



CIELO

CIELO WASTE SOLUTIONS CORP.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2025 and 2024

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditors.

Cielo Waste Solutions Corp.
Condensed Interim Consolidated Statements of Financial Position
As at January 31, 2025 and April 30, 2024
(All amounts expressed in Canadian \$000s, except share and per share amounts)
(unaudited)

	Note	January 31, 2025	April 30, 2024
Assets			
Current			
Cash and cash equivalents		67	376
Restricted investments		155	155
Accounts receivable		15	168
Prepaid expenses and other		365	512
Inventory		-	126
		602	1,337
Loan receivable		1,000	-
Right-of-use assets		-	48
Property, plant, and equipment	7	1,852	11,570
Intangible assets	8	9,527	41,992
		12,981	54,947
Liabilities			
Current			
Accounts payable and accrued liabilities		2,666	1,439
Rental payable	9	889	889
Project liability and deferred fees		-	1,900
Current portion of lease liability	10	-	55
Promissory note payable	11	618	-
Other liabilities		-	5,288
		4,173	9,571
Long-term loans	11	-	2,462
Convertible debentures	12	1,783	1,674
		5,956	13,707
Shareholders' Equity			
Share capital	13	156,973	149,943
Contributed surplus		12,962	12,632
Deficit		(162,910)	(121,335)
		7,025	41,240
		12,981	54,947

Going Concern (Note 3), Commitments (17), and Subsequent Events (Note 19)

Approved on behalf of the Board on March 31, 2025:

“Ryan C. Jackson”

“Shelia Leggett”

Cielo Waste Solutions Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three and Nine Months Ended January 31, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

(unaudited)

	Note	Three Months Ended January 31		Nine Months Ended January 31	
		2025	2024	2025	2024
Expenses and other income					
Financing costs	14	63	72	303	709
General and administrative		416	546	1,806	2,110
Research and development		12	167	142	827
Share based compensation	13	69	(113)	314	205
Depreciation and amortization	7, 8	179	1,315	2,926	1,976
Impairment of property, plant, and equipment	7	-	-	7,705	3,826
Impairment of intangible assets	8	25,002	-	28,398	-
Loss (gain) on settlement of debt with shares	13, 15	122	-	(19)	(167)
Other (income) expenses		-	(42)	-	(218)
Net and comprehensive loss		25,863	1,945	41,575	9,268
Loss per share					
Basic	13	0.20	(0.02)	0.32	(0.12)
Diluted	13	0.14	(0.02)	0.23	(0.12)

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Cielo Waste Solutions Corp.

Condensed Interim Consolidated Statements of Changes in Equity

For the Three and Nine Months Ended January 31, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

(unaudited)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, April 30, 2023	111,980	11,890	(109,073)	14,797
Shares issued in public offering	670	-	-	670
Shares issued on IP acquisition	38,525	-	-	38,525
Shares issued on debt conversion	62	-	-	62
Fair value of shares issued for debt settlement	833	-	-	833
Share based compensation	-	205	-	205
Share issuance costs	(15)	-	-	(15)
Net and comprehensive loss	-	-	(9,268)	(9,268)
Balance, January 31, 2024	152,055	12,095	(118,341)	45,809
Balance, April 30, 2024	149,943	12,632	(121,335)	41,240
Fair value of shares issued for debt settlement	7,059	-	-	7,059
Share based compensation	-	314	-	314
Conversion feature of convertible debenture	-	16	-	16
Share issuance costs	(29)	-	-	(29)
Net and comprehensive loss	-	-	(41,575)	(41,575)
Balance, January 31, 2025	156,973	12,962	(162,910)	7,025

Cielo Waste Solutions Corp.

Condensed Interim Consolidated Statements of Changes in Cash Flow

For the Three and Nine Months Ended January 31, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

(unaudited)

	Note	Three months ended January 31		Nine months ended January 31	
		2025	2024	2025	2024
Operating activities					
Net loss		(25,863)	(1,945)	(41,575)	(9,268)
Items not involving cash:					
Depreciation and amortization	6, 7, 8	179	1,315	2,926	1,976
Impairment of property, plant, and equipment		-	-	7,705	3,826
Impairment of intangible assets		25,002	-	28,398	-
Loss (gain) on settlement of debts with shares	13	122	-	(19)	(167)
Share based compensation	13	69	(113)	314	205
Other (gain) loss		-	-	-	-
Financing costs	14	63	72	303	709
		(428)	(671)	(1,948)	(2,719)
Changes in non-cash working capital:					
Accounts receivable		60	79	153	4
Loan receivable		1,000	-	1,000	-
Prepaid expenses		55	(25)	147	(137)
Accounts payable and accrued liabilities		(637)	45	(79)	(228)
Cash provided by (used in) operating activities		50	(572)	(727)	(3,080)
Financing activities					
Lease liability	10	-	(33)	(24)	(100)
Short-term loan advances	11	10	130	618	130
Long-term loan advances	11	-	625	-	2,625
Long-term loan repayment	11	-	(165)	-	(165)
Interest paid	14	-	(33)	-	(173)
Financing fees	14	-	(44)	-	(92)
Convertible debenture	12	-	-	(4)	-
Finance share issuance		-	670	-	670
Share issuance costs	13	-	(15)	(27)	(19)
Cash provided by financing activities		10	1,135	563	2,876
Investing activities					
Additions of property, plant, and equipment	7	-	(1,202)	(277)	(1,298)
Investments		-	25	-	25
Deposit on revenue generating assets		-	(508)	-	(508)
Accounts payable and accrued liabilities		-	1,145	132	855
Cash (used in) investing activities		-	(540)	(145)	(926)
Increase (decrease) in cash and cash equivalents		60	23	(309)	(1,130)
Cash and cash equivalents, beginning of period		7	-	376	1,153
Cash and cash equivalents, end of period		67	23	67	23

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Cielo Waste Solutions Corp.

Notes to the Condensed Interim Consolidated Statements

For the Three and Nine Months Ended January 31, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)
(unaudited)

1. REPORTING ENTITY

Cielo Waste Solutions Corp. ("Cielo" or the "Company") is a publicly traded company with its shares listed on the TSX Venture Exchange ("TSXV") under the symbol "CMC", as well as on the OTC Venture Market, under the symbol "CWSFF". The registered office of the Company is located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7. The principal office of the Company is located at Suite 2500, 605 5th Avenue S.W. Calgary AB, T2P 3H5.

On July 29, 2021, the Company incorporated a wholly owned subsidiary, Cielo Fort Saskatchewan Corp., to acquire the land and hold the assets for a future proposed facility in Fort Saskatchewan, Alberta. After July 29, 2021, the financial statements include the accounts of the Company and its wholly owned subsidiary. In June 2023, the Company amalgamated with its wholly owned subsidiary under the *Business Corporations Act* (British Columbia).

