CIELO

Fueling the Sustainable
Energy Transition

CIELO WASTE SOLUTIONS CORP.

Consolidated Financial Statements

For the years ended April 30, 2022, and 2021

MANAGEMENT'S REPORT

To the shareholders of Cielo Waste Solutions Corp. (“Cielo” or the “Company”):

The accompanying consolidated financial statements of Cielo have been approved by the Board of Directors and prepared in accordance with International Financial Reporting Standards. The management of Cielo (“Management”) is responsible for the integrity and objectivity of the information presented in the consolidated financial statements including the amounts based on estimates and judgments. The consolidated financial information contained in the management's discussion and analysis is consistent with the consolidated financial statements.

Management maintains accounting systems and related internal controls, policies, and procedures to provide reasonable assurance that assets are safeguarded, transactions are authorized, and complete and accurate financial records are maintained to provide reliable information for the preparation of the consolidated financial statements in a timely manner.

The Board of Directors oversee management's responsibility for financial reporting through the Audit Committee of the Board of Directors. The Audit Committee comprised of three directors, have reviewed and recommended the consolidated financial statements for approval to the Board of Directors. The consolidated financial statements have been further reviewed by the Board of Directors prior to their approval.

KPMG LLP Chartered Professional Accountants, the Company's external auditors, who are appointed by the Company's shareholders, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

“Signed”	“Signed”
Ryan Jackson Chief Executive Officer	Jasdeep K. Dhaliwal Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cielo Waste Solutions Corp.

Opinion

We have audited the consolidated financial statements of Cielo Waste Solutions Corp. (the "Company"), which comprise:

- the consolidated statement of financial position as at April 30, 2022 and April 30, 2021
- the consolidated statement of loss and comprehensive loss for the years then ended
- the consolidated statement of changes in shareholders' equity for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2022 and April 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 3 of the financial statements, which indicates the Company has not yet generated revenue from is planned commercial operations, has accumulated losses of $72,890,431 as at April 30, 2022, generated a loss of $14,444,609 for the year then ended and requires additional capital to fund costs relating to research, development and other corporate activities over the next year and beyond.

As stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Ernest Trevor Hammond.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
August 24, 2022

Cielo Waste Solutions Corp.

Consolidated Statements of Financial Position

(In Canadian Dollars)

As at	Note	April 30, 2022	April 30, 2021
Assets			
Current Assets			
Cash		2,681,275	17,176,212
Accounts receivable		117,614	530,460
Prepaid expenses		944,613	376,500
Inventory	5	394,495	342,225
		4,137,997	18,425,397
Non-current Assets			
Right-of-use assets	6	452,674	143,236
Property, plant and equipment	7	46,938,232	26,623,622
Intangible assets	8	2,002,246	-
		49,393,152	26,766,858
Total Assets		**53,531,149**	45,192,255
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		1,951,149	4,134,553
Deferred revenue and fees	9	-	3,750,000
Short-term warrant liability	14	-	10,169,563
Royalty payable	10	889,219	-
Current portion of lease liability	11	133,313	59,307
Current portion of long-term loans	12	-	1,000,000
		2,973,681	19,113,423
Non-current Liabilities			
Royalty payable	10	-	889,219
Lease liability		429,895	120,757
Deferred fees	9	2,250,000	-
Long-term loans	12	14,278,803	60,000
Convertible debentures	13	-	503,585
		16,958,698	1,573,561
Total Liabilities		**19,932,379**	20,686,984
Shareholders' Equity			
Share capital	14	99,769,413	79,672,607
Contributed surplus	14	6,719,788	3,278,486
Deficit		(72,890,431)	(58,445,822)
Total Shareholders' Equity		**33,598,770**	24,505,271
Total Liabilities and Shareholders' Equity		**53,531,149**	45,192,255

Going Concern (Note 3), Commitments (Note 18), and Subsequent Events (Note 10, 14, 20)

The accompanying notes are an integral part of these financial statements.

Cielo Waste Solutions Corp.

Consolidated Statements of Loss and Comprehensive Loss

		Year ended April 30,	
(In Canadian Dollars)	**Note**	**2022**	2021
Incidental sales		-	4,200
Cost of sales		-	(4,200)
Gross profit		-	-
Expenses and other income			
Financing costs	15	1,516,307	5,052,865
General and administrative		6,869,491	2,623,758
Research and development		5,466,831	2,052,793
Share based compensation	14	1,761,846	397,937
Depreciation and amortization		442,609	186,853
(Gain) on settlement of debt with shares & other		(349,579)	31,877
Fair value change of warrant liability	14	(492,378)	28,540,436
Other (income) expenses		103,873	822,455
Loss before income taxes		(15,319,000)	(39,708,974)
Deferred income taxes recovery	19	874,391	-
Net and comprehensive loss		**(14,444,609)**	**(39,708,974)**
Loss per share			
Basic	14	(0.02)	(0.11)
Diluted	14	(0.02)	(0.11)

The accompanying notes are an integral part of these financial statements.

Cielo Waste Solutions Corp.

Consolidated Statements of Changes in Shareholders' Equity

(In Canadian Dollars)	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2020	**20,941,031**	**3,725,559**	**(18,736,848)**	**5,929,742**
Shares issued on debt conversion	20,215,257	-	-	20,215,257
Shares issued on prepaid interest and warrants on convertible debenture issuance	1,256,758	1,227,053	-	2,483,811
Shares issued for debt settlement	746,758	-	-	746,758
Shares issued for private placement	2,056,880	12,500	-	2,069,380
Shares issued for warrant exercise	33,440,655	(2,716,052)	-	30,724,603
Shares issued for option exercise	561,872	(118,873)	-	442,999
Fair value of finders' warrants	-	1,416,612	-	1,416,612
Restricted Share Unit vesting	666,250	(666,250)	-	-
Shares issued for conversion of RSUs	-	156,230	-	156,230
Share issuance costs	(212,854)	-	-	(212,854)
Share based compensation	-	241,707	-	241,707
Net and comprehensive loss for the period	-	-	(39,708,974)	(39,708,974)
Balance, April 30, 2021	**79,672,607**	**3,278,486**	**(58,445,822)**	**24,505,271**
Shares issued on IP purchase (Note 8)	2,050,000	-	-	2,050,000
Shares issued on debt conversion	4,709,500	-	-	4,709,500
Shares issued for warrant exercise	13,323,085	(1,220,687)	-	12,102,398
Shares issued for option exercise	91,663	(27,163)	-	64,500
Share based compensation	-	1,761,845	-	1,761,845
Share issuance costs	(77,442)	-	-	(77,442)
Bonus warrants issued with mortgage loans (Note 14)	-	2,927,307	-	2,927,307
Net and comprehensive loss for the period	-	-	(14,444,609)	(14,444,609)
Balance, April 30, 2022	**99,769,413**	**6,719,788**	**(72,890,431)**	**33,598,770**

The accompanying notes are an integral part of these financial statements.

