



# CIELO

Fueling the Sustainable  
Energy Transition

**CIELO WASTE SOLUTIONS CORP.**

Unaudited Condensed Consolidated Financial Statements

For the Periods Ended October 31, 2022 and 2021  
and the Year Ended April 30, 2022

**Cielo Waste Solutions Corp.**

**Unaudited Condensed Consolidated Statements of Financial Position**

*All amounts Canadian \$000's, except share and per share amounts*

As at	Note	October 31, 2022	April 30, 2022
<b>Assets</b>			
<b>Current Assets</b>			
Cash & restricted cash		3,773	2,681
Accounts receivable		422	118
Prepaid expenses		840	945
Inventory		407	394
		5,442	4,138
<b>Non-current Assets</b>			
Right-of-use assets		383	453
Property, plant and equipment	5	24,766	46,938
Intangible assets		1,944	2,002
		27,093	49,393
<b>Total Assets</b>		<b>32,535</b>	<b>53,531</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		739	1,952
Royalty payable	6	-	889
Deferred fees	10	2,250	-
Current portion of lease liability		108	133
Current portion of long term loans	7	4,140	-
		7,237	2,974
<b>Non-current Liabilities</b>			
Royalty payable	6	889	-
Lease liability		441	430
Deferred fees	10	-	2,250
Long-term loans	7	9,218	14,278
		10,548	16,958
<b>Total Liabilities</b>		<b>17,785</b>	<b>19,932</b>
<b>Shareholders' Equity</b>			
Share capital	8	107,726	99,769
Contributed surplus	8	9,682	6,720
Deficit		(102,658)	(72,890)
<b>Total Shareholders' Equity</b>		14,750	33,599
<b>Total Liabilities and Shareholders' Equity</b>		<b>32,535</b>	<b>53,531</b>

Going Concern (Note 3), Commitments (Note 12)

**Cielo Waste Solutions Corp.**

**Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss**

*All amounts Canadian \$000's, except share and per share amounts*

<i>\$000's, except per share amounts</i>	<b>Note</b>	<b>Three months ended</b>		<b>Six months ended</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Expenses and other income</b>					
Financing costs	9	583	852	1,218	973
General and administrative		903	1,653	1,884	3,210
Research and development		414	2,109	964	3,791
Share based compensation	8	165	95	127	191
Depreciation and amortization		130	102	272	160
Impairment of property, plant and	5	-	-	25,366	-
Loss (Gain) on settlement of debt with	7	90	(6)	90	(6)
Fair value change of warrant liability		-	-	-	(492)
Other (income) expenses	12	(152)	36	(153)	53
<b>Net and comprehensive loss</b>		<b>(2,133)</b>	<b>(4,841)</b>	<b>(29,768)</b>	<b>(7,880)</b>
<b>Loss per share</b>			-		-
<i>Basic</i>	8	<i>(0.003)</i>	<i>(0.007)</i>	<i>(0.039)</i>	<i>(0.012)</i>
<i>Diluted</i>	8	<i>(0.003)</i>	<i>(0.007)</i>	<i>(0.039)</i>	<i>(0.012)</i>

**Cielo Waste Solutions Corp.**

**Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity**

*All amounts Canadian \$000's, except share and per share amounts*

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
<b>Balance, April 30, 2021</b>	<b>79,673</b>	<b>3,278</b>	<b>(58,446)</b>	<b>24,505</b>
Shares issued on debt conversion	4,710	-	-	4,710
Shares issued for warrant exercise	13,323	(1,221)	-	12,102
Shares issued for option exercise	66	(21)	-	45
Share based compensation	-	191	-	191
Share issuance costs	(35)	-	-	(35)
Fair value of bonus warrants issued	-	1,206	-	1,206
Net and comprehensive loss for the period	-	-	(7,880)	(7,880)
<b>Balance, October 31, 2021</b>	<b>97,737</b>	<b>3,433</b>	<b>(66,326)</b>	<b>34,844</b>
<b>Balance, April 30, 2022</b>	<b>99,769</b>	<b>6,720</b>	<b>(72,890)</b>	<b>33,599</b>
Shares issued on public offering	9,775	-	-	9,775
Fair value of warrants issued	(2,653)	2,834	-	181
Shares issued for warrant exercise	27	-	-	27
Fair value of shares issued for debt	1,889	-	-	1,889
Share based compensation	-	127	-	127
Share issuance costs	(1,080)	-	-	(1,080)
Net and comprehensive loss for the period	-	-	(29,768)	(29,768)
<b>Balance, October 31, 2022</b>	<b>107,727</b>	<b>9,681</b>	<b>(102,658)</b>	<b>14,750</b>