2. STATEMENT OF COMPLIANCE AND BASIS ACCOUNTING

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is the functional currency of the Company. The accounting policies set out below have been applied consistently to each of the periods presented. These financial statements are prepared on a historical cost basis, except for certain equity instruments measured at fair value.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on March 31, 2025.

3. GOING CONCERN

The Company has not yet generated revenue from its planned commercial operations and has accumulated losses of \$162,910 as at January 31, 2025 and generated a loss of \$41,575 for the nine months ended January 31, 2025. The Company has a working capital deficit (defined as total current assets less total current liabilities) of \$3,571 as at January 31, 2025.

- The Company currently has no ability to settle its working capital deficiency including any of its debt nor finance its ongoing operating and investment activities nor meet its financing and other contractual commitments.
- The Company will require additional capital to fund costs relating to research, development and other corporate activities over the next year and beyond, and to fund payments of short-term indebtedness as they become due, fund working capital requirements, and to meet the short-term obligations and potential future financing requirements to develop projects acquired in the Expander transaction (Notes 8 and 15).
- The Company has not reached planned commercial operations and its ability to continue as a going concern is dependent on the continued support of debtholders and lenders (Note 11) as well as other potential investors to fund the cost of research, development, and other corporate activities, including the financing requirements that will be necessary to develop the projects acquired subsequent to year end (Notes 7, 8, 13, and 15), and its ability to generate revenue and positive cash flow from operating activities.
- The foregoing may include raising additional equity and/or debt; or entering into strategic partnerships and/or other agreements. There is no guarantee that the Company will be successful in this regard. These matters create a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they become due. These financial statements do not reflect adjustments that might be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate, adjustments might be necessary to the amounts and classifications of the Company's assets and liabilities and the reported expenses. These adjustments could be material.

Cielo Waste Solutions Corp.

Notes to the Condensed Interim Consolidated Statements

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(All amounts expressed in Canadian \$000s, except share and per share amounts)
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4. MATERIAL ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES

a) Use of judgements and estimates

The assessment of the Company's ability to execute its strategy to fund future working capital requirements involves judgment. Budgets and forecasts are subject to significant judgement and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company. The economic climate may lead to adverse changes in cash flow or working capital levels, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity in the future.

Estimates required in the valuation of assets acquired (Notes 8 and 13)

(i) Determination of asset acquisition vs. business combination

The assessment of assets acquired required management to make a judgement of whether the acquisition was an asset acquisition or a business combination. Management determined the acquisition was an asset acquisition based on the nature of the assets and the fact that a substantive process was not acquired.

(ii) Fair value of licenses acquired cannot be reliably determined

Valuation of the assets acquired could not be reliably determined as the assets were not producing or generating any outputs and no projects utilizing the licenses had been constructed. The success of the projects is dependent on securing financing and meeting production targets. Therefore, the value of the assets was determined by reference to the fair value of the equity instruments issued as consideration.

(iii) Discount related to lack of marketability of equity

The equity instruments issued as consideration include a restriction or limitation on transferability. A discount for the lack of marketability of the equity instruments was applied in determining the fair value. The discount was estimated by using the Finnerty option model which relied on estimates of annualized volatility and restriction terms.

Fair value of certain long-term liabilities

In assessing the fair value of certain long-term liabilities issued as part of a hybrid instrument, or issued without interest or interest rate below market, management must exercise judgment to estimate the fair value interest rate based on market conditions and the risks specific to the liability.

Warrants and share-based payments

The estimation of the fair value of warrants and share-based payments requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the expected volatility of its own shares, the expected life of instrument issued, the estimated number of stock options expected to vest, and the expected time of exercise of those stock options.

Impairment of property, plant, and equipment ("PP&E") and intangible assets

At each reporting date the Company assesses whether there is any indication that PP&E and intangible assets are impaired. PP&E and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. Judgement is applied in assessing whether indicators are present. Judgement is applied to the intangible assets ability to generate revenue and the existence of future market for products. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and fair value less costs to sell. The estimation of the recoverable amount requires the Company to make significant assumptions related to the expected future use of certain assets, and the cost to replace certain assets.

Cash, cash equivalents, and restricted investments

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. Restricted investments are comprised of interest bearing and renewable Guaranteed Investment Certificates that are required to be posted as security in connection with performance obligations of the Company with maturity dates of less than one year.

Cielo Waste Solutions Corp.**Notes to the Condensed Interim Consolidated Statements****For the Three and Nine Months Ended January 31, 2025 and 2024**

(All amounts expressed in Canadian \$000s, except share and per share amounts)
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b) Inventory

Inventory is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the average costing principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

c) Property, plant, and equipment

The Company records property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their estimated useful lives, using the following annual rates:

Asset	Method	Rate
Construction in progress	No amortization until completion	None
Computers	Declining balance	50%
Plant and equipment	Declining balance	10%
Building	Straight line	Straight line

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Borrowing costs in connection with the borrowing of funds that are attributable to the acquisition, construction, or production of a qualifying asset are capitalized when the assets take a significant period of time to get ready for use or sale. Other borrowing costs are expensed as incurred.

d) Intangible assets

Intangible assets are non-financial assets and are initially recorded at their cost, which is the fair value of the consideration paid or transferred to obtain control of the asset. Intangible assets are subsequently amortized over their estimated minimum useful life:

- Patents – 20 year, straight line
- Licenses – straight line, over the term of the agreement

e) Share-based payments

Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

In addition to a stock option plan, the Company has a restricted share unit ("RSU") plan (the "RSU Plan") for certain directors, officers, consultants and employees of the Company. The equity-settled share-based compensation is measured at the fair value of the Company's common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU Plan.

The fair value determined at the grant date is charged to income on a straight-line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares by the holder or payable in cash to the holder at the Company's option, as applicable, with a corresponding increase in equity (contributed surplus). As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates.

On the vesting date of stock options and RSU's, the Company revises the estimate to equal the number of equity instruments that ultimately vest. The impact of the revision of estimates, if any, is recognized in income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

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For the Three and Nine Months Ended January 31, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)
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Deferred income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

f) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to share financing transactions are recorded and charged to share capital when the related shares are issued.

g) Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation if their effect would be anti-dilutive.

h) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the statements of net and comprehensive loss.

Financial assets

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (through OCI or through profit or loss)
- Those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period. The Company's liabilities classified as other financial liabilities, which include accounts payable and accrued liabilities, project liability and deferred fees, long term loans, royalty payable and convertible debt, are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Cielo Waste Solutions Corp.