Cielo Waste Solutions Corp.

Consolidated Statements of Cash Flows

(In Canadian Dollars)	Note	Year ended April 30, **2022**	2021
Cash (used in) provided by operating activities:			
Net loss		(14,444,609)	(39,708,974)
Adjustments for:			
Depreciation and amortization		442,609	186,853
Bad debt expense		205,246	-
(Gain) on settlement of debts with shares & other		(349,579)	31,877
Share based compensation	14	1,761,846	397,937
Fair value change of warrant liability	14	(492,378)	28,540,436
Other (gain) loss		(3,743)	-
Financing costs	15	1,516,307	5,052,865
Other income & expenses		-	648,515
Deferred income tax recovery		(874,391)	-
Changes in non-cash working capital:			
GST and other receivables		207,600	(282,463)
Prepaids & deposits		(695,397)	(110,753)
Inventory		(33,292)	(189,277)
Deferred revenues & deposits		(1,500,000)	2,500,000
Accounts payable and accrued liabilities		(2,117,065)	1,659,442
Cash used in operating activities		(16,376,846)	(1,273,542)
Cash (used in) provided by financing activities:			
Lease liability		(132,974)	(58,382)
Short-term loans		-	(30,081)
Long-term loans	12	17,500,000	20,000
Payments on long-term loans	12	(1,000,000)	(2,549,429)
Interest expense		(558,005)	(431,589)
Financing costs		(700,468)	(1,464,676)
Convertible debentures issued for cash	9	4,000,000	13,893,142
Warrant issuance for cash		-	12,500
Shares issued for cash		-	2,056,880
Share issuance for warrant exercise	14	2,425,213	12,064,219
Share issuance for option exercise	14	64,500	443,000
Share issuance costs	14	(77,442)	(212,854)
Shares issuance for debt		-	746,758
Cash (used in) provided by financing activities		21,520,824	24,489,488
Cash (used in) investing activities:			
Additions of property plant and equipment	7	(19,583,190)	(6,419,319)
Changes in non-cash working capital:			
Prepaids & deposits		5,000	-
Accounts payable and accrued liabilities		(60,725)	297,980
Cash used in investing activities		(19,638,915)	(6,121,339)
Increase (decrease) in cash		(14,494,937)	17,094,607
Cash and cash equivalents, beginning of period		17,176,212	81,605
Cash and cash equivalents, end of period		2,681,275	17,176,212

The accompanying notes are an integral part of these financial statements.

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 5th Avenue S.W. Calgary AB, T2P 3H5.

Pursuant to an agreement entered into between Cielo and 1888711 Alberta Inc. ("1888 Inc"), dated June 14, 2016, subsequently amended and restated on November 1, 2017, Cielo held an exclusive global license, to complete the development and commercialization of the technology to convert and transform waste to fuel (the "Technology") (the "License Agreement"). The Technology, which is patented in Canada and the United States, can utilize waste to produce fuel through a thermal catalytic depolymerization process.

On December 3, 2021, Cielo and 1888 Inc executed an agreement pursuant to which Cielo and 1888 Inc agreed that all rights of 1888 Inc to utilize the Technology and receive payment of royalty and refinery fees pursuant to the License Agreement were terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo issued ten million (10,000,000) common shares in the capital of Cielo (the "Shares") to 1888 Inc (Note 8). The Shares were subject to a 4-month hold period expiring on April 4, 2022.

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 (Note 7). 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars. The accounting policies set out below have been applied consistently to each of the periods presented. These financial statements are prepared on a historical cost basis except for the warrant liabilities, which are measured at fair value each period end.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 24, 2022.

3. GOING CONCERN

The Company has not yet generated revenue from its planned commercial operations and has accumulated losses of $72,890,431 as at April 30, 2022 and generated a loss of $14,444,609 for the year ended April 30, 2022. The Company has working capital (defined as total current assets less total current liabilities) of $1,164,316 at April 30, 2022. Notwithstanding the unit financing for $9,775,000 completed subsequent to period end (Note 20), 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 audited 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES

a) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The financial statements include judgements and estimates which, by their nature, are uncertain.

The impacts of such judgements and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Going concern

The assessment of the Company's ability to execute its strategy to fund future working capital requirements involves judgment. Budgets and forecasts are subject to significant judgment and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company. The current economic climate may lead to adverse changes in cash flow or working capital levels, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity in the future.

Fair value of convertible debentures and other long-term liabilities

In assessing the fair value of convertible debentures and other long-term liabilities either issued as part of a hybrid instrument or issued without interest or interest rate below market, management has to exercise judgment to estimate the fair value interest rate based on market conditions and the risks specific to the liability.

Warrants and Share-based payments

The estimation of the fair value of warrants and share-based payments requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the expected volatility of its own shares, the expected life of instrument issued, and the estimated number of stock options expected to vest and the expected time of exercise of those stock options.

Impairment of property, plant and equipment ("PP&E") and intangible assets

The Company assesses at each reporting date whether there is any indication that PP&E and intangible assets are impaired. PP&E and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels (cash-generating units or “CGU”) for which there are separately identifiable cash flows that are largely independent of the cash flows of other assets or CGUs. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant assets or CGU). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. Impairment losses are recognized in net income or loss.

The Company performs an impairment test when there is an indication of impairment. Given that a substantial portion of Company’s PP&E and intangible assets relate to assets in the development stage, an assessment of the precise timing of the occurrence of an indication of impairment is inherently judgmental due to the extent of information required to assess the economic viability of the assets being developed.

b) Cash equivalents

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at April 30, 2021 and 2020, there were no cash equivalents.

c) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the average costing principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

d) Property, plant and equipment

The Company records property, plant and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their estimated useful lives, using the following annual rates:

Asset	Method	Rate
Construction in Progress	no amortization until completion	
Computers	declining balance	50%
Equipment & Plant	declining balance	10%
Building	declining balance	4%

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Borrowing costs in connection with the borrowing of funds that are attributable to the acquisition, construction or production of a qualifying asset are capitalized when the assets take a significant period of time to get ready for use or sale. Other borrowing costs are expensed as incurred.

e) Intangible assets

Intangible assets are non-financial assets and are initially recorded at their cost, which is the fair value of the consideration paid or transferred to obtain control of the asset. Intangible assets are subsequently amortized over their estimated minimum useful life.

f) Shared-based payments

Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

In addition to a stock option plan, the Company has a restricted share unit (“RSU”) plan (the “RSU Plan”) for certain directors, officers, consultants and employees of the Company. The equity-settled share-based compensation is measured at the fair value of the Company’s common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU Plan. The fair value determined at the grant date is charged to income on a straight-line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares by the holder or payable in cash to the holder at the Company’s option, as applicable, with a corresponding increase in equity (contributed surplus). As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates.

