the TCD Technology and test the compatibility with the new Licensed Technologies.

Cielo Centre of Excellence

The site in Aldersyde, Alberta 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 site 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 utilized with the R&D Facility.

The initial 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 property in Fort Saskatchewan, Alberta ("FS Property"), originally intended to be the site of the R&D Facility, 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 nine months ended January 31, 2024). 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 January 31, 2024 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 during the quarter ended January 31, 2024 (closed 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

As at (000's of dollars)	January 31, 2024	April 30, 2023
Total assets	59,627	29,366
Total liabilities	13,818	14,569
Total non-current liabilities	2,434	61
Working capital deficiency	(9,694)	(12,487)

	Three months ended January 31		Nine months ended January 31	
(000's of dollars, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Financing costs	72	620	709	1,838
General and administrative	546	1,137	2,111	3,021
Research and development	167	442	827	1,406
Share based compensation	(113)	143	205	270
Impairment of assets and assets held for sale	-	-	3,826	25,366
Net loss per share – basic & diluted	(0.02)	(0.04)	(0.12)	(0.62)

For the three months ended January 31,2024, the Company had a net loss of $1.9 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 $0.08 million; (iv) share based compensation credit of $0.1 million due to the expiry of unvested options, and amortization of $1.3 million.

Net loss for the nine months ended January 31, 2024 was $9.2 million, $22 million less than the period ended January 31, 2023, primarily due to an overall reduction of operating costs of approximately $1.0 million plus reduced impairment expense of $21 million

In the period ended January 31, 2024, there was an impairment loss upon sale of the FS Property of $3.8 million compared to the impairment recognition related to property, plant and equipment of $25.4 million in the period ended January 31, 2023.

During the quarter ended January 31, 2024, Cielo had operating cash flow of $0.02 million, in the nine-month period ended January 31, 2024 a negative cashflow of $1.1 million. This cashflow is 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	**Three months ended January 31**		**Nine months ended January 31**	
(000's of dollars)	**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

Financing costs decreased approximately $0.5 million for the three month period and $1.1 million for the nine-month periods ending January 31, 2024, compared to prior year's costs, primarily due to the lessened interest expense as debt decreased period over period. See Financings and Finance Restructure section for additional information.

General & Administrative

Periods ended	**Three months ended January 31**		**Nine months ended January 31**	
(000's of dollars)	**2024**	**2023**	**2024**	**2023**
Professional fees	112	290	628	981
Personnel	234	694	736	1,366
Property tax and insurance	55	84	206	419
Office and administrative	145	70	541	254
Total	**546**	**1,137**	**2,111**	**3,021**

General & administrative costs were reduced approximately $0.6 million in the three-month period, and $0.9 million in the nine-month period, ended January 31, 2024 from comparative periods the savings realized through cost reductions and internal efficiencies, as follows:

- professional fees decreased approximately $0.4 million in the nine-month period, and $0.2 million in the three-month period, due to decreased corporate development activities;
- personnel decreased approximately $0.5 million in the three-month period, while the nine-month period realized a $0.7 million reduction as the Company continues to control staffing at appropriate levels;
- property tax and insurance reduction of $0.05 million in the three-month period, and $0.2 million in the nine-month period, is due to the disposition of the FS Property;
- office and administration cost increase in the quarter of $0.7 million primarily due to increased public company fees in the period, and the nine-month period of $0.3 million is the result of increased costs associated with: the Calgary office lease; valuation and consulting regarding the FS Property; and public company costs, offset by overall reduction in cost from the comparative period for rents and administrative costs of $0.1 million.

Research & Development

Periods ended	**Three months ended January 31**		**Nine months ended January 31**	
(000's of dollars)	**2024**	**2023**	**2024**	**2023**
Operating expenses	119	247	420	705
Personnel	48	195	409	701
Total	**167**	**442**	**829**	**1,406**

Research & Development decreased approximately $0.30 million for the three months ended January 31, 2024 and $0.6 million for the nine-month period from the comparative period, as the Company focuses on new project designs and EPA approvals for its projects.

Other income

Periods ended	**Three months ended January 31**		**Nine months ended January 31**	
(000's of dollars)	**2024**	**2023**	**2024**	**2023**
Rental income	-	152	176	304
CEBA loan forgiveness	20	-	20	-
SRED rebate	22	-	22	-
Other costs	-	13	-	14
Total other income (expense)	**42**	**165**	**218**	**317**

Rental income decreased $0.2 million in the nine months ended January 31, 2024 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.

The Government of Canada loan (CEBA loan) of $0.06 million was repaid in the periods ended January 31, 2024 and as such was eligible for $0.02 million loan forgiveness. In addition, SRED rebates for the period ended April 23, 2023 were received.

Outstanding Securities Summary and 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 this MD&A 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	-	-
Shares 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	-	(257,870)	-	(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).

