

FORM 51-102F3
Material Change Report

1. Name and Address of Company

Cielo Waste Solutions Corp. (the “**Company**” or “**Cielo**”)
101 – 1500 Howe Street,
Vancouver, BC V6Z 2N1

2 Date of Material Change

December 17 and 20, 2018

3. News Release

A news release was issued and disseminated on December 18, 2018 and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached as Schedule “A” hereto.

A news release was issued and disseminated on December 21, 2018 and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached as Schedule “B” hereto.

4. Summary of Material Change

A news release was issued and disseminated on December 18, 2018 and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached as Schedule “A” hereto.

A news release was issued and disseminated on December 21, 2018 and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached as Schedule “B” hereto.

5. Full Description of Material Change

A news release was issued and disseminated on December 18, 2018 and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached as Schedule “A” hereto.

A news release was issued and disseminated on December 21, 2018 and filed on SEDAR and the Canadian Securities Exchange. A copy of the news release is attached as Schedule “B” hereto.

The following supplementary information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”):

a) a description of the transaction and its material terms:

The Company announced a non-brokered private placement offering (the “Offering”) of up to CAD \$2,000,000 in units (the “Units”), each Unit consisting of one common share and one share purchase warrant, each

full warrant entitling the holder to purchase one common share of the Issuer at an exercise price of \$0.20 for a period of 36 months, subject to the right retained by Cielo to reduce such term to a period of 30 days from the date of notice that may be delivered to a holder at any time after 4 months and a day from the date of issuance of the Units in the event that the common shares of the Issuer maintain a market price of \$0.40 or higher for a period of Twenty (20) consecutive days

Cielo announced that it has received CAD \$874,406 from closing of the first tranche on December 17, 2018 and CAD \$270,000 from closing of the second tranche on December 20, 2018. \$42,406 of this amount was a result of the settlement of indebtedness as a securities for debt transaction.

b) the purpose and business reasons for the transaction:

The net proceeds of the Offering will be used to acquire equipment and pay service costs to advance the commissioning of Cielo's first commercial waste to renewable diesel fuel refinery in Aldersyde, Alberta ("Aldersyde Refinery"), as well as for working capital.

c) the anticipated effect of the transaction on the issuer's business and affairs:

The Company is working toward completing the commissioning process of its first commercial refinery. Acquiring the filing equipment and taking the final steps will bring the Company closer to achieving first sales.

d) a description of:

i. the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:

2,000,000 shares and 2,000,000 warrants were issued to Doug Allan, an insider by virtue of holding 10% or greater of the issued and outstanding shares of the Company.

ii. the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:

Prior to the issuance of the shares, Doug Allan had 20,854,356 shares and \$100,000 in a convertible debenture, convertible into approximately 1,267,000 shares as at the date of the last issuance of securities to Doug Allan, representing 12.8% of the issued and outstanding shares of the Company on an undiluted basis and 13.5% on a partially diluted basis. After giving effect

to the Offering, Doug Allan has 22,854,356 shares, \$100,000 in a convertible debenture, convertible into approximately 1,274,500 shares as at the date of the closing of the first tranche of the Offering, and 2,000,000 warrants, representing 13.5% of the issued and outstanding shares of the Company on an undiluted basis and 15.1% on a partially diluted basis.

- e) **unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:**

A unanimous resolution of the board of directors of the Company authorized the Offering.

- f) **A summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:**

- i. **that has been made in the 24 months before the date of the material change report:**

Not applicable.

- ii. **the existence of which is known, after reasonable enquiry to the issuer or to any director or officer of the issuer:**

Not applicable.

- g) **the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:**

See section 5(a).