On the vesting date of stock options and RSU’s, the Company revises the estimate to equal the number of equity instruments that ultimately vest. The impact of the revision of estimates, if any, is recognized in income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

g) Deferred income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

h) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to share financing transactions are recorded and charged to share capital when the related shares are issued.

i) Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation if their effect would be anti-dilutive.

j) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the statements of net and comprehensive loss.

Financial Assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through OCI or through profit or loss)
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period. The Company's liabilities classified as other financial liabilities, which include accounts payable and accrued liabilities, short-term loan payable, long term loan, convertible debentures and royalty payable, are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statements of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

k) Convertible debentures

Convertible debentures with both a liability and an equity component(s) are accounted for and presented separately according to their substance based on the definitions of liabilities and equity. The split is made at issuance and not revised for subsequent changes in market interest rates, share prices, or other event that changes the likelihood that the conversion option will be exercised. A financial liability represents the Company's contractual obligation to pay cash, and the other is an equity instrument, representing the holder's option to convert the liability into common shares or share purchase warrants attached to the compound instrument. When the initial carrying amount of a compound financial instrument is required to be allocated to its equity and liability components, the equity component(s) is assigned the residual amount after deducting the fair value of the liability component from the proceeds received for the compound instrument as a whole.

l) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognized in net income (loss). Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

Financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

m) Provisions

Provisions are recorded when a present legal or constructive obligation exists because of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

n) Revenue recognition

Revenue from Contracts with Customers

Revenues associated with the sale of diesel produced from the facility are recognized when there is persuasive evidence that an arrangement exists, the products are completed and delivered, the price is fixed or determinable and when the ultimate collection is reasonably assured. Proceeds received in advance of delivering produced products are recognized as deferred revenue.

During the years ended April 30, 2022 and 2021, the Company only produced incidental diesel products for sale as the Company is still in the process of commencing its planned commercial operations.

The Company has also received fees upon entering memorandums of understanding with various counterparties with the intent to establish definitive joint venture agreements for the expansion of the Company's business in defined geographies. Fees are generally refundable if a definitive agreement is not reached. Accordingly, the fees received are recognized as deferred revenue and fees until definitive agreements have been executed and performance obligations under the respective agreements have been satisfied.

o) Leases

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset

Lease liabilities

At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

p) New accounting standards and interpretations

There have been no new accounting standards and interpretations issued by the IASB that have, or are expected to have, a material impact on the Company's financial statements for the year ended April 30, 2022.

(In Canadian dollars)

5. INVENTORY

As at	**April 30, 2022**	April 30, 2021
Raw materials	391,273	281,290
Processed product	3,222	60,935
Total inventory	394,495	342,225

6. RIGHT OF USE ASSETS

The Company has the following right-of-use assets:

Cost	**April 30, 2022**	April 30, 2021
Balance, beginning of period	271,790	247,111
Additions	452,018	24,679
Balance, end of period	723,808	271,790
Accumulated Amortization		
Balance, beginning of period	128,554	91,196
Additions	142,580	37,358
Balance, end of period	271,134	128,554
Net Book Value	452,674	143,236

In September 2021, the Company entered into a lease agreement for office space through 2027. The lease agreement includes a rent-free period of 14 months from September 2021 to October 2022 inclusive. The lease payments commence November 1, 2022, for five years. The annual base rent increases from $104,430 to $146,202 during the lease term.

(In Canadian dollars)

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Construction in Progress	Land	Building	Equipment	Computers	Total
Balance, April 30, 2020	15,979,307	755,841	931,499	1,372,207	68,269	19,107,123
Additions	8,146,222	-	-	38,065	23,142	8,207,429
Balance, April 30, 2021	24,125,529	755,841	931,499	1,410,272	91,411	27,314,552
Additions	7,007,926	10,167,491	2,994,542	348,633	61,446	20,580,038
Disposals	-	-	-	-	(66,546)	(66,546)
Balance, April 30, 2022	**31,133,455**	**10,923,332**	**3,926,041**	**1,758,905**	**86,311**	**47,828,044**
Accumulated Amortization						
Balance, April 30, 2020	-	-	107,730	399,542	34,163	541,435
Additions	-	-	32,951	97,743	18,801	149,495
Balance, April 30, 2021	-	-	140,681	497,285	52,964	690,930
Additions	-	-	110,349	115,201	26,725	252,275
Disposals	-	-	-	-	(53,393)	(53,393)
Balance, April 30, 2022	-	-	**251,030**	**612,486**	**26,296**	**889,812**
Net Book Value						
Balance, April 30, 2021	24,125,529	755,841	790,818	912,987	38,447	26,623,622
Balance, April 30, 2022	**31,133,455**	**10,923,332**	**3,675,011**	**1,146,419**	**60,015**	**46,938,232**

Asset Purchase in Fort Saskatchewan, Alberta

In August 2021, the Company completed the purchase of 60 acres of land and an approximately 32,000 square feet industrial building in Fort Saskatchewan, Alberta for $13,000,000 (the “Asset Purchase”). The purchase price and additional directly attributable costs were allocated $10,126,335 to the land and $2,959,392 to the building.

During the year ended April 30, 2022, additions to Construction in Progress include capitalized borrowing costs of $996,847 (year ended April 30, 2021 - $1,788,110).

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. During the years ended April 30, 2022 and 2021, the Company determined no indicators were present and no impairment has been recorded in 2022 and 2021.

Subsequent to year end and as a result of testing outcomes and substantially increased cost estimates to complete the development, the Company ceased its current development plans at its Aldersyde facility and is evaluating the future use of the facility in the Company’s operations. As a result, the Company no longer expects that it will recover all of the costs of the facility and related equipment through the normal course of business and anticipates this triggering event will result in some impairment during fiscal 2023. While the amount of such impairment has not yet been quantified, assets and equipment related to the Aldersyde facility are $28,925,156 (included in construction in progress) and $1,146,419 (included in equipment) at April 30, 2022.