*The accompanying Notes to Financial Statements are an integral part of these Financial Statements*

**Cielo Waste Solutions Corp.**

**Unaudited Condensed Consolidated Statements of Cash Flows**

All amounts Canadian \$000's, except share and per share amounts

	Three months ended October 31		Six months ended October 31	
	2022	2021	2022	2021
Net loss	(2,133)	(4,841)	(29,768)	(7,880)
Adjustments for non cash items:				
Depreciation and amortization	130	102	272	160
Impairment of property, plant & equipment	-	-	25,366	-
Loss (Gain) on settlement of debts with	90	(6)	90	(6)
Share based compensation	8	95	127	191
Fair value change of warrant liability	-	-	-	(492)
Other (gain) loss	-	114	-	114
Financing costs	9	852	983	973
	(1,219)	(3,684)	(2,930)	(6,940)
Changes in working capital:				
Accounts receivables and accrued	(242)	200	(294)	13
Prepaid expenses	(67)	(798)	155	(641)
Inventory	(9)	(122)	(14)	(324)
Accounts payable and accrued	90	(2,105)	(341)	(2,492)
<b>Cash used in operating activities</b>	<b>(1,447)</b>	<b>(6,509)</b>	<b>(3,424)</b>	<b>(10,384)</b>
<b>Cash (used in) provided by financing activities:</b>				
Lease liability	(23)	(27)	(55)	(52)
Long term loan - advances	-	12,000	-	12,000
Long term loan - repayments	-	(1,000)	-	(1,000)
Interest paid	(25)	(184)	(25)	(201)
Financing fees	(67)	(622)	(67)	(623)
Convertible debentures	8	1,000	-	4,000
Shares issued in public offering	8	-	9,775	-
Share issuance for warrant exercise	8	506	18	2,425
Share issuance for option exercise	8	-	-	44
Share issuance costs	8	(30)	(897)	(35)
<b>Cash used in provided by financing activities</b>	<b>(97)</b>	<b>11,643</b>	<b>8,749</b>	<b>16,559</b>
<b>Cash used in investing activities:</b>				
Additions of property plant and equipment	5	(1,112)	(3,337)	(16,873)
Changes in working capital:				
Prepaid expenses	-	(5)	-	(5)
Accounts payable and accrued liabilities	85	1,044	(896)	830
<b>Cash used in investing activities</b>	<b>(1,027)</b>	<b>(11,937)</b>	<b>(4,233)</b>	<b>(16,048)</b>
<b>Increase (decrease) in cash</b>	<b>(2,571)</b>	<b>(6,803)</b>	<b>1,092</b>	<b>(9,873)</b>
Cash and cash equivalents, beginning of	6,344	14,106	2,681	2,681
<b>Cash and restricted cash, end of period</b>	<b>3,773</b>	<b>7,303</b>	<b>3,773</b>	<b>(7,192)</b>
<b>Supplemental items:</b>				
Cash interest paid	25	183	25	18

The accompanying Notes to Financial Statements are an integral part of these Financial Statements

**Cielo Waste Solutions Corp.**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022**

*All amounts Canadian \$000's, except share and per share amounts*

**1. REPORTING ENTITY**

Cielo Waste Solutions Corp. (“Cielo” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. 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 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 #1100, 605 5<sup>th</sup> Avenue S.W. Calgary AB, T2P 3H5.

