Cielo

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE SIX MONTHS ENED OCTOBER 31, 2018

Notice to Reader

The following is management's discussion and analysis – quarterly highlights ("MD&A") in respect of the results of operations and financial position of CIELO WASTE SOLUTIONS CORP. (the "Company" or "Cielo") for the six months ended October 31, 2018 and 2017. The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), and presented in Canadian dollars, which is the Company's functional currency. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company are available on SEDAR and may be accessed at www.sedar.com.

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51- 102F1, in accordance with National Instrument 51- 102 – Continuous Disclosure Obligations. It should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended April 30, 2018, together with the notes thereto, and the accompanying unaudited interim condensed consolidated financial statements and related notes for the six months ended October 31, 2018.

Forward Looking Statements

The information presented in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward–looking statements" or "forward-looking information" (collectively "forward-looking statements") as those terms are used in securities laws applicable in Canada.

These forward-looking statements also include, but are not limited to, factors that may affect our ability to achieve our objectives and to successfully develop and commercialize our renewable diesel refineries.

Such forward–looking statements, including but not limited to those with respect to the price of renewable fuels, the timing and amount of estimated future economic and viability of refining projects, capital expenditures, costs and timing of refining projects, permitting timelines, title to refining projects, the timing and possible outcome of pending refining projects and other factors and events described in this MD&A involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward–looking statements.

The reader should verify all claims and do their own due diligence before investing in any securities mentioned or implied in this document. Investing in securities is speculative and carries a high degree of risk.

These statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs, and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.

Date of Report

The information in this report is presented as of December12, 2018.

ABOUT CIELO

Cielo was incorporated on February 2, 2011 as a wholly-owned subsidiary of Arris Holdings Inc. ("AHI") for the purpose of mineral property acquisition and development. Following a spin-out transaction, the Company became a reporting issuer on June 9, 2011 and its common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "CMC" on August 3, 2011. A change of name from Cielo Gold Corp. to Cielo Waste Solutions Corp. on August 23, 2013 was followed on April 15, 2014 by a change of fundamental business from mining exploration to renewable diesel refining.

The registered and records office of the Company is located at #101 – 1500 Howe Street, Vancouver, BC V6Z 2N1 and its operations office is located at Bridgeview Place II, Suite 115, 5114-58 St., Red Deer, AB T4N 2L8.

CORPORATE OVERVIEW AND OVERALL PERFORMANCE

Since the Company's fundamental change of business to renewable diesel refining, the Board of Directors and management of the Company has been working toward commercializing its proprietary technology to allow it to enter the fast and growing waste industry by refining landfill and municipal and commercial waste into a high quality renewable diesel. Cielo has identified opportunities throughout the world and is poised to capitalize on these and local opportunities. While Cielo has generally not been taking purchase orders while focusing on the construction of its first commercial refinery, the Company has continued to communicate with those who had previously submitted purchase orders or expressed interest to facilitate revenues upon the completion of the commissioning phase.

Cielo has also started acting on interest expressed by third parties with respect to potential joint venture opportunities, which will allow for easier financing of additional refineries. Management believes that entering into such agreements effectively removes the financing and scale-up risk associated with those refineries (in particular the next couple to be built) and allows the Company to earn profits as well as ongoing management fees during both the construction and operation of such joint venture refineries. See below for additional detail on existing memorandums of understanding for potential joint ventures.

Cielo has planned two phases (Phases I and II) for reaching optimal production output in creating a blueprint for its refineries. Cielo's initial plan for Phase I was to build a refinery targeting a nominal production rate of 356 litres per hour and, for Phase II, Cielo had considered building a second refinery, targeting a production rate of 1824 litres per hour. During the year ended April 30, 2018, Cielo focused on the construction if its first commercial refinery and, following the end of the year ended April 30, 2018, Cielo completed construction for Phase I and began the Phase I commissioning stage. As Cielo progresses through this Phase I commissioning stage, modifications to both design and construction intended to improve the processes continue to be made. Continued improvements have increased targeted outputs from 356 litres per hour to between 500 and 1,000 litres per hour. With respect to Phase II, management has determined that it would be more efficient to upgrade the current refinery to a greater capacity, targeting outputs of between 1,800 and 2,000 litres per hour, such that all Cielo refineries would produce at least at this rate at a minimum.