(In Canadian dollars)

8. INTANGIBLE ASSETS

Cost	**April 30, 2022**	April 30, 2021
Balance, beginning of period	-	-
Additions	2,050,000	-
Balance, end of period	2,050,000	-
Accumulated Amortization		
Balance, beginning of period	-	-
Additions	47,754	-
Balance, end of period	47,754	-
Net Book Value	2,002,246	-

Pursuant to the License Agreement, Cielo held an exclusive global license, to complete the development and commercialization of the Technology (Note 1). The Technology, which is patented in Canada and the United States, can utilize waste to produce fuel through a thermal catalytic depolymerization process.

On December 3, 2021, Cielo and 1888 Inc executed a definitive agreement pursuant to which Cielo and 1888 Inc agreed that all rights of 1888 Inc to utilize the Technology and receive payment of royalty and refinery fees pursuant to the License Agreement were terminated. In consideration for terminating the License Agreement and transferring the patents and all related intellectual property to Cielo, Cielo issued ten million (10,000,000) Shares to 1888 Inc at a price of $0.205 per share (Note 1). Upon transfer of the patents and related intellectual property, Cielo recognized an intangible asset of $2,050,000. The intangible asset is depreciated on a straight-line basis over the estimated remaining useful life of the patent of 16 years and is recognized as depreciation expense in the statement of income. During the year ended April 30, 2022, the Company recognized an amortization expense of $47,754.

9. DEFERRED REVENUES AND FEES

In February 2021, the Company entered into a purchase commitment with FCF for 900,000 litres of low sulfur diesel at $1.67/litre for an aggregate purchase price of $1,500,000 (the “Purchase Commitment”). In connection with the Purchase Commitment, 3,750,000 common share purchase warrants were issued to a finder related to FCF, each exercisable into one common share of Cielo at a price of $0.135 per common share for a period of two years from the date of issuance. These warrants have been fully exercised in accordance with their terms as September 2021. The finder also received a cash commission equal to 5% of the aggregate purchase price of the Purchase Commitment.

Pursuant to the Purchase Commitment, the Company was obligated to make commercially reasonable efforts to produce the fuel as soon as practicable. However, delayed production was not a material breach of the Purchase Commitment, provided Cielo made commercially reasonable efforts to produce the fuel. In the event the Company was not able to deliver the fuel with a minimum resale price of $1.67 per litre, or a minimum aggregate resale price of $1,500,000, no penalty provisions were applicable, and the Company would either produce additional fuel to achieve an aggregate resale price of $1,500,000, or refund FCF the balance of the $1,500,000, deducting the actual aggregate resale price achieved.

Pursuant to a request received from FCF, on April 22, 2022, Cielo refunded without payment of interest or other penalty the $1,500,000 prepaid to Cielo for the purchase of renewable diesel by FCF. The payment was made in the ordinary course as Cielo’s production was not in a position to deliver the renewable diesel purchased by FCF.

The Company entered into several memorandums of understanding (“MOU”) with Renewable U and its affiliates (Note 16). 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. In the event that the Company does not execute a definitive joint arrangement agreement, the fees would be repaid by cash or by an issuance of common shares of the Company.

(In Canadian dollars)

As at April 30, 2022, the Company received total fees of $2,250,000 from Renewable U and its affiliates (2021 – $2,250,000) in connection with the MOUs. During 2022, the Company reclassified the amounts related to the MOUs from current to long term as the obligation of the Company to either execute definitive agreements or refund the fees under the various MOUs will not arise in the next 12 months.

10. ROYALTY PAYABLE

As at	**April 30, 2022**	April 30, 2021
Royalty payable - Current	889,219	-
Royalty payable – Long-term	-	889,219

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.

Subsequent to April 30, 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.

11. LEASE LIABILITY

The Company recognizes a lease liability on leases of office premises, warehouses and office and operational equipment. The present value of the lease and the accretion expenses are calculated using an incremental borrowing discount rate of 15%. The Company had the following future commitments associated with its lease obligations.

Lease liability	**April 30, 2022**	April 30, 2021
Balance, beginning of period	180,064	188,262
Additions	487,669	24,679
Lease payments	(168,624)	(58,382)
Finance costs	64,099	25,505
Balance, end of period	563,208	180,064

(In Canadian dollars)

12. SHORT-TERM AND LONG-TERM LOANS

As at	**April 30, 2022**	April 30, 2021
182 Loan, 7%, due April 30, 2022	**-**	1,000,000
CEBA loan	60,000	60,000
First Mortgage Loan, 6%, due September 1, 2023	5,652,327	-
Second Mortgage Loan, 3%, due February 18, 2024	8,566,476	-
Total debt	14,278,803	1,060,000
Less:		
Current portion of 182 Loan	**-**	(1,000,000)
Long-term portion of loans	14,278,803	60,000

On April 30, 2020, the Company entered into a loan agreement with 1823741 Alberta Ltd., with a maturity date of April 30, 2022 (the "182 Loan"). The 182 Loan converted $1,000,000 of payables to an interest-only loan at an interest rate of 7% per annum. In August 2021, the Company made a payment of $1,003,575 to 1823741 Alberta Ltd., to repay the principal and interest amounts in full.

On April 27, 2020, the Company received $40,000 from the Government of Canada sponsoring Canada Emergency Business Account in the form of a line of credit. On December 15, 2020, the Company received an additional $20,000 from the expansion of the program (the "CEBA Loan"). The CEBA Loan is non-interest bearing until December 31, 2022. If $40,000 of the CEBA loan is repaid in full on or before December 31, 2022, the balance of $20,000 will be forgiven. The Government of Canada has recently announced the December 31, 2022 forgiveness repayment date will be extended to December 31, 2023 for eligible CEBA loan holders in good standing. If $40,000 is not repaid in full on or before December 31, 2023, any unpaid portion of the CEBA loan will be converted to a 3-year term loan at an interest rate of 5% per annum.

The Asset Purchase (Note 7) was partially funded by a $12,000,000 mortgage loan (the "First Mortgage Loan") from First Choice Financial ("FCF") and KV Capital ("KV") (collectively, the "Lenders"). The First Mortgage Loan is subject to an annual interest rate of 6% and is secured by charges against Cielo's land and facilities in Fort Saskatchewan and Aldersyde, Alberta. The 12-month term is subject to automatic renewal at the end of the original term for further six-month terms in consideration for a renewal fee equal to 1.5% of the then outstanding balance, subject to the Lenders' rights to terminate the automatic renewal at their discretion. In connection with the First Mortgage Loan, the Company also issued 12,000,000 non-transferable share purchase warrants (the "First Mortgage Bonus Warrants") (Note 14). In the event that the First Mortgage Loan is repaid in whole or in part, a pro rata portion of the First Mortgage Bonus Warrants will expire, if not exercised, 90 days following the date of repayment. The proceeds for this financing were first allocated to the First Mortgage Loan based on its estimated fair value of $10,800,000 using an estimated fair value interest rate of 17%. The residual value of $1,200,000 was allocated to the First Mortgage Bonus Warrants.