Cielo holds a patent in Canada and the United States, to utilize waste to produce fuel through a thermal catalytic depolymerization process.

On July 29, 2021, the Company incorporated a new subsidiary, Cielo Fort Saskatchewan Corp., to facilitate the acquisition of land and hold the assets for the facility in Fort Saskatchewan, Alberta. Subsequent to July 29, 2021, the financial statements include the accounts of the Company and its wholly owned subsidiary.

**2. STATEMENT OF COMPLIANCE AND BASIS ACCOUNTING**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” and using the accounting policies outlined by the Company in its annual financial statements for the year ended April 30, 2022. These unaudited condensed consolidated interim financial statements do not include all the information required for the full annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended April 30, 2022.

These unaudited condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on December 8, 2022.

**3. GOING CONCERN**

The Company has not yet generated revenue from its planned commercial operations and has accumulated losses of \$102.7 million as at October 31, 2022 and generated a loss of \$29.7 million for the six months ended October 31, 2022. The Company has a working capital deficit (defined as total current assets less total current liabilities) of \$1.8 million as at October 31, 2022. 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 and otherwise fund working capital requirements. The Company will continue to explore alternatives to generate additional financing, which may include raising additional equity and/or debt or entering into strategic partnerships or other agreements; however, there is no assurance that these initiatives will be successful.

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 research, development, 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.

These 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 unaudited condensed consolidated 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 were 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 Unaudited Condensed Consolidated Financial Statements**

For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022

*All amounts Canadian \$000's, except share and per share amounts***4. SIGNIFICANT ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES**

The significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented. The policies are unchanged from the policies disclosed in the notes to the audited consolidated financial statements for the year ended April 30, 2022. The use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the audited consolidated financial statements for the year ended April 30, 2022.

**5. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Construction in Progress</b>	<b>Land</b>	<b>Building</b>	<b>Equipment</b>	<b>Computers</b>	<b>Total</b>
Balance, April 30, 2021	24,126	756	932	1,410	91	27,314
Additions	7,008	10,167	2,994	349	61	20,580
Disposals	-	-	-	-	(66)	(66)
Balance, April 30, 2022	31,134	10,923	3,926	1,759	86	47,828
Additions	3,337	-	-	-	-	3,337
<b>Balance, October 31, 2022</b>	<b>34,471</b>	<b>10,923</b>	<b>3,926</b>	<b>1,759</b>	<b>86</b>	<b>51,165</b>
<b>Accumulated Amortization</b>						
Balance, April 30, 2021	-	-	141	497	53	691
Additions	-	-	110	115	27	252
Disposals	-	-	-	-	(53)	(53)
Balance, April 30, 2022	-	-	251	612	27	890
Additions	-	-	76	54	13	143
Impairment loss	25,283	-	-	83	-	25,366
<b>Balance, October 31, 2022</b>	<b>25,283</b>	<b>-</b>	<b>327</b>	<b>749</b>	<b>40</b>	<b>26,399</b>
<b>Net Book Value</b>						
Balance, April 30, 2022	31,134	10,923	3,675	1,147	60	46,938
<b>Balance, October 31, 2022</b>	<b>9,188</b>	<b>10,923</b>	<b>3,599</b>	<b>1,010</b>	<b>46</b>	<b>24,766</b>

During the period ended October 31, 2022, additions to Construction in Progress include capitalized borrowing costs of \$nil (year ended April 30, 2022 approximately \$0.98 million).

*Impairment of Property, Plant & Equipment*

Property and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable.

At July 31, 2022, as a result of testing outcomes and substantially increased cost estimates to complete the development, the Company ceased its initial development plans at the Aldersyde facility and evaluated the future use of the facility in the Company's operations. In addition, the Company's initially planned development for a research and development ("R&D") facility in Fort Saskatchewan were changed to focus on an R&D facility in Aldersyde. As a result of the changes, the Company no longer expects that it will recover all of the associated costs and related equipment through the normal course of business and this triggering event resulted in an impairment charge of approximately \$25.3 million during the three months ended July 31, 2022.

