



2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights

for the three months ended January 31, 2025 and 2024

1. INTRODUCTION

The following Management's Discussion and Analysis - Quarterly Highlights ("MD&A") of financial position and results of operations for Cielo Waste Solutions Corp. ("Cielo" or the "Company"), dated March 31, 2025 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 year ended April 30, 2024. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts in the following MD&A are stated in Canadian Dollars unless otherwise stated. This MD&A was approved and authorized for issuance by the Board of Directors of the Company on March 31, 2025.

All capitalized terms not otherwise defined in this MD&A have the meaning given to them in the condensed interim consolidated financial statements and notes for the three and nine months ended January 31, 2025 and 2024 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
Cielo's ability to meet its working capital needs at the current level. Cielo's expectation to incur further losses in the development of its business. Cielo's objectives and its ability, upon commercialization, to expand domestically and internationally, and the requirements in order to progress to one or more full scale commercial facilities.	Cielo's belief that waste-to-fuel is a commercially viable and integral part of the future energy sector. The operating activities of Cielo for the twelve-month period ending January 31, 2025, and the costs associated therewith, will be consistent with Cielo's current expectations. Debt and equity markets, exchange and interest rates and other applicable economic conditions are favorable to Cielo. That minimizing environmental impact through technology, while meeting energy market needs is, and will continue to be, a worldwide focus, and that Cielo will be an integral part of this trend through ongoing and the future commercialization of its operations. Cielo and/or the Project entities will be eligible for tax credits and/or grants and that they will be generally available as needed. Ongoing worldwide desire to better the environment; that Cielo will continue investing in infrastructure to support growth, including obtaining and retaining key personnel; that funding and support will continue through strategic partnerships and funding.	There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. A detailed description of the risks and uncertainties pertaining to the Company's operations and proposed operations can be found in the section of this MD&A entitled "Risk Factors".
The timing, terms and anticipated impact of the Licensed Technologies, including but not limited to the anticipated acceleration to commercialization and revenues; the expectation that the Technology purchase transaction will result in improvement to Cielo's proprietary technology; the terms of and matters related to the License Agreement; the projects to be undertaken by the Company as a result of the completion of the Technology purchase transaction and the locations, timelines and costs associated with the projects; structure for ownership of the projects and means and method of funding; and matters related to the issuance and release of Consideration Shares. The Convertible Debenture Unit Offering, including the terms of securities issued or to be issued, the expiration of hold periods, and future closings. The Carseland LP, including the formation thereof and related terms, and the Carseland Facility, including but not limited to details related to CA1 and CA2, and the timing and costs thereof, as well as the feedstocks to be processed Matters related to short-term loans and the payment thereof. Future projects and strategic partnerships, investments and/or acquisitions in new technologies	The ability of Cielo to integrate the Licensed Technologies and additional future technologies 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 parties with respect to pro forma financial model(s) related to the projects being reasonable, complete and accurate.	

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown

risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but

not limited to the risks factors described under the heading entitled "Risk Factors".

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and the risks described in greater detail in "Risk Factors" in the Annual MD&A and should be considered carefully by readers. These risk factors should not be construed as exhaustive. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events

could differ materially from those anticipated in such information. Forward-looking information is provided in this MD&A for the purpose of giving information about management's current expectations and plans and allowing investors to get a better understanding of our operating environment. Readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as the date they are otherwise stated to be made) and are subject to change after such date. Except as specifically required under applicable securities laws in Canada, Cielo assumes no obligation to publicly update or revise any forward-looking information to reflect new information, events or circumstances that may arise after March 31, 2025. 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) (the "Act"). Prior to amalgamation, Cielo was incorporated under the Act on February 2, 2011.

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. Cielo continues to explore new potential acquisitions, strategic partnerships and projects in the private and public sector to commercialize at a future date.

Cielo remains focused on executing its broader strategy of sustainable and profitable fuel production, including new opportunities in Green Hydrogen and other low-carbon initiatives. The Company continues to explore alternative partnerships and funding opportunities to drive its commitment to innovation and environmental sustainability.

In the short term, the Company intends to locate its first commercial waste to fuel facility for the processing of scrap railway ties in British Columbia and produce Green Hydrogen. This shift remains aligned with the Company's commitment to commercialize renewable energy initiatives. As a part of the long-term strategy Cielo intends on commercializing the licenced technologies noted below at the Carseland location.

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.