The First Mortgage Loan is subject to interest payments only and Cielo is entitled to repay the First Mortgage Loan at any time before maturity without penalty, in whole or in part. The loan agreement included a special covenant in relation to the Company's market capitalization: (i) if the Company's market capitalization is below $250,000,000 but above $150,000,000, a $1,000,000 loan repayment is required; (ii) if the Company's market capitalization is below $150,000,000 but above $100,000,000, an additional $1,000,000 loan repayment is required; and (iii) if the market capitalization is below $100,000,000, an additional $1,000,000 loan repayment is required (the "Market Cap Requirements").

The Company's market capitalization was below $250,000,000 on September 30, 2021, and below $150,000,000 on certain trading days prior to April 30, 2022. As a result, KV requested a total loan repayment of $2,000,000.

The Company closed an $11,000,000 mortgage loan with FCF (the “Second Mortgage Loan”), effective February 18, 2022. The Second Mortgage Loan carries an annual interest rate of 3%, has a term of 24 months, maturing on February 18, 2024, subject to early repayment terms (as described below), and is secured by Cielo’s land and facilities in Fort Saskatchewan and Aldersyde, Alberta.

The early repayment terms are:

(i) Cielo’s right to repay the Second Mortgage Loan early, without penalty, and

(ii) FCF’s right to review Cielo’s financial position and business and technological advances on the one-year anniversary of the Closing Date and demand repayment within 90 days if FCF is not satisfied with such review, acting reasonably and in good faith (which was waived by FCF subsequent to the year ended April 30, 2022).

The Company issued 50,000,000 non-transferable share purchase warrants (the “Second Mortgage Bonus Warrants”), with each Second Mortgage 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 Bonus Warrants.

The proceeds for the Second Mortgage Loan were first allocated to the loan based on its estimated fair value of $8,404,380 using an estimated fair value interest rate of 17%. The residual value of $2,595,620 was allocated to the Second Mortgage Bonus Warrants.

The Company utilized $5,500,000 of the net proceeds of the Second Mortgage Loan to repay a portion of the First Mortgage Loan, including the $2,000,000 that had been requested to be repaid by KV as a result of failing to meet the Market Cap Requirements. In consideration for the partial repayment of the First Mortgage Loan, the terms of the First Mortgage Loan have been amended as follows:

- The Market Cap Requirements have been removed in their entirety; and
- For the initial 12-month term, total interest of $720,000 was withheld by the Lenders as an interest reserve (the “Interest Reserve”) and applied against the initial 12 monthly payments of interest. A proportionate portion of the Interest Reserve, approximately $175,000, was returned to Cielo.

In addition, 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 would, if not exercised, expire on May 19, 2022. The 5,500,000 First Mortgage Bonus Warrants expired subsequent to the year ended April 30, 2022.

On March 18, 2022, the Company completed an extension of the term of the First Mortgage Loan from 12 months to 24 months, maturing on September 1, 2023 (the “Loan Extension”). In consideration for the Loan Extension, Cielo agreed to use the proceeds of the exercise of any and all bonus warrants held by FCF (whether issued in respect of the First Mortgage Loan or any other loans owed to FCF thereafter) to pay down the balance of the First Mortgage Loan.

In connection with the change in principal interest in the loan, removal of the loan covenants and the extension of the term, this resulted in the derecognition of the original First Mortgage Loan at a value of $5,972,624 and the recognition of the amended First Mortgage Loan with a value of $5,559,162 and associated deferred financing costs of $69,499, resulting in a gain on loan modification of $343,962.

(In Canadian dollars)

In March 2021, the Company repaid the $3,500,000 principal amount of the BJK Loan (Note 14) and accrued and unpaid interest in full, by way of a cash payment of $2,549,429 and by applying the deemed proceeds on the exercise of 10,000,000 warrants held by the lender at an exercise price of $0.1093 per share for a total of $1,093,000.

13. CONVERTIBLE DEBENTURES

The following table summarizes the changes to the outstanding principal amounts of convertible debentures:

Year ended	**April 30,2022**	April 30, 2021
Opening balance	503,585	6,706,750
Debentures issued during the period	3,478,261	13,941,142
Debentures converted during the period	(3,981,846)	(19,859,880)
Closing balance	-	788,012
Deferred financing costs	-	(284,427)
Convertible debenture liability	-	503,585

During the year ended April 30, 2021, the Company issued a total of 3,941.1 convertible debenture units (the “C Convertible Debenture Units”) for gross proceeds of $3,941,142 (the “C Convertible Debenture Offering”). During the year ended April 30, 2020, the Company issued a total of 753.5 convertible debenture units for gross proceeds of $753,500. The C Convertible Debentures Units each consist of one $1,000 unsecured convertible debenture (the “C Debentures”) and 7,500 share purchase warrants. The C Debentures bear interest at a simple rate of 15% per annum, the initial three (3) years of interest prepaid (the “C Prepaid Interest”) on the date of issuance of the C Debentures (the “C Issue Date”) by the issuance of common shares (the “C Prepaid Interest Shares”) at a price of $0.07 per C Prepaid Interest Share. The principal of the C Debentures (the “C Principal”) together with all accrued interest exceeding the C Prepaid Interest (the “C Interest Balance”) will be repaid 48 months from the C Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the C Issue Date at a price of $0.05 for the C Principal and $0.07 for the C Interest Balance. As at April 30, 2021, $360,000 of C Debentures remained outstanding. For the year ended April 30, 2022, the remaining $360,000 of C Debentures were converted into 7,200,000 common shares of the Company. As at April 30, 2022, no C Debentures remained outstanding.

During the year ended April 30, 2020, the Company issued 512.18 convertible debenture units (the “A Convertible Debenture Units”) for gross proceeds of $5,121,750 (the “A Convertible Debenture Offering”). The A Convertible Debentures Units each consist of one $10,000 unsecured convertible debenture (the “A Debentures”) and 5,000 share purchase warrants. The A Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the “A Prepaid Interest”) on the date of issuance of the A Debentures (the “A Issue Date”) by the issuance of common shares (the “A Prepaid Interest Shares”) at a price of $0.10 per A Prepaid Interest Share. The principal of the A Debentures (the “A Principal”) together with all accrued interest exceeding the A Prepaid Interest (the “A Interest Balance”) will be repaid 48 months from the A Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the A Issue Date at a price of $0.06 for the A Principal and $0.10 for the A Interest Balance. As at April 30, 2021, $214,500 of A Debentures remained outstanding. For the year ended April 30, 2022, the remaining $214,500 of A Debentures were converted into 3,575,000 common shares of the Company. As at April 30, 2022, no A Debentures remained outstanding.

