



## **Cielo Announces Binding Letter of Intent to Acquire Carseland Facility from Rocky Mountain Clean Fuels Inc. and Announces Termination of Agreements with Renewable U Energy Inc.**

- *The acquisition of the Enhanced Gas to Liquids (“EGTL™”) facility located in Carseland, Alberta, is valued at \$125 million*
- *Cielo intends to form a limited partnership (the “Cielo LP”) that will own the acquired EGTL™ facility. The facility will expand to process wood waste, which will include railway ties from Canadian Pacific Kansas City Southern (CPKC)*
- *The Cielo LP structure avoids dilution to Cielo with consideration for the plant acquisition to include a vendor take back note with interest-only payments for five years*
- *The Cielo controlled LP is forecasted to generate annual gross revenue of approximately \$18 million upon closing from the EGTL™ facility, which is anticipated to be on or before September 6, 2024*
- *Subsequent to the construction and expansion of Cielo’s proposed Enhanced Biomass to Liquids (“EBTL™”) facility adjacent to the EGTL™ facility, expected gross revenue for the Cielo LP is forecasted to be approximately \$100 million by Q4 2027*
- *Consolidation of operations located at the proposed Carseland facility will significantly improve operational margins and reduce capital expenditures. As a result, Cielo and Renewable U have mutually agreed to terminate all existing agreements, which include settling \$1.9 million for all outstanding memorandums of understanding through a shares for debt agreement, and termination of the land purchase in Dunmore, Alberta*

**CALGARY, Alberta, Canada (June 12, 2024)** – Cielo Waste Solutions Corp. (TSXV:CMC; OTCQB:CWSFF) (“Cielo” or the “Company”), a company fueling renewable change, announces that it has entered into a binding letter of intent (“LOI”) to effect a transaction that will position Cielo for commercial production and revenue generation upon closing, expected on or before September 6, 2024 (the “Transaction”), subject to the approval of the TSX Venture Exchange as required. Cielo intends to form the Cielo LP, which will determine and control the structure, ownership and management of a concurrently formed general partner (“GP”), in order to effect the building of a gasifier and expanded operations adjacent to the acquired EGTL™ facility in Carseland, Alberta (the “EGTL™ Facility”) by the Cielo LP, described more fully below.

The EGTL™ Facility to be acquired through the Transaction is an existing synthetic fuel facility at Carseland, Alberta, owned and operated by Rocky Mountain Clean Fuels Inc. (“RMCFI”), which deploys patented Enhanced Gas-To-Liquids technology (the “EGTL™ Technology”) designed to make synthetic diesel and jet fuel from natural gas and natural gas liquids, which was developed by Expander Energy Inc. (“Expander”). Cielo holds an exclusive licence in Canada from Expander for a patented Enhanced Biomass to Liquids technology (the “EBTL™ Technology”) and related intellectual property.

With the view to enhancing the process deployed at the EGTL™ Facility, and diversifying the inputs used to process synthetic diesel and jet fuel, Cielo intends to build a gasifier on the land adjacent to the EGTL™ Facility that will support deployment of the EBTL™ Technology. This will result in a fully operational facility capable of producing Bio-Syngas from biomass inputs. Bio-Syngas represents an enhancement to natural gas and natural gas liquids used in the process, resulting in a facility that can process Bio-Syngas into Bio-SynJet® and Bio-SynDiesel® (collectively the “Bio-Synfuels”) (the “Carseland Facility”) with Bio-Synfuels having a near net-zero carbon intensity.

## Revenue to be Realized in 2024

The Transaction positions Cielo to realize revenue generation and commercial production at closing, which is anticipated to be on or before September 6, 2024 (the “**Closing Date**”). With a forecasted \$18.3 million in revenue to be realized by the Cielo LP from the EGTL™ Facility, Cielo and its shareholders are expected to gain direct exposure to commercial EGTL™ production this calendar year.

