CIELO

2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months and years ended April 30, 2024 and 2023

1. INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of financial position and results of operations for Cielo Waste Solutions Corp. ("Cielo" or the "Company"), dated August 28, 2024 should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the audited condensed financial statements and notes for the years ended April 30, 2024 and 2023. 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 August 28, 2024.

All capitalized terms not otherwise defined in this MD&A have the meaning given to them in the condensed financial statements and notes for the year ended April 30, 2024 and 2023.

Certain statements contained in this MD&A are forward-looking information within the meaning of applicable Canadian securities laws relating to the Company. Please refer to the sections of this MD&A regarding the risks associated with "Forward-looking Statements" and the section entitled "Risk Factors".

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 Pink 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 Aldersyde facility 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.	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, 2025, and the costs associated therewith, will be consistent with Cielo's current expectations. Debt and equity markets, exchange and interest rates and other applicable economic conditions are favorable to Cielo. That minimizing environmental impact through technology, while meeting energy market needs is, and will continue to be, a worldwide focus, and that Cielo will be an integral part of this trend through ongoing research, and the future commercialization of its operations. Cielo and/or the Project entities will be eligible for tax credits and/or grants and that they will be generally available as needed. 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 section of this MD&A entitled "Risk Factors".
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 Technology 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 Technology purchase transaction and the locations, timelines and costs associated with the projects; structure for ownership of the projects and means and method of funding; and matters related to the issuance and release of Consideration Shares. The Convertible Debenture Unit Offering, including the terms of securities issued or to be issued, the expiration of hold periods, and future closings. The Carseland LP, including the formation thereof and related terms, and the Carseland Facility, including but not limited to details related to CA0, CA1 and CA2, and the timing and costs thereof, as well as the feedstocks to be processed (including the processing of materials from CP Rail at the Carseland Facility versus the Dunmore Facility). The proposed transaction between the Carseland LP and Rocky Mountain, and the terms thereof and matters related thereto, including the timing thereof.	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.	

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 August 31, 2024. All forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

3. CORE BUSINESS OVERVIEW

Formation

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 Pink 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).

Strategic Intent

Cielo is focused on becoming a leading waste-to-fuel company whose economically sustainable technology minimizes environmental impacts through the conversion of waste to fuel. Cielo’s business model is centered on the development, construction and operation of commercial processing facilities using its licensed and/or proprietary technology, as further described below, to generate revenues through the sale of its fuel(s) and through waste disposal client charges (tipping fees), while supporting the global sustainable energy transition.

Technology

In November 2023, the Company acquired an exclusive licence 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 Technology purchase transaction.

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 test and implement, or integrate, its proprietary TCD technology (the “TCD Technology”) if possible.

4. OUTLOOK AND MILESTONES

Cielo's primary objective is to, directly or indirectly, complete the construction of its first commercial facilities, beginning initially with a Licensed Facility using the Licensed Technologies in Carseland, Alberta (the "Carseland Facility").

If the Rocky Mountain Acquisition is completed (see Section 9 of this MD&A, entitled "Asset and Technology Acquisition - Proposed Project Entity and Acquisition"), the Carseland Facility will consist of three (3) phases:

1. CA0: This phase is dependent on the completion of the Rocky Mountain Acquisition and will focus on the production of fuels using an enhanced gas to liquids technology and plant under license from Rocky Mountain (see Section 9), while CA1 and CA2 (as described below) are in progress. CA0 is anticipated to commence upon completion of the Rocky Mountain Acquisition.
2. CA1: This phase, which is not dependent on the completion of the Rocky Mountain Acquisition, will focus on the processing of wood waste products only.
3. CA2: This phase, which is also not dependent on the completion of the Rocky Mountain Acquisition, will expand on CA1 and focus on increasing production volumes and revenues and the broadening of feedstocks to include railway ties.

If the Rocky Mountain Acquisition is not completed, the Carseland Facility will consist of only two (2) phases (CA1 and CA2).

Concurrently, subject to requisite Alberta Environment and Parks ("AEPA") 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.

Although the Company currently owns all assets related to the Carseland Facility (the "Carseland Assets") as at the date of this MD&A, it is the Company's intention that project structures using the Licensed Technologies will be in the form of limited partnerships or similar, with third party investors participating as limited partners, or similar (the each a "Project Entity"). In each case, the Company intends to sublicense its rights to the Licensed Technologies to each Project Entity. It's anticipated that upon the formation of the first limited partnership intended to construct and operate the Carseland Facility (the "Carseland LP"), Cielo will transfer the Carseland Assets to the Carseland LP.

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.

The CA1 cost is anticipated to be approximately $55 million, while CA2 is anticipated to have a total development cost of $100 million. These projects will be funded by third party lenders or through equity participation in the Carseland LP, and construction is scheduled to commence early 2025, with commissioning in 2026 and 2027 respectively.

Initially, the Company had intended to commence work on the a proposed facility in Dunmore, Alberta (the "Dunmore Facility") (located near Medicine Hat, AB), however, upon re-evaluation of economic benefits of the Dunmore Facility, Cielo has decided to discontinue this project and focus on the Carseland Facility through the Carseland LP.

Products that were expected to be processed at the Dunmore Facility (for example as a result of an existing agreement between the Company and CP Rail) will be processed at the Carseland Facility.

See Section 13 of this MD&A, entitled "Asset and Technology Acquisition - Proposed Project Entity and Acquisition" for additional information regarding the proposed $125 million acquisition of the RM Assets by the Carseland LP (each as defined in that section). It is anticipated that total capital costs for the Carseland LP will be approximately $300 million.

Prospective Financing Opportunities

Cielo must secure financings to achieve its goals and to meet its existing obligations. A number of options are available and/or underway. Below is a summary of potential sources of financings (equity or otherwise):

Limited Partnerships

Limited partnerships offer a number of advantages:

- direct investment in desired projects by investors ("LP Unit Holders");
- Generally, LP Unit Holders bear no personal liability beyond their investment;
- Pass through taxation for LP Unit Holders;
- Third party financing is generally more achievable as project specific limited partnerships offer lenders isolated loan security with a direct sightline to the individual projects and their performance and the limited partnership bears the liability of its operations;
- Availability of private sector government grants that would otherwise not be available for projects.

Government grants and Investment Tax Credits

Clean energy grants, such as the Alberta Innovates grant, or new technology initiatives, such as the Scientific Research and

Experimental Development Program (SR&ED) program, have been or are expected to available to Cielo (and project entities to be formed, such as the Carseland LP). Cielo optimizes its grant and tax credit opportunities, and will continue to do so, directly or indirectly, through existing and new initiatives offered by the Government of Canada and the Provincial Governments.

Some known programs include:

- BC Low Carbon Fuel Standard – Initiative funding for new Renewable fuel facility construction.
- NRCAN – Strategic Investment Fund – low interest loans for construction of strategic infrastructure – including renewable fuel facilities
- SR&ED – a provincial & federal initiative supporting new technology research.
- Alberta Innovates – an Alberta provincial initiative supporting innovation and technological development in Alberta. Cielo's 2024 grant totalled $0.2 million in relation to our R&D Facility
- Alberta Petrochemicals Incentive Program ("APIP") offers grants to the private sector to certain types of new or expanded petrochemical manufacturing facilities. This grant could be available through a Limited Partnership structure.

Carbon Tax Credits

Organizations with operations that reduce the amount of carbon already in the atmosphere, by investing in renewable energy, have the ability to issue carbon offsets. The carbon offset is then sold to businesses seeking carbon offsets to reduce their carbon tax and emissions levies. This is a growing market and is anticipated to offer considerable opportunity for Cielo and its Project Entities.

5. LIQUIDITY AND FINANCIAL CONDITION

Going Concern Uncertainty

Cielo has not yet completed development nor generated revenue from its planned commercial operations and has accumulated losses of $121 million as at April 30, 2024 and generated losses of $12 million for the year ended April 30, 2024.