Additionally, during the year ended April 30, 2020, the Company issued a total of 2,432.0 convertible debenture units (the “B Convertible Debenture Units”) for gross proceeds of $2,432,000 (the “B Convertible Debenture Offering”). The B Convertible Debentures Units each consist of one $1,000 unsecured convertible debenture (the “B Debentures”) and 500 share purchase warrants. The B Debentures bear interest at a simple rate of 15% per annum, the initial two (2) years of interest prepaid (the “B Prepaid Interest”, together with the A Prepaid Interest, collectively the “Prepaid Interest”) on the date of issuance of the B Debentures (the “B Issue Date”) by the issuance of common shares (the “B

(In Canadian dollars)

Prepaid Interest Shares”) at a price of $0.12 per B Prepaid Interest Share. The principal of the B Debentures (the “B Principal”) together with all accrued interest exceeding the B Prepaid Interest (the “B Interest Balance”) will be repaid 48 months from the B Issue Date unless repaid earlier by the Company without penalty or converted by the holder(s) thereof any time after four months and a day following the B Issue Date at a price of $0.08 for the B Principal and $0.12 for the B Interest Balance. As at April 30, 2021, $135,000 B Debentures remained outstanding. For the year ended April 30, 2022, the remaining $135,000 of B Debentures were converted into 1,687,500 common shares of the Company. As at April 30, 2022, no B Debentures remained outstanding.

On August 3, 2021, the Company completed a non-brokered, convertible debenture financing, and received gross proceeds of $4,000,000 (the “Financing”) of which $521,739 was allocated to equity for the conversion feature. Pursuant to the Financing, the Company issued 4,000 non-interest-bearing, unsecured convertible debentures (the “Debentures”), each issued at $1,000 per Debenture, the principal amount of the Debentures being convertible into common shares at $1.25 per share during the 12-month term of the Debentures. Following the issuance of the Debentures, on September 7, 2021, the full $4,000,000 of the principal amount was converted into 3,200,000 shares of the Company at the conversion price of $1.25 per common share. The Debentures and the common shares issued upon the conversion thereof were subject to a statutory 4-month hold period which expired on December 4, 2021.

14. 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 April 30, 2022 and 2021, there are no Class B preferred shares issued or outstanding.

The number of common shares issued and outstanding:

Year ended	**April 30, 2022**		April 30, 2021	
Common Shares	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	611,682,938	79,672,607	244,044,047	20,941,031
Issued for IP Purchases (Note 6)	10,000,000	2,050,000	-	-
Issued for debenture conversion (Note 13)	15,662,500	4,709,500	180,711,237	20,215,257
Issued for prepaid interest on convertible debenture	-	-	25,335,915	1,256,758
Issued for debt settlement	-	-	36,124,814	2,803,638
Issued for warrant exercise	24,339,474	13,323,085	117,786,925	33,440,655
Issued for option exercise	645,000	91,663	4,430,000	561,872
Issued for RSU conversion	-	-	3,250,000	666,250
Share issuance cost	-	(77,442)	-	(212,854)
Balance, end of period	**662,329,912**	**99,769,413**	**611,682,938**	**79,672,607**

Debenture conversions

During the year ended April 30, 2022, the Company converted debentures of $4,709,500, into 15,662,500 common shares of the Company. The carrying value of the debentures were reclassified to equity on the conversion dates.

During the year ended April 30, 2021, the Company converted debentures and accrued interest of $19,938,392 and $276,865, respectively, into 180,711,237 common shares of the Company. The carrying value of the debentures and accrued interest were reclassified to equity on the conversion dates.

(In Canadian dollars)

Private Placements and Debt settlements

During the year ended April 30, 2021, the Company issued 10,433,814 common shares with an issue date fair value of $746,758 to settle certain outstanding debts totaling $704,989. The resulting loss on settlement of $41,769 was recognized in the statement of net and comprehensive loss.

In November 2020, the Company issued 6,315,000 equity units at $0.08 per unit pursuant to a private placement for gross proceeds of $519,300 and a debt settlement at fair value of $89,300 to settle a debt of $75,200 resulting in a loss of $14,100. Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at the price of $0.12 per underlying common share for a period of 3 years subject to a reduced term of 30 days from the date of notice if the market price is $0.20 or higher for five consecutive days. The warrants were valued using a residual value method to first allocate the proceeds of the private placement to the shares issued. As the value of the private placements approximated the fair value of the shares, no value was assigned to the warrants.

In December 2020, the Company issued 19,376,000 equity units at $0.08 per unit pursuant to a private placement for gross proceeds of $1,550,080 and a debt settlement at fair value of $10,000 to settle a debt of $10,000 resulting in no gain/loss. Each equity unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at the price of $0.12 per underlying common share for a period of 3 years subject to a reduced term of 30 days from the date of notice if the market price is $0.20 or higher for five consecutive days. The warrants were valued using a residual value method to first allocate the proceeds of the private placement to the shares issued. As the value of the private placements approximated the fair value of the shares, no value was assigned to the warrants.

Warrants

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

	Number of Warrants	Weighted average exercise price	Reserve amount
Balance April 30, 2020	59,208,085	0.16	3,722,892
Issued in connection with Convertible debenture	32,678,565	0.07	1,349,168
Issued in connection with private placements	27,627,080	0.12	121,318
Issued in connection with BJK Adjustment	18,854,354	-	-
Issued in connection with prepaid fuel sale	3,750,000	0.14	1,185,678
Exercised	(117,786,925)	0.14	(5,158,369)
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 12)	12,000,000	1.00	1,206,078
Issued in connection with Second Mortgage Loan (Note 12)	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	1.00	2,927,307

In August 2021, the Company entered the First Mortgage Loan with the Lenders (Note 12). In connection with the First Mortgage Loan, Cielo issued 12,000,000 non-transferable 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.

(In Canadian dollars)

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 $1,200,000 allocated to the First Mortgage Bonus Warrants.

The Company utilized $5,500,000 of the net proceeds of the Second Mortgage Loan 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 would, if not exercised, expire on May 19, 2022. The 5,500,000 First Mortgage Bonus Warrants expired subsequent to the year ended April 30, 2022.