Notes to the Condensed Interim Consolidated Statements

For the Three and Nine Months Ended January 31, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)
(unaudited)

Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statements of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

i) Convertible debentures

Convertible debentures with both a liability and an equity component(s) are accounted for and presented separately according to their substance based on the definitions of liabilities and equity. The split is made at issuance and not revised for subsequent changes in market interest rates, share prices, or other event that changes the likelihood that the conversion option will be exercised. A financial liability represents the Company's contractual obligation to pay cash, and the other is an equity instrument, representing the holder's option to convert the liability into common shares or share purchase warrants attached to the compound instrument. Warrant value has been determined when the initial carrying amount of a compound financial instrument is required to be allocated to its equity and liability components, the equity component(s) is assigned the residual amount after deducting the fair value of the liability component from the proceeds received for the compound instrument as a whole; or when the residual method is not applicable, utilizing a Geometric Brownian Motion (GBM) financial instrument valuation

j) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated to determine the extent of the impairment loss, if any.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognized in net income (loss). Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

The intangible assets are assessed annually for impairment, as well as when there is any indication that the asset may be impaired. For the purpose of impairment testing of the intangible assets, the assets are allocated to each of the Company's cash generating units (CGU) expected to benefit from individual licenses. An impairment loss is recognized in the income statement when the carrying amount of CGU, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use. The total impairment loss is allocated first to reduce the carrying amount allocated to the CGU and then to the other assets of the CGU prorata on the basis of the carrying amount of each asset in the CGU. The allocation of CGUs is based on the projects that will be developed using the licensed EBTL/BGTL technologies once Final Investment Decision (FID) milestone is achieved. Each project will generate independent cashflows as a group of assets will be acquired, constructed, and assembled for each facility to produce fuel.

Based on our internal risk assessment, Cielo has two CGUs, the Carseland and Corporate Asset CGUs. The Corporate Assets CGU include the corporate assets. At January 31, 2025, no CGUs were in operation.

Financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

k) Provisions

Provisions are recorded when a present legal or constructive obligation exists because of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all

Cielo Waste Solutions Corp.

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the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

I) Leases

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

m) Flow through shares

Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimate premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share-capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a flow-through share premium recovery on the income statement.

n) New accounting pronouncements

Amendments to IAS 12 Income Taxes

Effective January 1, 2023, amendments to IAS 12 require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2023, amendments to IAS 8 replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

Amendments to IAS 1 Presentation of Financial Statements

Effective January 1, 2023, amendments to IAS 1 require that a company disclose its material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies. The adoption of these amendments did not have a material impact on the Company's financial statements for the year ended April 30, 2024.

o) Future accounting pronouncements Effective January 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability with covenants as current, or noncurrent, and related disclosure.

Cielo Waste Solutions Corp.**Notes to the Condensed Interim Consolidated Statements****For the Three and Nine Months Ended January 31, 2025 and 2024**(All amounts expressed in Canadian \$000s, except share and per share amounts)
(unaudited)**5. INVENTORY**

	January 31, 2025	April 30, 2024
Raw materials	-	126
Processed product	-	-
Total Inventory	-	126

During the nine months ended January 31, 2025, the Company recognized \$- of inventory expense (2024 – \$-), recorded in Other (Income)/Expenses in the statement of loss and comprehensive loss.

6. RIGHT-OF-USE ASSETS

As at	January 31, 2025	April 30, 2024
Cost		
Balance, beginning of year	454	454
Additions	-	-
Modifications	(454)	-
Balance end of period	-	454
Accumulated Amortization		
Balance, beginning of year	406	303
Additions	22	103
Modifications	(428)	-
Balance, end of period	-	406
Net book value	-	48

In September 2021, the Company entered into a lease agreement for office space through 2027. The lease agreement includes a rent-free period of 14 months from September 2021 to October 2022 inclusive (the “2021 Lease”). The lease payments commenced November 1, 2022, for five years. The annual base rent increased from \$100 to \$150 during the lease term. In April 2023, the Company entered into an Assignment and Novation agreement, whereby it wholly assigned the 2021 Lease, terminating its asset and related obligation, in April 2023.

In April, 2023, the Company entered into a new lease agreement, through the Assignment and Novation agreement of the 2021 Lease, for office space to September 20, 2024 (the “2023 Lease”). Lower base rent of \$70 per annum, payable monthly for the duration of the lease, is reflective of reduced office space under the new lease. The change in leases has been accounted for as a lease modification resulting in a reduction of the associated lease asset and liability (see Note 10).

During the quarter ended October 31, 2024 all right-of-use assets ended or were transferred to assets held for sale. The Company does not have any leases that would be considered right-of-use assets at January 31, 2025.

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7. PROPERTY, PLANT, AND EQUIPMENT

Cost	Construction in Progress	Land	Building	Equipment	Computers	Total
Balance, April 30, 2023	25,548	11,584	4,557	10,442	86	52,217
Additions	1,427	-	-	44	-	1,471
Dispositions	-	(10,761)	(2,978)	(568)	-	(14,307)
Balance, April 30, 2024	26,975	823	1,579	9,918	86	39,381
Additions	507	-	-	-	-	507
Disposition	-	(823)	(1,579)	(9,918)	(23)	(12,343)
Balance, January 31, 2025	27,482	-	-	-	63	27,545
Accumulated Depreciation						
Balance, April 30, 2023	25,548	-	421	884	56	26,909
Additions	-	-	100	959	15	1,074
Disposition	-	-	(114)	(58)	-	(172)
Balance, April 30, 2024	25,548	-	407	1,785	71	27,811
Additions	82	-	17	239	3	341
Disposition	-	-	(424)	(2,024)	(11)	(2,459)
Balance, January 31, 2025	25,630	-	-	-	63	25,693
Net Book Value						
Balance, April 30, 2024	1,427	823	1,172	8,133	15	11,570
Balance, January 31, 2025	1,852	-	-	-	-	1,852

During the quarter ended, January 31, 2025 the Company closed the sale of the Aldersyde Facility. All capitalized assets and accumulated amortization relating to the sale were removed from property, plant, and equipment at January 31, 2025.

The Aldersyde Assets were sold for an aggregate purchase price of \$3,900. The payment schedule includes \$300 paid on or prior to closing. The transaction includes the assumption by the Purchaser, of the Mortgage Loan which eliminates the Company's obligation to pay the Mortgage Loan and a promissory note in favor of the Company on the following terms, a principal amount of \$1,000 secured against the Aldersyde Property (second place behind the existing mortgagor), bearing an interest rate of 7.5% per annum, payable monthly to be paid as to \$200 on each of February 15, 2025 and May 15, 2025, and as to \$150 on each of August 15, 2025, November 15, 2025, February 15, 2026, and May 15, 2026, provided that in the event that the Purchaser pays \$700 of the Loan on or before May 15, 2025, the balance of the Loan will be forgiven.

