

DEBT CONVERSION AGREEMENT

THIS AGREEMENT is effective as of the 8th day of August, 2022 (the “**Effective Date**”).

B E T W E E N :

CIELO WASTE SOLUTIONS CORP.

605 – 5th Avenue S.W., Suite 1100, Calgary, AB T2P 3H5
(hereinafter referred to as the “**Company**”),

OF THE FIRST PART,

- and –

FIRST CHOICE FINANCIAL INCORPORATED.

██
(hereinafter referred to as “**FCF**”),

OF THE SECOND PART,

- and –

KV CAPITAL INC.

██
(hereinafter referred to as “**KV**”, together with “**FCF**”, collectively the “**Creditors**”
and each a “**Creditor**”),

OF THE THIRD PART.

WHEREAS:

- A. The Company and the Creditors had entered into an Amended and Restated Commitment Letter on or about August 13, 2021, as amended on September 20, 2021 and on February 9, 2022 (the “**Commitment Letter**”);
- B. Pursuant to the terms of the Commitment Letter, 12,000,000 non-transferable bonus warrants exercisable at CAD \$1.00 per share (the “**Bonus Warrants**”) were issued to FCF;
- C. Prior to the date hereof, the Company repaid an amount equal to CAD \$5,500,000 of the principal pursuant to the Commitment Letter (the “**Prior Partial Repayment**”) such that, as at the date hereof and prior to giving effect to the Transaction (as defined below), the Company is indebted under the Commitment Letter in the principal amount equal to CAD \$6,500,000 (the “**Principal Owing**”);
- D. Notwithstanding that FCF and KV are parties to the Commitment Letter, the full amount of the Principal Owing (together with all interest accruing from time to time) is payable, as and when it becomes due, to FCF and not to KV;
- E. In connection with the Prior Partial Repayment, 5,500,000 Bonus Warrants expired or were

cancelled on the date that was 90 days following such Prior Partial Repayment, such that 6,500,000 Bonus Warrants remain outstanding (the “**Outstanding Bonus Warrants**”) on or about the date of this Agreement and prior to giving effect to the Transaction;

- F. The Company desires to repay an amount equal to CAD \$2,000,000 (the “**Repayment Amount**”) of the Principal Owing to FCF;
- G. FCF has agreed to accept an aggregate 26,984,126 Class “A” Common Shares of the Company (the “**Debt Shares**”) in settlement of the Repayment Amount, such that an amount equal to CAD \$1,500,000 of the Repayment Amount will be converted into the Debt Shares at CAD \$0.07 per share and the remaining CAD \$500,000 of the Repayment Amount will be converted into the Debt Shares at \$0.09 per share; and
- H. Pursuant to the terms of the Outstanding Bonus Warrants and the policies of the TSX Venture Exchange (the “**Exchange**”), 2,000,000 of the Outstanding Bonus Warrants will expire or be cancelled if not exercised within 90 days of the date that the Debt Shares are issued pursuant to the terms of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT for and in consideration of the mutual promises and agreements hereinafter contained, the sum of \$1.00 now paid by each party to the other and other good and valuable consideration (the receipt and sufficiency of which is hereby irrevocably acknowledged), the parties hereto hereby agree as follows:

1. ACKNOWLEDGMENT OF DEBT

Each party hereto acknowledges and agrees that the Company is indebted to the Creditors in an amount equal to the Principal Owing, however notwithstanding the foregoing, owes the entirety of such Principal Owing to FCF and not to KV.

2. ISSUANCE OF SHARES

2.1 Subject to the approval of the Exchange, the Company agrees to issue to FCF the Debt Shares and the Creditors agrees to accept, and in particular that FCF will receive as registered in its name, the Debt Shares, at a deemed price of \$0.07 per Debt Shares with respect to CAD \$1,500,000 of the Repayment Amount and \$0.09 per Debt Share with respect to CAD \$500,000 of the Repayment Amount, as full and final payment of the Repayment Amount, thereby reducing the Principal Owing to CAD \$4,500,000 (the “**Transaction**”).

2.2 The Company will deliver as soon as practicable to FCF a certificate or DRS Advice slip representing the Debt Shares, registered in accordance with the instructions set out in Schedule “A”, attached hereto.

2.3 The Creditors agrees that such amount of the Principal Owing equal to the Repayment Amount will be fully satisfied and extinguished when the Company delivers the certificate and/or DRS Advice slip representing the Debt Shares to the FCF, and subject only to the issuance of the Debt Shares, the Creditors hereby remise, release and forever discharge the Company, its directors, officers, employees, consultants, representatives, agents, successors and assigns, of and from any

and all manner of actions, causes of actions, suits, proceedings, debts, accounts, bonds, covenants, contracts, claims, liabilities, damages, grievances, executions, judgments, rights and demands of any kind whatsoever, both in law and in equity (collectively referred to herein as “**Claims**”) which the Creditors ever had, now has, or can, shall or may in the future have had or have against the Company for any matter whatsoever, existing up to or on the date hereof, with respect to a portion of the principal Amount equal to the Repayment Amount, it being understood that any amounts owing in excess of the Repayment Amount remain outstanding and the release of the Company pursuant to this section 2.3 does not apply thereto.