Currently the Company is focused on acquiring a larger heater system to allow for both stages of the Phase I process (converting biomass feedstocks in raw distillate, then converting the raw distillate into naphtha, kerosene and diesel) to run simultaneously, as well as to select the most efficient and effective desulphurization process and provider, the completion of both leading to the Company's initial sales.

The Company kicked off the start-up and commissioning of Phase I of its first commercial refinery in the six month period ended October 31, 2018 and continues to progress through this process. Highlights include:

1.) On June 6, 2018 the Company announced the implementation of an early warrant exercise incentive program (the "Program") designed to encourage the early exercise of up to 16,366,180 unlisted warrants. On July 4, the Company announced that it had closed the Program. Cielo received gross proceeds pf $2,032,500 as a result of the exercise of 10,162,500 warrants. Each participant is entitled to receive $.0875 per warrant exercised as a fixed rate royalty which will be paid out prorate over an estimated period of two years or less, at the discretion of management. Once production begins, the company will allocate 10% of gross sales to the payment of the royalties. The use of proceeds of the Program were allocated to the Phase I commissioning stage.

2.) On June 11, 2018, the Company announced that it had received its permit from the Ministry of Environment and Parks (Alberta) (the "Ministry") pursuant to the Environmental Protection and Enhancement Act, which was required in order to begin operations at its first commercial refinery in Aldersyde, AB.

3.) On June 29, 2018, the Company announced that, as anticipated in previous news releases, the Company had initiated the start-up and commissioning of its first commercial refinery in Aldersyde, AB, which signifies the transitioning of the refinery from the construction stage to the commercial operation stage.

4.) On August 22, 2018, the Company announced it had initiated its reactor, which started the continuous flow process of generating raw distillate.

5.) On September 13, 2018 the Company announced that it had received from Maxxam Analytics, an independent arms length testing laboratory, favourable results confirming the Company's ability to convert garbage into a high quality distillate. The result indicated better than expected quality characteristics' including lower than expected water content, higher cetane ratings and excellent API gravity numbers that prove the production of a light distillate. The remaining steps of the Phase I commissioning stage include processing the distillate to produce naptha, removing sulphur from the remaining distillate, and further processing that distillate to separate into kerosene and high-grade renewable diesel.

6.) On October 4, 2018, the Company announced that the commissioning process had been divided into 2 stages (as described above and provided a general update on Phase I, advising that it continued to make improvements by identifying inefficiencies and problem areas and working to resolve these, which has resulted in the tailoring of a portion of the original process and changes to some of the Company's original milestones. In particular the Company announced the need for a larger heather system that would allow for both stages to operate on a continuous flow basis, and the decision to move forward with the remaining steps of commissioning at a scaled down capacity until the heater system could be acquired.

    The Company also announced that further raw distillate sample test results indicated better characteristics than initially expected and better than the initial results, announced on August 22, 2018: almost no water content, cetane rating of 55 (which management understands to be very impressive as it was only at the raw distillate stage) and favourable colouration, which proves the process works and is producing a high quality distillate.

In addition, management announced that it had begun engaging in discussions with third parties for potential joint ventures. Initially, management had planned to delay discussions until achieving sales, however it has decided to explore opportunities now given the needs identified above paired with strong interest from potential joint venture partners.