The Purchaser is current in default of the loan as to the February 25, 2025 payment was not completed. The \$1000 is immediately due to Cielo.

Construction in progress

Construction in Progress ("CIP") included costs for projects under development, including building and land improvements, capitalized interest, and equipment. Upon completion of the respective projects, the assets were transferred to their respective depreciable asset categories in the year ended April 30, 2023.

Disposition of Assets

In March 2024, the Company entered into a sales agreement for equipment in the amount of \$200, a gain on disposition was realized upon disposition of \$50 and recorded in Other income.

In July 2023, the Company entered into definitive agreements to sell its Fort Saskatchewan property (the "Property") to the lender of the Second Mortgage Loan (Note 11) (the "Purchaser") in exchange for:

- 1) Retirement of the principal amount of the \$11,000 Second Mortgage Loan; and

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2) A \$2,000 promissory note, which is payable to the Company contingent on the Purchaser's re-sale of the Property for no less than \$13,500 prior to September 30, 2024. The Purchaser is required to make commercially reasonable best efforts to sell the Property; however, in the event the Property is not re-sold upon the Purchaser making commercially reasonable best efforts, the \$2,000 Promissory note will be terminated, and the Company will not be entitled to further proceeds on this disposition.

On August 2, 2023, the transaction closed, resulting in the disposition of the Property, extinguishment of the Second Mortgage Loan and related accrued interest, and the assignment of the lessor arrangement (Note 11) to the Purchaser.

The promissory note is a contingent asset and, therefore, will not be recognized until the realization of the economic benefit is virtually certain. Accordingly, the difference between the \$14,000 carrying value of Property and the \$10,200 of the liabilities extinguished on this transaction has been recognized as an impairment expense in the Statement of Loss and Comprehensive Loss, based on the measurement of the difference in the carrying amount and the fair value less costs to sell upon classification of the assets as held for sale.

8. INTANGIBLE ASSETS

Intangible assets are the Company's patents and licensed technologies in Canada and the United States, to utilize waste to produce fuel through its technology. Intangible assets are amortized using straight-line method, with no residual value, over their anticipated life.

	Patents	Technology License	Total
Asset Cost			
Balance, April 30, 2023	2,050	-	2,050
Additions	-	42,338	42,338
Balance, April 30, 2024	2,050	42,338	44,388
Impairment	(2,050)	(31,553)	(33,603)
Balance, January 31, 2025	-	10,785	10,785
Accumulated Amortization			
Balance, April 30, 2023	163	-	163
Additions	115	2,118	2,233
Balance, April 30, 2024	278	2,118	2,396
Additions	58	2,295	2,353
Disposals	(336)	(3,155)	(3,491)
Balance, January 31, 2025	-	1,258	1,258
Net Book Value			
April 30, 2024	1,772	40,220	41,992
January 31, 2025	-	9,527	9,527

Intangible assets include a Technology and Asset Acquisition (Notes 8, 13, and 15). 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 TCD patents were disposed of in the Aldersyde sale (Note 7).

Management assessed the value of the intangible assets under IAS 36 and determined the Dunmore intangible assets had an asset value of nil as Cielo intended not to proceed with the location. The assets were impaired to a nil balance on October 31, 2024.

Management assessed the value of the intangible assets under IAS 36 and determined all projects related to the intangible assets except the Carseland Phase 1 & Phase 2 Projects had an intangible asset of nil due to current market conditions. They were impaired to a nil balance on January 31, 2025.

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The Licensed Technology was recorded at fair value upon acquisition in the amount of \$42,300 and will continue to be amortized over its estimated useful life of 10 years.

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The consideration shares issued pursuant to the acquisition of the Licensed Technology (Note 13) are valued under IFRS 2, after considering a discount related to the lack of marketability using a Finnerty option pricing model with the following inputs:

	Escrow shares released on:				Indemnification shares:
	January 3, 2024	April 1, 2024	August 28, 2024	November 9, 2024	December 9, 2024
% released	25%	25%	25%	25%	100%
Spot price	0.05	0.05	0.05	0.05	0.05
Expected volatility	100.7%	107.8%	93.6%	108.0%	107.7%
Term (years)	0.15	0.39	0.80	1.00	1.08
Expected dividends	Nil	Nil	Nil	Nil	Nil

Impairment was assessed using internal and external indicators of impairment. The ability of the licenses to generate revenue along with the Company's ability to secure financing were considered along with the possible obsolescence of the technology. No impairment indicators were noted at January 31, 2025 for the remaining Carseland intangible assets after the other project assets were written down to a nil balance.

9. ROYALTY PAYABLE

	January 31, 2025	April 30, 2024
Royalty payable – Current	889	889

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

Royalty certificates were issued to the participants dated July 3, 2018, indicating a payment deadline of July 3, 2020. The Company obtained the requisite approval of the royalty holders to delay the payment deadline because of delayed operations, production, and revenues, initially until July 3, 2022, a second time to January 3, 2024, and a third time in January 2024 to July 3, 2024. A fourth extension request to July 3, 2025 has been approved by the required, 66.67% of royalty holders.

Once production and sales begin, the Company is required under the royalty terms to allocate 10% of gross sales to the payment of the royalties. As at January 31, 2025, the Company is not in production, and no allocation is required.

10. LEASE LIABILITY

The Company recognizes a lease liability on leases of office premises, warehouses and office and operational equipment. The present value of the lease and the accretion expenses are calculated using an incremental borrowing discount rate of 15%. The Company's lease obligations are as follows:

	January 31, 2025	April 30, 2024
Balance, beginning of year	55	174
Additions	-	-
Modifications	-	-
Lease payments	(57)	(133)
Finance costs	2	14
Balance	-	55

In April 2023, the Company entered into an Assignment and Novation agreement for the 2023 Lease in exchange for the 2021 Lease, resulting in a lease modification and the derecognition of the 2021 Lease (see Note 10).

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11. LOANS

	January 31, 2025	April 30, 2024
Current portion, loans		
Third Mortgage Loan, 7.5% due July 25, 2025	-	-
Deferred finance fees	-	-
Total current loans	-	-
Long term portion, loans		
Third Mortgage Loan, 7.5%	-	2,610
Deferred finance fees	-	(148)
Total long-term portion, loans	-	2,462
Total Loans	-	2,462

The Third Mortgage Loan of \$2.6M was assumed by Purchaser in the sale of the Aldersyde facility.