2.4 Each of the Company and the Creditors shall co-operate in good faith with the other with a view to obtaining on a timely basis any consents, approvals or exemptions reasonably required in connection with the transactions contemplated hereby.

3. REPRESENTATIONS, WARRANTIES, COVENANTS AND ACKNOWLEDGEMENTS

3.1 The Company hereby represents, warrants, and covenants to the Creditors, and acknowledges that the Creditors are relying upon such representations, warranties, and covenants in entering into this Agreement, that:

- (a) it is a corporation duly incorporated and organized under the laws of the Province of British Columbia and is presently in good standing thereunder with full corporate power to own its properties and carry on its business as now being conducted;
- (b) the Company has full power and authority to enter into this agreement and perform the same and do all other acts which may be necessary to consummate the transaction contemplated hereby, subject to the approval of the Exchange;
- (c) the execution and delivery of this agreement are within the corporate power and authority of the Company and have been duly authorized by all necessary corporate action and this agreement constitutes a valid and binding obligation of the Company enforceable against it and its successors in accordance with its terms, subject to the approval of the Exchange and further subject to the usual qualification as to enforceability being limited by bankruptcy and other laws effecting the enforcement of creditors' rights generally, equitable remedies being discretionary remedies and rights to indemnification and contribution being limited by applicable laws;
- (d) none of the execution and delivery of this agreement, the consummation of the transactions contemplated hereby or the fulfilment of or compliance with the terms and provisions hereof do or will, with the giving of notice or the lapse of time or both:
 - (i) to the best of the knowledge of the Company, violate any provision of any law or administrative regulation or any administrative order, award, judgment or decree applicable to the Company;
 - (ii) conflict with any of the terms, conditions or provisions of the articles or any

by-laws of the Company or any resolution of its directors or shareholders;
or

- (iii) conflict with, result in a breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any material agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award to which the Company is a party or by which it is bound or to which the property of it is subject;
- (e) the Debt Shares to be issued to FCF in accordance with the provisions hereof will, upon their issuance and delivery, be validly issued and outstanding as fully paid and non-assessable Class “A” common shares of the Company;
- (f) the Company is a reporting issuer not in default under the securities laws applicable to the Company, including but not limited to the *Securities Act* (British Columbia) (the “Act”); and
- (g) the issue of the Debt Shares hereunder is made in reliance upon prospectus exemptions contained in the Act and other applicable securities laws and the Debt Shares may not be resold otherwise than in compliance with the resale restrictions applicable thereto as provided for in the Act and applicable securities laws.

3.2 Each of KV and FCF as applicable hereby represent, warrant and covenant to the Company, and acknowledge that the Company is relying on such representations, warranties and covenants in entering into this Agreement, that:

- (a) the Creditor has the legal capacity and competence to enter into and execute this agreement and to take all actions required pursuant hereto and, if the Creditor is a corporation, it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been obtained to authorize execution of this agreement on behalf of the Creditor;
- (b) the Creditor has full power and authority to enter into this agreement and perform the same and do all acts which may be necessary to consummate the transactions contemplated hereby;
- (c) this Agreement has been duly executed and delivered by the Creditor and constitutes a valid and binding obligation of the Creditor enforceable against it in accordance with its terms, subject to the usual qualification as to enforceability being limited by bankruptcy and other laws effecting the enforcement of creditors rights generally, equitable remedies being discretionary remedies and rights to indemnification and contribution being limited by applicable laws; and
- (d) FCF the beneficial owner of the Principal Owing, and in particular the Repayment Amount, which represents a *bona fide* debt of the Company, with good and

marketable title thereto free and clear of all liens, charges, security interest and other encumbrances whatsoever.

Further:

