



2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights

for the three months ended July 31, 2024 and 2023
and year ended April 30, 2024

1. INTRODUCTION

The following Management's Discussion and Analysis - Quarterly Highlights ("MD&A") of financial position and results of operations for Cielo Waste Solutions Corp. ("Cielo" or the "Company"), dated September 20, 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 September 20, 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 three months ended July 31, 2024 and 2023 and the year ended April 30, 2024.

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

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:

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Forward-looking statements	Assumptions	Risk factors
<p>Cielo's ability to meet its working capital needs at the current level.</p> <p>Cielo's expectation to incur further losses in the development of its business.</p> <p>The continued development of Cielo's proprietary TCD Technology, and the anticipated testing, data and results from, and uses for, the R&D Facility.</p> <p>The Aldersyde facility and its proposed uses.</p> <p>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.</p>	<p>Cielo's belief that waste-to-fuel is a commercially viable and integral part of the future energy sector.</p> <p>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.</p> <p>Debt and equity markets, exchange and interest rates and other applicable economic conditions are favorable to Cielo.</p> <p>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.</p> <p>Cielo and/or the Project entities will be eligible for tax credits and/or grants and that they will be generally available as needed.</p> <p>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.</p>	<p>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".</p>
<p>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.</p> <p>The Convertible Debenture Unit Offering, including the terms of securities issued or to be issued, the expiration of hold periods, and future closings.</p> <p>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).</p> <p>The proposed transaction between the Carseland LP and Rocky Mountain, and the terms thereof and matters related thereto, including the timing thereof.</p>	<p>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.</p>	

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 ("AEP") 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

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Experimental Development Program (SR&ED) program, have been or are expected to be 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 July 31, 2024 cash decreased \$0.03 million due to funds raised through the issuance of convertible debenture (\$0.9 million) and short term loan advance of \$0.2 million, net of cash used in operating activities..

Net cash used in investing activities was \$0.1 million for the quarter ended July 31, 2024.

Cash provided through financing activities was \$0.3 million for the period ended July 31, 2024, primarily due the issuance of convertible debenture (\$0.9 million) and short term loan advance of \$0.2 million .

Total assets decreased by \$1.5 million as July 31, 2024 compared to April 30, 2024, due to the amortization and depreciation of PP&E and intellectual property acquired in the year ended April 30, 2024.

Total liabilities decreased by \$1.1 million as of July 31, 2024 compared to April 30, 2024 primarily due to repayment of project liability of \$1.9 million offset by an increase in amounts payable and accrued of \$0.4 million, and increase in convertible debentures of \$0.1 million and short term of \$0.2 million

Working capital decreased approximately \$1.0 million in the three months ended July 31, 2024, the Company had a net working capital deficit of approximately \$9.2 million (April 30th, 2024 working capital deficit of \$9.2 million).

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



Financial Overview

As at (000's of dollars)	July 31 2024	April 30 2024
Total assets	53,535	54,947
Total liabilities	12,582	13,707
Total non-current liabilities	10,223	4,136
Working capital deficiency	(9,178)	(8,234)

Period ended July 31

(000's of dollars, except per share amounts)	2024	2023
Financing costs	176	577
General and administrative	568	949
Research and development	86	439
Share based compensation	154	131
Amortization and depreciation	1,371	344
Impairment of assets and assets held for sale	-	3,826
Net loss per share – basic & diluted	(0.02)	(0.10)

For the three months ended July 31, 2024, the Company had a net loss of \$2.2 million, which consisted primarily of (i) general and administrative of \$0.6 million; (ii) research & development costs of \$0.1 million; (iii) finance costs of \$0.2 million; (iv) share based compensation credit of \$0.2 million, plus amortization and depreciation.