In January 2024, the CEBA loan was repaid. Per the CEBA program, repayment constitutes \$40 cash repayment, and \$20 debt forgiveness, which is reflected in Other Income in these financial statements.

In July 2023, Cielo secured a third mortgage facility (the "Third Mortgage Loan") in the amount of \$5,000. Proceeds of the loan were expected to be drawn in increments, and subject to the discretion of the lender, to a maximum of \$5,000. After the initial 12-month loan period (ending on July 24, 2024), the lender had 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. During the year ended April 30, 2024, \$2,600 was advanced. The Third Mortgage Loan was secured by the Company's property in Aldersyde, Alberta, bearing 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 \$2,000 was due in July 2025 and the subsequent draws of \$500 were due in November 2025 and February 2026 respectively. Prepaid interest of \$200 and financing cost of \$9,900 were paid on the proceeds and are amortized over the life of the loan utilizing an effective interest rate of 9.9%. The third mortgage facility was assumed by the purchaser of the Aldersyde facility.

In the year ended April 30, 2024, a short-term loan in the amount of \$130 was advanced by the Third Mortgage lender. The loan was unsecured, and subject to finance fees of 3% and interest of 7.5% per annum. The loan was repaid in January 2024 in full.

Prior to the Third Mortgage Loan, the Company had entered into a prior mortgage loan for \$11,000 with the lender of the Second Mortgage Loan (the "Second Mortgage Loan"). In July 2023, Cielo entered into an agreement with the lender to sell its Fort Saskatchewan property to the lender for consideration that includes retirement of the Second Mortgage Loan. The balance outstanding under the Second Mortgage Loan extinguished upon the close of the transaction on August 2, 2023.

12. CONVERTIBLE DEBENTURE

	Convertible Debenture	Equity Conversion Feature	Warrant Reserve	Total
Balance April 30, 2023	-	-	-	-
Convertible debentures issued	1,678	55	307	2,040
Debt issuance costs	(25)	-	-	(25)
Accretion and interest	21	-	-	21
Balance, April 30, 2024	1,674	55	307	2,036
Convertible debentures issued	74	3	13	90
Accretion and interest	35	-	-	35
Balance, January 31, 2025	1,783	58	320	2,161

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In February, 2024 the Company announced a public placement of convertible debenture units (each a "Convertible Debenture Unit", collectively the "Convertible Debenture Units") issued at \$1,000 each, to a maximum of \$5,000. Each Convertible Debenture Unit is comprised of:

- one unsecured convertible debenture (each, a "Convertible Debenture") in the principal amount of \$1,000. (the "Principal Amount") convertible into common shares of the Company (the "Common Shares" and each such Common Share, a "Conversion Share"); and
- 2,500 detachable share purchase warrants (each, a "Warrant") exercisable into Common Shares (each such Common Share, a "Warrant Share").

The minimum subscription amount will be \$20.

Principal and interest

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 of the Convertible Debenture Units ("Issue Date"), subject to earlier conversion or redemption (the "Maturity Date"). The Principal Amount owing under the Convertible Debentures will accrue interest from the date of issuance at 12.0% per annum, payable every six months in cash, except the first payment will be made in November 2024 and will consist of interest accrued from and including the Issue Date. As the Convertible Debentures will be unsecured debt obligations of the Company, each Convertible Debenture will rank subordinate to all secured debt obligations of the Company.

Conversion

The Principal Amount may be converted, for no additional consideration, into Conversion Shares at the option of the holder of a Convertible Debenture at any time after the Issue Date at a conversion price (the "Conversion Price") of \$0.40 per Conversion Share.

Forced Conversion

The Company may force the conversion of the Convertible Debentures at the Conversion Price, if the volume weighted average price of the Common Shares on the Exchange is greater than \$1.00 for any ten consecutive trading days. In the event of a forced conversion, the Company will provide notice to 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.

The Company has executed agreements with certain creditors to issue Shares for Debt for a portion of the Convertible Debenture.

Warrants

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 from the Issue Date. However, the Company may accelerate the expiry of the Warrants (the "Warrant Term Acceleration") should the volume weighted average price of the Common Shares on the TSX-V Exchange is greater than \$1.00 for any ten consecutive trading days. In the event of a Warrant Term Acceleration, the Company will provide notice to holders of the Warrants by issuing a news release announcing the details of the Warrant Term Acceleration, including the accelerated expiry date of the Warrants.

As at April 30, 2024, the Company had issued a total of 2,040 Convertible Debentures with gross proceeds of \$2,040, reflected in these financial statements at fair market value at issue date, 5,100,000 Warrants and 5,250 broker warrants. On May 31, 2024, the Company closed on \$90 of Convertible Debenture Units, bringing the total gross proceeds to \$2,130 or 2,130 Convertible Debentures, 5,325,000 warrants and 5,250 broker warrants. Finders' fees comprised of 5,250 broker warrants and \$3 cash payment were remitted in relation to the offering of the Convertible Debenture Units. Each tranche of warrants issued were valued using GBM with the following inputs:

	March 8, 2024	April 4, 2024	May 31, 2024
Risk-free interest rate	4.03%	4.27%	4.17%
Expected life (years)	2.0	2.0	2.0
Expected volatility	85%	85%	85%
Share price at issuance date	\$0.33	\$0.22	\$0.28
Exercise price of warrants	\$0.70	\$0.70	\$0.70
Expected dividends	Nil	Nil	Nil
Fair value of Broker Warrants granted (\$/warrant)	\$0.06	\$0.06	\$0.06

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Effective January 20, 2025 the Company has executed agreements with certain creditors to issue 14,480,856 of the Repayment Shares at a price of \$0.105 per share to settle \$1,520,490.67 of the Aggregate Convertible Debt Amount.

13. SHARE CAPITAL

The aggregate number of Class A common shares and Class B preferred shares which are authorized and may be issued is unlimited. As at January 31, 2025 and 2024, there were no Class B preferred shares issued or outstanding.

Share consolidation

Effective January 29, 2024, the Company completed a share consolidation (the "Consolidation") based on 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 26, 2023, and the Company's board of directors authorized management to proceed at such time as was advantageous to the Company, which was set by management as January 29, 2024. All share based financial instruments issued prior to the effective date of the share consolidation are subject to the consolidation. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the Consolidation.