**Cielo Waste Solutions Corp.****Notes to Unaudited Condensed Consolidated Financial Statements****For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022***All amounts Canadian \$000's, except share and per share amounts*

To assess the recoverable amount of these assets, the Company reviewed their listing of equipment and made judgments as to their expectations of being able to economically utilize the equipment as part of either the planned new R&D facility or future commercial facilities. Based on this analysis, the recoverable amount of assets not expected to be utilized in future operations was based on fair value less cost to sell, being a nominal value. For specific assets that are expected to remain in use in future periods the Company determined the recoverable amount using a cost approach due to the relatively recent acquisition and quality condition of this equipment. The Company will continue to assess the ability to utilize the specific assets and will test for impairment in future periods if circumstances indicate the assets are no longer expected to be utilized.

**6. ROYALTY PAYABLE**

As at	October 31, 2022	April 30, 2022
Royalty payable – Current	-	889
Royalty payable – Long-term	889	-

Pursuant to an early warrant exercise incentive program in 2018 (the “Program”), 10,162,500 warrants were exercised early in exchange for a \$0.0875 per warrant fixed rate royalty. The fair value of the royalty payable of \$662,189 was initially recognized as a share issue cost in 2018. The discount to the face value of the total royalty liability of \$889,219 has been subsequently recognized using the effective interest rate method at 15% per annum.

Royalty certificates were issued to the participants dated July 3, 2018, indicating a payment deadline of July 3, 2020. As a result of delayed operations, production, and revenues, on July 3, 2020, the Company obtained the requisite approval of the holders of the royalties to delay the commencement of payment associated with the royalties for a period of two years until July 3, 2022.

In June 2022, the Company further delayed the repayment of the royalties as a result of further delays in operations, production and revenue, and generally for cash flow and working capital purposes, for an additional 18 month period, terminating on January 3, 2024, following receipt of the requisite approval of the holders of the royalties.

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.

**7. LOANS**

As at	October 31, 2022	April 30, 2022
<b>Current portion, loans</b>		
First Mortgage Loan, 6%, due September 1, 2023	4,140	-
<b>Total current portion long-term loans</b>	<b>4,140</b>	<b>-</b>
<b>Long term portion, loans</b>		
CEBA loan	60	60
First Mortgage Loan, 6%, due September 1, 2023	-	5,652
Second Mortgage Loan, 3%, due February 18, 2024	9,158	8,566
<b>Total long-term portion, loans</b>	<b>9,218</b>	
<b>Total Loans</b>	<b>13,358</b>	<b>14,278</b>

In the period ended October 31, 2022, the Lender (in relation to the “First Mortgage”), agreed to exchange \$2 million debt for shares (Note 8). After recognizing the payment, net of discount, a loss on settlement of debt was realized of \$0.9 million.

**Cielo Waste Solutions Corp.****Notes to Unaudited Condensed Consolidated Financial Statements****For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022***All amounts Canadian \$000's, except share and per share amounts***8. 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 October 31, 2022 and 2021, there are no Class B preferred shares issued or outstanding.

The number of common shares issued and outstanding:

Six months ended October 31	2022		2021	
	Number of Shares	\$ Amount	Number of Shares	\$ Amount
<b>Common Shares</b>				
Balance, beginning of period	662,329,912	99,769,413	611,682,938	79,672,607
Shares issued on public offering	139,642,856	9,775,000	-	-
Fair value of warrants issued	-	(2,653,214)	-	-
Issued for debenture conversion	-	-	15,662,500	4,709,500
Issued in settlement of debt	26,984,127	1,888,889	-	-
Issued for warrant exercise	300,000	27,000	24,339,474	13,323,085
Issued for option exercise	-	-	445,000	66,296
Share issuance cost	-	(1,080,673)	-	(34,632)
<b>Balance, end of period</b>	<b>829,256,895</b>	<b>107,726,414</b>	<b>652,129,912</b>	<b>97,736,856</b>