- h) **disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:**

The issuance of the Units to Douglas Allan constitutes a “related party transaction” for the Issuer under MI 61-101. No formal valuation on the part of the Issuer is required under MI 61-101 in respect of the issuance of the Units to insiders of the Issuer. The Issuer is relying on the

exemptions from the formal valuation and minority approval requirements under MI 61-101. The Issuer is exempt from the formal valuation requirement of MI 61-101 based on sections 5.5(a) and (b) of MI 61-101 as the value of this transaction does not exceed more than 25% of the market capitalization of the Issuer and no securities of the Issuer are listed or quoted for trading on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ stock market or any other stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the Plus operated by Plus Markets Group plc. Additionally, the Issuer is exempt from obtaining minority shareholder approval in connection with the issuance of the Units by relying on section 5.7(1)(a) and (b) of MI 61-101 as, in addition to the foregoing, (i) neither the fair market value of the Units nor the consideration received in respect thereof from “interested parties” as defined by MI 61-101 would exceed \$2,500,000 or 25% of the Issuer, (ii) the Issuer has one or more independent directors in respect of the issuance of the Units who are not employees of the Company, and (iii) all of the independent directors have approved the issuance of the Units.

As this material change report is being filed less than 21 days before the issuance of the Units, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Issuer, such shorter period was reasonable and necessary in the circumstances as the Issuer was not aware of the participation of Douglas Allan at such time.

6. Disclosure for Restructuring Transactions:

Not applicable.

7. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

8. Omitted Information

No significant facts remain confidential in, and no information has been omitted from, this report.

9. Executive Officer

Don Allan, President and CEO
T: 403.348-2972 Ext. 101

10. Date of Report

December 21, 2018

SCHEDULE "A"

NEWS RELEASE

CORRECTION: Cielo Announces \$2 Million Private Placement and Closing of First Tranche of \$875,000*

Tuesday, December 18, 2018 11:05 AM

This press release replaces the press release disseminated December 18, 2018 at 9:20 AM ET. The press release contained incorrect information in the second paragraph. The corrected press release is below:

VANCOUVER, BC / ACCESSWIRE / December 18, 2018 / Cielo Waste Solutions Corp. (CSE: CMC) ("Cielo" or the "Company") announces a non-brokered private placement ("Offering") of up to 15,384,615 ("Units") at \$0.13 per Unit. Each Unit is comprised of one Common Share and one warrant ("Warrant"), with each Warrant having an exercise price of \$0.20 and an expiration date of the earlier of 36 months from the date of issuance of the Units and the date that is 30 days from the date that Cielo provides notice ("Notice") to the warrant holder that the expiration date of the Warrants has been accelerated. The Notice may only be delivered to the Warrant Holders after Cielo's listed common shares trade at \$0.40, or higher, for 20 consecutive days, any time after 4 months and a day from the date of issuance of the Units. Any Warrants that have not been exercised on or before the expiry of the 30-day period will automatically expire.

The Offering will close in one or more tranches. Cielo has closed the first tranche of the Offering ("First Tranche"), raising gross proceeds of \$874,406 through the issuance of 6,726,200 Units. \$42,406 of the gross proceeds were paid by way of debt settlement.

Although the Offering is non-brokered, the Company may, as determined in its sole discretion, pay reasonable customary brokers' and/or finders' fees ("Fees"), as applicable, in connection with the completion of the Offering. With respect to the closing of the First Tranche, Cielo has paid Fees equal to \$58,240 and issued 291,200 warrants ("Finder's Warrant"). Each Finder's Warrant has the same terms as the Warrants issued pursuant to the Offering and all securities issued pursuant to the Offering will be subject to applicable resale restrictions. The net proceeds of the Offering will be used to acquire equipment and pay service costs to advance the commissioning of Cielo's first commercial waste to renewable diesel fuel refinery in Aldersyde, Alberta ("Aldersyde Refinery"), as well as for working capital.