7.) On October 31, the Company executed a Binding Memorandum of Understanding ("MOU") with Renewable U Energy Inc.("Renewable U"), a privately-owned Alberta corporation. The MOU provides the framework for Cielo to enter into a joint venture agreement("JV Agreement") with Renewable U to build, commission and operate ("Project") one refinery initially ("JV Refinery"), with a right of first refusal to enter into further agreements for potential follow-on refineries (together with the JV Refinery, collectively "JV Refineries") in Grande Prairie, Alberta. Pursuant to the terms of the MOU, Renewable U has an option to enter into a second Memorandum of Understanding with Cielo for Medicine Hat, Alberta.

The Company and Renewable U intend to form an incorporated joint venture, to be owned 50.1% by Cielo and 49.9% by Renewable U, unless otherwise agreed. In consideration for the opportunity to enter into the JV Agreement with Cielo and undertake the Project, Renewable U has paid to Cielo a $250,000.00 fee ("Fee") to secure the territory of Grande Prairie, Alberta and the surrounding area encompassing a 250 km radius. In the event that Renewable U exercises its option within 45 days to enter into a second Memorandum of Understanding for Medicine Hat, Alberta, Renewable U will pay Cielo an additional $250,000.00, to secure the territory of Medicine Hat, Alberta and the surrounding area within a 50 km radius. In the event Cielo does not execute the JV Agreement for Grande Prairie, subject to an exclusion, by January 29, 2019, Cielo has agreed, subject to applicable laws and policies, to issue Renewable U common shares of Cielo in lieu of returning the Fee, valued at the greater of: $0.25 and the average closing price of Cielo's shares during the 5 trading days prior to January 29, 2019.The general terms to be incorporated into the JV Agreement include the following:

(a) Renewable U will be solely responsible for financing 100% of the costs associated with acquiring the land, building and commissioning the initial JV Refinery ("Project Costs"), as well as for the initial refinery contemplated to be built in Medicine Hat, Alberta, if Renewable U exercises its option.
(b) Cielo will manage the Project overall, overseeing the planning, construction, commissioning and operation of the JV Refineries and will receive a management fee for the construction of the JV Refinery equal to 7% of the Project Costs subject to certain exclusions, and will continue to receive management fees once operations begin based on industry standards.
(c) Profits will be split 30%in favor of Cielo and 70% in favor of Renewable U, until Renewable U has received profits equaling100% of the Project Costs. Thereafter profits will be split on the basis of 50.1% for Cielo, 49.9% for Renewable U, reflecting the respective interests/ownership of the parties.

For further details of the terms and conditions of any above-referenced agreements or announcements, please review the Company's filings on SEDAR.

RESULTS OF OPERATIONS

Six Months Ended October 31, 2018 ("October 31, 2018 Interim Financial Statements")

The loss for the six months ended October 31, 2018 ($719,846), compared to 2017 ($259,900) was mainly a result of the increased activity related to the Phase I start-up and commissioning of the Company's first commercial refinery, which required the engagement of additional personnel as well as the securing of additional financing. In particular, the increase in loss was the combined result of the following operating expenditures: $34,931 for consulting fees (2017 - $24,00), $35,865 for office administration expenses (2017 - $25,991), $134,112 for interest and accretion expense (2017-$98,755), $73,150 for professional fees (2017 - $12,316), $160,738 in management fees (2017-$Nil), $4,341, for trust and filing fees (2017 - $4,811), $42,320 of amortization on property, plant and equipment (2017-$43,014), loss on settlement of debt of $78,431 (2017-$33,619), and salaries and benefits of $112,694 (2017-$6,412).

Revenue for the six months ended October 31, 2018 was $NIL, compared to $NIL for the six months ended October 31, 2018, as the Company has not yet begun earning revenues from production.