Net loss for the period ended July 31, 2024 was \$2.2 million, an improvement of \$3.7 million compared to the comparative period in 2023, primarily due to (i) reduced impairment expense of \$3.8 million; (ii) a \$0.4 million reduction in financing costs; (iii) a \$0.4 million reduction of G&A; and (iv) a \$0.4

million reduction of R&D cost, net of an increase of \$1 million of amortization and depreciation.

During the quarter ended July 31, 2024, Cielo used \$0.35 million of cashflows. This cashflow is consistent with prior periods, and as expected in a pre-revenue business. Cielo expects cash flow from operations to be negative during the product development stages of the Company.

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

Finance Costs

Three months ended July 31

(000's of dollars)	2024	2023
Interest on loans	75	572
Accretion of loans	64	-
Accretion of debentures	35	-
Accretion of lease liability	2	5
Total	176	577

Financing costs decreased approximately \$0.4 million for the three month period ended July 31, 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

Three months ended July 31

(000's of dollars)

	2024	2023
Professional fees	232	364
Personnel	205	252
Property tax and insurance	40	96
Office and administrative	91	237
Total	568	949

General & administrative costs decreased approximately \$0.4million in the three-month period ended July 31, 2024 from the comparative 2023 period, overall due to ongoing efforts to control administrative costs.:

- professional fees decreased \$0.1 million in the three-month period;
- personnel decreased approximately \$0.05 million in the three-month period 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, due to the disposition of the FS Property and re-aligning insurances with the Company's current state of business;
- office and administration cost decreased in the quarter \$0.15 million primarily due to savings in regard to Calgary office lease and public company costs.

Research & Development

Three months ended July 31

(\$000's)

	2024	2023
Operating expenses	86	199
Personnel	-	240
Total	86	439

Research & Development decreased approximately \$0.4 million for the three months ended July 31, 2024 as the

Company focuses on new project designs and EPA approvals for its projects.

Share Based Compensation

Three months ended July 31

(\$000's)

	2024	2023
Stock options	154	131
Total	154	131

Share based compensation increased by \$0.02 million for the quarter ended July 31, 2024, compared to the respective prior year periods.



Depreciation and Amortization

Three months ended July 31		
(\$000's)	2024	2023
PP&E	259	290
Intangible assets	1,087	29
Right-of-use assets	25	26
Total	1,371	344

Depreciation and amortization increased by \$1.0 million for the three months ended July 31, 2024, compared to the respective prior year periods due to an increased amortization related to

Intangible assets of \$1.0 million due to the Technology acquisition completed in the year ended April 30, 2024.

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 cyclicity 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:

Fiscal yearend	2025	2024				2023		
(\$000's)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Revenue	-	-	-	-	-	-	-	-
Net Loss	(2,226)	(2,993)	(1,946)	(1,407)	(5,917)	(4,106)	(2,309)	(2,132)
Net loss per share (basic & diluted)	(0.02)	(0.00)	(0.02)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)

For the three months ended July 31, 2024, the Company had a net loss of \$2.2 million, which consisted primarily of (i) general and administrative of \$0.5 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 \$0.1 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 \$9.2 million at July 31, 2024 (\$8.2 million as at April 30, 2024). The decrease in working capital deficiency of \$1.0 million was primarily due to: (i) repayment of



project liabilities of \$1.9 million; (ii) increase in other short term loan of \$0.2 million, (iii) the increase in current portion of long term debt of \$1.9 million; (iv) increase in amounts payable and accrued of \$0.4 million and (v) a decrease of \$0.3 million of cash..

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 ended July 31, 2024, and 2023:

Three months ended July 31		
(\$000's)	2024	2023
Operating activities	(494)	(1,427)
Financing activities	256	1,662
Investing activities	(114)	(279)

Operating Activities

Net cash used in operating activities was \$0.5 million for the three months ended July 31, 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 \$0.1 million for the three month period. These costs primarily relate to capital expenditures as summarized below.