Although it is probable that the funds required for future facilities will be obtained directly by project entities to be formed, such as the Carseland LP, Cielo will require additional capital to fund its own costs and 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.

6. 2024 FINANCIAL OVERVIEW

Cash increased during the three months ended April 30, 2024 $0.03 million due to funds raised through the issuance of convertible debenture ($2.0 million), net of cash used in operating activities. In the year, cash decreased by $0.8 million, primarily due to cash used for operating activities $4.20illion and cash used in investing activities of $1.7million, offset by cash proceeds from financing activities of $4.9illion.

Net cash used in investing activities was $0.6 million for the quarter, and $1.5 million for the year ended April 30, 2024.

Cash provided through financing activities was $4.9 million for the year ended April 30, 2024, primarily due to the Third Mortgage Loan (as defined in Section 8 of this MD&A, entitled "Financing Activities"), which realized $2.6 million (less costs), a private placement of flow-through shares, which resulted in $0.7 million in equity issuance and a convertible debenture issuance of $2.0 million.

Total assets increased by $26 million as of April 30, 2024 compared to April 30, 2023, due to the disposition of assets of $14 million. the acquisition of intellectual property of $42million, and a reduction of cash of $0.8 million, and amortization.

Total liabilities increased by $0.9 million as of April 30, 2024 compared to April 30, 2023 primarily due to 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 and Convertible Debenture liability in the amount of $2.5 million, less the debt repayment (FS Property sale) of approximately $10 million.

Working capital increased approximately $3.0 million in the year ended April 30, 2024, the Company had a net working capital deficit of approximately $8.2 million (April 30th, 2023 working capital deficit of $12.4 million).

See Section 12 of this MD&A, entitled “Financing Activities” for additional information.

SELECT ANNUAL PERFORMANCE

Financial Overview

As at	April 30	
(000’s of dollars)	**2024**	**2023**
Total assets	54,947	29,366
Total liabilities	13,707	14,568
Total non-current liabilities	4,136	61
Working capital deficiency	(8,234)	(12,487)

	Three months ended April 301		Year ended April 30	
(000’s of dollars, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Other (income) expense	301	(366)	83	(683)
Financing costs	91	579	801	2,418
General and administrative	895	619	3,006	3,638
Research and development	97	698	925	2,104
Share based compensation	174	194	379	464
Impairment of assets and assets held for sale	-	264	3,826	25,630
Net loss per share – basic & diluted	(0.03)	(0.07)	(0.14)	(0.68)

For the three months ended April 30, 2024, the Company had a net loss of $2.9 million, which consisted primarily of (i) general and administrative of $0.9 million; (ii) research & development costs of $0.1 million; (iii) finance costs of $0.1 million; (iv) share based compensation credit of $0.2 million, other expenses of $0.3 million and amortization of $1.3 million.

Net loss for the year ended April 30, 2024 was $12.3 million, an improvement of $24 million compared to the year ended April 30, 2023, primarily due to (i) reduced impairment expense of $21 million; (ii) a $1.6 million reduction in financing costs; (iii) a $0.7 million reduction of G&A; and (iv) a $1.2 million reduction of R&D cost, net of an increase of $0..8 million of other expense.

In the year ended April 30, 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 $25.6 million in the prior fiscal year

During the quarter ended April 30, 2024, Cielo had operating cash flow of $0.4 million, in the year ended April 30, 2024 a negative cashflow of $0.8 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:

Other income (expense)

Periods ended *(000's of dollars)*	Three months ended April 301 2024	2023	Year ended April 30 2024	2023
Rental income	-	152	178	457
CEBA loan forgiveness	20	-	20	-
SRED rebate	200	50	222	50
Government grant	200	-	200	-
Project development costs	(750)	-	(750)	-
Other income	29	145	47	144
Total other income (expense)	**(301)**	**347**	**(83)**	**651**

Other Income and Expense decreased approximately $0.7 million in the three months and the year ended April 30, 2024, primarily due to: Rental income decreased $0.3 million in year ended April 30, 2024 as the leased FS Property was sold in the period. See Section 8 of this MD&A, entitled "Financing Activities – 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 amount of $0.2 million, and an Alberta Innovates grant of $0.2 million were received in the three month period and year ended April 30, 2024, offset by Dunmore Facility development costs recognized upon termination of the MOU. See Section 8 of this MD&A, entitled "Financing Activities – Renewable U" for additional information.

Finance Costs

(000's of dollars)	Three months ended April 301 2024	2023	Year ended April 30 2024	2023
Interest on loans	(59)	102	474	563
Accretion of loans	128	458	292	1,775
Accretion of debentures	19	-	21	-
Accretion of lease liability	2	19	14	80
Total	90	579	801	2,418

Financing costs decreased approximately $0.5 million for the three month period and $1.6 million for the year ended April 30, 2024, compared to prior year's costs, primarily due to the lessened interest expense as debt decreased period over period. See Section 8 of this MD&A, entitled "Financing Activities" for additional information.

General & Administrative

(000's of dollars)	Three months ended April 301 2024	2023	Year ended April 30 2024	2023
Professional fees	457	181	1,076	1,163
Personnel	206	220	942	1,586
Property tax and insurance	58	105	264	524
Office and administrative	174	112	723	365
Total	**895**	**619A**	**3,006**	**3,638**

General & administrative costs were increased approximately $0.3 million in the three-month period, and decreased approximately $0.6 million in the year ended April 30, 2024 from comparative 2023 periods.:

- professional fees increased $0.3 million in the three-month period, as corporate development activities increased in Q4, overall decreasing approximately $0.1 million for the year;

- personnel decreased approximately $nil million in the three-month period, while the year 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 $0.3 million in the year, due to the disposition of the FS Property and re-aligning insurances with the Company's current state of business;
- office and administration cost increased in the quarter $0.06 million primarily due to increased public company fees in the period, and the year and increase 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

	Three months ended April 30		Year ended April 30	
($000's)	**2024**	**2023**	**2024**	**2023**
Operating expenses	97	401	517	1,107
Personnel	-	297	408	997
Total	**97**	**698**	**925**	**2,104**

Research & Development decreased approximately $0.6 million for the three months ended April 30, 2024 and $1.2 million for the year, as the Company focuses on new project designs and EPA approvals for its projects.

Share Based Compensation

	Three Months Ended April 30		Year Ended April 30	
($000's)	**2024**	**2023**	**2024**	**2023**
Stock options	174	194	379	306
Restricted share units	-	-	-	(122)
Deferred share units	-	-	-	280
Total	174	194	379	464

Share based compensation decreased by $0.02 million for the quarter and $0.1 million for the year ended April 30, 2024, compared to the respective prior year periods. The decrease is related to staff reductions, forfeiture of stock options upon employee resignation and, deferred shared units issued to employees and directors of the Company in December 2021 and March 2022.

Depreciation and Amortization

	Three Months Ended April 30		Year Ended April 30	
($000's)	**2024**	2023	**2024**	2023
PP&E	859	174	1,074	389
Intangible assets	549	27	2,233	115
Right-of-use assets	26	29	103	129
Total	1,434	230	3,410	634

Depreciation and amortization increased by $1.2 million for the three months and $2.86 million for the year ended April 30, 2024, compared to the respective prior year periods. Increased amortization related to PP&E of $0.7 million for the quarter and the year ended April 30, 2024 were related to the reclass of assets from construction in progress to depreciable assets subsequent to the completion and commissioning of the R&D Facility. The Intangible asset amortization increases of $0.4 million in the quarter and $2.1 million in the year ended April 30, 2024 are due to the Technology acquisition completed in November 2023.