Sale of Aldersyde

Cielo had also patented a process to convert waste feedstocks, including organic material and wood derivative waste, to fuel, which was in the research and development stage and implemented in a research and development facility (the "R&D Facility") located in Aldersyde, Alberta. The proprietary process for converting waste to fuel is referred to as thermal catalytic depolymerization ("TCD"). It was 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.

However, due to changes in market conditions, the Company intends on relocating its first planned commercial waste to fuel facility for the processing of scrap railway ties to British Columbia and transitioning in fuel production from Renewable Diesel to Green Hydrogen. This shift remains aligned with the

Company's commitment to commercialize renewable energy initiatives. Cielo will continue to commercialize the Licensed Technologies when market conditions are favorable.

As such, in the quarter ended January 31, 2025, Cielo determined it to be in the best interest of the Company to dispose of the TCD Technology and related assets and by doing so, also eliminated the Mortgage Loan.

4. OUTLOOK AND MILESTONES

One of Cielo's objectives is to, directly or indirectly, complete the construction of its first commercial facilities, beginning initially with Hydrogen production and at a future date with a Licensed Facility using the Licensed Technologies in Carseland, Alberta (the "Carseland Facility") as it continues to focus on the development of new projects across North America.

Under favorable market conditions, Cielo intends on developing the Carseland Facility which will consist of two (2) phases:

1. CA1: This phase will focus on the processing of wood waste products only.
2. CA2: This phase, will expand CA1 and focus on increasing production volumes and revenues and the broadening of feedstocks to include railway ties.

The Company's intention that the Carseland project structures use 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 \$59 million, while CA2 is anticipated to have a total development cost of \$100 million. These projects are anticipated to be funded by third party lenders and/or through equity participation in the Carseland LP.

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 \$163 million as at January 31, 2025 and generated losses of \$42 million for the nine months ended January 31, 2025.

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. 2025 FINANCIAL OVERVIEW

Cash increased during the three months ended January 31, 2025 by \$0.06 million.

Cash provided through financing activities was \$0.01 million for the period ended January 31, 2025, primarily due the issuance of a short term loan advance of \$0.01 million.

Total assets decreased by \$28.1 million at January 31, 2025 compared to October 31, 2024, due to the write down of intangible assets.

Total liabilities decreased by \$7.6 million as of January 31, 2025 compared to October 31, 2024 primarily due to the issuance of common shares in exchange for other liabilities and the purchaser of the Aldersyde assets assuming the loan-term loan.

Working capital deficit decreased approximately \$7.6 million in the three months ended January 31, 2025. The Company had a net working capital deficit of approximately \$3.644 million (October 31, 2024 working capital deficit of \$11.1 million).

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

Financial Overview

As at (000s of Canadian dollars)	January 31 2025	April 30 2024
Total assets	12,981	54,947
Total liabilities	5,956	13,707
Total non-current liabilities	1,783	4,136
Working capital deficiency	(3,571)	(8,234)

(000s of Canadian dollars, except per share)	Three months ended January 31		Nine months ended January 31	
	2025	2024	2025	2024
Financing costs	63	72	303	709
General and administrative	416	546	1,806	2,110
Research and development	12	167	142	827
Share based compensation	69	(113)	314	205
Depreciation and amortization	179	1,315	2,926	1,976
Impairment of assets and assets held for sale	-	-	7,705	3,826
Impairment of intangible assets	25,002	-	28,398	-
Net loss per share – Basic	0.20	(0.02)	0.32	(0.12)
Net loss per share – Diluted	0.14	(0.02)	0.23	(0.12)

For the three months ended January 31, 2025, the Company had a net loss of \$25.9 million, which consisted primarily of impairment of assets of \$25.0 million, depreciation and amortization of \$0.1 million, and \$0.4 million of general and administrative costs.

Net loss for the nine months ended January 31, 2025 was \$41.6 million, a decline of \$50.8 million compared to the comparative period in 2024, primarily due to an increase in impairments of \$36.1 million and \$2.9 million in depreciation and amortization

During the quarter ended January 31, 2025, Cielo used \$0.3 million of cashflows. This is less cash used than in 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

(000s of Canadian dollars)	Three months ended January 31		Nine months ended January 31	
	2025	2024	2025	2024
Interest on loans	127	69	262	697
Loan accretion	-	3	41	12
Total	127	72	303	709

Financing costs were consistent with the prior period. See Section 8 of this MD&A, entitled "Financing Activities" for additional information.

