

FORM 51-102F3
Material Change Report

1. Name and Address of Company

Cielo Waste Solutions Corp. (the “**Company**” or “**Cielo**”)
610 – 475 West Georgia Street
Vancouver, BC V6B 4M9

2. Date of Material Change

November 23, 2021

3. News Release

A news release was issued and disseminated on November 23, 2021, and filed on SEDAR.

4. Summary of Material Change

Cielo announced an update in relation to its license agreement with 1888711 Alberta Inc. (“**1888**”) dated June 14, 2016 which was subsequently restated and amended through a binding agreement dated November 1, 2017 (the “**License Agreement**”). Cielo and 1888 executed a preliminary agreement pursuant to which all rights of 1888 to utilize the Technology (as defined below) and receive payment of Royalty (as defined below) and Refinery Fees (as defined below) are terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo will issue ten million common shares in the capital of Cielo (the “**Shares**”) to 1888 on the closing date.

5. Full Description of Material Change

Cielo announced an update in relation to the License Agreement.

Cielo holds an exclusive global license through the License Agreement with 1888, to complete the development and commercialization of the Technology. The Technology, which is patented in Canada and the United States, can utilize waste to produce fuel through a catalytic thermal depolymerization process. Cielo is currently using the Technology at its demonstration facility located in Aldersyde, Alberta, to produce fuel from wood waste and intends to construct both a research and development facility and a full-scale facility at its Fort Saskatchewan, Alberta, property.

Cielo and 1888 executed a preliminary agreement pursuant to which all rights of 1888 to utilize the Technology and receive payment of Royalty and Refinery Fees are terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo will issue the Shares to 1888 on the closing date. The closing date shall be December 3, 2021, or such other date agreed upon by Cielo and 1888. The preliminary agreement and issuance of the Shares are subject to the approval of the TSX Venture Exchange.

History

Pursuant to the License Agreement:

- (a) 1888 and Cielo agreed to the payment of Royalty and Refinery Fees by Cielo to 1888 in exchange for 1888 providing resources for the development of technology to convert and transform waste to fuel (the “**Technology**”);
- (b) 1888 provided and Cielo accessed capital for the development of the Technology owned by Cielo;
- (c) Cielo provided a license to 1888 to develop the Technology, which included the consent from Cielo for 1888 to develop, improve, and patent the Technology, and 1888 obtained patents concerning the Technology;
- (d) Cielo had the right to develop and improve the Technology and did continue and will continue to develop the Technology to commercialization and beyond;
- (e) Upon commercialization of the Technology, Cielo was to pay 1888 a royalty of CAD\$0.05 on every liter of fuel produced by Cielo (the “**Royalty**”) as well as an additional sum for each refinery beyond the initial refinery constructed by Cielo (the “**Refinery Fees**”); and
- (f) Certain rights for the termination of the Royalty and Refinery Fees were provided to Cielo.

Cielo, in accordance with its current business strategy, identified that the patents held by 1888 concerning the Technology and the terms of the License Agreement were an impediment to attracting certain institutional investors. Cielo desired to eliminate any uncertainty as to its rights to the Technology and to obtain the improved earnings potential from the termination of all obligations concerning the Royalty and Refinery Fees. As such, Cielo requested to negotiate with 1888 on: (i) terms for the termination of the License Agreement, (ii) assignment of the patents registered by 1888 to Cielo, and (iii) assignment of all rights that 1888 might have to any technology or other intellectual property developed by 1888 to Cielo.

Negotiation Process

Negotiations on behalf of Cielo were managed by independent members of the Cielo executive team and the terms of the preliminary agreement were approved by Cielo’s Board of Directors. While the License Agreement ceased to be a related party agreement upon Don Allan’s resignation as a director and officer of 1888 on November 10, 2021, Mr. Allan did not participate in negotiations and abstained from voting on the matter when considered by Cielo’s Board of Directors as Mr. Allan continues to be a minority shareholder of 1888.

Anticipated Benefits to Cielo Stakeholders

Cielo anticipates that its stakeholders will benefit from the termination of the License Agreement in that it represents a simplified structure, elimination of any uncertainty as to Cielo’s right to the Technology, and the improved earnings potential from the termination of all obligations concerning the Royalty and Refinery Fees that would otherwise be payable by Cielo to 1888. The issuance of

the Shares to 1888 does not impact Cielo's capital which it is employing to achieve the milestones set out in the November 12, 2021, press release, including Cielo's progress towards commercialization.

Cielo remains committed to providing updates to shareholders on a timely basis as the Company continues to meet its milestones, and as new key objectives are established.

6. Disclosure of 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

Chris Sabat
Chief Legal Officer and Corporate Secretary
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10. Date of Report

December 3, 2021