As at the date of this MD&A, there were no changes to the numbers of issued and outstanding securities set out above, with the exception of Convertible Debentures issued subsequent to January 31, 2024 (see Financing Activities - Convertible Debenture Unit Offering).

6. FINANCING ACTIVITIES

a) Convertible Debenture Unit Offering

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

Forced Conversion of Convertible Debentures: 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.

Warrants/Warrant Term Acceleration: 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.

b) *Royalty Repayment Extension*

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.

c) *$5 Million Financing Secured*

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 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.

d) Short term loans (unsecured)

- ***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 (separate from the Third Mortgage Loan). The loan was unsecured, and subject to finance fees of 3% and interest of 7.5% per annum. The loan was repaid in full in January 2024.
- In addition, during the same period, a short-term loan in the amount of $0.13 million was advanced by a third party lender. The loan was also unsecured, and subject to finance fees of $0.005 million and interest of 12% per annum. The loan was repaid in full subsequent to the quarter end, in March 2024.

e) 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 interim condensed financial statements for this quarter and section 10 (Related Party Transactions) of this MD&A.

f) 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 of accompanying interim condensed financial statements for this period) (the "Purchaser") in exchange for:

i. retirement of the principal amount of an $11 million mortgage loan (the "Second Mortgage Loan"); and
ii. 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

g) Private Placement of Flow-Through Shares

On December 29, 2023, the Company closed a non-brokered private placement offering (the "FT 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.

h) 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.

7. ASSET & TECHNOLOGY 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;
- 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 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.

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.

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	**$000's**
Carseland #1	372
Carseland #2	639
Slave Lake	4,700
Total Property Plant & Equipment	5,711
Technology License	39,613
Total Assets Acquired	45,324

8. LIQUIDITY AND FINANCIAL CONDITION

Cash increased during the three months ended January 31, 2024 $0.02 million due to funds raised in a private placement offering of flow-through shares, the net cash used in operating activities of. In the nine-month period, cash decreased by $1.1 million, primarily due to cash used for operating activities $3.0 million and cash used in investing activities of $1.0 million, offset by cash proceeds from financing activities of $2.9 million.

Net cash used in operating activities was $0.6 million for the quarter ended January 31, 2024. 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 $0.6 million for the quarter, and $1.0 million for the nine months ended January 31, 2024.

Cash provided through financing activities was $2.9 million for the nine months ended January 31, 2024, primarily due to the Third Mortgage Loan, which realized $2.5 million (less costs) and a private placement of flow-through shares, which resulted in $0.7 million in equity issuance.

Total assets increased by $30.5 million as of January 31, 2024 compared to April 30, 2023, due to the disposition of assets of $14 million. the acquisition of intellectual property of $45 million, and a reduction of cash of $1.1 million, and amortization.

Total liabilities decreased by $0.8 million as of January 31, 2024 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 $2.6 million (the Third Mortgage Loan and a short term loan), plus amounts payable of $6.8 million in relation to the Assets and Technology Acquisition less a reduction in deferred revenue and fees of $1 million in relation to a reduction of the MOU liability settlement, and an increase in amounts payables of $0.9 million, which was a result of increasing project activity.

At January 31, 2024, the Company had a net working capital deficit of approximately $9.8 million (April 30th, 2023 working capital deficit of $12.4 million).

See Section 6 – Financing Activities for additional information.

Going Concern Uncertainty

Cielo has not yet generated revenue from its planned commercial operations and has accumulated losses of $118 million as at January 31, 2024 and generated losses of $1.9 million for the three months and $9.2 million for the nine months ended January 31, 2024.

Cielo will require additional capital to fund project costs 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 projects 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 January 31, 2024, 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

Expander Group of Companies ("Expander")

A director of the Company, is also a director, officer and shareholder of Expander Energy Inc. ("Expander Energy"), which has multiple wholly or partly owned subsidiaries, including Expander Services Inc., and Expander Engineering Services Inc. (Expander Energy together with all wholly or partly owned subsidiaries, collectively the "Expander Group" or "Expander"). Expander and its principals acquired common shares of the Company under the transaction completed in November 2023 between the Company and Expander Energy.

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.

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**	**n/a**	**472**

Private placement of flow through shares

Certain officers and directors of the Company participated for a total of $410,000 in the FT Offering (see Section 6 – Financing Activities).

Renewable U Energy Inc. ("Renewable U")

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. 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.

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 March, 2024 (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 to terminate the MOUs. See Section 6 – Financing Activities for additional information.

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 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
- 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 Venture 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 related to the termination of the MOUs.

Cielo, or its assignee, may, but is not obligated to, assume the outstanding mortgage on the Land of approximately $1.6 million. As at the date of this MD&A, the Company is 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 January 31, 2024.

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, in addition to those listed elsewhere in this MD&A. There have been no material changes to the Company’s risk factors since the date thereof except as indicated in this MD&A..

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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