**Debenture conversions**

*In the six months ended October 31, 2022 no debentures were converted. During the six months ended October 31, 2021, the Company converted debentures of \$4.71 million, into 15,662,500 common shares of the Company. The carrying value of the debentures were reclassified to equity on the conversion dates.*

**Partial Repayment of Mortgage Loan by way of Shares for Debt**

In August, 2022, the Company agreed, subject to the approval of the TSX Venture Exchange (the "Exchange"), to repay \$2 million of the First Mortgage Loan (Note 7), which is secured by the Company's property in Fort Saskatchewan, Alberta, and Aldersyde, Alberta, in exchange for the issuance of common shares. On September 8, 2022, following receipt of approval from the Exchange, the Company issued 21,428,571 common shares of Cielo at a price of \$0.07 per share and 5,555,555 common shares of Cielo at a price of \$0.09 per share, for an aggregate issuance of 26,984,126 common shares (the "Repayment Shares"). The result of the issuance of the Repayment Shares is a reduction of the First Mortgage Loan to a principal balance of \$4.5 million (note 7). The fair value of the shares on the closing date were \$0.07 per share resulting in an amount of \$1.9 million being recorded in share capital. The difference between the fair value of the share issued and the \$2 million reduction in the principle of the First Mortgage Loan was recorded as a loss during the three and six month periods ended October 31, 2022

The Repayment Shares are subject to a 4-month hold period, which will expire on January 9, 2023.

In addition, 2,000,000 bonus warrants issued to the lender(s) of the First Mortgage Loan, the First Mortgage Bonus Warrants have had their term reduced and, if not exercised, will expire on or about December 7, 2022. (Note 14).

**Cielo Waste Solutions Corp.**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022**

*All amounts Canadian \$000's, except share and per share amounts*

**Public Offering of Securities**

On July 8, 2022, the Company closed a public offering (the "Offering") of units (the "Units") issuing 139,642,856 Units at a price of \$0.07 per Unit, for gross proceeds of approximately \$9.8 million.

Each Unit is comprised of one common share (each a "Unit Share", collectively the "Unit Shares") and one common sharepurchase warrant (each a "Warrant", collectively the "Warrants") of the Company. Each Warrant entitles the holder thereof to acquire one common share of Cielo at an exercise price of \$0.09 for a period of 60 months. The Warrants commenced trading on the TSX Venture Exchange ("TSXV") under the symbol "CMC.WT" on July 12, 2022.

The Offering Price was allocated between common shares and the Warrants by first assessing the fair value of the Warrants and then allocating the residual to the common shares. The fair value of each warrant was estimated using the Black-Scholes option pricing model with assumptions as follows:

Risk-free interest rate	3.0%
Expected life (years)	5
Expected volatility	35%
Share price at issuance date	\$0.07
Exercise price of warrants	\$0.09
Expected dividends	Nil
Fair value of warrants granted (\$/warrant)	\$0.019

The Company allocated \$0.051 to each Unit Share and \$0.019 to each Warrant.

As compensation, the Company paid to an agent (the "Agent") a cash fee of approximately \$0.5 million; an advisory fee of \$0.04 million (the "Advisory Fee"); and issued to the Agent an aggregate of 7,344,589 broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the Agent to purchase one Unit at an exercise price of \$0.07 per Unit until July 8, 2027.

The fair value of each Broker Warrant was estimated using the Black-Scholes option pricing model with assumptions as follows:

Risk-free interest rate	3.0%
Expected life (years)	5
Expected volatility	35%
Share price at issuance date	\$0.07
Exercise price of warrants	\$0.07
Expected dividends	Nil
Fair value of Broker Warrants granted (\$/warrant)	\$0.025

**Cielo Waste Solutions Corp.****Notes to Unaudited Condensed Consolidated Financial Statements****For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022***All amounts Canadian \$000's, except share and per share amounts***Warrants**