General and Administrative

	Three months ended January 31		Nine months ended January 31	
(000s of Canadian dollars)	2025	2024	2025	2024
Professional fees	182	112	902	628
Personnel	107	234	533	736
Property tax and insurance	72	55	143	206
Office and administrative	55	145	228	540
Total	416	546	1,806	2,110

General and administrative costs decreased approximately \$0.2 million in the three-month period ended January 31, 2025 from the comparative 2024 period. The primary decrease was from reduced personnel costs.

Research and Development

	Three months ended January 31		Nine months ended January 31	
(000s of Canadian dollars)	2025	2024	2025	2024
Operating expenses	12	119	142	420
Personnel	-	48	-	409
Total	12	167	142	829

Research and development decreased to approximately \$nil for the three months ended January 31, 2025 as the Company focuses on new project designs for its projects.

Share Based Compensation

	Three months ended January 31		Nine months ended January 31	
(000s of Canadian dollars)	2025	2024	2025	2024
Share based compensation	69	(113)	314	205
Total	69	(113)	314	205

Share based compensation increased by \$0.2 million for the quarter ended January 31, 2025, compared to the respective prior year period.

Depreciation and Amortization

	Three months ended January 31		Nine months ended January 31	
(000s of Canadian dollars)	2025	2024	2025	2024
Property, plant, and equipment	-	1,000	379	1,000
Intangible assets	179	290	2,499	899
Right-of-use assets	-	25	48	77
Total	179	1,315	2,926	1,976

Depreciation and amortization decreased by \$1.2 million for the three months ended January 31, 2025, compared to the respective prior year period due to the right-of-use assets being

terminated, intangible assets being impaired, and property, plant, and equipment ending its useful life.

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 cyclical 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 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. Figures in 000s of Canadian dollars, except for per share amounts.

	Jan 31, 2025	Oct 31, 2024	Jul 31, 2024	Apr 30, 2024
Revenue	-	-	-	-
Net loss	25,863	13,498	2,226	2,993
Net loss per share	0.20	0.13	0.02	-

	Jan 31, 2023	Oct 31, 2023	Jul 31, 2023	Apr 30, 2023
Revenue	-	-	-	-
Net loss	1,946	1,406	5,917	4,106
Net loss per share	0.02	-	0.01	-

For the three months ended January 31, 2025, the Company had a net loss of \$25.9 million, which consisted primarily of impairment of assets of \$25.0 million, depreciation and

amortization of \$0.1 million, and \$0.4 million of general and administrative costs.

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 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 \$3.6 million at January 31, 2025 (\$9.7 million as at January 31, 2024). The decrease in working capital deficiency of \$0.8 million was primarily due to a decrease in deferred fees and other liabilities.

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 January 31, 2025 and 2024:

	Three months ended January 31		Nine month ended January 31	
(000s of Canadian dollars)	2025	2024	2025	2024
Operating activities	50	(572)	(727)	(3,080)
Financing activities	10	1,135	563	2,876
Investing activities	-	(540)	(145)	(926)

Operating Activities

Net cash provided by operating activities was \$0.05 million for the three months ended January 31, 2025. The cash provided by operating activities was used to fund general and administrative and research and development expenditures.

Investing Activities

Net cash used in investing activities was \$nil for the three month period.

Financing Activities

Net financing proceeds of \$0.01 million for the quarter ended were primarily from short-term loan advances.

Off-Balance Sheet Arrangements

As at January 31, 2025, 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 January 31, 2025, 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 the three-year period to \$0.12 million over a one-year period. As at January 31, 2025, the Company had contractual obligations as follows:

(000s of Canadian dollars)	2025	2026	2027 +
Lease obligations	-	-	-

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 noted below. At the date of this MD&A there is no change in the number of outstanding shares

As at	January 31, 2025
Issued and outstanding common shares	128,964,242
Options outstanding - Vested and exercisable	1,402,699
Broker warrants	494,889
Warrants outstanding (exercisable)	18,900,238
Total outstanding	149,762,068
Options outstanding – Unvested	991,288
DSUs outstanding – Unvested	140,000
Convertible debenture	5,325,000
Total securities outstanding	156,218,386

8. FINANCING ACTIVITIES

The following financing activities occurred in the three months ended January 31, 2025.

On November 29, 2024, The Aldersyde Sale Transaction was completed.