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

Common Shares	2025		2024	
	Number of Shares	\$ Amount	Number of Shares	\$ Amount
Balance, beginning of year	113,302,571	149,943	59,569,507	111,980
Issued in settlement of debt	15,661,671	7,059	1,111,111	833
Share issuance cost	-	(29)	-	(4)
Balance as at January 31	128,964,242	156,973	60,680,618	112,809

Debt for shares – Repayment of project liability

On June 11, 2024, the Company entered into a shares for debt repayment transactions resulting in the issuance of 6,440,677 common shares at \$0.295 of the Company in exchange for the settlement of \$1,900 outstanding regarding Project Liabilities due to Renewable U (Note 15). The transaction was recorded at \$0.275 per share (trading value on date of issue). Gain on settlement of debt was recorded in the period ending July 31, 2024 of \$100.

Licensed technology acquisition

60,431,714 common shares of the Company (the "Consideration Shares") were issued in exchange for the Acquired Assets (Note 8). 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 were issued upon the expiration of an indemnification period (the "Indemnification Period") as at December 9, 2024, subject to certain conditions, each as set out in the Asset Purchase Agreement. They were recorded as Other liabilities in these financial statements, until the date of issuance. The shares were issued on December 9, 2024, and form part of Common shares.

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

Private placement of flow-through shares

On December 29, 2023, the Company closed a non-brokered private placement offering of Flow Through Shares (common shares) (the "FT Shares") for gross proceeds of \$670 by issuing 1,116,666 FT Shares at \$0.60 per share and recorded a flow-through share premium liability of \$251. 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)). The Company must expend the full amount no later than December 31, 2024. As at January 31, 2025, expenses in relation to the qualifying project were incurred in 2024. Certain officers and directors of the Company participated in the Private Placement for a total of \$410.

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 due to a former officer of the Company at a price of \$0.45 per Repayment Share. Upon receiving requisite approvals, the Repayment Shares were issued on January 12, 2024 and are subject to a hold period of 4 months, expiring on May 13, 2024.

On January 20, 2025 The Company executed agreements with certain of its creditors to issue 14,480,856 of the Repayment Shares at a price of \$0.105 per share to settle \$1,520,490.67 of the Aggregate Debt Amount. In addition, Cielo intends to execute an agreement on the same or substantially similar terms with an Insider of the Company (as that term is defined by the policies of the Exchange) to settle the balance (\$101,922.43) of the Aggregate Debt Amount by the issuance of 970,689 Repayment Shares at a price of \$0.105 per share. Upon receiving requisite approvals, the Repayment Shares are subject to a hold period of 4 months.

Shares for debt - Repayment of mortgage loan

During the year ended April 30, 2023, the Company entered into two separate shares for debt repayment transactions resulting in the issuance of 6,084,656 common shares of the Company in exchange for the settlement of \$6,500 principal outstanding on the First Mortgage Loan (Note 11). The 1,798,942 of common shares issued in the first of these transactions were recognized at a weighted average price of \$1.11 per share and the 4,285,714 shares issued in the second of these transactions was recorded at \$1.05 per share. Loss on settlement of debt was recorded in the year of \$1,900.

Warrants

	Number of Warrants	Weighted average exercise price	Reserve amount
Balance April 30, 2023	14,067,877	1.29	\$ 7,634
Broker warrants issued in connection with Convertible Debentures	5,250	0.70	1
Issued in connection with Convertible Debenture	5,100,000	0.70	307
Balance April 30, 2024	19,173,127	1.14	\$ 7,942
Issued in connection with Convertible Debenture	225,000	0.70	13
Balance January 31, 2025	19,398,127	1.14	\$ 7,955

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

Exercise Price	Number of Outstanding and Exercisable	Weighted Remaining life (Years)	Weighted average exercise price
\$1.875	4,285,714	2.06	\$1.875
\$1.350	9,289,524	3.43	\$1.350
\$1.050	489,639	3.43	\$1.050
\$0.700	1,405,250	1.85	\$0.700
\$0.700	3,700,000	1.93	\$0.700

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Stock Options

The Company amended its stock option plan (the "Stock Option Plan") effective June 18, 2021. Shareholders voted in favour of the plan at the Annual General and Special Meeting on October 21, 2021. Under the Stock Option Plan, a maximum of 10% of the Company's issued and outstanding shares as at the date of grant may be granted (excluding any outstanding options). Under the Stock Option Plan, the Company may grant options to its directors, officers, employees, and consultants. The Stock Option Plan replaced the Company's previous stock option plan (the "Predecessor Stock Option Plan").

The Company's Board of Directors approved the further amendment of the Company's stock option plan (the "2022 Amended Stock Option Plan") on September 15, 2022, subject to the approval of the TSXV and the Company's shareholders. Shareholders voted in favour of the plan at the Annual General Meeting on October 27, 2022 and in December 2022 the Plan was approved by the TSXV. The amendment was primarily made to provide for certain changes made to the policies of the Exchange, including the ability to exercise options via "net exercise" or "cashless exercise" methods. As with the previous plan, under the 2022 Amended Stock Option Plan, a maximum of 10% of the Company's issued and outstanding shares as at the date of grant may be granted (excluding any outstanding options). Under the 2022 Amended Stock Option Plan, the Company may grant options to its directors, officers, employees, and consultants. As a "rolling" stock option plan under the policies of the TSXV, the 2022 Amended Stock Option Plan is subject to the approval of the Company's shareholders every year. In addition, because the number of common shares reserved for issuance under the 2022 Amended Stock Option Plan and the Non-Option Plan (Note 13 - Restricted Share Units and Deferred Share Units), "disinterested shareholder approval" must be obtained each year. Disinterested shareholder approval was obtained at the Company's annual general and special meeting of the shareholders held on October 26, 2023. Continuity of the Company's option plan is as follows:

	Number	Weighted Average exercise Price
Balance April 30, 2023	1,788,380	1.81
Issued	875,332	0.32
Forfeited	(120,953)	1.75
Expired	(32,008)	2.15
Balance April 30, 2024	2,510,751	1.27
Expired	(116,764)	2.10
Balance January 31, 2025	2,393,987	1.22

The following table summarizes the options outstanding and exercisable at January 31, 2025:

Exercise Price	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
\$ 0.98	594,872	3.42	\$ 0.98	54,700
1.50	12,000	0.91	1.50	5,000
1.50	480,000	3.42	1.50	487,000
3.00	443,783	2.42	3.00	424,332
0.30	613,332	4.58	0.30	306,667
0.31	250,000	4.70	0.31	125,000
	2,393,987	3.65	\$ 1.22	1,402,699

Restricted Share Units and Deferred Share Units

The Company amended and replaced its restricted share unit plan with a non-option incentive plan (the "Non-Option Plan") effective June 18, 2021. Shareholders voted in favor of the plan at the Annual General and Special Meeting on October 21, 2021. The Non-Option Plan provides for a fixed maximum of 1,720,480 common shares to be reserved for issuance under the Non-Option Plan, being 4% of the issued and outstanding common shares of the Company as at the date the Non-Option Plan became effective. No restricted

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share units that had been issued under the predecessor restricted share unit plan (the "Predecessor RSU Plan") were outstanding at the time that the Non-Option Plan became effective. Under the Non-Option Plan, the Company may grant restricted share units, performance share units, deferred share units and share appreciation rights to directors, officers, employees and consultants. While the Company intends to settle RSUs by issuance of common shares upon vesting, there is a cash settlement option at the discretion of the Company.