Summary of Quarterly Results

Fluctuations in net loss for each quarter generally relate to the amounts of financing, research, and development, and share based compensation expenses the Company incurred during the respective quarter. The business of Cielo, when in commercial production, is expected to exhibit some seasonality and cyclicality due to overall consumption patterns of refined products, broad macro-economic activity, and extenuating events. Low carbon fuels act as both substitutes and measures to reduce carbon intensities of fossil fuels. Seasonal increases in demand for heating oil can increase diesel prices as refiners may produce more heating oil to meet demand. In addition, broad economic conditions, and geopolitical instability, such as COVID-19 and the ongoing conflict between Russia and Ukraine, can impact the consumption of fuels. In some cases, consumer preferences and rates of adoption of low carbon fuels may partially or completely offset any declines as a result of broad economic declines.

The table below summarizes Cielo's financial results for the last eight fiscal quarters:

	2024				2023			
($000's)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Revenue	-	-	-	-	-	-	-	4
Net Loss	(2,993)	(1,946)	(1,407)	(5,917)	(4,106)	(2,309)	(2,132)	(27,635)
Net loss per share (basic & diluted)	(0.00)	(0.02)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.04)

For the three months ended April 30, 2024, the Company had a net loss of $3.0million, which consisted primarily of (i) general and administrative of $0.9 million; (ii) research & development costs of $0.1 million; (iii) finance costs of $0.09 million; (iv) share based compensation credit of $0.2 million, other expenses of $0.3 million and amortization of $1.4 million.

Liquidity and Capital Resources

Working Capital

Cielo's primary objective for managing liquidity and capital resources is to ensure the Company has sufficient funds available for research, development, commercialization of its technology through project entities to be formed, such as the Carseland LP, and other corporate activities. The Company has a working capital deficiency of $8.2 million at April 30, 2024 ($12.4 million as at April 30, 2023). The decrease in working capital deficiency of $4.2million was mainly due to: (i) repayment of FS Facility debt of approximately $10.0 million; (ii) increase in other current liabilities in relation to the Technology Acquisition in the amount of $6.7 million, and (iii) the decrease in cash in the amount of approximately $0.8 million.

The Company has not reached planned commercial operations or generated sufficient operational cash flows to meet the Company's planned growth or to fund research, development, commercialization of its technology, or corporate activities. The Company will require additional capital to fund costs relating to research, development, commercialization of its technology 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 the working capital deficiency. The Company continues to explore alternatives to generate additional financing, which may include raising additional equity and debt or entering into strategic partnerships; however, there is no assurance that these initiatives will be successful, and they may depend on prevailing commodity prices, general economic conditions and the Company's success in its research and development activities.

Cash Flow Summary

The following table summarizes the Company's sources and uses of funds for the three months and year ended April 30, 2024, and 2023:

	Three Months Ended April 30		Year Ended April 30	
($000's)	**2024**	2023	**2024**	2023
Operating activities	(324)	(897)	(4,204)	(4,753)
Financing activities	1,842	(192)	4,915	8,314
Investing activities	(806)	(744)	(1,488)	(5,064)

Operating Activities

Net cash used in operating activities was $0.7 million for the three months and $4.2 million for the year ended April 30, 2024. The cash used in operating activities was used to fund general and administrative and research and development expenditures.

Investing Activities

Net cash used in investing activities was $0.8 million for the three months, and $1.5 million for the year ended April 30, 2024. These costs primarily relate to capital expenditures as summarized below.

($000's)	**Construction In Progress**	**Land**	**Building**	**Equipment**	**Computers**	**Total**
Carseland Ph 1	1,374	-	-	-	-	1,374
R&D Facility	308	-	-	58	-	58
Total	**1,682**	**-**	**-**	**58**	**-**	**1,432**

Financing Activities

Net financing proceeds of $1.8 million for the quarter, and $4.9 million for the year ended April 30, 2024 were comprised of loan proceeds of $3.0 million, flo share issuance of $0.67 million, and convertible debenture issuance of $2.0 million; with repayments of approximately $0.55 million; and related costs of $0.2 million.

Off-Balance Sheet Arrangements

As at April 30, 2024, Cielo did not have any off-balance sheet arrangements in place that would materially impact its financial position or results of operations.

Contractual Liabilities and Commitments

As at April 30, 2024, the Company is committed to expenditures under various contracts with service providers for general and administrative services. In April 2023, the Company negotiated a change in its lease, reducing the obligation from $0.69 million over three-year period to $0.12 million over a one-year period. As at April 30, 2024, the Company had contractual obligations as follows:

($000's)	**2025**	**2026**	**2027 +**
Lease obligations	55	-	-

7. 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:

As at	April 30, 2024	August 27, 2024
Issued & Outstanding Common Shares	113,302,571	119,743,248
Options Outstanding - Vested & exercisable	1,208,794	1,208,794
Broker Warrants	494,889	494,889
Warrants outstanding (exercisable)	18,675,238	18,900,238
Total Outstanding	133,681,493	140,347,710
Options Outstanding - unvested	1,301,957	1,301,957
DSU's outstanding - unvested	140,000	140,000
IP acquisition indemnification shares (not issued)	9,064,757	9,064,757
Convertible debenture	5,100,000	5,325,000
Total Securities outstanding	**149,288,206**	**156,179,424**

8. 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 is 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 the Carseland Facility (Carseland Phase I). as well as for general working capital and corporate growth purposes. It was intended that the funds also be used toward the proposed Dunmore Facility, however no funds have been or will be allocated to the Dunmore Facility since the Company will not proceed with that proposed project.

As at April 30, 2024 the Company had issued a total of 2,040 Convertible Debenture Units with gross proceeds of $2,040,000, 5,100,000 Warrants and 5,250 broker warrants. On May 31, 2024, subsequent to the fiscal year, the Company closed on $90,000 of Convertible Debenture Units, bringing the total gross proceeds of the Offering to $2,130,000, comprised of 2,130 Convertible Debentures and 5,325,000 warrants. Finders fees comprised of 5,250 broker warrants and $2,900 cash payment were remitted in relation to the Offering.

b) 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.

c) 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 were subject to a hold period of 4 months, expiring on May 13, 2024.
- In May, 2024 for full and final repayment of outstanding liabilities of $25,184, the Company agreed to issue a total of 81,237 common shares at $0.31 per share, (the "Repayment Shares"). The transaction is subject to the approval of the TSX Venture Exchange. Upon approval and issuance, the Repayment Share will be subject to a hold period of 4 months

d) 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, a third time 2024 to July 3, 2024. The Company has made a request to the royalty holders to extend the payment deadline for another 12 months, to July 3, 2025. Approval of royalty holders holding at least 66.67% of the royalties is required to extend the deadline. The Company is in default of its payment of obligation, however an Event of Default (as defined by the terms of the royalty certificates) has not occurred, which requires a formal notice from royalty holders holding at least 66.67% of the royalties. An Event of Default must occur in order for royalty holders to enforce their rights under the royalty certificates.

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.

e) $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 are 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.

f) Short term loans (unsecured)

- In 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 in March 2024.
- Following the year ended April 30, 2024 two short-term loans were obtained, each unsecured, and bearing interest of 12% per annum In July 2024 $0.2 million was advanced by a third party lender. It is due and payable on July 31, 202***5***. In August 2024, an additional loan of $0.25 million was advanced by a third party lender. It is due and payable on August 31, 2024.

g) 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 $0.83 million, resulting in a gain on settlement of debt in the amount of $0.17 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.

As the Company determined that it would no longer proceed with the Dunmore Facility, it also determined that it would not continue with the purchase of the property in Dunmore, Alberta from Renewable U (the "Dunmore Land"). As a $100,000 deposit had been paid and released to Renewable U, the $2 million owing for the termination of the five remaining MOUs was reduced by $100,000. Following discussions between the Company and Renewable U, the parties entered into a debt conversion agreement under which Cielo agreed to issue 6,440,677 common shares of Cielo (the "Repayment Shares") at $0.295 per share in lieu of the repayment of the $1.9 million. The Repayment Shares were issued on June 11, 2024.