The Company closed an $11,000,000 mortgage loan with FCF (the "Second Mortgage Loan"), effective February 18, 2022 (Note 12). In connection with the Second Mortgage Loan, the Company has 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.

The proceeds for the Second Mortgage Loan were first allocated to the loan based on its estimated fair value of $8,404,380 using an estimated fair value interest rate of 17%. The residual value of $2,595,620 was allocated to the Second Mortgage Bonus Warrants.

As at April 30, 2022, the Company had the following warrants outstanding:

Exercise Price	Number of Outstanding and Exercisable	Weighted Remaining life (Years)	Weighted average exercise price
$1.00	12,000,000	2.32	$1.00
$0.22	50,000,000	1.81	$0.22

In February 2021, the Company received total proceeds of $1,500,000 in connection with a prepaid sale of 900,000 litres of diesel at $1.67 per litre. In connection with this transaction, the Company paid a finder's commission of 5% of the proceeds and 3,750,000 share purchase warrants entitling the holder to purchase one common share per warrant at an exercise price of $0.135 per share expiring 2 years from the date of issuance. In September 2021, the warrants were exercised and the Company issued 3,750,000 common shares upon the exercise of warrants at $0.135 per share.

During the year ended April 30, 2018, the Company completed a $3,500,000 financing arrangement (the "BJK Loan") with BJK Holdings Ltd. ("BJK"), which included $3,500,000 of debt financing as well as the issuance of 25,000,000 share purchase warrants (the "BJK Warrants"). Each BJK Warrant entitled BJK to purchase one common share of the Company at an exercise price of $0.20 (the "Exercise Price"). The terms of the BJK Warrants contained an adjustment clause to increase the number of the BJK Warrants outstanding, and to decrease the Exercise Price, for any reorganizations or dilutive events during the term of the Bonus Warrants. During the year ended April 30, 2022, the Company issued an additional 8,316 BJK Warrants through the adjustment clause (2021 – 18,846,897) and issued 20,259,224 common shares (2021 – 30,000,000) upon the exercise of 20,259,224 BJK Warrants (2021 - 30,000,000). The exercise prices of these warrants were between $0.09 to $0.25 per share.

The BJK Warrants were recognized as a current liability in the statements of financial position with the unrealized gains/losses resulting from the changes in fair value each period recognized as a non-cash item in the statement of net and comprehensive loss. As these BJK Warrants were exercised, the fair value of the recorded warrant liability on the date of exercise was removed from the warrant liability account and recorded in share capital along with the proceeds from the exercise. All remaining BJK Warrants were exercised during the year ended April 30, 2022.

(In Canadian dollars)

Changes in the warrant liabilities are summarized below:

Year ended	**April 30, 2022**	April 30, 2021
Warrant liability, opening	10,169,563	147,681
Exercise of warrants	(9,677,185)	(18,518,554)
Change in fair value of warrant lability	(492,378)	28,540,436
Warrant liability, ending	-	10,169,563

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 fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model with weighted average assumptions as follows:

	Year ended April 30, 2022
Risk-free interest rate	1.23%
Expected life (years)	2.5
Expected volatility	95%
Share price at grant date	$0.21
Expected dividends	Nil
Fair value of options granted during the year ($/share)	$0.11

Continuity of the Company's option is as follows:

	Number	**Weighted Average exercise Price**
Balance April 30, 2020	3,740,000	$0.25
Issued	5,950,000	$0.20
Canceled	(20,000)	$0.25
Expired	(3,845,000)	$0.25
Exercised	(4,430,000)	$0.10
Balance April 30, 2021	1,395,000	$0.51
Issued	27,965,051	$0.21
Canceled	(1,090,357)	$0.38
Expired	(375,000)	$1.25
Exercised	(645,000)	$0.10
Balance April 30, 2022	**27,249,694**	**$0.20**

(In Canadian dollars)

The following table summarizes the options outstanding and exercisable at April 30, 2022:

Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
$0.10	250,000	1.10	$0.10	250,000
$0.20	26,162,154	4.67	$0.20	9,503,913
$0.31	837,540	4.92	$0.31	-
	27,249,694	4.65	$0.20	9,753,913

Subsequent to April 30, 2022, 9,166,667 options were forfeited due to the departure of certain Key Management Personnel.

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 favour 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.

On December 31, 2021, the Company granted 5,500,000 restricted share units (“RSUs”) to its officers, and 2,100,000 deferred share units (“DSUs”) to its directors (the “Grants”).

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 April 30, 2022 is $0.20 per unit. The number of RSU and DSU outstanding is detailed below:

	RSU	DSU
Outstanding April 30, 2020	3,250,000	-
Vested - converted into shares	(3,250,000)	-
Outstanding April 30, 2021	-	-
Issued	5,500,000	2,100,000
Vested - paid in cash	(1,833,333)	-
Outstanding April 30, 2022	**3,666,667**	**2,100,000**

(In Canadian dollars)

Subsequent to April 30, 2022, all of the outstanding 3,666,667 RSUs were forfeited due to the departure of certain Key Management Personnel.

Share-based compensation

Year ended	**April 30, 2022**	April 30, 2021
Stock options	1,132,957	241,707
Restricted share units	488,889	156,230
Deferred share units	140,000	-
Total share-based compensation	**1,761,846**	397,937

Per share amounts

Basic and diluted loss per share have been calculated based on the weighted average number of shares outstanding for the year ended April 30, 2022 of 651,753,286 (2021 – 348,222,026).

The effect of any potential exercise of warrants and stock options is excluded from the calculation of diluted loss per share for the years ended April 30, 2022 and 2021 as the effect would be anti-dilutive.

15. FINANCING COSTS

Year ended	**April 30, 2022**	April 30, 2021
Amortization of deferred financing costs	810,678	3,525,599
Interest on loans	1,518,173	3,267,083
Accretion of debentures	120,204	22,788
Accretion of lease liability	64,099	25,505
Capitalized interest	(996,847)	(1,788,110)
Total	1,516,307	5,052,865

16. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel are comprised of Cielo's executive officers and the Board of Directors. Compensation of key management personnel is reviewed annually by the human resource and governance committee of the Board of Directors against a selected industry peer group to align the interests of key management personnel and shareholders.