As an insider participated in the Offering, it is considered to be a "related party transaction" under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company relies on the exemption from valuation requirement pursuant to subsection 5.5(b) of MI 61-101, as the securities of the Company are not listed or quoted on an enumerated stock exchange, and the Company relies on the exemption from minority approval under subsection 5.7(b) of MI 61-101, as the securities of the Company are not listed or quoted on an enumerated

stock exchange; neither consideration received, nor the fair value of the securities distributed exceeds \$2,500,000; and at least two thirds of independent directors of the Company voted in favour of the related party transaction.

Grande Prairie Joint Venture Update

Further to the previously announced Memorandum of Understanding ("MOU") with Renewable U Energy Inc. ("Renewable U"), announced on November 1, 2018, Cielo's management has visited Grande Prairie so as to advance site selection for the contemplated joint venture refinery in Grande Prairie. Cielo's management has also visited Medicine Hat in order to meet with and assist Renewable U in their due diligence process prior to exercising their option to build one or more joint venture refineries with Cielo in or around Medicine Hat, Alberta ("Option"). In the event Renewable U exercises the Option, Renewable U will enter into a second memorandum of understanding with Cielo, which will require Renewable U to pay Cielo an additional \$250,000. The MOU provided for the Option to be exercised within 45 days of the date of the MOU, however. Cielo has granted Renewable U an extension to January 31, 2019 to exercise the Option, due to Renewable U's request for additional time for due diligence.

Raphael Bohlmann, President of Renewable U, stated, "Subsequent to Don Allan's visit to Grande Prairie, we have narrowed down our site selection to one of three properties on which to begin acquisition negotiations. In addition, based on the positive feedback that we have received after our last group of meetings in Medicine Hat, along with the significant advancements being made by Cielo in their commissioning efforts of their Aldersyde Refinery, we are confident that we will be exercising our Option with Cielo to build additional joint venture refineries together in or around Medicine Hat."

Don Allan, President and CEO of Cielo, stated, "The recent announcements by the Alberta and British Columbia governments regarding their continued support for "green" initiatives reaffirms our belief of the immediate need for Cielo's waste to renewable fuels technology. Although the commissioning of our Aldersyde Refinery has taken longer with higher capital costs than originally contemplated, we believe that the engineering and design changes that are being implemented will help us to scale-up and build out multiple refineries. Over the past several months, while evaluating different capital options to purchase additional equipment to facilitate the Aldersyde Refinery to operate on a continuous-flow basis, we have successfully been able to convert sawdust into distillate, which we are then able to convert into renewable diesel, kerosene and naphtha fuels. We anticipate being able to achieve our first sales in Q1 of 2019 and thereafter proceed forward with our next phase of our business plan and building multiple refineries in Canada."

*Actual amount \$874,406

Join Cielo shareholders on 8020 Connect: <http://bit.ly/Cielogroup>

For more information please contact:

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About Cielo Waste Solutions Corp.

Cielo Waste Solutions Corp. is a publicly traded company with its shares listed to trade on the Canadian Securities Exchange ("CSE") under the symbol "CMC". Cielo holds the exclusive license for the global rights to a transformational, patent-pending, technology engineered to convert garbage-derived feedstocks to high grade renewable diesel, at a significantly lower cost than biofuel companies. With landfills being one of the world's leading contributors to Green House Gas emissions and being projected to double in size over the next 7 years, Cielo can potentially resolve this crisis, on a cost-effective basis, by converting multiple different garbage-derived feedstocks, including sorted municipal solid waste (garbage), wood and agriculture waste, tires, blue-box waste, all plastics and virtually any other cellulous waste product into high grade renewable diesel.

Cautionary Note Regarding Forward-looking Statements

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

Forward looking statements are subject to both known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward looking statements, including but not limited to: the use of proceeds of the offering, receipt of all necessary approvals of the offering, general business, economic, competitive, political and social uncertainties; negotiation uncertainties and other risks of its industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

Forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties, some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company's actual performance and results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Any forward-looking statements are made as of the date hereof and, except as required by law, neither the Company assumes no obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise.

The CSE has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this news release.

SCHEDULE "B"

NEWS RELEASE