The company executed an asset purchase agreement (the "Aldersyde Sale Agreement") with a private, arm's length, Alberta corporation (the "Purchaser") setting out the terms upon which the Company agreed to sell to the Purchaser its entire right, title and interest in its property in Aldersyde, Alberta (the "Aldersyde Property"), including the R&D Facility, together with the equipment located on the Aldersyde Property (the "Equipment") and the entire right, title and interest in the invention and improvements of the Company in its Canadian and U.S. patents for "Enhanced Distillate Oil Recovery From Thermal Processing And Catalytic Cracking Of Biomass Slurry" (the "IP", together with the Aldersyde Property and Equipment, collectively the "Aldersyde Assets").

Under the terms of the Aldersyde Sale Agreement, the Company sold the Aldersyde Assets to the Purchaser for an aggregate purchase price of \$3.9 million (the "Purchase Price"), subject to a \$15,000 reduction for outstanding costs owed by Cielo associated with the Aldersyde Property, and adjustments, paid/to be paid as follows:

1. \$100,000 paid on or prior to closing;
2. The assumption, by the Purchaser, of the Mortgage Loan (eliminating the Company's obligation to pay the Mortgage Loan); and
3. A promissory note in favour of the Company on the following terms:
 - a. A principal amount of \$1,000,000 (the "Loan");
 - b. Secured against the Aldersyde Property (second place behind the existing mortgagor);
 - c. Bearing an interest rate of 7.5% per annum, payable monthly;
 - d. To be paid as to \$200,000 on each of February 15, 2025 and May 15, 2025, and as to \$150,000 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 \$700,000 of the Loan on or before May 15, 2025, the balance of the Loan will be forgiven.

At the date of this MD&A, the Purchaser is in default and the Loan amount of \$1,000,000 which is due immediately to the Company. Cielo is discussions with the Purchaser.

9. ASSET ACQUISITION and TECHNOLOGY IMPAIRMENT

Asset Acquisition

Due to a change in the market conditions the Company was unable to secure financing for the Rocky Mountain Asset Acquisition. Therefore, Cielo will not be continuing with the asset acquisition of the Rocky Mountain Assets. The Rocky Mountain Project Development Agreement (the "PDA") has been terminated.

As at the date of this MD&A, the Cielo and Rocky Mountain Letter of Intent (LOI) was terminated per the terms of the LOI.

Licensed Technology Impairment

The Company has recognized impairment of \$25M on the previously acquired Licensed Technology from Expander Energy. As a part of the license acquisition, the company initially planned to complete 6 project in the next 5 years using the Licensed BGTL and EBTL technologies.

As a result of the changes in market conditions, investor interest within the renewable fuels sector and significant changes in the political landscape which are expected to influence public policy, management believes the timelines originally anticipated for majority of the projects are not feasible at this time.

The Company will continue its efforts to raise capital for the Carseland Phase 1 and Carseland Phase 2 projects at this time once market conditions are favourable.

Furthermore, Cielo has engaged in the dispute resolution processes per the Asset Purchase Agreement (APA) with Expander Energy Inc. due to differences in the strategic vision of the licensed technologies.

10. RELATED PARTY TRANSACTIONS

Expander Group of Companies ("Expander")

A director of the Company was 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") until October 2024. Expander and its principals acquired common shares of the Company under the License Agreement transaction completed in November 2023 between the Company and Expander.

At the date of this MD&A the director has resigned as a member of the Board of Directors of Cielo.

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 advisors 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 and technical assistance on an ad hoc basis, as required, to ensure accurate communication with key stakeholders.

As at the date of this MD&A, due to recent disagreements between Cielo and Expander on various matters, the Company has notified Expander of its intention to initiate a dispute resolution process in accordance with the terms of the License Agreement. Prior to this, Cielo had received from Expander notices of breach with regard to the Asset Purchase Agreement, the License Agreement and a master service agreement executed between Cielo and Expander upon closing of the transaction. Among other things, the notices include Expander's advice that Expander intends to terminate the License Agreement upon a second notice, which Cielo may expect to receive in or after April 2025. Cielo intends to dispute some or all of the assertions made in the notices and intends to have its own commercial, financial and strategic concerns related to the Licensed Technologies addressed. The Company will continue to provide material updates as they become available.

11. 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 condensed interim consolidated financial statements for the three and six months ended October 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 January 31, 2024.

12. RISK FACTORS

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

the Company's annual audited financial statement and MD&A for the year ended April 30, 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.

13. 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 the condensed interim 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 audited financial statements, and the condensed interim 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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