Compensation expenses for key management personnel are summarized below:

Year-ended	**April 30, 2022**	April 30, 2021
Salary and cash bonus	1,399,268	558,416
Cash settled share-based compensation	366,667	-
Equity settled share-based compensation	930,035	277,522
Total	2,695,970	835,938

Renewable U Energy Inc. ("Renewable U")

In September 2021, the Senior Vice President of Global Development & Indigenous Relations and Senior Vice President of Corporate Development & Investor Relations, who were also directors and shareholders of Renewable U, both resigned from their positions with Cielo in order to focus their efforts on Renewable U, a privately-owned Alberta corporation. For the year ended April 30, 2022, the CEO, director and shareholder of Renewable U, Ryan Jackson was also a director of Cielo. Subsequent to April 30, 2022, Ryan Jackson was appointed interim CEO of the Company 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. As at April 30, 2022, the Company received total fees of $2,250,000 from Renewable U and its affiliates (2021 - $2,250,000) in connection with the MOUs. During the year ended April 30, 2022, the Company reclassified the amounts related to the MOUs from current to long term as the obligation of the Company to either execute definitive agreements or refund the fees under the various MOUs will not arise in the next 12 months.

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. For the year ended April 30, 2022, the Company charged Renewable U management fees and recovery of expenses of $5,637 and $93,535 respectively (2021 - $16,086 and $241,563) and made a credit adjustment of $56,463 to the recovery of expenses related to fiscal Q4 2021 in fiscal Q1 2022. The management fees were recorded as other expenses (income) in the statements of loss and comprehensive loss. As at April 30, 2022, the amount receivable from Renewable U was $nil (April 30, 2021 - $97,194).

1888711 Alberta Inc.

A director and former officer of Cielo was also a director and officer of 1888 Inc. for a portion of the year ended April 30, 2022 and all of the year ended April 30, 2021. The director and former officer of Cielo resigned from 1888 Inc. prior to the termination of the License Agreement (see Notes 1 and 8).

During the year ended April 30, 2022 and up to the date of resignation of the director from 1888 Inc., Cielo charged 1888 Inc total expenses of $17,455 (2021 - $91,217) in relation to 1888 Inc using Cielo's office space for business purpose. As at April 30, 2022, the amount receivable from 1888 Inc is $nil (2021 - $186,216).

17. 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.

(In Canadian dollars)

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.

The fair value of the warrant liability is considered a level 3 valuation to the use of unobservable inputs (Note 14).

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 April 30, 2022, the Company's cash is not subject to any external restrictions. The Company also continuously monitors actual and projected expenditures and cash flows.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from April 30, 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	1,951,149	-	-
Royalty payable	889,219	-	-
Loans	-	14,218,803	60,000
Lease liability	144,245	180,020	514,566
Total	2,984,613	14,398,823	574,566

(In Canadian dollars)

As at April 30, 2022, the Company had cash balance of $2,681,275 and working capital surplus of $1,164,316. Management is considering 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 April 30, 2022, the Company had US dollar denominated accounts payable of $202,500 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 and the receivable from 1888 Inc. The Company manages its exposure to credit loss by holding cash on deposit with major financial institutions.

As at April 30, 2022 the carrying amounts of the Company's cash, GST and other receivables approximate their fair value due to their short-term nature.

18. COMMITMENTS AND CONTINGENCIES

As at April 30, 2022, the Company is committed to expenditures under various contracts with service providers for general and administrative services. As at April 30, 2022, the Company had contractual obligations as follows:

Fiscal year	**2023**	**2024**	**2025 +**	**Total**
Lease obligations	144,245	180,020	514,566	838,831
General and administrative contracts	104,723	-	-	104,723
Other	313,383	299,076	39,876	652,335
Total contractual obligations	562,351	479,096	554,442	1,595,889

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.

(In Canadian dollars)

19. INCOME TAXES

The provision for income taxes differs from the amount which would be obtained by applying the combined Canadian statutory federal and provincial corporate income tax rate to the net loss in the year. A reconciliation of the expected tax and the actual provision for income taxes is as follows:

Year-ended	**April 30, 2022**	April 30, 2021
Loss for the year	(15,319,000)	(38,628,870)
Expected income tax recovery at statutory rates of 23% (2021 - 23%)	(3,523,370)	(8,884,640)
Non-deductible expenses	148,569	7,010,636
Change in unrecognized deferred tax assets	2,500,410	1,874,004
Deferred income tax expense (recovery)	(874,391)	-

The following table summarizes the components of deferred tax:

	April 30, 2022	April 30, 2021
Deferred tax assets		
Non-capital losses	754,675	-
Deferred tax liabilities		
Discount on debt	(754,675)	-
Net deferred income tax asset (liability)	-	-

Deferred tax assets result from temporary differences that arise due to the differences between the income tax values and the carrying amount of the assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that there will be future taxable profits against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. At April 30, 2022, there were insufficient expectations of future taxable profits and the deferred tax asset is unrecognized. The components of the unrecognized deductible assets are as follows:

Deferred tax assets	**April 30, 2022**	April 30, 2021
Non-capital losses and capital loss carried forward	5,134,733	3,814,956
Property plant and equipment and other	551,269	227,818
Deferred Fees	517,500	-
SRED	682,077	-
Less : Unrecognized deferred tax assets	(6,885,579)	(4,042,774)
Total	-	-

At April 30, 2022, the Company has non-capital losses carried forward for Canadian income tax purposes totaling approximately $25,370,000 (2020 - 16,116,000) which will expire from 2034 to 2042 and may be applied against future taxable income. The Company also has approximately $470,000 (2021 - $470,000) of capital losses that may be carried forward and applied against future capital gains.

20. SUBSEQUENT EVENTS

Expiration of Warrants

5,500,000 First Mortgage Bonus Warrants expired (Note 12).

Public Offering of Securities

On July 8, 2022, the Company closed a public offering (the "Offering") of units (the "Units") in British Columbia, Alberta and Ontario issuing 139,642,856 Units at a price of $0.07 per Unit, including 18,214,285 Units issued pursuant to the full exercise of an over-allotment option, for gross proceeds of approximately $9,775,000.

Each Unit is comprised of one common share and one common share purchase 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.

Fort Saskatchewan Lease

The Company entered into a commercial 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") (Note 7), 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 Lease for an additional period of 5 years. The Tenant also has the right to terminate the Lease upon three (3) months' notice if prior to April 30, 2025.

Partial Repayment of Mortgage Loan by way of Shares for Debt

On August 9, 2022, the Company agreed, subject to the approval of the TSX Venture Exchange (the "Exchange"), to repay $2,000,000 of the First Mortgage Loan (Notes 7 and 12), which is secured by the Company's property in Fort Saskatchewan, Alberta in exchange for the issuance of 21,428,571 common shares (the "Repayment Shares") 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 of Cielo. Upon the partial repayment, 2,000,000 First Mortgage Bonus Warrants (Note 12) will have their term reduced to the date that is 90 days following issuance of the Repayment Shares.