On October 31, 2018, the Company's main assets and liabilities were:

Cash - $323,121 (2017 - $307,693);
Prepaid expenses - $118,896 (2017 - $5,633);
Inventory-$65,959 (2017-$Nil)
Property plant and equipment -$9,154,996 (2017-3,386,983)
Accounts payable and accrued liabilities - $2,459,799,857 (2017 - $457,545);
Due to Shareholder - $467,254 (2017 $508,205)
Short-term loans payable -$522,494 (2017 - $151,394)
Long-term loans payable, including convertible debts -$3,219,500 (2017-$2,287,529)
Royalty Payable-$694,851 (2017-$Nil)
Due to Affiliated companies -$8,862 (2017 -$191,476)

QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly information. It has been derived from the audited financial statements and the unaudited interim financial statements of Cielo. This summary should be read in conjunction with audited financial statements and unaudited interim financial statements of Cielo as contained in the public record for the relevant periods.

Quarterly Financial Information	**31-Oct**	**31-Jul**	**30-Apr**	**31-Jan**	**31-Oct**	**31-Jul**	**30-Apr**	**31-Jan**	**31-Oct**
	2018	**2018**	**2018**	**2018**	**2017**	**2017**	**2017**	**2017**	**2016**
Operating data:	$	$	$	$	$	$	$	$	$
Total revenue	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Operating Expenses	823,102	641,415	338,248	5,026,990	670,147	226,281	224,235	62,137	38,317

Net Earnings (loss)	(823,656)	(719,846)	(338,462)	(5,015,078)	(812,249)	(259,900)	(535,087)	(62,137)	(38,317)
Balance sheet data:									
Total assets	9,917,865	7,356,269	5,472,723	4,449,278	3,940,494	3,174,832	3,192,667	1,079,725	759,209
Total current liabilities	4,214,243	1,956,282	1,734,108	1,137,352	1,579,072	1,568,829	2,029,928	2,396,706	2,331,838

Explanation of Quarterly Variances.

The loss of ($823,656) for the three-month period ended October 31, 2018, compared to the loss for the three-month period ended October 31, 2017 ($812,250) consisted of $160,738 of management fees (2017-Nil), $129,397 of salaries and benefits (2017-$6,318), $153,341 of interest and accretion expenses (2017-$104,453), $33,226 of office and administrative expenses (2017-$18,354), $42,319 of amortization of property plant and equipment expenses (2017-$43,019), $110,575 of professional fees (2017-$206,343), and $55,799 of other expenses (2017-$34,294), including advertising, amortization on deferred finance charges, bad debts, bank charges, agent fees and travel.

Revenue for the six months ended October 31, 2018 was $NIL, compared to $NIL for the 3 months ended October 31, 2017.

The increase in the loss for the three-month period ended January 31, 2018 ($5,015,078) (2017 – ($62,137)) can be attributed to two main factors. First, the Company incurred charges for a finance fee of $3,300,206 (2017-$Nil) for warrants (the "Warrants") issued in connection with a loan agreement with BJK Holdings Ltd. The fair value of the Warrants, which was calculated using the valuation technique, the Black Scholes Option Pricing Model, was $3,300,206. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.64%; expected life – 5 year; expected volatility – 248.35%; and expected dividends – nil. The fair value of $3,300,206 for the Warrants was charged to finance expense. Second, the Company incurred a charge for share-based compensation of $948,447 (2017-$Nil) for stock options granted to employees, consultants, directors, and officers under its Stock Option Plan.

LIQUIDITY AND CAPITAL RESOURCES

As at October 31, 2018, the Company had $323,121 cash, and working capital deficit of $(3,451,376). The Company is not subject to external working capital requirements.

During the six months ended October 31, 2018, the Company gained $1,288,898 in operating activities mainly by increasing accounts payable used for construction expenses and preparing for production. The Company also received $2,601,436 inflow from its financing activities mainly through the proceeds of the early warrant exercise program("Program") and exercise of other warrants (see "Financial Transactions" for more detail).

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CONTINGENCIES / LEGAL PROCEEDINGS

The Company does not have any legal proceedings.

FINANCIAL TRANSACTIONS

The following financial transactions occurred in the six-month period ending October 31, 2018:

A. On June 6, 2018, the Company announced the implementation of an early warrant exercise incentive program (the "Program") designed to encourage the early exercise of up to 16,366,180 unlisted warrants. On July 4, 2018, the Company announced that it had closed the Program. Cielo received gross proceeds pf $2,032,500 as a result of the exercise of 10,162,500 warrants. Each participant is entitled to receive $.0875 per warrant exercised as a fixed rate royalty which will be paid out prorate over an estimated period of two years or less, at the discretion of management. Once production begins, the company will allocate 10% of gross sales to the payment of the royalties.

B. On July 4, 2018, the Company announced that certain trade creditors elected to convert their trade debt in an aggregate amount of $313,725 into 1,960,871 common shares at a price of $0.16 per share.

C. On July 17, 2018, 600,000 unexercised warrants issued on July 17, 2017 pursuant to a private placement offering of units, each unit consisting of one common shares and one half of one share purchase warrant, expired.

D. On August 3, 2018, the Company issued 24,000 shares through the exercise of 24,000 finders warrants at the price of $0.10 per share. The shares were issued for the warrants and cash of $2,400.

E. On August 3, 2018, the Company issued 1,437,500 shares through the exercise of 1,437,500 warrants at the price of $0.20 per share. The shares were issued for the warrants and cash of $287,500.

F. On August 16, 2018, the Company issued 50,000 shares through the exercise of 50,000 warrants at the price of $0.20 per share. The shares were issued for the warrants and cash of $10,000.

G. On August 31, 2018, the Company issued 408,000 shares through the exercise of 408,000 finders warrants at the price of $0.10 per share. The shares were issued for the warrants and cash of $40,800.

H. On August 16, 2018, the Company issued 200,000 shares through the exercise of 200,000 warrants at the price of $0.20 per share. The shares were issued for the warrants and cash of $40,000.

I. On September 13, 2018, the Company issued 900,000 shares through the exercise of 900,000 warrants at the price of $0.20 per share. The shares were issued for the warrants and debt conversion of $180,000.

J. On September 21, 2018, the Company issued 941,180 shares through the exercise of 941,180 warrants at the price of $0.20 per share. The shares were issued for the warrants and cash of $188,236.

The net proceeds of all of the financial transactions above were used as intended and disclosed, without variance. All net funds were used to pay professional fees (including legal, accounting, engineering, research and administration).

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been recorded at their exchange amounts, being the amounts agreed to and by the related parties.

Accounts payable and accrued liabilities balances at October 31, 2018 outstanding to officers and directors of the Company in the amount of $44,239 (2017 - $Nil).

Management compensation for the officers and directors during the years are disclosed as below:

6 months ended October 31, 2018

		Consulting fees Paid	Gross Salaries Paid	Stock Options Shares Based Compensation	RSU Shares Based Compensation	Total
Don Allan	CEO & Director	$ -	$ 162,000	$ -	$ 175,350	$ 337,350
Shannon Wyzykoski	CFO	$ 90,375	$ -	$ -	$ -	$ 90,375
Chris Dovbniak	Director	$ 5,546	$ -	$ -	$ -	$ 5,546
Micheal Yeung	Officer- VP-Business Development and Capital Markets	$ -	$ 60,000	$ -	$ 131,513	$ 191,513
		$ 95,921	$ 222,000	$ -	$ 306,863	$ 624,784

6 months ended October 31, 2017

		Consulting fees Paid	Gross Salaries Paid	Stock Options Shares Based Compensation	RSU Shares Based Compensation	Total
Shannon Wyzykoski	CFO	$ 19,500	$ -	$ -	$ -	$ 19,500
		$ 19,500	$ -	$ -	$ -	$ 19,500

Office expense of $2,073, (2018 - $5,233), salaries and benefits of $23,828 (2018 - $12,919), rent expense of $5,668 (2018-$13,317) and telephone expense of $384 (2018-$1,897) were charged back to 1888711 Alberta Inc., a company related by officers and directors.

Accounts payable and accrued liabilities balances at October 31, 2018 outstanding to a company owned by the CFO in the amount of $22,160 (2018 - $6,221). The Company issued 150,000 shares in exchange for 150,000 warrants and $30,000 of accounts payable owed to this company.

The Company issued 500,000 shares in exchange for 500,000 warrants and $100,000 of accounts payable owed to a company owned by Michael Young (officer).

Further details are available in the Note 8, Note 11, Note 12 and Note 13 to the October 31, 2018 Interim Financial Statements.

OUSTANDING SHARE DATA

As at October 31, 2018, the Company had 156,982,525 common shares, 25,431,971 warrants ("Warrants"), 224,000 finder/broker warrants ("Finder/Broker Warrants"), 10,240,000 stock options ("Options") and 4,750,000 Restricted Share Units ("RSUs") issued and outstanding.

As of the date of this MD&A, the Company has 162,837,717 common shares, 25,655,971share purchase warrants (including 224,000 finder's warrants), 10,240,000 stock options and 4,750,000 RSUs issued and outstanding.

The share purchase warrants are exercisable at $0.20 per share subject to decrease in the case of BJK Holdings Inc. in the event of dilutive events and expire on various dates between August 31, 2018 and November 2, 2022.

The finder warrants are exercisable at $0.10 per share and expire on March 31, 2019.

The options are exercisable for a period of three years from the date of grant and vested immediately upon grant. 5,500,000 of the options are exercisable at $0.10 per share and 4,740,000 of the options are exercisable at $0.25 per share.

The RSUs vest at various times over a period of three years or less from the date of grant up to January 12, 2021.

CRITICAL ACCOUNTING ESTIMATES

This item does not apply as the Company is a venture issuer.

CHANGE IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Details are available in the April 30, 2018 notice to reader financial statements, which are available at www.sedar.com.

FINANCIAL INSTRUMENTS

Refer to Note 15 to the Company's financial statements for the year ended April 30, 2018.

DIRECTORS AND OFFICERS

Don Allan	Director, CEO, President
Robin Ray	Director
Doug MacKenzie	Director
Chris Dovbniak	Director
Mel Angeltvedt	Director
Shannon Wyzykoski	CFO
Stuart McCormick	Vice President, Compliance and Regulatory Affairs
Michael Yeung	Vice President, Business Development and Capital Markets

SUBSEQUENT EVENTS

On November 1, 2018, the Company received cash of $250,000 as a fee in connection with a binding Memorandum of Understanding ("Ren U MOU") entered into with Renewable U Energy Inc. ("Renewable U") for the Grande Prairie area, dated October 31, 2018, which is being treated as a deposit until the Company and Renewable U enter into a definitive agreement, anticipated to occur on or about January 31, 2019.

On November 7, 2018, the Company received cash of $30,000 as a partial fee in connection an option granted to the Company in the Ren U MOU in connection with the Medicine Hat area, which is being treated as a partial deposit until the Renewable U formally exercises its option and the parties enter into a definitive agreement in connection with Medicine Hat.

On November 8, 2018, 2,075,000 unexercised warrants issued on November 8, 2017 pursuant to a private placement offering of units, each unit consisting of one common shares and one half of one share purchase warrant, expired.

On November 22, 2018, the Company received cash of $250,000 as a fee in connection with a binding Memorandum of Understanding ("Seymour MOU") entered into with Seymour Capital Inc. ("Seymour"), for the Calgary area, dated November 21, 2018, which is being treated as a deposit until the Company and Seymour enter into a definitive agreement, anticipated to between February 28, 2019 and April 30, 2019.

On November 30, certain contractors elected to convert $508,684.40 of payables into 2,826,025 common shares at deemed price of $0.18 per share.

On November 30, Company insiders converted $605,833.33 in loans into 2,826,025 common shares at a deemed price of .20 per share.

ADDITIONAL INFORMATION

Additional information regarding the Company may be found on SEDAR, www.sedar.com.