For further detail, please refer to Note 15 in the accompanying financial statements and section 11 (Related Party Transactions) of this MD&A.

h) 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 7 of accompanying audited 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 $14 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.

9. ASSET & TECHNOLOGY ACQUISITION

Licensed Technology Acquisition

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™) (the "EBTL Technology") and the "Biomass Gas to Liquids" (BGTL™) technology (the "BGTL Technology", together with the EBTL Technology, collectively the "Licensed Technology") as well as contractual arrangements associated with certain development stage projects (together with the Licensed Technology, the "Acquired Assets"). The transaction closed on November 9, 2023.

The Licensed Technology was recorded at fair value upon acquisition in the amount of $42.3 million and will be amortized over its estimated useful life of 10 years.

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". (noting the Carseland Facility will be considered two (2) Licensed Facilities due to there being two (2) separate phases).
- 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 first Carseland Project technology fee;
- A one-time, non-refundable process licence fee, payable upon achieving 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	36,330,360
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 Technology Acquisition Agreement. The Indemnification Period is anticipated to expire on or about December 9, 2024.

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 required by IFRS 2 the value of the purchase was determined using a discount for lack of marketability calculation, resulting in a value of $42.3 million, which is appropriately reflected in Intangible Assets, and subsequently amortized over the life of the asset.

Proposed Project Entity and Acquisition

On June 11, 2024, the Company announced the execution of a binding letter of intent (the "LOI") with Rocky Mountain Clean Fuels Inc. ("Rocky Mountain") with respect to the proposed acquisition (the "RM Asset Acquisition") by the Carseland LP (to be formed by Cielo) of certain assets of Rocky Mountain including an enhanced gas to liquids plant located in Carseland, Alberta (the "RM Facility") as well as related assets such as material contracts (the "RM Assets") and the assumption of certain related liabilities (the "Assumed Liabilities").

The purpose of the RM Asset Acquisition is primarily to accelerate the timeline to revenues as well as to minimize costs, as described below:

A. As a result of the Technology purchase transaction with Expander that was completed in November 2023, the Company acquired a project development agreement with Rocky Mountain (the "PDA"). Prior to the execution of the LOI, it was the intention of the Company to construct the Carseland Facility adjacent to an existing synthetic fuel facility owned and operated by Rocky Mountain, which deploys patented technology developed by Expander. The PDA provides for the terms upon which Rocky Mountain has been engaged to provide its services and use the RM Facility to convert the bio-syngas produced by the Cielo's Licensed Technologies to produce Bio-SynDiesel® If the RM Asset Acquisition is completed, one of the results will be the termination of the PDA as the Carseland LP will own and operate the RM Facility.

B. In addition, if the RM Asset Acquisition is completed, as a condition of the Transaction closing, Cielo or the GP on behalf of the LP (the "Licensee") will enter into a license agreement (the "EGTL License Agreement") with Rocky Mountain for the use of the Rocky Mountain's proprietary Enhanced Gas to Liquids technology (the "EGTL Technology") at the RM Facility, allowing for near term revenue generation by the Carseland LP until a gasifier can be built on-site using the Licensed Technologies.

If the RM Asset Acquisition is not completed, the PDA will remain in place and Cielo will continue toward the construction of the Carseland Facility as initially planned.

The LOI provides for the following terms, to be incorporated into a definitive asset purchase agreement between Rocky Mountain and the Carseland LP, once formed:

A. The Assets to be purchased for $125 million (the "Base Price"), subject to adjustments (the "Purchase Price"). On the closing date of the proposed transaction, the Base Price will be increased by an amount up to $3.2 million in capital improvement costs to be incurred by Rocky Mountain prior to closing, which will be paid on closing, and reduced by an amount equal to the Assumed Liabilities.

B. The balance of the Purchase Price will be paid through a non-negotiable, secured promissory note or vendor take back note (the "VTB Note") to be issued by the Carseland LP to Rocky Mountain, along with a site-specific general security agreement against the Assets in favour of RMCFI as security for the VTB Note (the "VTB Security Agreement"). 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 maturity, subject to earlier repayment, which will be permitted, in whole or in part from time to time, throughout the term of the loan without penalty.

C. Rocky Mountain has received notice of qualification from the Government of Alberta for a grant under the Alberta Petrochemicals Incentive Program ("APIP") having a total amount of $20.8 million (the "APIP Grant"), such that if the APIP Grant is delivered, the Carseland LP will be entitled to receive 100% of it, however it is not guaranteed as at the date of this MD&A.

D. The EGTL License Agreement will have a term of five years from closing or the date upon which the Carseland Facility is complete, whichever is sooner, however Licensee will be entitled to extend the term for an additional five-year period. In consideration of the EGTL Licence, the Licensee will pay to Rocky Mountain a royalty of 2% on gross revenues arising from the sale of products from the RM Facility using the EGTL Licence during the term of the EGTL Licence Agreement.

E. Cielo will be obligated to transfer those assets it acquired from Expander to the Carseland LP, and enter into a sub-license agreement with the Carseland LP to allow the Carseland LP to utilize the Licensed Technologies.

It is anticipated that the closing of the RM Asset Acquisition will occur in September 2024.

10. OPERATIONS UPDATE

Carseland Facility

Until and unless the Carseland Facility assets are transferred by Cielo to the Carseland LP, Cielo will continue to proceed with the Carseland Facility directly. Currently, Expander (including its affiliates), as Cielo's engineering service provider, is working on engineered plans and obtaining pricing to bring Cielo to Final Investment Decision ("FID"). This critical step ensures the development plans and construction estimates are accurate and fulsome and minimizes cost overage risk to the best of the Cielo's ability, and to allow Cielo to obtain and review the best available information and understands its commitment before commencing development.

- Carseland Phase I: This phase will utilize the Licensed Technologies and is focused on processing wood based products to fuel. Carseland Phase I is anticipated to commence development in late 2024 with commissioning in 2026. Preliminary estimates are $55 million for construction and engineering.
- Carseland Phase II: This phase is intended to be an expansion of the Carseland Phase I, with added equipment developed to process all forms of waste, and increasing output volumes. Preliminary budgeting is underway as at the date of this MD&A, and costs for the construction and engineering of are anticipated to be approximately $ 100 million. Subject to FID approval and financing, Carseland Phase II is anticipated to be commissioned bin 2027.

For clarity, if the RM Asset Acquisition is completed, following its closing, the foregoing costs will be incurred by the Carseland LP.

In addition in the event that the RM Asset Acquisition is completed, the period of time between closing and the completion of CA1 will be considered CA0, which will involve the use by the Carseland LP of the EGTL Technology. See Section 4 of this MD&A, entitled "Outlook and Milestones" for additional information on the three (3) proposed phases for the Carseland Facility.

Aldersyde 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.

The site in Aldersyde, Alberta will be used in support of Cielo's ongoing research and development, including the evolution of its TCD process.

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 9 of this MD&A, entitled "Asset and Technology Acquisition – Licensed Technology Acquisition" for additional information on the transaction completed on November 9, 2023 with Expander. 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.

11. RELATED PARTY TRANSACTIONS

Expander Group of Companies ("Expander")

A director of the Company is also a director, officer and shareholder of Expander, 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. See Section 9 of this MD&A, entitled "Asset and Technology Acquisition – Licensed Technology Acquisition" for additional information on the transaction completed on November 9, 2023 with Expander

In addition to the License Agreement, 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, 2023, Expander has provided services related to: engineering and project estimates to reach FID for the Carseland Facility; project planning and preliminary evaluation of project needs for the Company's proposed Licensed Facility in Dunmore, 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.