- (e) FCF acknowledges that the Debt Shares, as and when the same are issued, shall be subject to a statutory hold period pursuant to the Act as well as any hold period that may be imposed by the rules and policies of the Exchange;
- (f) FCF acknowledges that the 2,000,000 Outstanding Bonus Warrants will expire on the date that is 90 days following the date of the issuance of the Debt Shares, unless earlier exercised in accordance with their terms;
- (g) each Creditor, by executing this Agreement, acknowledges and expressly consents to the Company's collection, use and disclosure of such Creditor's personal information for the purpose of completing the Transaction and expressly consents to the Company retaining the personal information for as long as permitted or required by applicable law or business practices and to the filing of such documents and any other documents as may be required to be filed with any stock exchange or securities regulatory authority in connection with this Transaction. Each Creditor further acknowledges and expressly consents to the following use of the personal information of such Creditor:
 - (i) for internal use with respect to managing the relationships between and contractual obligations of the Company and the Creditors;
 - (ii) for use and disclosure to the Company's transfer agent and registrar;
 - (iii) for use and disclosure for income tax related purposes, including without limitation, where required by law, disclosure to Canada Revenue Agency and the United States Internal Revenue Service;
 - (iv) disclosure to securities regulatory authorities (including any stock exchange such as the Exchange) and other regulatory bodies with jurisdiction with respect to reports of trade and similar regulatory filings;
 - (v) disclosure to a governmental or other authority (including any stock exchange such as the Exchange) to which the disclosure is required by court order or subpoena compelling such disclosure and where there is no reasonable alternative to such disclosure;
 - (vi) disclosure to professional advisers of the Company in connection with the performance of their professional services;
 - (vii) disclosure to any person where such disclosure is necessary for legitimate business reasons and is made with the Creditor's prior written consent;
 - (viii) disclosure to a court determining the rights of the parties under this Agreement; or
 - (ix) for use and disclosure as otherwise required or permitted by law; and
- (h) FCF acknowledges that the Company will file with the Alberta Securities Commission Form 45-106F1, which will be publicly available, and which will include FCF's name, Repayment Amount and terms of the Transaction.

3.3 All of the covenants, representations, and warranties shall survive the closing of the issuance of the Debt Shares hereunder. The Company's obligation to complete the transactions contemplated hereby is subject to the foregoing representations and warranties being true and correct at the date of this Agreement.

4. GENERAL

4.1 This Agreement and the terms and conditions herein shall be fulfilled in accordance with applicable securities laws and policies of the Exchange and shall be subject to the Exchange.

4.2 Time shall in all respects be of the essence of this agreement.

4.3 This agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and the parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

4.4 All dollar amounts expressed herein refer to lawful currency of Canada.

4.5 Any notice, document or other communication required or permitted by this agreement to be given by a party hereto shall be in writing and is sufficiently given if delivered personally, or if sent by prepaid ordinary mail posted in Canada, or if transmitted by any form of recorded telecommunication including by email, to such party as set out on the face page hereof or otherwise set out below the signature of such party affixed to this Agreement. Notice so mailed shall be deemed to have been given on the third business day after deposit in a post office or public letterbox. Neither party shall mail any notice, request or other communication hereunder during any period in which Canadian postal workers are on strike or if such strike is imminent and may reasonably be anticipated to affect the normal delivery of mail. Notice transmitted by a form of recorded telecommunication or delivered personally shall be deemed give on the day of transmission or personal delivery, as the case may be. Any party may from time to time notify the others in the manner provided herein of any change of address which thereafter, until changed by like notice, shall be the address of such party for all purposes hereof.

4.6 The costs of each party to this Agreement associated with the preparation or review of this Agreement and the transactions contemplated hereby, including, without limitation, legal costs, shall be borne by each such party.

4.7 The parties agree to execute and deliver to each other such further instruments and other written assurances and to do or cause to be done such further acts or things as may be necessary or convenient to carry out and give effect to the intent of this agreement or as any of the parties may reasonably request in order to carry out the transactions contemplated herein.

4.8 This agreement sets forth the entire agreement among the parties hereto pertaining to the specific subject matter hereof and replaces and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties hereto, and there are no warranties, representations or other agreements, whether oral or written, express or implied, statutory or otherwise, between the parties hereto in connection with the subject matter hereof except as specifically set forth herein. No supplement, modification, waiver or termination of this

agreement shall be binding unless executed in writing by the party to be bound thereby.

4.9 In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this agreement shall not in any way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable, and the remainder of the provisions of this agreement shall nevertheless remain in full force and effect.

4.10 This Agreement may be executed by the parties hereto in separate counterparts or duplicates each of which when so executed and delivered shall be an original, but all such counterparts or duplicates shall together constitute one and the same instrument.

4.11 This agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, assigns and legal representatives. This agreement may not be assigned without the prior written consent of the parties, which consent may be unreasonably withheld.

4.12 Each party agrees that it has had an opportunity to seek independent legal advice and has so sought such advice or waived its right to do so.

[signature page follows]

IN WITNESS WHEREOF the parties have executed this agreement as of the date first above written.

CIELO WASTE SOLUTIONS CORP.

Per:

/s/ "Ryan Jackson"

Ryan Jackson, Interim CEO

Email: rjackson@cielows.com

**FIRST CHOICE FINANCIAL
INCORPORATED.**

Per:

/s/ "Vikas Sharma"

Vikas Sharma, President

Email: ████████████████████

KV CAPITAL INC.

Per:

/s/ "Colin Brenneis"



Name: Colin Brenneis

Title: Senior Director, Underwriting

Email: ████████████████████

SCHEDULE "A"

SHARE REGISTRATION INSTRUCTIONS

Name: **FIRST CHOICE FINANCIAL INCORPORATED**
Address: [REDACTED]
Email: [REDACTED]
Phone Number: [REDACTED]