The GP to be formed will be controlled by Cielo and intends to construct gasifiers adjacent to the existing EGTL™ Facility. The Bio-SynDiesel® fuel produced at the Carseland Facility, once built, will meet current specifications for RD100 Renewable Diesel fuel that is compatible with today’s existing diesel engines.

Based on current forecasts following the construction of the gasifiers, the expected annual productive capacity of the Carseland Facility is over 30 million litres per year comprised of Bio-SynDiesel® Renewable Diesel, Bio-SynJet® Sustainable Aviation Fuel (SAF), Renewable Bio-Naphtha (gasoline blend) and Bio-Wax. Using the Company’s internal financial and operational estimates, assumptions and forecasts, the Cielo LP would be expected to generate annual revenue of approximately CAD\$100 million, driving forecast annual EBITDA of approximately CAD\$60 million. Cielo will be entitled to revenue and EBITDA generated within the Cielo LP, based in part on its proportionate ownership of the Cielo LP, resulting in a streamlined and efficient structure that is expected to benefit Cielo and its shareholders upon the Transaction closing with revenue and commercial production in 2024.

Ryan Jackson, CEO of Cielo, stated, “When Jasdeep and I joined Cielo exactly two years ago, we had a clear strategic vision for the Company. That vision has culminated into today’s announcement. With the licensing of Expander’s technology and this acquisition, we have taken the first of many steps to build Cielo into a revenue generating company with continuous operations in 2024. We believe that Cielo will be able to provide a low technical risk and a compelling business model that offers a path to profitability without the need for subsidies.”

Furthermore, Jasdeep K.B. Dhaliwal, CFO of Cielo, stated, “The advancement of our Carseland Facility is made possible by the agreement to cancel the Dunmore land purchase and settle all outstanding obligations with Renewable U. This will afford Cielo the ability to consolidate our operations and optimize efficiencies. We wish to thank our long-standing partner Renewable U, who has supported Cielo in the journey to this achievement.”

“The team at RMCFI is excited to be partnered with the team at Cielo on this Transaction, which supports the RMCFI strategy of constructing and operating EGTL™ facilities not only in Alberta but in national and international regions as well. RMCFI will continue to partner with Cielo at Carseland in the near term,” said Doug Geeraert, President of RMCFI. “As we have continued to grow and diversify our business model, Cielo presented us with the opportunity to advance our goals, while allowing us to maintain upside exposure in the future of the facility through the Transaction’s structure. We look forward to being part of the Cielo team’s progress as they unlock the full potential of the Carseland Facility with the expansion plans being executed.”

## Transaction Consideration and Structure

The LOI provides for the acquisition by the Cielo LP of the EGTL™ Facility from RMCFI as well as assets of RMCFI relating to the EGTL™ Facility, such as material contracts; certain equipment, tools, machinery, fixtures, and other tangible personal property; permits, licenses, authorizations and grant entitlements; and books and records (collectively the “**Assets**”). RMCFI will transfer and assign the Assets to the Cielo LP in consideration for a purchase price of CAD\$125 million (the “**Base Price**”), subject to adjustments described in part below (the “**Purchase Price**”). The completion of the Transaction is subject to certain conditions and a due diligence review. Following the completion of the due diligence review, definitive agreements will be entered into setting out all final terms of the Transaction before closing.

RMCFI has received notice of qualification from the Government of Alberta for a grant amounting to CAD\$20.8 million (the “**Grant**”). The Grant represents a contingent asset as it relates to the delivery of certain operational milestones related to the existing EGTL™ Facility’s production of synthetic diesel fuel. RMCFI will make commercially reasonable efforts to facilitate the assignment or payment, as applicable, of the Grant to the Cielo LP following the Closing Date.