The RSUs will vest in equal tranches on the grant date, the first and second anniversaries of the grant date, and were payable in cash or common shares, at the discretion of the Company, upon vesting. In the year ended April 30, 2023, all outstanding RSU's were forfeited.

The DSUs are payable in cash or common shares, at the discretion of the Company, upon the later of:

- (i) the holder ceasing to be a director of the Company (except for Cause, as defined in the Plans, in which case the DSUs will not vest); and
- (ii) 12 months after the holder becomes a director of the Company.

The fair value of the DSU granted during the nine months ended January 31, 2025 is \$0.20 per unit. The number of DSU outstanding is detailed below.

DSU
Balance April 30, 2023
2,100,000
Forfeited
-
Outstanding April 30, 2024 and January 31, 2025
2,100,000

Share-based compensation

Nine months ended January 31	2025	2024
Stock options	314	131
Total share-based compensation	314	131

Per share amount

The effect of any potential exercise of warrants and stock options is excluded from the calculation of diluted loss per share for the nine months ended January 31, 2025 and 2024 and the year ended April 30, 2024 as the effect would be anti-dilutive.

14. FINANCING COSTS

Period ended January 31	2025	2024
Interest on loans	262	629
Loan accretion	41	9
Total	303	638

15. RELATED PARTY TRANSACTIONS***Expander Group of Companies ("Expander")***

A director of the Company was also a director, officer, and shareholder Expander, Expander Services Inc., and Expander Engineering Services Inc. and any partially or wholly owned subsidiary (collectively the "Expander Group" or "Expander") and its principals own issued and outstanding common shares of the Company as at April 30, 2024.

In addition to the License Agreement (Notes 8 and 13), 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.

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During the period since closing of the Technology and Asset acquisition (Note 13) on November 9, 2023, Expander has provided services related to: engineering and project estimates to reach Final Investment Decision ("FID") for the Carseland Project; project planning and preliminary evaluation of project needs for the Company's proposed Licensed Facility in Dunmore, Alberta; project planning and engineered modelling to test TCD utilizing various catalyst and prove up economic viability at the Company's facility in Aldersyde, Alberta; and technical assistance on an ad hoc basis, as required, to ensure accurate communication with key stakeholders. In May 2024 Expander Services Inc. were engaged to provide advisory services in evaluating the economic benefit of a potential acquisition (Note 19 – Binding Letter of Intent), fees totalling \$0.11 million were completed in the period ending July 31, 2024 and were paid in advance.

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

	Total
Total Estimated Contract	2,890
Deposit invoice	775
Work completed	1,469
Amount Paid	(1,361)
Amount (prepaid) outstanding	108
Contract remaining	1,634

Renewable U Energy Inc. ("Renewable U")

Ryan Jackson (currently the CEO and a director of the Company) was the CEO, director and a beneficial shareholder of Renewable U at the same time as being a director of the Company. In June 2022, Mr. Jackson was appointed CEO of the Company and resigned from his positions as CEO and director of Renewable U. Common shares of Renewable U held by Mr. Jackson indirectly through a holding company, were deposited into an irrevocable blind trust managed by a trustee. As at January 31, 2025 Ryan Jackson is no longer a beneficial shareholder of Renewable U.

The Company entered into nine (9) memorandums of understanding ("MOUs") in total with Renewable U and its affiliates to build and commission waste to fuel facilities, at no cost to Cielo other than internal costs, one each in Grand Prairie, Alberta; Calgary, Alberta; Medicine Hat, Alberta; Lethbridge, Alberta; Halifax, Nova Scotia; Winnipeg, Manitoba; Kamloops, British Columbia; Toronto, Ontario, and a location to be determined in the United States.

Pursuant to the MOUs, in consideration for the opportunity to enter into joint arrangement agreements, Renewable U and its affiliates paid \$250 to the Company for the execution of each MOU. The fees are non-refundable unless a joint arrangement agreement is not executed by the end of August, 2023 (or such other date as agreed by Cielo and Renewable U), other than as a result of the apparent inability of Renewable U to fund the joint venture projects. For the years ended April 2024 and 2023, fees received were \$Nil. As at April 30, 2024, the Company received total deferred fees of \$2,250.

Pursuant to the MOUs, the Company would also be responsible for overseeing the planning, construction, commissioning, and operation of each facility and would receive a management fee for the planning and construction of each facility equal to 7% of the project costs for such facility subject to certain exclusions and would continue to receive management fees once operations begin based on industry standards.

In the year ended April 30, 2024, a series of transactions, as described below, were entered into with Renewable U:

a) Offer to purchase Dunmore Land

Cielo has entered into an agreement of purchase and sale (the "Offer to Purchase"), pursuant to which Cielo (or its assignee) has agreed to purchase the land located near Dunmore, Alberta (the "Land") from Renewable U for a purchase price of \$5,200, 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 \$5,200.

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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 \$600, comprised of a cash deposit paid in May 2023 of \$100 plus issuance of \$500 of common shares at \$0.45 per share, subject to the approval of the TSX Ventur Exchange, the total amount of which will be applied against the purchase price upon closing or, in the event that the transaction doesn't close, will be set off against any other amounts owing by the Company to Renewable U (see (b) below).

Cielo, or its assignee, may, but is not obligated to, assume the outstanding mortgage on the Land of approximately \$1,600.

b) *Termination of Memorandums of Understanding (“MOU”)*

(i) 2021 MOUs - Termination and Debt Conversion Agreement

Regarding the MOUs for four (4) of nine (9) territories Cielo and Renewable U entered into a “Termination and Debt Conversion Agreement” that provided for the repayment of \$1,000 in fees corresponding to the 2021 Memorandums of Understanding (the “2021 MOUs”) by issuing 16,666,667 common shares of Cielo (the “2021 MOUs Repayment Shares”) at an agreed price of \$0.06 per share, as approved by the TSXV.

The four (4) 2021 MOUs terminated upon the issuance of the 2021 MOUs Repayment Shares. The Repayment Shares were issued in the year ended April 30, 2024, and recognized at fair market value of \$830, and realized a gain on settlement of debt in the amount of \$170.