Continuity of the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted average exercise price	Reserve amount
Balance April 30, 2021	24,331,159	0.10	1,220,687
Issued in connection with BJK Adjustment	8,315	0.09	-
Issued in connection with First Mortgage Loan (Note 7)	12,000,000	1.00	1,206,078
Issued in connection with Second Mortgage Loan (Note 7)	50,000,000	0.22	2,595,620
Deferred tax impact	-	-	(874,391)
Exercised	(24,339,474)	0.09	(1,220,687)
Balance April 30, 2022	62,000,000	0.37	2,927,307
Expired in connection with payment on First Mortgage Loan	(5,500,000)	1.00	-
Issued in connection with public unit offering	139,642,856	0.09	2,653,215
Broker warrants issued in connection with public unit offering	7,344,589	0.07	183,515
Exercised	(300,000)	0.09	(27,000)
<b>Balance October 31, 2022</b>	<b>203,187,445</b>	<b>0.15</b>	<b>5,737,037</b>

In August 2021, the Company completed a mortgage loan (the "First Mortgage Loan") for \$12,000,000 with First Choice Financial Incorporated ("FCF") and KV Capital Corp. ("KV", together with FCF, collectively the "Lenders") (Note 7). In connection with the First Mortgage Loan, Cielo issued 12,000,000 non-transferable bonus warrants (the "First Mortgage Bonus Warrants"). Each First Mortgage Bonus Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$1.00 for a period of 36 months; however, if the First Mortgage Loan is repaid in whole or in part during its term, a pro rata number of the total First Mortgage Bonus Warrants will have their term reduced to the date that is 90 days from such repayment. Subject to the partial loan repayment detailed in "Partial Repayment of Mortgage Loan by way of Shares for Debt", 2,000,000 First Mortgage Bonus Warrants have had their term reduced and, if not exercised, will expire on or about December 7, 2022.

The fair value of the First Mortgage Loan was measured, and the residual amount was allocated to the warrants. As the First Mortgage Bonus Warrants were issued in connection with the First Mortgage Loan, the proceeds were initially allocated to the fair value of the debt component of the financing with the residual value of \$1.2 million allocated to the First Mortgage Bonus Warrants.

The Company utilized \$5.5 million of the net proceeds of the Second Mortgage Loan (as defined below) to repay a portion of the First Mortgage Loan. As a result of the partial repayment to the First Mortgage Loan, the term of 5,500,000 of the 12,000,000 First Mortgage Bonus Warrants was reduced such that the 5,500,000 of the First Mortgage Bonus Warrants expired on May 19, 2022.

The Company completed an \$11 million mortgage loan with FCF (the "Second Mortgage Loan"), effective February 18, 2022 (Note 7). In connection with the Second Mortgage Loan, the Company issued 50,000,000 non-transferable share purchase warrants (the "Second Mortgage Bonus Warrants"), with each Bonus Warrant entitling FCF to purchase one common share of the Company at an exercise price of \$0.22 for a period of 24 months; however, in the event that the Loan is repaid early in whole or in part, a *pro rata* number of the total Bonus Warrants will have their term reduced to the date that is the later of:

- (i) 30 days following the date of such repayment; and
- (ii) 12 months from the date of issuance of the Second Mortgage Bonus Warrants.

**Cielo Waste Solutions Corp.****Notes to Unaudited Condensed Consolidated Financial Statements****For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022***All amounts Canadian \$000's, except share and per share amounts*

The proceeds for the Second Mortgage Loan were first allocated to the loan based on its estimated fair value of \$8.4 million using an estimated fair value interest rate of 17%. The residual value of \$2.6 million was allocated to the Second Mortgage Bonus Warrants.

As at October 31, 2022, the Company had the following warrants outstanding:

<b>Exercise Price</b>	<b>Number of Outstanding and Exercisable</b>	<b>Weighted Remaining life (Years)</b>	<b>Weighted average exercise price</b>
\$1.00	6,500,000	1.81	\$1.00
\$0.22	50,000,000	1.30	\$0.22
\$0.09	139,342,856	4.68	\$0.09
\$0.07	7,344,589	4.68	\$0.07

**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 Exchange and the Company's shareholders. Shareholders voted in favour of the plan at the Annual General Meeting on October 27, 2022, however the Amended 2022 Stock Option Plan remains subject to the approval of the Exchange. 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.