The Cielo LP will also assume approximately \$23 million in RMCFI liabilities (the “**Assumed Liabilities**”). On the Closing Date, the Base Price will be increased by an amount equal to the capital improvement costs incurred by RMCFI prior to the Closing Date, to a maximum of \$3.2 million (which will be paid on closing), and also reduced by an amount equal to the Assumed Liabilities. The Cielo LP will be required to make a lump-sum payment of \$15 million on or before October 1, 2024 as repayment of one of the Assumed Liabilities. The balance of the Purchase Price will be paid through a non-negotiable, secured vendor take back note (the “**VTB Note**”) in the principal sum equal to the Purchase Price, issued by the Cielo LP to RMCFI, along with first-ranking general security agreement and/or debenture against the Assets in favour of RMCFI as security for the VTB Note, and guaranteed by an affiliate of Cielo or other entity. The VTB Note contemplates monthly interest-only payments at a simple rate of interest of six percent (6%) per annum, with an initial term of five (5) years and the principal payable in full on the Maturity Date, subject to earlier repayment, in whole or in part permitted from time to time throughout the term of the loan without penalty.

As a condition of the Transaction closing, Cielo or the GP on behalf of the Cielo LP (the “**Licensee**”) will enter into a license agreement (the “**EGTL™ License Agreement**”) with RMCFI for the use of the EGTL™ Technology at the EGTL™ Facility, which supports near term revenue generation until a gasifier is built on-site using the EBTL™ Technology. The EGTL™ License Agreement will have a term of five years (the “**License Term**”) with the Licensee maintaining an option to extend the License Term for an additional period of five years thereafter. In consideration of the licence, the Licensee will pay to RMCFI a royalty equal to two percent on gross revenues arising from the sale of all products produced at the EGTL™ Facility using the EGTL™ Technology throughout the License Term.

### **Mutual Agreement to Terminate All Existing Agreements with Renewable U Energy Inc.**

The Company also confirms that it has entered into a shares for debt agreement (the “**Debt Conversion Agreement**”) with Renewable U Energy Inc. and its affiliates (“**Renewable U**”) dated June 11, 2024, for the settlement of \$1.9 million by way of issuance of 6,440,677 common shares of Cielo (the “**Repayment Shares**”) at a price of \$0.295 per share (the “**Shares for Debt Transaction**”), subject to the approval of the TSX Venture Exchange. As a result of the completion of the Shares for Debt Transaction, all remaining memorandums of understanding (“**MOUs**”) with Renewable U will be terminated.

On May 17<sup>th</sup>, 2023, Cielo announced a termination agreement with Renewable U (the “**Termination Agreement**”) regarding the termination of five (5) outstanding MOUs that had been executed between the parties between 2018 and 2021. Under the terms of the Termination Agreement, Cielo was required to submit a proposal to Renewable U by March 29, 2024, setting out the terms on which the \$2 million owing from Cielo to Renewable U would be exchanged for a participation interest in a future proposed facility in Dunmore, Alberta, failing which the amount would be due 60 days later.

With the binding LOI with RMCFI in progress, Cielo could not deliver the proposal at the required date and an extension was not available. As well, Cielo strategically elected to discontinue its previously announced plans to acquire land from Renewable U in Dunmore, Alberta (the “**Dunmore Land**”), allowing for a focus on the proposed Transaction. Management believes the benefits of acquiring the Dunmore Land translate equally well or better to the current proposed Transaction in Carseland, including continued interest from CPKC.

The \$100,000 previously paid by Cielo to Renewable U as a deposit on the purchase of the Dunmore Land has been applied to reduce the balance owing to \$1.9 million (the “**Repayment Amount**”). The MOUs will terminate upon the issuance of the Repayment Shares. Once issued, the Repayment Shares will be subject to a hold period of four months plus one day.

For additional information on the Termination Agreement, see Cielo’s [news release](#) dated May 17<sup>th</sup>, 2023.

### **Unlocking Immediate Value**

As a result of the EGTL™ Facility acquisition, Cielo will redirect railway tie processing to the EGTL™ facility. This realignment of resources reflects Cielo’s commitment to enhancing operational efficiencies and advancing immediate revenue-generating projects. The Company wishes to extend its gratitude to CPKC for their ongoing support, flexibility and cooperation. The scrap railway ties from CPKC will be used as feedstock at the Carseland Facility to produce commercial renewable diesel and sustainable aviation fuel that can help meet the world’s growing demand for cleaner transportation fuels, without drawing on critical agriculture or food sources.