(ii) 2018 – 2020 MOUs and Medicine Hat MOU - Termination Agreement

Regarding the MOUs for the remaining five (5) of nine (9) territories, Cielo and Renewable U have entered into a separate termination agreement, as amended (the “Termination Agreement”, together with the Termination and Debt Conversion Agreement each an “Agreement” and collectively the “Agreements”).

Under the Termination Agreement, on or before March 29, 2024 (the “Proposal Deadline”), Cielo was required to submit a proposal (the “Proposal”) to Renewable U setting out the terms upon which \$2 million owing by Cielo to Renewable U would be exchanged for a participation (equity) interest in the Dunmore Entity. Failure to submit the Proposal by the Proposal Deadline, Cielo was required to repay the \$2,000 within 60 days. The \$2,000 is reflective of the \$1,250 in fees previously advanced to Cielo under the MOUs plus \$750 in relation to costs incurred and steps taken by Renewable U in connection with one of the MOUs. Cielo expects that the Proposal will be submitted by the Proposal Deadline and that a \$2,000 cash payment will not be required.

In the event that Cielo submitted the Proposal to Renewable U, Renewable U could have: a) accept the terms of the Proposal, in which case an agreed upon \$2,000 will be exchanged for a participation interest (securities of the Dunmore Entity) on the terms to be proposed; or b) reject the terms of the Proposal, in which case the Company will issue 5,000,000 common shares, as originally agreed in the MOUs at \$0.25 per share, and \$600 in cash.

The 2018 – 2020 MOUs and the Medicine Hat MOU terminates at the time that the participation interest is issued to Renewable U or the funds otherwise repaid as described above. As the Company anticipates submitting a proposal to Renewable U in advance of the Proposal.

c) *Final Termination of 2018 – 2020 and Medicine Hat MOU*

As the Company did not deliver the Proposal within the agreed upon time, a total of \$2,000 (less land deposit of \$100) was payable to Renewable U, comprised of the MOU fees as well as incurred costs as previously agreed in the amount of \$750, and are reported in these financial statements as Project Liability and Deferred Fees.

d) *Final Payment – Debt for Shares*

On June 11, 2024, the Company and Renewable U 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 \$1,900 (Note 13).

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As at	January 31, 2025	April 30, 2024
Opening Balance	1,900	2,250
Incurred project costs	-	750
Termination of 2021 MOU	-	(1,000)
Land deposit applied	-	(100)
Debt for shares (Note 13)	(1,900)	-
Total	-	1,900

16. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT*Fair Value Measurement*

Financial instruments of the Company consist of cash and cash equivalents, restricted investments, accounts receivables, accounts payable and accrued liabilities, royalty payable, project liability and deferred fees, convertible debentures, other liabilities and long term loans.

There are no significant differences between the carrying amounts of the items reported on the statements of financial position and their estimated fair values. The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. In determining the fair value measurement of the Company's financial instruments, the related inputs used in measuring fair value are prioritized according to the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable.

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

As at January 31, 2025 and 2024, the Company has no financial instruments recorded at fair value on a recurring balance.

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, including the development and monitoring of the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Management performs ongoing assessments so that all significant risks related to financial instruments are reviewed and addressed in light of changes to market conditions and the Company's operating activities.

The Company is exposed to the following risks associated with its use of financial instruments:

- Liquidity risk
- Market risk
- Credit risk

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective in managing liquidity is to ensure, to the greatest extent possible, that it will have sufficient liquidity to meet its liabilities when due.

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The future cash requirements of the Company are estimated by preparing a budget annually. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. Actual spending relative to budgeted expenditures is monitored regularly by management.

The Company's exposure to liquidity risk is dependent on its research and development activities and associated commitments and obligations, and the raising of capital. The Company relies on external financing to support its operations. To date, the research and development activities have been funded primarily through debt, convertible debentures, and the exercise of common share purchase warrants. Management constantly monitors capital markets. There are no assurances that funds will be available to the Company when required. As at April 30, 2024, the Company's cash is not subject to any external restrictions. The Company also continuously monitors actual and projected expenditures and cash flows.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from July 31, 2024 to the contractual maturity date. The amounts are equivalent to the following contractual undiscounted cashflows.

Year ending April 30	2026	2027	After 2027
Accounts payable and accrued liabilities	2,666	-	-
Royalty payable	889	-	-
Convertible debenture	-	1,783	-
Loans	618	-	-
Total	4,173	1,783	-

As at January 31, 2025, the Company had \$67 cash on hand and a working capital deficit of approximately \$3,571. Management continues to monitor and consider different alternatives to secure adequate financing to meet the Company's longer term cash requirement for commercializing its operations and developing new facilities. See Note 3 for additional information relating to the risk of Company's ability to continue as a going concern.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's expenses or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures.

Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was not exposed to fluctuating market interest rates on its debt instruments.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency. As at January 31, 2025, the Company had US dollar denominated accounts payable of approximately \$nil. The Company's exposure to currency risk is not significant.

Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company manages its exposure to credit loss by holding cash on deposit with major financial institutions.

17. COMMITMENTS AND CONTINGENCIES

As at January 31, 2025, the Company is committed to expenditures under various contracts with service providers for general and administrative services as follows:

Fiscal years ended	2025	2026	2027	Total
Lease obligations	-	-	-	-

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Total contractual obligations

The Company may be periodically subject to legal proceedings or other similar actions arising in the normal course of business. The amounts involved in such proceedings or actions are not reasonably estimable; however, it is the opinion of management that the ultimate resolution of such proceedings and actions will not have a material impact on the Company's financial position or results of operations.

18. LESSOR

In August 2022, the Company entered into a commercial operating lease (the "Lease") with a private, third-party corporation (the "Tenant") for 15 of the approximately 60 acres owned by Cielo in Fort Saskatchewan, Alberta (the "FS Property") which included the building that is located on the FS Property (together the "Leased Premises"). The Lease terms were as follows: a) term of 5 years, beginning as of August 1, 2022, subject to extension for an additional 5 years upon mutual approval and subject to termination upon 3 months' notice if prior to April 30, 2025; b) annual base rent of \$600 plus 90% of the occupancy costs for the Leased Premises (such as property taxes, insurance, and building maintenance); and c) a right of first refusal held by the Tenant regarding the purchase of the FS Property. As at July 1, 2023, the Tenant leased the remaining acres of land, for additional rents of \$400 per year, for a total of \$1,000 per annum, or \$83 per month.

In connection with the sale of the Fort Saskatchewan Property (Note 7), the Lease was assigned by Cielo to the purchaser of the FS Property.

Rental income for the nine months ended January 31, 2025 was \$nil, (2024 \$218) and is included in Other income.