Continuity of the Company's option is as follows:

	<b>Number</b>	<b>Weighted Average exercise Price</b>
Balance April 30, 2021	1,395,000	0.51
Issued	27,977,226	0.21
Canceled	(1,090,357)	0.38
Expired	(375,000)	1.25
Exercised	(645,000)	0.10
Balance April 30, 2022	27,261,869	0.20
Forfeited	(11,950,725)	0.21
Expired	(199,433)	0.20
<b>Balance October 31, 2022</b>	<b>15,111,711</b>	<b>0.20</b>

The following table summarizes the options outstanding and exercisable at October 31, 2022:

<b>Exercise Prices</b>	<b>Number Outstanding</b>	<b>Weighted Average Remaining Life (years)</b>	<b>Weighted Average Exercise Price</b>	<b>Number Exercisable</b>
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*Notes to the Consolidated Financial Statements (unaudited)  
for the periods ended October 31, 2022 and 2021, and the Year Ended April 30, 2022*

**Cielo Waste Solutions Corp.**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022**

*All amounts Canadian \$000's, except share and per share amounts*

\$0.10	250,000	0.59	0.10	250,000
\$0.20	14,630,746	4.17	0.20	9,491,738
\$0.31	230,965	4.42	0.31	0
	15,111,711	4.12	0.20	9,741,738

**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 25,807,196 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 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 are payable in cash or common shares, at the discretion of the Company, upon vesting. 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 each RSU and DSU granted during the year ended July 31, 2022 is \$0.20 per unit. The number of RSU and DSU outstanding is detailed below:

	RSU	DSU
Balance April 30, 2021	-	-
Issued	5,500,000	2,100,000
Vested - paid in cash	(1,833,333)	-
Balance April 30, 2022	3,666,667	2,100,000
Forfeited	(3,666,667)	-
<b>Outstanding October 31, 2022</b>	<b>-</b>	<b>2,100,000</b>

**Share-based compensation**

	Three months ended October 31		Six months ended October 31	
	2022	2021	2022	2021
Stock options	60	95	38	191
Restricted share units	-	-	(122)	-
Deferred share units	105	-	210	-
<b>Total share-based compensation</b>	<b>165</b>	<b>95</b>	<b>126</b>	<b>191</b>

*During the period ended October 31, 2022, options and RSUs were forfeited and expired due to the departure of personnel, resulting in a reversal of the share-based compensation expense recorded in prior periods.*

**Cielo Waste Solutions Corp.****Notes to Unaudited Condensed Consolidated Financial Statements****For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022***All amounts Canadian \$000's, except share and per share amounts***Per share amounts**

Basic and diluted loss per share have been calculated based on the weighted average number of shares outstanding for the three months ended October 31, 2022 of 817,775,580 (2021 – 649,259,260).

Basic and diluted loss per share have been calculated based on the weighted average number of shares outstanding for the six months ended October 31, 2022 of 756,749,175 (2021 643,227,365).

The effect of any potential exercise of warrants and stock options is excluded from the calculation of diluted loss per share for the three months ended October 31, 2022 and 2021 as the effect would be anti-dilutive.

**9. FINANCING COSTS**

	Three months ended October 31		Six months ended October 31	
	2022	2021	2022	2021
Amortization of deferred financing costs	-	-	-	211
Interest on loans	563	1,084	1,177	1,222
Accretion of lease liability	20	17	41	22
Capitalized interest	-	(250)	-	(482)
<b>Total</b>	<b>583</b>	<b>851</b>	<b>1,218</b>	<b>973</b>

**10. RELATED PARTY TRANSACTIONS****Renewable U Energy Inc. ("Renewable U")**

For the year ended April 30, 2022, the CEO, director and shareholder of Renewable U, Ryan Jackson was also a director of Cielo. In the period ended October 31, 2022 Ryan Jackson was appointed CEO of the Company, and in June 2022 and resigned from his positions as CEO and director 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 a fee of \$250,000, to the Company for the execution of each MOU. The fees are non-refundable unless a joint arrangement agreement is not executed by end of August, 2023, other than as a result of the apparent inability of Renewable U to fund the joint venture projects. For the periods ended October 31, 2022, fees received were \$Nil, as at April 30, 2022, the Company received total deferred fees of \$2.25 million.