Financing Activities

Net financing proceeds of \$0.2 million for the quarter ended July 31, 2024 were comprised of loan proceeds of \$0.2 million and convertible debenture issuance of \$0.09 million; with lease liability repayment of approximately \$0.33 million

Off-Balance Sheet Arrangements

As at July 31, 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 July 31, 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 July 31, 2024, the Company had contractual obligations as follows:

(\$000's)	2025	2026	2027 +
Lease obligations	24	-	-

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. 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	July 31, 2024
Issued & Outstanding Common Shares	119,743,249
Options Outstanding - Vested & exercisable	1,402,699
Broker Warrants	494,889
Warrants outstanding (exercisable)	18,900,238
Total Outstanding	140,541,075
Options Outstanding - unvested	991,288
DSU's outstanding - unvested	140,000
IP acquisition indemnification shares (not issued)	9,064,757
Convertible debenture	5,325,000
Total Securities outstanding	156,062,121

8. FINANCING ACTIVITIES

The following financing activities occurred in the three months ended July 31, 2024

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 anticipated, and used, 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

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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.

The Company had intended to continue the Offering on the same terms during the quarter, however announced following the end of the quarter ended July 31, 2024 that the Offering was terminated due to market conditions.

b) Shares for Debt

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

c) 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.

d) Short term loans (unsecured)

- In the quarter ended July 31, 2024 a short-term loan was obtained. The loan is unsecured, bearing interest of 12% per annum in the amount of \$0.2 million, due October 31, 2024 (extended from July 31, 2024).
- In August, 2024 a short-term, unsecured loan, bearing interest of 12% per annum in the amount of \$0.25 million was advanced by a third party lender. It is due and payable on October 31, 2024 (extended from August 31, 2024).
- In September, 2024 a short-term, unsecured loan, bearing interest of 12% per annum in the amount of \$0.10 million was advanced by a third party lender. It is due and payable on October 31, 2024.

Proceeds from the series of loans have been utilized to meet ongoing project and operating costs.

e) Renewable U ("Renewable U") Restructuring

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

1. *Terminate four of nine MOUs* effective May 23, 2023, with 16,666,667 common shares of Cielo issued at \$0.06/share. The shares were valued at the price of Cielo common shares at the date of closing of the transaction I, 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 issued 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 and are subject to a statutory hold period of four months, expiring on October 12, 2024.

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

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
September 20, 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 RMCFL 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.

The Company had previously announced an intended closing date of September 6, 2024, however Cielo and Rocky Mountain executed an amendment to the LOI dated September 6, 2024 to provide for an additional few weeks to complete the due diligence process, to be followed by the execution of the definitive agreements and the closing of the proposed RM Asset Acquisition.

10. OPERATIONS UPDATE

Carseland Facility

During the quarter ending July 31, 2024, the Company has focused on its 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

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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 in 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.

11. RELATED PARTY TRANSACTIONS

Expander Group of Companies ("Expander")

A director of the Company is also a director, former 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 previously 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.

As at July 31, 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	\$ 246	\$ 2,890
Deposit invoice	-	393	240	-	25	117	775
Work completed	788	-	364	16	55	246	1,469
Amount Paid	(405)	(393)	(364)	(16)	(46)	(137)	(1,361)
Amount (prepaid) outstanding	\$ 383	\$ (393)	\$ -	\$ -	\$ 9	\$ 109	\$ 108
Contract remaining	\$ -	\$ 1,500	\$ 134	ended	-	ongoing	/\$1,634

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 and are subject to a statutory hold period of four months, expiring on October 12, 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, 2024 and 2023; and Note 4 in the unaudited condensed consolidated financial statements for the periods ended July 31, 2024 and 2023. 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 July 31, 2024.

13. RISK FACTORS

In investment in the securities of Cielo involves numerous and significant risks. Investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in

the Company's annual audited financial statement and MD&A for the year ended April 30, 2024, available on SEDAR+ at www.sedarplus.ca for a description of these risk factors. There have been no material changes to the Company's risk factors since the date thereof.

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.



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