Year ended April 30, 2024	Carseland Technology Fee	Carseland Gasifier Equipment	Carseland Gasifier Engineering services	Dunmore Scoping	Aldersyde Scoping	Advisory Services	Total
Total Estimated Contract	***$ 750***	***$ 1,500***	***$ 480***	***$ -***	***$ 49***	***$ -***	***$ 2,779***
Deposit invoice	-	393	240	-	25	-	658
Work completed	788	-	364	16	36	51	1,255
Amount Paid	(405)	(393)	(364)	(16)	(46)	(21)	(1,245)
Amount (prepaid) outstanding	**$ 383**	**$ (393)**	**$ -**	**$ -**	**$ (10)**	**$ 30**	**$ 10**
Contract remaining	**$ -**	**$ 1,500**	**$ 134**	**ended**	**15**	**ongoing**	**1,585**

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 of this MD&A, entitled "Financing Activities – Private Placement of Flow-Through Shares" for additional information.

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 May 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 concurrently entered into an agreement of purchase and sale (the "Offer to Purchase"), pursuant to which Cielo (or its assignee) 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.

The $0.1 million deposit was paid, however the $0.5 million deposit was not paid. As the Company determined that it would no longer proceed with the Dunmore Facility, it also determined that it would not continue with the purchase of the Land. The $2 million owing for the termination of the five remaining MOUs (see section entitled "Financing Activities – Renewable U Restructuring") was reduced by $0.1 million. Following discussions between the Company and Renewable U, the parties entered into a debt conversion agreement under which Cielo agreed to issue 6,440,677 common shares of Cielo (the "Repayment Shares") at $0.295 per share in lieu of the

repayment of the $1.9 million. The Repayment Shares were .
issued on June 11, 2024.

12. 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.

13. RISK FACTORS

An investment in the securities of the Company 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. The following are certain factors relating to the Company's business which investors should carefully consider. These risks and uncertainties are not the only ones the Company is facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity, and results of our operations could be materially adversely affected.

Early-Stage Technology Research, Development and Manufacturing Capability

The Company continues to be in the research and development stage. The Company's existing facilities and research and development activities and the research and development of new technologies and processes may require significant spending which may negatively impact our operating results. The Company has earned limited revenues to date and has supported its operations through cash flow from product sales and various debt and equity financings. In Q1 2023, a significant part of the previous Aldersyde Facility was deemed to be significantly impaired, at which time an impairment of $25.6 million was recognized. The Company's operations continue to be subject to all of the risks inherent in a company developing a new technology to market. The likelihood of success of the Company must be considered in light of the problems, expenses and delays frequently encountered in connection with an early-stage development business and the research, development and introduction of new products and new technology.

The Company faces operational risks, and its facilities may fail performance expectations

Waste to fuel refining operations generally involve a high degree of risk including hazards and risks normally encountered in obtaining feedstock, process design, the fluctuation of fuel prices and possible damage to, or destruction of the producing facilities, damage to life or property, environmental damage, and possible legal liability. Certain operational risks include fire, explosion, and spills. The costs of any of these incidents could have a material adverse effect on the Company's business, financial condition, results of operations, legal liability, cash flows or prospects.

The performance of the Company's TCD process and related systems at its R&D Facility and proposed and potential additional facilities, such as the Dunmore Facility, may encounter problems including but not limited due to the failure of technology, the failure to combine technologies properly, operator error or the failure to maintain and service the facilities properly. There is no certainty that the facilities will, or will continue to, result in production of commercial quantities of low carbon fuels. Refining operations are subject to hazards such as equipment failure and fuel storage areas, which may result in environmental pollution and consequent liability. Many potential problems and delays are beyond the Company's control, which may result in closures and supply chain disruptions. Any problem with the Company's facilities, whether originating from its technology, design, installation, or otherwise could have a material adverse effect on the Company's business, financial condition, results of operations, legal liability, cash flows or prospects.

- A number of factors related to the development and operation of individual facilities could adversely affect the Company's business, including:
- Regulatory changes that affect the demand for or supply of low carbon fuels and the prices thereof,

which could have a significant effect on the Company's cash flows and financial condition;

- Regulatory changes to waste management policies or changes to the waste collection industry that could reduce the amount of waste available to be used at our facilities;
- Changes in the regulatory in the regions where the Company operates or is developing new facilities;
- Ability to obtain regulatory permits on acceptable terms;
- Changes in energy commodity prices, such as diesel fuel and naphtha;
- A decrease in the availability, pricing, and timeliness of delivery of raw materials and components necessary for the facilities to function;
- The competitive landscape if an increased number of waste to energy facilities become operational; and
- Unexpected delays in the development and completion of facilities as well as unforeseen events giving rise to force majeure or unexpected delays once such facilities are operational.

Any of these factors could prevent the Company from completing or operating its projects, or otherwise adversely affect its business, financial condition, and results of operations.

The final amount of future capital expenditures relating to the development of our facilities may be significantly greater than expected at this time, in which case we may be required to curtail or delay construction and development of our facilities, which would reduce our planned production capacity and adversely affect our growth plans, cash flows and financial condition. We will likely need to raise capital directly, or indirectly, for the construction and development of our facilities, which may not be available on acceptable terms, or at all.

We will rely on certain intellectual property to operate our facilities

Cielo relies or may rely on a combination of patents, trademarks, trade names, trade secrets, confidentiality agreements and other contractual restrictions on disclosure to protect its intellectual property rights. Cielo also enters into confidentiality agreements with employees, consultants and other third parties, and controls access to and distribution of Cielo's confidential information. Cielo's success will depend in part on its ability to maintain or obtain and enforce patent and other intellectual property protection for Cielo's process and technologies and to preserve trade secrets, and to operate without infringing upon the proprietary rights of third parties. Setbacks or failures in these areas could negatively affect Cielo's ability to compete and materially and adversely affect Cielo's business, financial condition, and results of operations.

If Cielo is unable to protect intellectual property or if a competitor develops or obtains exclusive rights to a breakthrough technology, the impact on our business and financial performance may be significant. Developments in technology could trigger a fundamental change in waste processing and the renewable energy industries, which may adversely impact volumes at our facilities and ultimately the Company's financial performance.

Cielo has obtained, directly or indirectly, patents and/or filed patent applications in the United States and Canada, and may, in the future, seek additional patents or file patent applications.

There can be no assurance that Cielo will be successful in obtaining patents it applies for in the future. Third parties may infringe on our patents. To counter infringement or unauthorized use, we may need to file infringement claims, and in an infringement claim, there is risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we have the right to stop the other party from using the invention at issue. Additionally, there can be no assurance that the scope of any claims granted in any patent will provide Cielo with adequate protection for the processes used by Cielo currently or in the future. Cielo cannot be certain that the creators of our technology were the first inventors of inventions and processes covered by the patents and patent applications or that they were the first to file. Accordingly, there can be no assurance that Cielo's patents will be valid or will afford Cielo with protection against competitors with similar technology or processes.

Reliance on License Agreement with Expander

The Company has been granted a ten year license to the Licensed Technologies pursuant to the License Agreement with Expander, whereby the first five years are exclusive, with exclusivity extending through the ten years should Ceilo satisfy a requirement to build six Licensed Facilities within five years. Failure to satisfy this minimum requirement obligation could result in the loss of exclusivity at the end of the fifth year, which could result in increased competition from Expander or third parties, which could have a material adverse effect on Cielo's business or financial condition. In addition, failure to meet all obligations under the License Agreement could result in the termination of the License Agreement. If the Company's relationship with Expander were to terminate, the Company would have to revert to research and development activities and focus on the TCD Technology, or acquire another further advanced technology, in order to achieve or maintain revenues, which would add significant time and expense and have a material adverse impact on the Company's financial condition.

Transition of Key Management Positions

Any significant leadership change or senior management transition involves inherent risks, and any future changes to our management that may occur during the transition could cause significant disruption to the Company and its operations. The failure to adequately manage succession of senior management and other key personnel or the failure of key employees to successfully transition into new roles could cause further disruption to our business. In addition, changes in senior management may create uncertainty among investors, employees, business partners and others concerning the Company's future direction and performance.

Any disruption in our operations or adverse impacts from such uncertainty could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Additionally, there can be no assurance that further changes to management will not occur. It is important to note that the Company may not be successful in its search or may not meet its objective on a timely basis. The failure to meet its objective at all or on a timely basis, as well as undergoing other changes to management, could have an adverse effect on the Company's business, financial condition, cash flows and results of operations.

We rely on certain key personnel and may be subject to labour disruptions

Cielo's success will depend on its directors and officers to develop its business and manage its operations and on its ability to attract and retain key personnel. The loss of any key person, or the inability to find and retain new key persons, could have a material adverse effect on Cielo's business. No assurance can be provided that Cielo will be able to attract or retain key personnel in the future, which may adversely impact its operations.

Cielo is also exposed to the risk of labour disruption in its operations. While Cielo does not anticipate any material labour disruptions in the near future, any prolonged work stoppages or other labour disputes could have an adverse impact on Cielo's financial results.

We rely on a small number of service providers for a majority of our service needs

Cielo relies on a small number of service providers in relation to its current operational requirements, a concentration risk. In particular, Cielo relies primarily on Expander with respect to its engineering needs and the construction of its proposed facilities, including the Carseland Facility. A breakdown of the relationship between Cielo and Expander, including the breach or termination of service agreements between Cielo and Expander, or any inability of Expander to continue to provide services to Ceilo, could result in delays or other material adverse effects on Cielo and its projects.

The Company's ability to operate as a going concern is in doubt.

The audit opinion and notes that accompany the Company's Financial Statements disclose a going concern qualification to its ability to continue in business. The Financial Statements have been prepared under the assumption that the Company will continue as a going concern. The Company is a research and development stage company and has incurred losses since its inception. The Company has incurred losses resulting in an accumulated deficit of $121 million as at April 30, 2024, and further losses are anticipated in the development of its business. The Company's ability to continue as a going concern is dependent on its ability to raise capital to fund its future the design of a full-scale commercial waste-to-fuel facility and working capital requirements or its ability to profitably execute its business plan. The Company's plans for the long-term return to and continuation as a going concern include financing its future operations through sales of its Common Shares and/or debt and the eventual profitable full-scale commercial waste-to-fuel facility. Additionally, the volatility in capital markets and general economic conditions in Canada, the U.S. and elsewhere can pose significant challenges to raising the required funds. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's Financial Statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Financial Statements.

Need for Financing

The development of the Company's business is likely to require additional financing or refinancings. There are no assurances that such financing or refinancings will be available, or if available, available upon terms acceptable to the Company. If sufficient capital is not available, the Company may be required to delay the expansion of its business and operations, which could have a material adverse effect on the Company's business, financial condition, prospects, or results of operations.

Flow-Through Share Expenditures

The Company completed a private placement offering of flow-through shares, as described in this MD&A. In the event that Cielo does not satisfy its obligations associated with the flow-through shares, such as incurring qualifying expenses, the Company could be liable to the subscribers for the flow-through shares.

Uncertainties Relating to the Company's Business Plans

There is no assurance that broad successful commercial applications may be feasible for the Company. The Company is continuing to explore, develop, and test feedstock and there can be no assurance that the feedstocks will be economic for commercial application, that test results will be successful, if completed at all, that any necessary permits or approvals required in order to commercialize will be obtained by the Company, or that existing technology or products will become profitable. Should the Company fail to achieve any of the foregoing, this could have a material adverse impact on the business and planned business of the Company.

Testing Alternative Waste Feedstock may not Generate Expected Levels of Output

Testing alternative waste feedstocks to produce low carbon waste to energy fuels, such as diesel, naphtha and kerosene involves a high degree of risk including hazards and risks normally encountered in obtaining feedstock, process design, the fluctuation of fuel prices and possible damage to, or destruction of the producing facilities. Additionally, there is a risk that the use of carrier fluids other than used motor oil could be unviable. There is no certainty that the testing of alternative waste feedstocks and other carrier fluids will result in a production of fuels, low carbon or otherwise, on a commercially viable basis on the timetable we anticipate, or at all. Any extended interruption and or volume disruption in the testing process, or a failure of the process for any reason to generate the expected amount of output, could adversely affect the Company's business and operating results

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

Dividend Risk

The Company currently intends to reinvest all future earnings in order to finance the development and growth of its business. Therefore, the Company does not anticipate paying dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition, and other relevant factors. Until the time that the Company does pay dividends, which the Company may never do, the Company's shareholders will not be able to receive a return on their common shares unless they sell them.

Forward-Looking Statements may prove to be inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements. By its nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the heading "Special Note Regarding Forward-Looking Statements".

The market price of the Common Shares may be volatile and is subject to wide fluctuations

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by government and regulatory authorities, the Company, or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares. Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially and adversely affected.

Future sales or issuances of securities and dilution of Common Shares

The Company may issue additional securities to finance future activities. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of Common Shares, or the perception that such sales could occur, may adversely affect the prevailing market price of the Common Shares. With any additional sale or issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Common Share.

The Company may be unable to obtain additional financing on acceptable terms or at all

The continued development of the Company may require additional financing, extensions or re-financing of existing financings. The failure to raise or procure such additional funds or modified terms may result in the delay or postponement of the Company's business objectives. There can be no assurance that additional capital or other types of financing will be available if and as needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. Aside from other immediate financial requirements, the Company is currently in default of its royalty obligations, as disclosed in this MD&A. In the event that an extension is not obtained and a formal notice provided to the Company, $0.9 million would require immediate payment or the Company may be subject to related litigation.

The Company has a history of Negative Cash Flow

The Company has a history of negative cash flow from operating activities. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of the net proceeds received from the sale of Offered Shares hereunder or other financings to fund such negative cash flow. There can be no assurance that additional capital or other types of financing will be available when needed, or that these financings will be on terms at least as favourable to the Company as those previously obtained, or available to the Company at all.

We intend to conduct some of our operations through joint arrangement and our joint arrangement partners' interests may not always align with our own.

Notwithstanding the termination of the MOUs, we may conduct some of our operations through joint arrangements, in which we may share control over certain economic and business interests. There will be a variety of risks associated with our interest in the joint arrangements, including:

- Potential disagreements with our joint arrangement partners about how to construct, operate or finance a facility;

- Joint arrangement partners may have economic, business, or legal interests, or goals that are inconsistent with our goals and interests;

- Joint arrangement partners may be unable to meet their, or may not meet their, obligations under our arrangements with them; and

- Disagreements with joint arrangement partners over the exercise of their rights under the agreements that will govern their relationship with us. Failure by us, or an entity in which we have a joint arrangement interest, to adequately manage the risks associated with joint arrangements, and any differences in views among us and our joint arrangement partners, which could prevent or delay actions that are in the best interest of us or the joint arrangement, could have a material adverse effect on our, or our joint arrangements', financial performance, results of operations, and liquidity.

We are dependent on third parties for our feedstock and significant interruptions in our access to certain key inputs may impair operations at our facilities.

As feedstocks comprise the primary input in converting waste to fuels, changes in the price, if applicable, or availability of feedstocks can significantly affect Cielo's business. We are dependent on third parties for our feedstock. The Company relies on obtaining long-term agreements for the supply of feedstock materials. There can be no assurance that the Company will be able to contract for feedstock or re-contract with any given party upon expiry of a given contract, nor is there any assurance that the Company would be able to replace lost feedstock as a result of a failure to renew an existing contract.

The price or availability of feedstock is influenced by many factors, including market demand, policies with respect to collection or management of waste and general economic and regulatory factors. The significance and relative effect of these factors on the price or availability of feedstock is difficult to predict. Any event that tends to negatively affect the supply of feedstock, could increase feedstock prices and potentially harm Cielo's business. In addition, Cielo may also have difficulty, from time to time, in physically sourcing feedstock on economic terms due to supply shortages. Such a shortage could require Cielo to suspend operations until feedstock is available at economical terms, which would have a material adverse effect on our business, results of operations and financial position.

In addition to feedstock, our business is dependent on a number of other key inputs and their related costs, including raw materials, supplies and equipment related to our operations, as well as electricity, water, and other utilities. Any significant interruption, price increase or negative change in the availability or economics of the supply chain for key inputs could curtail or preclude our ability to develop our facilities or continue production and may have a material adverse impact on our business and results of operations.

Environmental regulations could have a significant impact on the energy industry

All phases of operating low carbon fuel production facilities present environmental risks and hazards. Cielo is subject to environmental regulation implemented or imposed by a variety of federal, provincial, and municipal laws and regulations as well as international conventions. Among other things, environmental legislation provides for restrictions and prohibitions on spills and discharges, as well as emissions of various substances produced in association with low carbon fuel operations. Legislation also requires that facility sites be operated, maintained, abandoned, and reclaimed in such a way that would satisfy applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner we expect may result in stricter standards and enforcement, larger fines, penalties, and liability, as well as potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge.

Cielo intends to work toward achieving these standards with the goal of allowing its fuel products to warrant a premium. Renewable energy regulations are evolving, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's operations. The Company cannot predict the nature of any future laws, regulations, interpretations, or applications towards renewable energy policies, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. The Company's business may suffer if environmental policies change to no longer encourage the development and growth of low carbon fuels. Public opinion can also exert a significant influence over the regulation of the renewable energy industry. A negative shift in the public's perception in the feasibility of renewable energy could affect future legislation or regulations in Canada and abroad which may have an adverse effect on our business.

Failure to comply with government regulations could subject Cielo to civil and criminal penalties, require Cielo to forfeit property rights and may affect the value of Cielo's assets or Cielo's ability to conduct its business. Cielo may also be required to take corrective actions, including, but not limited to, installing additional equipment, which could require Cielo to make substantial capital expenditures. Cielo could also be required to indemnify its employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. These could result in a material adverse effect on our business, financial condition, and results of operations.

We have a limited operating history and a history of net losses, and we may not achieve or maintain profitability in the future

The Company has no history of significant or consistent earnings and there is no assurance that the Aldersyde Facility or any future facility will generate earnings, operate profitably, or provide a return on investment in the future.

Cielo has not generated sufficient positive cash flow on a consistent basis to cover corporate overhead costs and interest and principal payments on loan obligations. Cielo's ability to do so going forward will depend in part on factors over which management has no control. It may be a significant period of time before Cielo achieves consistent revenues while, concurrently, Cielo expects to incur significant costs in connection with ongoing research and development activities.

Few low carbon fuel facilities are developed into profitable businesses without significant help from government subsidies. Major expenses may be required to establish the facility business. It is impossible to ensure that the current business plan by the Company will result in a profitable commercial refining operation.

In addition, Cielo's prospects must be considered in light of the risks and uncertainties encountered by an early-stage company in the rapidly evolving low carbon fuel market, where supply and demand may change significantly in a short period of time.

Our efforts to grow our business may be more costly than we expect, and we may not generate enough revenue to offset our operating expenses. We may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications, and delays in obtaining governmental licenses and the other risks described in this MD&A. The amount of any future losses will depend, in part, on our ability to generate revenue on the one hand and any increases in our expenses on the other hand. If we continue to incur losses in the future, the net losses and negative cash flows incurred to date, together with any such future losses, will have an adverse effect on our shareholders' equity and working capital. Because of the numerous risks and uncertainties associated with our business and industry, we are unable to accurately predict when, or if, we will be able to achieve profitability. Even if we achieve profitability at some point in the future, we may not be able to sustain profitability in subsequent periods. If we are unable to achieve and sustain profitability, the market price of our common shares may significantly decrease and our ability to raise capital, expand our business or continue our operations may be impaired.

The results of our operations will depend on commodity prices

The profitability of the Company's operations will be significantly affected by changes in the market price of various fuels derived from waste. The level of interest rates, the rate of inflation, world supply and stability of exchange rates can all cause significant fluctuations in fuel prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of diesel fuel has fluctuated widely in recent years, and future serious price declines could cause continued commercial production to be impracticable. Depending on the price of diesel fuels, cash flow from operations may not be sufficient to fund growth or pay our obligations. Market fluctuations and the price of fuels derived from waste, may render refining uneconomical. Short-term operating factors relating to the production of fuels from waste, such as the increased feedstock costs or drop in low carbon fuel prices, could cause the refining operation to be unprofitable in any accounting period.

We require permits and authorizations to conduct our operations

Cielo's existing and proposed operations require, and Cielo's planned growth will require, licenses, permits and in some cases renewals of these licenses and permits from various governmental authorities both domestically and abroad. As at the date of this MD&A, Cielo is seeking approval from the AEPA to allow feedstocks to be tested at the R&D Facility. Cielo's ability to obtain, amend, comply with, sustain, or renew such licenses and permits on acceptable, commercially viable terms are subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. Cielo's inability to obtain, amend to conform to our operations, or extend a license or a loss of any of these licenses or permits may have a material adverse effect on our business, financial condition, and results of operations.

Improvements in or new discoveries of alternative energy technologies could have a material adverse effect on our financial condition and results of operations

Because our business depends on the demand for oil products, including diesel, any improvement in or new discoveries of alternative energy technologies (such as fuel cells), government mandated use of such technologies or government restrictions or quotas on the use of oil that increase the use of alternative forms of energy and/or reduce the demand or market for oil, and related products could have a material adverse impact on our business, financial condition and results of operations.

New or changing technologies may be developed, consumers may shift to alternative fuels or alternative fuel vehicles (such as electric or hybrid vehicles) other than the fuels from waste we produce, and there may be new entrants into the low carbon fuels production industry that could meet demand for lower-carbon transportation fuels and modes of transportation in a more efficient or less costly manner than our technologies and products, which could also have a material adverse effect on our business.

In the event our competitors or future competitors design or implement new methodologies or new technology relating to the refining or re-refining of waste it could reduce demand for diesel or make our facilities uneconomic.

Developments with respect to low-carbon fuel policies and the market for alternative fuels may affect demand for our fuels and could adversely affect our financial performance

Low-carbon fuel policies, blending credits, and stricter fuel efficiency standards to help reach GHG emissions reduction targets help drive demand for our fuels derived from waste. Any changes to, a failure to enforce, or a discontinuation of any of these policies, goals, and initiatives could have a material adverse effect on our businesses.

Our operations face risks of interruption and casualty losses

Cielo may be subject to unexpected events and natural hazards, including severe weather events, interruption of utilities and infrastructure or occurrence of pandemics, which could cause sudden or complete cessation of its day-to-day operations. Sever weather events that could affect operations at our facilities, including wildfires, may become more frequent as a result of climate change. Any failure to respond effectively or appropriately to such events could adversely affect our operations, reputation, and financial results.

Our facilities will be our principal operating assets. As a result, our operations could be subject to significant interruption if one or more of our facilities were to experience a major accident or mechanical failure, be damaged by severe weather or other natural or man-made disaster, such as an act of terrorism, or otherwise be forced to shut down. If any facility were to experience an interruption in operations, earnings from the facility could be materially adversely affected (to the extent not recoverable through insurance) because of lost production and repair costs.

Insurance may not be adequate or provided for losses we may incur

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which such corporations cannot insure or against which they may elect not to insure.

Although Cielo obtains, or may obtain, insurance to protect against certain risks, there are limitations on insurance coverage that may not be sufficient to cover the full extent of such costs, or a particular risk may not be insurable in all circumstances, or the Company may elect not to obtain insurance in certain circumstances. A significant event that is not fully insured against could have a material adverse effect on Cielo's financial position, results of operations and cash flows.

Certain of our directors and officers serve as director and/or officers of other companies

Certain of the directors and officers of the Company also serve, or may serve, as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and/or officers to be in a position of conflict with respect to the Company. Situations may arise where these directors and officers will be in competition with the Company or be subject to conflicting interests, as a result of their positions with such other entities. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the BCBCA which require a director or officer of a corporation who is a party, has a material in interest in, or is a director or an officer of or has a material interest in any person who is a party to, a contract or transaction with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the BCBCA. Certain directors or officer may determine that they are unable to continue in their positions with the Company as a result of a conflict of interest, which could have a material adverse effect on the Company's business.

We are vulnerable to the potential difficulties associated with rapid growth

We believe that our future success depends on our ability to manage the rapid growth that we have experienced, and the continued growth that we expect to experience. The Company's expected growth depends on its ability to leverage its industry experience and relationships with its partners, customers, and vendors to ensure the economic viability of pursued opportunities. While the Company intends to focus on managing its costs and expenses over the long term, it expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

The waste to energy market is a relatively new industry

Because the waste to energy industry is in a nascent stage in Canada, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in us and, few, if any, established companies whose business model we can follow or upon whose success we can build.

Accordingly, investors should rely on their own estimates regarding the potential size, economics, and risks of the waste-to-energy market in deciding whether to invest in our common shares.

There is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. We could also be subject to other events or circumstances that that adversely affect the waste-to-energy industry, such as reductions in fuel consumption.

We may not be able to secure adequate or reliable sources of funding required to operate our business

Cielo's business is dependent on having access to sufficient capital and financial resources to fund its growth and investment in operations. Any failure to maintain adequate financial resources could impair Cielo's growth or ability to satisfy financial obligations as they come due. There can be no assurance that adequate capital resources will be available in the future on acceptable terms or at all.

In the future, Cielo may need additional financing to operate or grow its business. Cielo's ability to obtain additional financing, if and when required, will depend on investor and lender demand, success of Cielo's research and development activities, operating performance, the condition of the capital markets and other factors. Cielo cannot guarantee that additional financing will be available on favourable terms when required, or at all. If Cielo raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of Cielo's existing securityholders. Cielo's existing securityholders will experience dilution, perhaps to a substantial level, if Cielo raises the additional financing through the sale of shares of common stock. If Cielo is unable to obtain adequate financing or financing on terms satisfactory to management when require, Cielo's ability to continue to support the operation or growth of our business could be significantly impaired and our operating results will likely be harmed.

We face competition from other producers of low carbon fuel

There is competition within the low carbon fuel industry which is considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production.

Cielo faces competition from other producers of fuels from waste with respect to the procurement of feedstock and selling of such fuels. Such competition could be intense, thus driving up the cost of feedstock and driving down the price for Cielo's products. Competition will likely increase if profit margins available to low carbon fuels producers rise. Additionally, new companies may enter the market, thus increasing the competition.

Other companies may have greater success in the recruitment and retention of qualified employees, as well as in conducting their own production and fuel marketing operations, and may have greater access to feedstocks, market presence, economies of scale, financial resources, and engineering, technical and marketing capabilities, which may give them a competitive advantage.

The loss of one or more of our larger customers could have a material adverse effect on our business

Once we begin commercial operations, the loss of one or more of our larger offtake customers could have a material adverse effect on our business, financial condition, results of operations and cash flow. In addition, financial difficulties experienced by customers could adversely impact their demand for our services and cause them to request amendments to our contracts with them.

Cyberattacks may cause disruptions to the Company's operations and could have a material effect on its business

Cielo is dependent on technology in our operations and if the technology fails, it could adversely impact the financial and operational performance of the Company. A cybersecurity incident including a breach of secure and private information could negatively impact our financial performance, subject us to criticism or affect our relationships with customers, employees, investors, and other stakeholders. Cyber incidents including theft, alteration or destruction could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to its reputation. A breach of the Company's cyber/data security measures could have a material adverse effect on the Company's business, operations, financial condition, and operating results.

The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation, results of operations, cash flows and financial condition.

Although to date the Company has not experienced any material losses relating to cyberattacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Any of these factors could have a material adverse effect on the Company's results of operations, cash flows and financial position.

The market value of our shares may fluctuate

The market price of Cielo Shares, as a publicly traded stock, can be affected by many variables not directly related to the corporate performance of the Cielo, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of Cielo Shares in the future cannot be predicted.

COVID-19 and other outbreaks may further disrupt our operations

As a result of the COVID-19 pandemic, the Company paused all operations of the previous Aldersyde Facility and temporarily laid-off operators while maintaining essential personnel. Although the effects of the COVID-19 pandemic have largely improved as at the date of this MD&A, there is no assurance that the pandemic may not again worsen, or that another pandemic may not arise at a future time.

COVID-19 or similar pandemics may have adverse impacts on the Company, including, among others:

- Volatility in the global capital markets, which may increase cost of capital and adversely impact access to capital;

- Continued impacts on workforces throughout the regions in which covid-19 (or any other pandemic) is present, which may result in the company's workforce being unable to work effectively;

- Supply chain disruptions.

Future local, regional, national, or international outbreaks of contagious diseases, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price of and demand for oil, (and correspondingly, decrease the demand for our fuels which could have a material adverse effect on our business, financial condition, results of operations and cash flows). Additionally, such an outbreak, if uncontrolled, may result in temporary shortages of staff to the extent our work force is impacted, which may have a material adverse effect on our business.

Litigation and legal claims could have an adverse impact on our business

We may be subject to legal proceedings and governmental investigations from time to time related to our business and operations. Lawsuits or claims against us could have a material adverse effect on our business, financial condition, results of operations and cash flow. For example, the Company is currently in default of its royalty obligations, as disclosed in this MD&A. In the event that an extension is not obtained and a formal notice provided to the Company, $0.9 million would require immediate payment or the Company may be subject to related litigation.

Acquisitions entail numerous risks and may disrupt our business or distract management

We may consider and evaluate acquisitions of, or significant investments in, complementary assets or entities as part of our business strategy. Acquisitions involve numerous risks, including unanticipated costs and liabilities, and difficulty in integrating the operations and assets of the acquired assets. Any acquisition could have a material adverse effect on our business, financial condition, results of operations and cash flow.

It is possible we may incur substantial debt to finance future acquisitions and also may issue equity securities or convertible securities for acquisitions. Debt service requirements could be a burden on our results of operations and financial condition. We would also be required to meet certain conditions to borrow money to fund future acquisitions. Acquisitions could also divert the attention of management and other employees from our day-to-day operations and the development of new business opportunities. Even if we are successful in integrating future acquisitions into our operations, we may not derive the benefits such as operational or administrative synergies we expect from acquisitions, which may result in us committing capital resources and not receiving the expected returns. In addition, we may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets.

The Russia/Ukraine crisis, including the impact of sanctions or retributions thereto, could adversely affect the Company's business

The Company's operations could be adversely affected by the effects of the escalating Russia/Ukraine crisis and the effects of sanctions imposed against Russia or that country's retributions against those sanctions, embargos, or further-reaching impacts thirty upon energy prices, food prices and market disruptions. The Company cannot accurately predict the impact the crisis will have on its operations and the ability of contractors to meet their obligations with the Company, including uncertainties relating the severity of its effects, the duration of the conflict, and the length and magnitude of energy bans, embargos and restrictions imposed by governments. In addition, the crisis could adversely affect the economies and financial markets of Canada and in general, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. Additionally, the Company cannot predict changes in commodities pricing which may alternately affect the Company either positively or negatively.

Risks related to politics and the economy

Cielo may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes or shifts in political attitude in certain countries may adversely affect Cielo's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on price controls, export controls, income taxes and maintenance of assets. The effect of these factors cannot be accurately predicted.

14. 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.

EMAIL: INFO@CIELOWS.COM
PHONE: (403) 348-2972
FAX: (403) 343-3572

TSXV: CMC
Pink: CWSFF

2500, 605 – 5 AVE SW
CALGARY, ALBERTA
T2P 3H5