Pursuant to the MOUs, the Company will also be responsible for overseeing the planning, construction, commissioning, and operation of each facility and will 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 will continue to receive management fees once operations begin based on industry standards.

During the three and six months ended October 31, 2022, no transactions were entered into with Renewable U. For the three and six months ended October 31, 2021, the Company charged Renewable U management fees of \$0.04 million and \$0.09 million respectively, and made a credit adjustment of \$0.06 million to the management fees related to the fourth quarter of fiscal 2021. As of October 31, 2022, amounts receivable from Renewable U was \$nil (2021, \$0.07 million).

**Cielo Waste Solutions Corp.**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022**

*All amounts Canadian \$000's, except share and per share amounts*

**11. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT**

**Fair Value Measurement**

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.

**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.

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 October 31, 2022, the Company's cash is not subject to any external restrictions. The Company also continuously monitors actual and projected expenditures and cash flows.

**Cielo Waste Solutions Corp.****Notes to Unaudited Condensed Consolidated Financial Statements****For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022***All amounts Canadian \$000's, except share and per share amounts*

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from October 31, 2022 to the contractual maturity date. The amounts are equivalent to the following contractual undiscounted cashflows.

Fiscal year	2023	2024	After 2024
Accounts payable and accrued liabilities	738	-	-
Royalty payable	-	889	-
Loans	4,140	5,680	3,538
Lease liability	108	176	265
<b>Total</b>	<b>4,986</b>	<b>6,745</b>	<b>3,803</b>

As at October 31, 2022, the Company had cash balance of approximately \$3.8 million and working capital deficit of approximately \$1.8 million. 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.

**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 October 31, 2022, the Company had US dollar denominated accounts payable of under \$0.01 million USD. 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.

As at October 31, 2022 the carrying amounts of the Company's cash, GST and other receivables approximate their fair value due to their short-term nature.

**12. COMMITMENTS AND CONTINGENCIES**

As at October 31, 2022, the Company is committed to expenditures under various contracts with service providers for general and administrative services. As at October 31, 2022, the Company had contractual obligations as follows:

Fiscal year	2023	2024	2025 +	Total
Lease obligations	83	176	510	768
Other	124	299	40	464
<b>Total contractual obligations</b>	<b>207</b>	<b>475</b>	<b>550</b>	<b>1,232</b>

**Cielo Waste Solutions Corp.**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**For the Periods ended October 31, 2022 and 2021, and the Year ended April 30, 2022**

*All amounts Canadian \$000's, except share and per share amounts*

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.

**13. LEASE**

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 includes the building that is located on the FS Property (together the "Leased Premises"). The Lease is for a term of 5 years, beginning as of August 1, 2022, at a monthly base rent of \$50,000 plus 90% of the occupancy costs for the Leased Premises (such as property taxes, insurance, and building maintenance). The Tenant may extend the term of the Lease for an additional period of 5 years upon mutual approval. The Tenant also has the right to terminate the Lease upon three (3) months' notice if prior to April 30, 2022.

Rental income for the three and six month period ending October 31, 2022 was approximately \$0.15 million (2021 \$nil), and is included in Other Income.

**14. SUBSEQUENT EVENT**

As a result of the \$2 million partial repayment of mortgage loan by way of shares for debt (Notes 7 and 8), 2,000,000 First Mortgage Bonus Warrants (at an exercise price of \$1.00 per warrant, and with a fair market value of \$0.10 per warrant), have had their expiry term reduced (per the terms of the agreement) to 90 days after the partial repayment and expired on December 7, 2022.