### **ABOUT CIELO**

Cielo is fueling renewable change with a mission to be a leader in the wood by-product-to-fuels industry by using environmentally friendly, economically sustainable and market-ready technologies. We are proud to advance our non-food derived model based on our exclusive licence in Canada for patented Enhanced Biomass to Liquids (EBTL™) and Biomass Gas to Liquids (BGTL™) technologies and related intellectual property, along with an exclusive licence in the US for creosote and treated wood waste, including abundant railway tie feedstock. We have assembled a diverse portfolio of projects across geographic regions and secured the ability to leverage the expertise of proven industry leaders. Cielo is committed to helping society ‘change the fuel, not the vehicle’, which we believe will contribute to generating positive returns for shareholders. Cielo shares are listed on the TSX Venture Exchange under the symbol “CMC,” as well as on the OTC Markets under the symbol “CWSFF.”

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### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This news release contains certain forward-looking statements and forward-looking information (collectively referred to herein as “forward-looking statements”) within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “achieve”, “could”, “believe”, “plan”, “intend”, “objective”, “continuous”, “ongoing”, “estimate”, “outlook”, “expect”, “may”, “will”, “project”, “should” or similar words, including negatives thereof, suggesting future outcomes.

Forward-looking statements are subject to both known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company, that may cause the actual results, level of activity, performance, or achievements of the Company to be materially different from those expressed or implied by such forward looking statements. Forward-looking statements and information are based on plans, expectations and estimates of management at the date the information is provided and are subject to certain

factors and assumptions. Cielo is making forward looking statements, with respect to, but not limited to: the formation and governance of the Cielo LP; the proposed Transaction with RMCFI, including but not limited to the Assets to be acquired by the Cielo LP, the expansion of the EGTL™ Facility, the anticipated Closing Date, the Base Price, Purchase Price (including adjustments) and method, timing and terms of payment thereof, the Grant, the Assumed Liabilities and the capital improvement costs, the execution of the EGTL™ License Agreement and the terms thereof; the impact of the Transaction on Cielo if completed and the impact of the consolidation of operations, as well as the resulting low technical risk and compelling business model without the need for subsidies; the ability to optimize efficiencies as a result of the termination of the Renewable U agreements and focus on the Carseland Facility; the construction of the Carseland Facility using the EBTL™ Technology; the feedstocks, and the fuels to be produced at the Carseland Facility and the EGTL™ Facility, including the ability to meet current specifications for RD100 Renewable Diesel fuel; the anticipated capacity; the anticipated timing of revenues resulting from the completion of the Transaction; the continued relationship between Cielo and RMCFI; the Debt Conversion Agreement and the terms thereof, including the number and price of the Repayment Shares, the termination of the MOUs, and the hold period; the processing of railway ties at the EGTL™ Facility and CPKC's continued support; the production of renewable diesel at the Carseland Facility and SAF to support demand for cleaner fuels without impacting agriculture or food sources.

This news release also contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") about prospective results of operations including, without limitation, expectations with respect to anticipated revenues following the Closing Date from the EGTL™ Facility and following the construction of the Carseland Facility, and projected EBITDA, which are subject to certain assumptions, risk factors, limitations, and qualifications. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. Cielo's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits Cielo will derive therefrom. Cielo has included the FOFI in order to provide readers with a more complete perspective on Cielo's future operations, taking into consideration the integration of the EGTL™ Facility and such information may not be appropriate for other purposes.

Investors should continue to review and consider information disseminated through news releases and filed by the Company on SEDAR+. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

Forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties, some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company's actual performance and results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Any forward-looking statements are made as of the date hereof and, except as required by law, the Company assumes no obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise.